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Hearing before the Council of the City of New York
Transportation Committee

Management and Accountability Issues Pertaining
to MTA-New York City Transit

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Good morning. My name is Matthew Mitchell and I am Project Director at the Fiscal Policy Institute, a non-profit research and education organization that focuses on the broad range of tax, economic, budget and related public policy issues that affect the quality of life and economic well-being of New York City and State residents.

Thank you for the opportunity to testify with regard to the critical and timely issue of financial accountability at the MTA. The Fiscal Policy Institute's experience monitoring the MTA budget tells us that problems with lack of accountability are quite real, and have only become more so over the past year.

This testimony provides a concrete example of why accountability is such a problem, and suggests three reforms. First, the example:

- This hearing is justified, if for no other reason, by a small footnote in the MTA's December, 2002 presentation of its 2003 Operating Budget for the New York City Transit Authority. The footnote, which sits at the bottom of table of numbers advertising a \$1.6 billion "net operating cash deficit" for 2003, reads as follows:

"Excludes subsidies and debt service: continues current fare levels."

The problem here, of course, is that no reasonable budget presentation could possibly exclude subsidies and debt service. Subsidies – which typically include both City and State operating assistance and a wide array of special tax supported subsidies – accounted for just under a **one third** of revenue projected in 2002's operating budget proposal. And debt service – given the MTA's massive and unprecedented reliance on the bond markets to finance the current capital program – is without a doubt likely to grow very rapidly in the coming years.

No truly accountable agency, in other words, could possibly exclude debt service or subsidies from its budget presentation.

Next the three reforms:

- 1) The City Council should request a clear budget presentation on NYC Transit – broken down by standard budget categories and including both tax subsidies on the revenue side and debt service on the expense side – showing trends in each category dating back to FY 1994 and extending forward to projections through FY 2007. If breaks exist in the definitions of the categories, the MTA should explain why.
- 2) The City Council should request a clear and accurate list of annual debt service projections, both in total and broken down by operating agency budget. Given the long-term nature of mass transit capital planning, these annual projections should run through at least 2009, and should, in addition, be structured to allow comparisons with historic debt service levels (again by operating agency).
- 3) To assure greater accountability with regard to capital program performance, the City Council should request that the MTA initiate web-based posting of performance measures for all capital program contracts of over \$5,000,000 in value. This online database should track time and budget performance on current projects, and include names of contractors. It should also include a separate list of projects, dating back 10 years at all times, for which an “exception report” was generated under current Capital Program Oversight Committee rules. (e.g., For projects in design: a new schedule delay of more than three months or a new budget overrun of 15% of last reported budget. For projects in construction: a new schedule delay of more than three months or a new budget overrun of 10% of last reported budget.)

Beyond making these specific requests, the Council should in addition support comprehensive audits of the MTA’s finances by the City and State Comptrollers offices.

Thank you for the opportunity to testify.