When looking at the MTA, partial bits of information may lead to inaccurate conclusions. Thus shortfalls reported may just become angles to argue for policy decisions MTA bureaucrats crave irrespective of doing what remains right. For example, read on this commentary noting how the payroll-based mobility tax might just meet its expanded expectations that more than cover expected lower revenues estimated from dedicated real estate taxes.

On June 23, *Crain's New York Business* reported that the MTA had lowered by $105 million its estimate of the revenues the agency will receive in 2010 from dedicated real estate taxes. The Crain's story highlights the MTA's continuing financial difficulties. And it is yet another reminder of the inevitably disastrous consequences of relying so heavily on highly volatile real estate transaction taxes and mortgage recording taxes to support the operations of a transit system with very high fixed costs.

The Crain's story also notes that the MTA "had already projected a sharp drop in its payroll mobility tax." On several occasions, the MTA has in fact cited a shortfall in revenues from the regional payroll tax, authorized by the Legislature in 2009, as a major source of its current financial difficulties. And it is clear that in 2009, the amounts actually collected from employers fell short of what had been predicted – total receipts of $816 million, as compared with a total of $1.021 billion that had been assumed in the MTA's July 2009 financial plan.

But if there is in fact a significant shortfall in payroll tax revenues in 2010, we have to ask "a significant shortfall compared to what?"

· When the Legislature authorized the payroll tax in 2009, it was estimated that on a full-year basis, the tax would yield $1.53 billion in revenues for the MTA.

· In its July 2009 financial plan, the MTA forecast that in 2010, payroll tax revenues would total $1.540 billion.

· In its February 2010 financial plan, the MTA increased its estimate of 2010 payroll tax revenues to $1.669 billion.

Through the end of May, according to data from the State Department of Taxation and Finance, the payroll tax had generated about $692 million. Projected out over a full year, this would equate to about $1.660 billion. (The total for the year might actually be somewhat lower, since payroll-based tax receipts are typically higher during the early months of the year, due to payment of bonuses. On the other hand, with employment rising once again in the MTA region, payroll tax receipts could prove to be higher than anticipated during the remainder of the year.)

The MTA will be releasing a revised financial plan and preliminary 2011 budget this month (July). The plan should (we hope) provide a clearer picture of how much revenue the agency expects the payroll tax to produce in 2010 – how this compares with earlier estimates – and whether payroll tax shortfalls are in fact a major cause of the MTA's current fiscal problems. So the MTA used the claimed shortfalls, perhaps manipulated as to their timing to make a case for cuts it imposed; and those cuts represent policy choices that many disagree with and clearly many impact the users of mass transit in a most adverse way. Query: Where art the transparent forensic accounting of the MTA?

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Crains

Another tax shortfall hits the MTA's budget
After projecting a drop in its levy on payrolls, the transit authority says real-estate tax revenue is far below expectations, meaning it will have to find another $105 million to balance its budget.

By Jeremy Smerd

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Even with service cuts scheduled to take effect Sunday and fare increases set for January, the Metropolitan Transportation Authority's budget situation has gone from bad to worse.

Real-estate tax revenue for the first six months of the year is far below expectations. The MTA in its budget forecast had projected real estate tax revenue, which came in at $393.5 million in 2009, to jump to $536.5 million in 2010 and $593.2 in 2011. But receipts are now projected to be closer to $430 million—meaning that the authority must find about $105 million elsewhere to balance its budget. That's on top of about $144 million the MTA must find to cover lost revenue from student MetroCards that the MTA will continue to provide for free.

The MTA, which had already projected a sharp drop in its payroll mobility tax, is trying to close an $800 million budget deficit announced earlier this year. Half the savings will come from service cuts; the other half from reducing operational expenses.

MTA authorities said on Wednesday that they were on track to close the budget gap through a series of measures—including managerial buyouts and layoffs and stricter controls on overtime costs—that they've unveiled since the start of the year. Revenue from riders has also been higher than expected, officials said.

Overtime costs, though, have been high this year, due mainly to three large snowstorms in February. By the end of April, according to finance documents released this week, the MTA's costs were $2.7 million more than projected. In May, the MTA instituted much stricter overtime controls to make up for the budget shortfall and budget director Douglas Johnson said the authority expected to save money in overtime costs by the end of the year.

Still, with the worsening budget situation, officials have moved away from specifying what the fare increase will look like. Earlier, the MTA announced an overall fare increase of 7.5%, but indications are that it could be more.

“It is too early to tell you what the size of the fare increase will be,” said Jay Walder, the MTA's chairman and chief executive, after Wednesday's board meeting. “It's a function of what comes out of the financial plan."

On Sunday, the MTA will shut down the V and W lines and eliminate 37 bus routes. Other lines will see reduced weekend and non-rush-hour service. For example, wait times for subways will increase to 10 minutes from eight minutes for some of these lines, and riders can expect more standing-room-only trains.

The MTA will present a detailed budget for 2011 next month.