

Congestion pricing: No Salvation For the MTA

When Mayor Bloomberg unveiled his congestion pricing proposal in April, he asserted that net revenues from congestion pricing would be used solely to fund improvements in mass transit and other transportation infrastructure. The Mayor cited a long list of capital projects, totaling \$30.9 billion through 2030, that he said congestion pricing would help finance. More recently, MTA CEO/Executive Director Lee Sander has suggested that revenue from congestion pricing could also be used to subsidize the MTA's rapidly-rising operating costs, thus averting an increase in subway, bus and commuter rail fares.

Wow – billions of dollars to improve the transit system and no increase in fares. Who in his right mind would be opposed to that? There's one problem, however – the numbers just don't add up.

The money generated by congestion pricing simply isn't enough – and it won't be available soon enough – to avert a significant fare increase.

- In 2008, when the MTA will be facing a shortfall of \$799 million, congestion pricing will produce – nothing, because even if the legislature approved the Mayor's proposal tomorrow, it would take at least 18 months to two years to put the system in place.
- In 2009, when the MTA's projected operating deficit rises to \$1.45 billion, congestion pricing might yield \$200 million in net revenues.
- In 2010, the system's first full year in operation, congestion pricing would produce \$380 million in net revenues – and the MTA's operating deficit is projected to reach \$1.78 billion.

Proponents of congestion pricing need to practice a little truth in advertising. Enacting the Mayor's congestion pricing proposal won't solve the MTA's operating budget problems, and it won't eliminate the need for higher subway, bus and commuter rail fares.

Congestion pricing might at first glance look better as a way to meet the MTA's long-term capital needs. But there are problems here as well. Supporters of the Mayor's proposal have sought to convey the impression that congestion pricing is the key to financing \$30.9 billion in transit improvements. But congestion pricing as proposed by the Mayor would generate only a fraction of the revenues needed to finance a program of that magnitude. The Mayor's plan is in fact quite clear that most of the money needed to cover that shortfall in capital spending will have to come from other State and City sources.

Moreover, with about \$3.12 out of every \$8 charge being used to cover the system's operating and administrative costs, congestion pricing is an absurdly inefficient way to raise money for mass transit. There are better alternatives available.

Any realistic response to the region's mass transit operating and capital financing needs is going to require additional contributions from all of the available sources – the farebox, State and City taxes, and subsidies from motorists. Rather than moving ahead in isolation with a system of congestion pricing that won't plug the hole in the MTA's operating budget – and that will at most meet only a fraction of the agency's long-term capital needs – the State and the City should be working together to come up with a comprehensive, long-term approach to addressing both problems.

July 5, 2007
Keep NYC Congestion Tax Free