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As Revenue Falls, M.T.A.'s Deficit Could Rise by \$650 Million

By William Neuman

Plummeting tax and fare revenues that have been depressed further by the ailing economy could increase the Metropolitan Transportation Authority's budget deficit this year by \$650 million, according to a new estimate made public on Monday. If the doomsday forecast is borne out, the authority's deficit this year could grow to nearly \$2 billion.

The authority has already proposed a steep increase in fares and deep service cuts if it does not get a state bailout. But if its finances worsen significantly, it could be forced to take even more drastic measures.

"This is obviously breathtaking," Gary Dellaverson, the authority's chief financial officer, said as he presented the projections to a meeting of the authority board's finance committee.

Transit officials also said that average weekday subway ridership declined 2 percent in January compared with the same month last year, probably because of shrinking employment in the region. It was the first time that that measure of subway ridership had fallen since 2003, except in months where the drop was attributed to bad weather or quirks of the calendar, like holidays falling on weekdays.

Lower ridership also means less money collected in fares, worsening the authority's fiscal straits. In January, the subway system recorded an average of 4.9 million trips each weekday, 98,000 fewer than in January 2008.

Mr. Dellaverson said that revenue from taxes on mortgages and real estate transactions was \$71.5 million so far this year, slightly less than half of what the authority had predicted it would receive when it made what it thought was a conservative forecast late last year.

That forecast called for the authority to receive \$880 million in real estate tax revenue in 2009. But Mr. Dellaverson said that if the trend continued, the authority could receive \$446 million less than predicted.

Mr. Dellaverson cautioned that the figures he was presenting did not rise to the level of a formal budget forecast.

But the possibilities he sketched were grim enough.

They included a \$123 million decline in fare and toll revenue, below what was budgeted. And he said that state taxes receipts that go to the authority, including a sales tax and a corporate income tax, could be \$82 million less than forecast.

“The scary number is when you add them all up,” Mr. Dellaverson said.

That would put the total revenue decline for the year at about \$650 million below what was in the austerity budget passed by the board in December.

That budget was meant to fill a predicted \$1.2 billion gap, with a series of drastic financial measures, including a 23 percent increase in fare and toll revenues starting in June, deep service cuts and other budget cutbacks. (If the new estimate becomes reality, it would bring the deficit this year to more than \$1.8 billion.)

As an alternative, the authority hopes that state lawmakers will pass a financial rescue plan proposed by a state commission headed by Richard Ravitch, a former authority chairman. That plan calls for a payroll tax to be paid by employers in the 12-county region served by the authority and for tolls on the East River and Harlem River bridges. It also incorporates a more moderate fare and toll revenue increase of 8 percent.

Together, those steps would be meant to hold off service cuts.

But the worsening financial situations raised fears that even the Ravitch plan might not be enough.

“I hate to think we’re going to have a budget that’s going to maybe end up with a \$650 million deficit even after we’ve had these increases in either fares or tolls or taxes,” said a board member, James L. Sedore Jr.

Mr. Sedore was also critical of plans announced on Monday to carry out service cuts regardless of whether the Ravitch plan is approved by lawmakers.

“The concern that I have is that this was presented to the public as part of a budget package that would be avoided if we got the funding,” Mr. Sedore said. “Now we’re going back and saying, ‘Well, we’re going to do it anyway.’ ”

Howard H. Roberts Jr., the president of New York City Transit, said that he planned to make reductions in weekend subway service on most of the lettered subway lines. The reductions would save \$4.4 million a year.

He said that the changes were meant to make weekend subway service more predictable, since it is already often disrupted by track and signal maintenance and improvement projects.

The plan is to set the time between trains at 10 minutes on the A, D, E, F, G, J, M, N, Q and R lines. Most weekend service on those lines runs with 8-minute gaps.

The changes are to begin in June. Similar changes were made in 2003 on the numbered lines.

“This is just terrible,” said Andrew Albert, a rider advocate with a nonvoting seat on the board. He called the changes “a major service cut.”