

The Urgency of Resurrecting Congestion Pricing in New York

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Introduction and Overview

Unless political leaders in Albany and City Hall intervene and establish a new source of revenue for the region's mass transit system, the MTA will be forced to cut vital services and to increase fares by at least 15 percent, much more than what has been reported in the press.¹ These measures would have a devastating impact on New York's economy, where one in three workers in the region and over one half of city workers use mass transit to get to work.² Middle-class families would be hit especially hard by these measures: this report reveals that a transit dependent family of four would pay \$2,300 more a year in transit fares, and receive far less service in return.³

City and state leaders must act quickly to resurrect the idea of congestion pricing,⁴ which died a very premature political death in 2007, to stave off these devastating service cuts and fare increases. The report explains why the short-term fixes proposed by city and state leaders are insufficient and why congestion pricing must drive a long-term reinvestment strategy for the region's mass transit system. Based on the latest data and evidence, it reveals that congestion pricing—an \$8 fee on cars entering the central business district during peak hours Monday through Friday—would be the most responsible, equitable, and sustainable solution to the MTA's budget crisis and ensure that the region will continue to make critical investments in the mass transit system.

Key Findings: What Congestion Pricing Would Do

1. Offset drastic service cuts and fare increases in 2011.⁵
2. Allow the MTA to reduce its long-term reliance on costly borrowing.
3. Create a permanent revenue source for long-term maintenance, repair, and expansion of the mass transit system, the backbone of the regional economy.
4. Benefit middle-class New Yorkers, the overwhelming majority of whom rely on mass transit if they commute to work in the central business district.
5. Ensure that all commuters into the central business district would share the responsibility of maintaining the region's mass transit system.

¹ Author's calculation based on the MTA's projected 2010 shortfall of \$653 million, assuming currently proposed service cuts are implemented and fare increases are used to close the remaining deficit. See *MTA 2010 Final Proposed Budget, November Financial Plan 2010-2013*. Metropolitan Transportation Authority, 2009. Available at: http://mta.info/mta/budget/nov2009/nov2009_vol1.pdf

² American Community Survey, 2008. U.S. Census Bureau.

³ Author's calculations based on *MTA 2010 Final Proposed Budget November Financial Plan 2010-2013*.

Assumes a 15 percent fare hike on 30-day unlimited ride Metrocards and the elimination of free student fares.

⁴ Unless otherwise specified, this report refers to the congestion pricing plan proposed by Mayor Bloomberg as part of PlaNYC. See http://www.nyc.gov/html/planyc2030/html/plan/transportation_congestion-pricing.shtml

⁵ In order to make revenue available quickly enough to offset cuts and fare increases, the MTA would need to borrow against projected congestion pricing revenue in the short term.

6. Reduce traffic congestion and increase travel speeds both within the central business district and in outer borough neighborhoods.

The Context: What Created the MTA's Budget Crisis

The MTA's long-term budget troubles are the direct result of declining contributions from the state and city. Both have forced the MTA to turn to borrowing to fund its capital needs—the replacement and repair of the tracks, trains and buses that keep the system running. Since 1987, capital funding contributions from local and state government have plummeted while the amount of long-term borrowing has skyrocketed. This borrowing has led to the acute crisis we are in today; as huge debt payments eat up larger portions of the operating budget, the MTA is facing ever-larger budget deficits. In 2009, the MTA paid \$1.4 billion dollars in debt service out of its operating budget, and by 2013 that amount will grow to \$2.4 billion.⁶

On top of these debt payments, the MTA must balance its budget despite decreased contributions from New York State and declining tax revenue. In December 2009, Governor Paterson announced that the state would cut \$143 million in contributions to the MTA. In addition, the 12 county “Mobility Tax” that was placed on payrolls last year to fund the MTA will bring in \$700 million less than projected.⁷ As a result, the MTA is currently projecting an operating budget gap of \$783 million.

The MTA faces enormous challenges moving forward. It must not only overcome the operating budget gap, but must also find funds to continue its capital program. The transit authority's next five-year capital program is currently under-funded by nearly \$10 billion dollars. The revenue from congestion pricing, under Mayor Bloomberg's plan in 2008, was intended to go toward funding the system's capital needs and improving transit service. After the crisis in operations funding is eased, the MTA should revert to using congestion pricing revenue for capital needs over the long-term. However, given the widening gap in the MTA's operating budget, congestion pricing revenue should be used in the short-term to offset drastic service cuts and fare increases.

Congestion Pricing is the Most Responsible Solution to the MTA Budget Crisis

Congestion pricing would provide the mass transit system with a significant source of revenue, approximately \$420 million a year, which could be used to prevent future service cuts and keep fare increases to a minimum.⁸ This revenue would support the MTA's operating budget, which would free up other funds for investing in the transit system's long-term needs, such as maintenance, repair, and system expansions.

- The MTA's budget deficit is currently projected to be \$783 million in 2010. Proposed service cuts set to begin in June would save the transit authority \$130 million in 2010, leaving an additional \$653 million in additional savings needed from other actions.⁹ If the MTA were to

⁶ *MTA 2010 Final Proposed Budget, November Financial Plan 2010-2013.*

⁷ As of February 4th, 2010.

⁸ *PlaNYC: A greener, greater New York.* The City of New York, 2007. Available at: <http://www.nyc.gov/html/planyc2030/html/downloads/the-plan.shtml>

⁹ Metropolitan Transportation Authority. *Staff Summary MTA Consolidated 2010 Operating Budget.* December 13, 2009. Available at: http://mta.info/mta/budget/pdf/dec09_staff_summary.pdf

make up the gap through a fare hike, it would have to increase fares by at least 15 percent.¹⁰ The price of a 30-day Metrocard would rise above \$100 for the first time. Any fare hikes of this magnitude would harm current and aspiring middle-class New Yorkers who rely on the mass transit system to commute to work.

- Short-term solutions, like relying on a one-time influx of stimulus funds, are not a responsible approach to funding the nation's largest mass transit system. There is simply not enough stimulus money available to cover the MTA's widening budget gap. Federal law authorizes the state and MTA to use 10 percent of federal stimulus dollars for operating expenses, which is equal to \$121.5 million.¹¹
- New York's road system is overburdened during peak commuting hours, resulting in \$8.1 billion in waste.¹² Congestion pricing would reduce the amount of automobile traffic within the congestion zone by 11 percent and increase travel speeds within the central business district by over seven percent. After London implemented its congestion pricing plan, travel speeds there increased by 37 percent.¹³ Additionally, traffic congestion in outer borough neighborhoods will drop as well: Congestion pricing is estimated to reduce congestion by 29% in Downtown Brooklyn, 24% in Greenpoint and Williamsburg, and 27% in Long Island City.¹⁴
- Governor Paterson's plan to revise the 12-county "mobility tax" on payrolls would not have the same traffic mitigation benefits as congestion pricing.¹⁵

Congestion Pricing is the Most Equitable Solution to the MTA Budget Crisis

Congestion pricing would ensure that all commuters into the central business district would share the responsibility of maintaining the region's mass transit system.

- Most middle-class New Yorkers who work in the central business district (Manhattan below 86th Street) get to work by mass transit; only 5 percent of working New Yorkers actually drive.^{16,17} Those who do drive tend to have significantly higher incomes than other commuters: the median income is \$51,021 for motorists versus \$39,247 for other commuters.¹⁸
- Without congestion pricing, middle-class families will be forced to pay more for less transit service. The elimination of free student fares and possible fare hikes of at least 15 percent

¹⁰ Author's calculation based on *MTA 2010 Final Proposed Budget*. See first footnote for calculations.

¹¹ Christine Quinn, James Vacca, and Gene Russianoff, "MTA is running off the rails: Stimulus money would prevent devastating service cuts." *The New York Daily News*, January 31, 2010.

¹² *2009 Annual Urban Mobility Report*. Texas Transportation Institute, 2009. Available at: <http://mobility.tamu.edu/ums/>

¹³ Todd Litman. *London Congestion Pricing: Implications for other cities*. Victoria Transport Policy Institute, 2006. Available at: <http://www.vtpi.org/london.pdf>

¹⁴ Partnership for New York City. 2006. *Growth or Gridlock The Economic Case for Traffic Relief and Transit Improvement for a Greater New York*. Based on an analysis of Manhattan from 60th Street to the Battery.

¹⁵ See "NY Gov: Taxes, fees to close budget, MTA deficits." *The New York Times*, February 10, 2010.

¹⁶ *New York City Mobility Needs Assessment: 2007-2030*. The City of New York, 2007. Available at: http://www.nyc.gov/html/planyc2030/downloads/pdf/tech_report_transportation.pdf

¹⁷ While congestion pricing would have overall net benefits for middle-class New Yorkers, there is a small segment of the population—estimated at less than one percent—that has no viable transit alternative to driving. Therefore, transit improvements to neighborhoods underserved by mass transit should be a system-wide priority.

¹⁸ "Behind the Wheel: Who drives into the proposed 'congestion zone?'" *Inside the Budget*, No. 154. New York City Independent Budget Office, 2007. Available at: <http://www.ibo.nyc.ny.us/newsfax/insidethebudget154.pdf>

would have a significant impact on middle income families that rely on mass transit for their daily transportation needs. For a family of four consisting of two working parents and two school-aged children who get to school via mass transit, these changes will cost approximately \$2,300 a year.¹⁹

- Transit riders must pay a fare to enter the Manhattan central business district and drivers from Staten Island and New Jersey have no choice but to pay a toll. However, a large percentage of all automobiles that enter the central business district are unfairly exempt from paying a toll. All commuters benefit from an efficient mass transit system and all commuters should share the responsibility of maintaining it.
- Since most small business customers in the central business district arrive by mass transit or by walking, small businesses would not see a drop in business if congestion pricing were implemented. Because there would be less automobile traffic during business hours, small businesses would benefit from more reliable and timely deliveries.

Congestion Pricing is the Most Sustainable Solution to the MTA Budget Crisis

Congestion pricing would reduce the volume of automobile-related pollution, including particulate matter, ozone, and greenhouse gases. This reduction would improve the quality of life for those living and working in New York City as well as reduce the region's impact on global climate change. By taking more than 100,000 cars off New York's streets every day, congestion pricing will help New York achieve the cleanest air of any big city in the U.S.—and the environmental and health benefits that flow from it.

- New York has some of the most polluted air in the nation, resulting in negative health outcomes. New York City's children are almost twice as likely to be hospitalized for asthma as the average American child.²⁰
- A recent report on air quality in New York City neighborhoods found that the concentration of pollutants in a particular neighborhood was related to the volume of automobile traffic, including truck traffic. The report states, "The air pollutants with the greatest public health impact in New York City result mainly from fuel combustion emissions from vehicles, building heating systems, electric power generators and other sources."²¹
- In London, congestion pricing helped to produce a 12 percent drop in hazardous particulate matter and nitrogen oxides, while cutting carbon dioxide emission by a fifth.²²

¹⁹ Based on author's calculations. Assumes a 15 percent fare hike on 30-day unlimited ride Metrocards and the elimination of free student fares.

²⁰ New York City Department of Health and Mental Hygiene. New York City Childhood Asthma Initiative. Asthma Facts Second Edition. <http://www.nyc.gov/html/doh/downloads/pdf/asthma/facts.pdf>

²¹ New York City Department of Health and Mental Hygiene, Mayor's Office of Long-Term Planning and Sustainability, Queens College City University of New York, and ZevRoss Spatial Analysis, 2009. *The New York City Community Air Survey: Results from winter monitoring 2008-2009*. Available at: http://www.nyc.gov/html/doh/downloads/pdf/eode/nyccas_master_report_12_15_09.pdf

²² Beevers, Sean and Carslaw, David. 2004. *The Impact of congestion charging on vehicle emissions in London*. Atmospheric Environment.