
MEMORANDUM

DATE: May 9, 2015

TO: Dr. John Yinger

FROM: Alexandra BetGeorge

RE: A Local Solution for the FY2016 CNYRTA Budget Shortfall

PURPOSE

Without a \$1.6 million one-time injection¹ of state funds from Albany on April 1, the Central New York Regional Transportation Authority (CNYRTA) would have been unable to provide transit services to its four-county service area.² Since 2009, the state funding on which CNYRTA relies for about 60% of its operating budget has remained stagnant or been cut, despite rising operating costs. However, federal and state assistance for capital projects has adequately covered CNYRTA's capital expenses. Over the past six years, CNYRTA implemented the greatest employment benefit reductions and fare increases of the Upstate transportation authorities³ to remain solvent, but faced a \$4.5 million budget gap in FY2016.⁴ CNYRTA cannot continue to rely on emergency assistance from Albany to fund its rising operating expenses. In the current political climate, it should instead work with local government agencies to diversify and increase local revenue streams to ensure sufficient transit service provision. Raising local revenues to mitigate service cuts and fare hikes ensures equity of mobility crucial to economic health in the poorest⁵ Upstate public transit service area in the short term, though additional operating aid from Albany will be necessary in the long term. Three local proposals are recommended to both generate additional necessary revenues in the short-term revenue and slightly reduce CNYRTA's reliance on Albany in the long term.

HOW CNYRTA ARRIVED AT THE OPERATING DEFICIT

CNYRTA's fiscal predicament at the outset of FY2016 typifies an industry-wide trend in public transportation, in which operating costs have risen faster than operating revenues and intergovernmental aid. However, CNYRTA has the highest dependence on Albany among the Upstate regional transit authorities (RTAs), at 60% of total operating revenues in FY2015. In comparison, RGRTA had the next highest ratio of state-controlled to total revenues in FY2015, at 49%. (Please also refer to Appendix Figure A). With the smallest annual ridership, at 15.3 million,⁶ and total service area population, CNYRTA's service area has the lowest median household income.⁷ These factors leave the population served by CNYRTA particularly vulnerable to Albany's funding decisions.

In FY2015, 60% of CNYRTA's \$64 million in revenues came from three revenue streams whose rates and dollar values are determined by New York State government. CNYRTA's state-controlled revenue streams are Statewide Mass Transportation Operating Assistance program (STOA), the mortgage recording tax (MRT), and state-mandated STOA matching funds from member counties. These three revenue streams rose, in aggregate, an average of .52% since 2009, which has been insufficient for CNYRTA to cover its rising operating expenses. Over the past six years, CNYRTA has maintained net annual increases in the present value of its operating expenses to 2.2%.⁸ It should be further noted that the Authority's revenues align with the average revenue sources model for public bus transit, at least under the federal transportation code, TEA-21.⁹ The TEA-21 average total revenue sources model¹⁰ is:

- 30-40% fare box revenue
- 10% federal subsidies
- 50-60% local government subsidies.

Though CNYRTA's revenues do not deter from general industry trends, it has undertaken several additional budget-reducing measures since 2009. Personnel-related expenses constituted the most significant preventable and unforeseen costs for the Authority.¹¹ Faced with a nearly \$500,000 increase in

employee health claims in 2012, coupled with lawsuits in 2012 and 2013, CNYRTA instituted a defined retirement savings plan for all employees hired after 2012 and reformed its workplace safety regulations. It also drastically reduced healthcare benefits.¹² To manage severe cuts in Albany's Upstate operating assistance in 2011, CNYRTA increased fares 100%, the most drastic cuts of the Upstate RTAs according to a 2012 AARP report.¹³ (Please see Figure B.) While CNYRTA is unique among the Upstate RTAs for never having issued bonds since its founding in 1973 and for having no current outstanding debt, the Authority has depleted cash reserves and repurposed high percentages of federal capital assistance for operating expenses.

In FY2016, CNYRTA raised fares to help close its budget gap.¹⁴ The recent decision to increase fares was not equitable for CNYRTA's captive riders, as the Authority already had the highest fares in Upstate following its doubling of ticket prices in response to STOA cuts in 2011.¹⁵ As a public benefit organization, CNYRTA lacks legal authority to increase local assistance, but it must aggressively pursue partnerships with local government organizations through which it can diversify local revenue sources. Continued fare hikes are inequitable methods to close the Authority's budget gap, as 85% of CNYRTA riders earn less than \$30,000 annually. Even so, any additional local assistance that is secured must be part of a long-term fiscal solution that also includes higher operating assistance from Albany.

TRENDS IN PUBLIC TRANSIT OPERATING ASSISTANCE

CNYRTA's budget deficit constitutes a severe case in a nonetheless financially troubled transit industry faced with rising operating costs and declining government operating assistance. In 2011, the American Public Transportation Association found that flat or decreased funding from local or state sources affected 71% and 83% of US public transit agencies, respectively.¹⁶ In 1964, fare revenues proved insufficient to cover operating costs for the mass transit industry as a whole,¹⁷ due to increased car ownership.¹⁸ Through the 1960s and 1970s, local governments assumed mass transit services that received substantial federal and state¹⁹ subsidies. In 1974, the federal government began providing operating assistance to public transit organizations, under the Federal Transportation Act.²⁰ However, the rates of federal and New York State taxes that supplied revenues earmarked for mass transit operating assistance were not tied to inflation,²¹ and transit operating costs have risen faster than inflation since the 1980s.²² Together, all these factors impose exceptional financial strain on public transit agencies: Inflation limits the buying power of aid disbursements whose nominal values do not change, especially as transit operating costs have risen faster than inflation.²³

UPSTATE NEW YORK OPERATING ASSISTANCE²⁴

CNYRTA's disproportional reliance on STOA results from the Authority's local revenue sources which are (1) few in number; (2) outside of its legal control; and (3) insufficient. The three components of state-controlled aid for Upstate RTAs and their specific implications for CNYRTA are described below.

Statewide Mass Transportation Operating Assistance Program (STOA)

Operating assistance from New York Department of Transportation accounted for 46% of CNYRTA's budget in FY2015, the highest ratio of STOA funding among the four Upstate regional transit authorities. Under the STOA program, instituted in 1975, portions of state taxes are deposited into a Mass Transit Operating Assistance (MTOA) fund, which is subdivided into Upstate and Downstate tax fund accounts.²⁵ Whereas the downstate account receives funding from the Petroleum Business Tax and MTA Corporate Tax Surcharge, among other sources, the Upstate account is funded only with the Petroleum Business Tax (PBT). The PBT is not tied to inflation. Since 2009, CNYRTA's STOA receipts rose a mere 4.5%, though STOA funding cuts affecting CNYRTA in those years have included²⁶:

- 2009: 2% formula reduction
- 2010: 1% formula reduction
- 2011: \$320 million in dedicated tax revenues eliminated.²⁷

In the same time period, the downstate account experienced more than \$300 million in diversions²⁸ from operating to capital transit funds, which suggests a lack of political will in Albany to assure adequate public transit funding. CNYRTA's 15 million annual riders account for less than one percent of statewide annual public transit use,²⁹ but stagnant state assistance disproportionately harms the economically challenged transit service area, particularly because of CNYRTA's relatively high reliance on STOA funding.

Mortgage Recording Tax (MRT)

CNYRTA's FY2015 MRT receipts amounted to about 10% of its revenues, at \$5.9 million, making the MRT the Authority's second largest state-controlled revenue stream. The MRT is a tax administered by the mortgage recording officer on each transit authority member county in New York State. Albany determines the MRT rate, which is one-quarter of one percent of each \$100 remaining in the principal of a given party's mortgage and disbursed monthly by each county to the respective transportation authority.³⁰ Revenues generated from the tax depend greatly on the health of the housing market in a transit service area and MRT breaks granted by local industrial development agencies. CNYRTA's four-county service area has experienced falling MRT revenues due to a weak housing market, with prices remaining 14.1% below pre-recession values.³¹ Though the Rochester metropolitan area experienced a similar 13% decrease in housing prices during the recession, its relatively larger real estate market generates MRT revenues above \$8 million since the recession.³² The 13% drop in CNYRTA's MRT receipts for FY2015 from the previous year³³ places further financial pressure upon CNYRTA.

Local County Matching Funds

STOA is an annual matching grant, conditional upon each member county's commitment of a predetermined sum to its respective RTA. CNYRTA's local county matching revenues amount to \$3.2 million,³⁴ or 5% of CNYRTA's revenues, paid in quarterly installments by its four member counties. While the 1975 State Transportation Act originally mandated that county matches follow a formula based upon quarterly ridership and revenue vehicle miles, the county matches have been stagnant under a "hold-harmless" provision effected a decade ago and extended several periods so that it remains effect.³⁵ (Please refer to Appendix Figure C.) The stagnant STOA county matching funds are problematic for CNYRTA due to the abovementioned reasons that inflation reduces the funds' purchasing power, and transit operating costs have risen faster than inflation.

THREE PROPOSALS TO REDUCE CNYRTA'S DEPENDENCE ON STATE AID

The following three proposals serve to close CNYRTA's FY2016 budget gap in the short term, but should be considered part of a long-term funding solution that includes additional operating aid from Albany. The proposal estimates are conservative and were deemed politically feasible by a Syracuse City Council Member who worked with the CNYRTA budget gap between January and March of 2015.³⁶

Proposal 1: Higher Bus Fares for the New York State Fair

Each year, CNYRTA supplies low-cost bus rides to the New York State Fair from 15 parking locations throughout the service area.³⁷ Fairgoers have free parking and pay \$2-5 each way for adults and \$1-2.50 each way for children. The CNYRTA cost is minimal; it is lower than parking at the state fairgrounds for two adults and two children. With its current ticket prices, CNYRTA accrues \$400,000 in losses by supplying this low-cost transport to 212,000 riders in 2014.³⁸ While CNYRTA could raise ticket prices to cover the

losses, it can also arrange a \$400,000 special transit line fee with the New York State Fair, as it is a venue accommodating primarily for-profit vendors.

Proposal 2: Remove Unnecessary Local Business Tax Exemptions

a) Remove MRT Tax Exemption for IDAs. Businesses that secure loans through industrial development agencies (IDAs) in CNYRTA's five transit hub cities— Syracuse, Auburn, Oswego, Rome, and Utica— are exempt from the mortgage recording tax. At $\frac{1}{4}$ of one percent of for every \$100 remaining in mortgage principal,³⁹ the MRT's burden is minimal. MRT revenues are earmarked for RTAs, but are both relatively small and particularly volatile for CNYRTA, due to the nature of its member counties' housing markets. MRT revenues in 2009 amounted to \$5.8 million and consistently fell to \$5.1 million in 2014.⁴⁰ Incorporation of business mortgages into the MRT tax base would more equitably distribute payment for CNYRTA's service among its diverse benefactors at a minimal additional cost. Furthermore, a 2011 New York state Authorities Budget Office report found that IDAs systematically violate codes governing their loans to businesses, which require that these loans "generate new economic growth in the community through increased payrolls, higher property values, or enhanced economic activity."⁴¹ A Syracuse city council member noted a recent "preliminary internal report" whose minimum estimate for elimination of the IDA MRT exemption was \$1 million, though the maximum estimate was \$3 million.⁴²

b) A Destiny USA Special Line Fee. Syracuse's Destiny USA mall has a unique PILOT agreement, wherein the city does not collect the PILOT payment. Instead, the city allows the mall to pay off its construction debt with the PILOT sum, which was \$15.7 million in 2012. Destiny USA's PILOT agreement costs the city an estimated \$19.4 million in foregone property taxes,⁴³ and puts an additional financial strain on Syracuse, since not even the PILOT sum is collected. A partnership between CNYRTA and the Syracuse City Council could allow the Authority to collect a \$1.6 million special line transit fee on the mall, to subsidize Destiny USA's dependence on CNYRTA's bus services for transportation many employees and customers. A special line fee will also increase the share of special line revenues in CNYRTA's operating revenues. Special line revenues currently produce 40% of CNYRTA's total operating revenues,⁴⁴ but this ratio can be increased, since the revenues come only from area universities and school districts.

Proposal 3: Raise the Onondaga County Gas Tax

Apart from the MRT and STOA county match, CNYRTA lacks a dedicated revenue stream from non-riders. The other three RTAs receive a dedicated sales tax in select member counties and also have a minimum of 11% lower dependence on state funding than CNYRTA. For example, RGRTA's Monroe County contributes an earmarked portion of its gas tax to the Authority. Onondaga County currently has a 4% sales tax,⁴⁵ which is lower than several New York state counties that employ 4.25-4.75% sales tax rates.⁴⁶ If CNYRTA worked with Onondaga County government to raise the sales tax to 4.75%, based on 2015 revenues,⁴⁷ the .75% increase would generate an additional \$1.9 million dedicated to the Authority.

CONCLUSION

New York State government decisions to not increase or to cut public transit aid disadvantage the CNYRTA service area more than other Upstate RTAs due to its high reliance on state-controlled revenues. The three proposals to raise CNYRTA's annual revenues yield between \$4.5 and \$6.5 million in local revenues serve to close the Authority's FY2016 budget gap, independent of the new fare increases and \$1.6 million in emergency aid from Albany. It should also be noted that the high estimate of \$6.5 million generated from the proposals lowers the local to state operating revenue ratio to 50.1%. Despite the region's limited economic capacity to contribute substantial increases in operating aid to CNYRTA, the Authority must work to forge local partnerships that increase revenues, so that the region can maintain adequate levels of transit service that are essential for economic health.⁴⁸

APPENDIX

Figure A

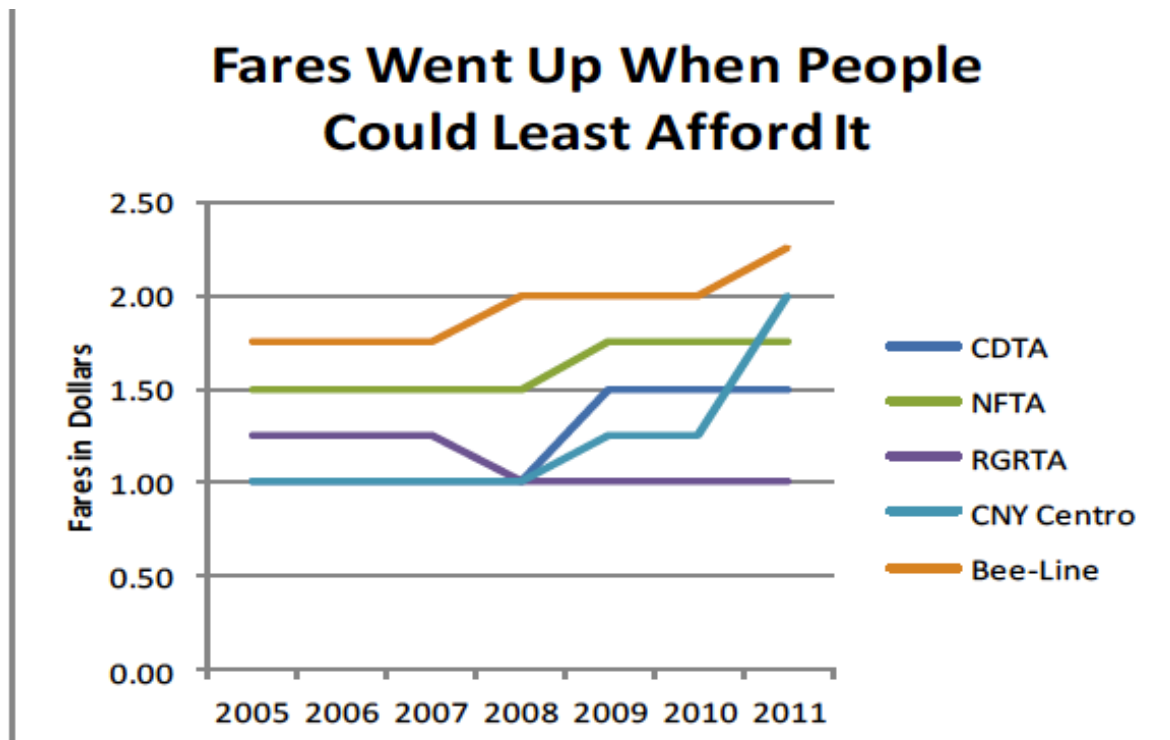
FY2015 Revenue Comparison: Upstate Regional Transit Authorities

Metric (in millions)	CNYRTA	CDTA	RGRTA	NFTA
Ridership	15.3	16.5	18.4	24
Population	0.9	1	1.1	1.2
Total Operating Revenues*	\$ 63.0	\$ 78.0	\$ 83.2	\$ 131.3
Local Revenue	\$ 25.1	\$ 44.0	\$ 42.6	\$ 74.8
Local Revenue to Total Revenue (%)	40%	56%	51%	57%

*Federal, state, local aid, and operating income

Source: New York State Transportation Equity Alliance

Figure B



Source: AARP Report, 2011: *Stuck at Home*— How Cuts to Public Transit Disproportionally Hurt Seniors and Low Income New Yorkers

Figure C

N.Y. TRA. LAW § 18-b : NY Code - Section 18-B: Statewide mass transportation operating assistance program

3. The quarterly service payment made to any public transportation system shall not be greater than a sum computed in one of the following manners:

(iii) In the case of bus lines, by adding the certified number of bus passengers multiplied by two cents per passenger and the certified number of bus miles multiplied by seven cents per bus mile. For the purposes of computing quarterly service payments only mileage accumulated in revenue service shall be used. Whenever it is determined by the commissioner that the amount of money appropriated for service payments is less than the total amount of money for which all public transportation systems are eligible, the commissioner may establish on a quarterly or annual basis, a maximum service payment limit which is lower than that provided for in this section.

¹ The \$1.6 million was not sufficient to fully cover the CNYRTA's budget gap. As will be mentioned later, the Authority also raised its ticket fares, despite already having the highest Upstate RTA bus fares and the fact that 85% of CNYRTA riders have annual earnings under \$30,000. <http://www.aarp.org/content/dam/aarp/livable-communities/learn/transportation/stuck-at-home-how-cuts-to-public-transit-disproportionately-hurt-seniors-and-low-income-new-yorkers-aarp.pdf>

² CNYRTA's four member counties, to which it supplies bus transit service are Onondaga, Cayuga, Oswego, and Oneida.

³ The Upstate Regional Transit Authorities include the Niagara Frontier Transportation Authority (NFTA), Rochester Genesee Regional Transportation Authority (RGRTA), Central New York Regional Transportation Authority (CNYRTA), and Capital District Transportation Authority (CDTA). <https://www.dot.ny.gov/divisions/policy-and-strategy/public-transportation/funding-sources/STOA>

⁴ In this memorandum, FY2016 refers to the fiscal year that begins April 1, 2015 and ends March 31, 2016. The same format applies to all fiscal years referenced. Regarding the FY2016 budget gap, please see: www.syracuse.com/news/index.ssf/2015/03/centro_bus_executive_to_answer_syracusecom_readers_questions_about_proposed_serv.html

⁵ <http://www.census.gov/did/www/saipe/index.html>

⁶ http://nystea.net/wp-content/uploads/2014/10/RiderRep_Centro1.png

⁷ <http://www.census.gov/did/www/saipe/index.html>

⁸ <https://www.centro.org/Senate%20Finance%20Committee%20Testimony-3.pdf>

⁹ Though TEA-21 applied from 1998 to 2003, there is a lack of research on average bus transit revenue models under MAP-21, the current federal public transit operating aid code.

¹⁰ Schmidt, Stephen R. "Incentive Effects of Expanding Federal Mass Transit Formula Grants." *Journal of Policy Analysis and Management* 20.2 (2001): 19. Web. 14 Mar. 2015.

¹¹ <http://www.centro.org/Adopted%20Budget%20and%20Financial%20Plan%20FY2012-13.pdf>

¹² <http://www.centro.org/Adopted%20Budget%20and%20Financial%20Plan%20FY2012-13.pdf>

¹³ <http://www.aarp.org/content/dam/aarp/livable-communities/learn/transportation/stuck-at-home-how-cuts-to-public-transit-disproportionately-hurt-seniors-and-low-income-new-yorkers-aarp.pdf>

¹⁴ http://www.syracuse.com/news/index.ssf/2015/04/centro_eliminating_unlimited_ride_passes_raises_multi-ride_cost.html . For more specific information on raises, please see:

<https://www.centro.org/2015%20Fare%20Structure%20Modification%20Announcement%20-%20All%20Locations.pdf>

¹⁵ <http://www.aarp.org/content/dam/aarp/livable-communities/learn/transportation/stuck-at-home-how-cuts-to-public-transit-disproportionately-hurt-seniors-and-low-income-new-yorkers-aarp.pdf>

¹⁶ <http://www.apta.com/resources/reportsandpublications/Documents/Impacts-of-Recession-August-2011.pdf>

¹⁷ Gomez-Ibanez, Jose A. "The Federal Role in Urban Transportation." In *American Domestic Priorities: An Economic Appraisal*, edited by J. Quigley and D. Rubinfeld, 183-223. Berkeley: University of California Press, 1985.

¹⁸ Fisher, Ronald C. *State and Local Public Finance*. Glenview, IL: Scott, Foresman, 1988. Print.

¹⁹ Alabama, Hawaii, Louisiana, Nevada, and Utah do not provide state funding for mass public transit. Please see:

http://www.apta.com/resources/reportsandpublications/Documents/survey_state_funding_FY_08.pdf

²⁰ Sciara, Gian-Claudia and Wachs, Martin. “Metropolitan Transportation Funding,” *Public Works Management and Policy*, 378-194. 2007.

²¹ For more on this legislation, please refer to the FTA, Sect. 5309 and NYSDOT. More specifically, the FTA’s federal gas tax has been \$0.18 per gallon since 1986; and the Petroleum Business Tax, which funds Upstate operating assistance, are not tied to inflation.

²² Sciara, Gian-Claudia and Wachs, Martin. “Metropolitan Transportation Funding,” *Public Works Management and Policy*, 378-194. 2007.

²³ Sciara, Gian-Claudia and Wachs, Martin. “Metropolitan Transportation Funding,” *Public Works Management and Policy*, 378-194. 2007.

²⁴ This memorandum’s analysis focuses primarily on Upstate funding due to different funding policies in the Upstate and Downstate Mass Transportation Operating Assistance accounts, some of which are outlined below.

²⁵ <https://www.dot.ny.gov/divisions/policy-and-strategy/public-transportation/funding-sources/STOA>

²⁶ <https://www.centro.org/2009-2010%20Annual%20Report.pdf>

²⁷ <http://www.aarp.org/content/dam/aarp/livable-communities/learn/transportation/stuck-at-home-how-cuts-to-public-transit-disproportionately-hurt-seniors-and-low-income-new-yorkers-aarp.pdf>

²⁸ <http://www.aarp.org/content/dam/aarp/livable-communities/learn/transportation/stuck-at-home-how-cuts-to-public-transit-disproportionately-hurt-seniors-and-low-income-new-yorkers-aarp.pdf> . See also <http://blog.tstc.org/2013/02/05/repeating-history-governor-cuomos-executive-budget-sweeps-20-million-from-mta/> and <http://www.streetsblog.org/2011/02/01/cuomo-cuts-100-million-to-transit-prioritizes-capital-spending/>

²⁹ <http://web.mta.info/nyct/facts/ffsubway.htm>

³⁰ http://www.syracuse.ny.us/uploadedFiles/Departments/Budget/Content/Budget_Documents/2014-15%20Budget.pdf

³¹ <http://www.brookings.edu/research/interactives/metromonitor#/M45060>

³² http://www.myrts.com/Portals/0/Documents/Public%20Information/COMP%20Plan/FInal.RT_SCompPlan.pdf and <http://www.brookings.edu/research/interactives/metromonitor#/M45060>

³³ https://www.centro.org/FY_2015_Adopted_Budget.pdf

³⁴ http://www.centro.org/FY_2016_Adopted_Budget.pdf

³⁵ <http://codes.lp.findlaw.com/nycode/TRA/2/18-b>

³⁶ Joy, Kathleen. Interview by Alexandra BetGeorge. Personal interview. Syracuse, NY, March 14, 2015.

³⁷ <http://www.centro.org/Statefair.aspx>

³⁸ http://www.syracuse.com/news/index.ssf/2014/09/centro_ridership_up_10_percent_during_2014_new_york_state_fair.html

³⁹ http://www.syracuse.ny.us/uploadedFiles/Departments/Budget/Content/Budget_Documents/2014-15%20Budget.pdf

⁴⁰ <https://www.centro.org/FY2011-%202012%20Adopted%20Budget%20and%20Financial%20Plan.pdf> and https://www.centro.org/FY_2015_Adopted_Budget.pdf

⁴¹ <http://www.abo.ny.gov/reports/dataanalysis/ABOSpecialReportIDAGrants10.2011.pdf>

⁴² Syracuse City Council member. Interview by Alexandra BetGeorge. Anonymous personal interview. Syracuse, NY, March 19, 2015.

⁴³http://www.syracuse.com/news/index.ssf/2013/08/sales_tax_collections_tourism_spending_rising_as_destiny_usa_mall_celebrates_one.html

⁴⁴ https://www.centro.org/FY_2015_Adopted_Budget.pdf

⁴⁵ The sales tax rate also applies to gas pump sales in Onondaga County.

⁴⁶ <http://www.tax.ny.gov/pdf/publications/sales/pub718f.pdf>

⁴⁷ http://www.syracuse.ny.us/uploadedFiles/Departments/Budget/Content/Budget_Documents/Proposed%202015-16%20Budget.pdf

⁴⁸ A recent Harvard study and regular Brookings report convey the importance of public transit for individual economic opportunity and the economic health of communities. Please see:

http://www.equality-of-opportunity.org/images/nbhds_exec_summary.pdf and

<http://www.brookings.edu/~media/Series/jobs-and-transit/SyracuseNY.PDF> .