Rising Costs, Budget Deficits Force MTA to Restructure Fares

By BILL HEARD, Editor

(March 7, 2003) It's been more than eight years since MTA restructured its transit fares, and in that time costs – for fuel, for buses, security, Workers' Compensation claims and personnel – have skyrocketed.

Added to the list of MTA's fiscal concerns is a budget crunch at the local, state and federal levels that already has taken funds away from transit. The agency also is spending $100 million a year to comply with the Consent Decree.

The result is that MTA is facing a $22 million deficit in its current bus and rail operations budget. Fuels costs will increase by $6.2 million, security by $3 million and Workers' Compensation by $11 million. At the same time, the agency expects to take in $2.1 million less from the farebox.

Other parts of the $2.6 billion budget – the capital fund, general fund and special revenue fund – are now at or below budgeted levels.

Plans are to balance the FY 2004 budget by continuing to reduce operating expenses. This includes cutting travel and other optional spending, reducing operations overtime by 15 percent and filling part-time operator vacancies to reduce operating costs.

Fare system must be restructured

Farebox revenues offset less than a third of MTA operating expenses, but management believes the fare system must be restructured to help the agency avoid deep budget deficits in coming years.

"Costs have gone up and we need to figure out ways to meet them," says Deputy CEO John Catoe. "There are two ways to do it: efficiencies and revenue source increases – both are required." Service reductions are not planned at this time.

To begin closing the budget gap, MTA directors voted during a special Board meeting, Wednesday, to conduct a public hearing, April 12, to receive comment on proposed changes in the fare structure. The staff presented two fare restructuring plans during the meeting.

Both plans would lower the cash fare by a dime from $1.35 to $1.25, eliminate the use of 90-cent tokens and 25-cent transfers, institute a $3 day pass and raise the monthly pass from $42 to $52. Express fares also would drop from $1.85-$3.85 to $1.75-$2.25.

One restructuring option would raise senior and disabled fares from $12 to $15, student fares from $20 to $24 and college/vocational fares from $30 to $36. The other option would leave those fares untouched.

During Wednesday's special Board meeting, Chairman Hal Bernson directed the staff to provide additional alternatives to the recommended fare proposals.

Restructuring less of a burden

Restructuring fares will place less of a burden on those who pay cash fares because they can't afford to buy a weekly or monthly pass. Currently, 24 percent of MTA patrons pay the cash fare, but contribute 40 percent of farebox revenues.

Passholders, on the other hand, account for 39 percent of riders, but generate only 30 percent of farebox revenues. The average passholder makes 109 boardings a month, breaking even on the cost of a pass after 31 rides.

“The burden has been on cash riders for too long,” says MTA Chief Communications Officer Matt Raymond, whose unit is responsible for marketing programs. “We’re trying to realign our fare structure to generate a 20 percent increase in total fare revenues, but also to make the fare system more equitable.”

These plans would bring in $45 million to $50 million a year and would increase the percentage of operating costs MTA gets from the farebox.

Currently at 28.9 percent, the percentage of farebox revenues would rise to either 33.1 or 32.7 percent. The nation’s four other largest transit properties – New York, Chicago, Philadelphia and Washington, D.C. – average 47 percent in farebox revenues.

If approved by the Board, the new fares would take effect next January, giving MTA between $17 million and $19 million in extra farebox revenue for the remainder of FY 2004.
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