

Parking, Traffic and Financing Mass Transit: A Better Way Forward

Prepared for Keep NYC Congestion Tax Free

**Appleseed
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Traffic and transit: additional notes

Commuters by car, truck or van as a share of all commuters from the Bronx, Brooklyn, Queens and Staten island to Manhattan (U.S. Census Bureau, Census Transportation Planning Package)

	Total commuters to Manhattan	Commute by car, truck or van	Commute by subway
Bronx	191,620	27,625 (14.4%)	131,785 (68.8%)
Brooklyn	391,010	31,090 (7.95%)	326,765 (83.6%)
Queens	370,254	49,625 (13.4%)	268,980 (72.6%)
Staten Island	52,940	12,575 (23.75%)	3,800 (7.2%)
Total	1,005,824	120,905 (12.02%)	731,330 (72.7%)

There has been a lot of press and even information coming out that only 2% of the population drives into Manhattan. The figure is very misleading as it compares the drivers going into Manhattan to the entire population. That means children, retired folks, people who work every place else other than Manhattan, etc. make up the other 98%.

The more accurate figure is to compare the number of drivers to Manhattan to the number of other commuters to Manhattan. As the above chart shows, 13.4% of Queens commuters drive into Manhattan, not 2%!

Also, for example, about 25% of all those who commute from Westchester and Nassau commute by car, truck or van.

Existing MTA dedicated taxes and fees, and state/local subsidies, 2019

Source of funds	Estimated total for 2019
Dedicated taxes and fees	\$5,996
State and local subsidies	\$1,343
Farebox revenues	\$6,322
Transfer of B & T surplus revenue to TA, LIRR and MN	\$592
Other revenue	\$705

Parking, traffic and financing mass transit: A better way forward

Executive summary

- Ongoing erosion of the supply of public parking in the Manhattan CBD during the past decade reflects both supply-side and demand-side factors:
 - Rising real estate values and a very limited supply of developable sites; and
 - A continuing decline in the number of private vehicles being driven into the CBD each day
- Data collected annually by the New York Metropolitan Transportation Council (NYMTC) indicate that between 1999 and 2016 the total number of vehicles driven into the Manhattan CBD on a typical fall weekday declined by 16.0 percent – about 135,000 fewer vehicles per day.
- NYMTC’s figures include both private and for-hire vehicles. Taking into account the sharp increase in recent years in the number of app-based for-hire vehicle trips into (and within) the CBD, the number of *private auto* trips into the CBD has probably declined by more than 20 percent since 1999.
- These data make it clear that private automobile trips into and out of the CBD are not the primary source of New York city’s worsening traffic congestion problems.
- Instead of viewing congestion pricing (in the form proposed by groups such as Move NY) as some type of magic bullet, New York needs to develop a broad, multi-faceted strategy for reducing congestion – one that employs pricing, more effective management of street space, stricter enforcement of parking and traffic rules and greater use of technology.
- Proponents of congestion pricing argue that it is also the best way to finance needed investments in mass transit. But as a means of financing transit improvements, Move NY-style congestion pricing is deeply flawed.
 - The benefits of investments in mass transit are widely shared among riders, employers, commercial property owners and others. Congestion pricing, however, would force one relatively small group – those who regularly drive into the Manhattan CBD – to bear almost the entire cost of fixing the system.
 - Advocates for congestion pricing argue that this approach is nevertheless fair, because New Yorkers who drive to work are more affluent than those who commute by subway. In fact, the difference between these two groups is much smaller than they suggest. Census data show that the median income of New York City residents who commute by private auto to jobs in Manhattan exceeds by just 14 percent the median income of those who commute to Manhattan by subway.

- The capital and operating costs of the proposed new congestion pricing system – and the two to three years that would be required to implement it – make it a relatively inefficient way to raise revenues that are needed now. Other new revenue streams can be put in place much more quickly, and at much lower cost.
- Because private vehicular traffic into the CBD continues to decline, congestion pricing revenues are also likely to decline year after year. Many other potential revenue streams, in contrast, would provide built-in “natural” revenue growth.
- As former Chairman Joseph Lhota has repeatedly stated, revenues generated by congestion pricing will not be sufficient to fund the system’s most pressing capital needs. Multiple new revenue streams will be required. Rather than focusing so narrowly on Move NY-style congestion pricing, the State and the City should be considering the full range of potentially available revenues.

The following table provides some examples of revenue sources that could potentially be tapped to support needed improvements in mass transit.

Possible sources of new MTA revenues: selected examples

Proposal	Estimated annual revenue
Increase MTA fares to yield a 5.0% increase in farebox revenue	\$316 million
Increase MTA bridge and tunnel tolls to increase revenue by 5.0%	\$97 million
Convert FHV sales tax to a dedicated MTA tax	\$320 million
Convert the NYS/ NYC parking tax to a dedicated MTA tax	\$200 million
Increase the State’s MTA-dedicated petroleum business tax by 5 cents per gallon	\$170 million
Increase the State motor fuel tax from 8 to 13 cents per gallon, with half the incremental revenue dedicated to the MTA’s <i>Fast Forward</i> plan	\$160 million
Impose an assessment equal to 5.0% of the real property tax due on commercial property in Manhattan	\$408 million
Impose an assessment of \$1.00 per square foot on commercial and industrial property below 59 th Street	\$664 million
Restore the NYC non-resident income tax at half its previous rate, with all proceeds dedicated to MTA NYC Transit’s <i>Fast forward</i> plan	\$461 million
Legalize and tax the sale of cannabis for recreational use	\$248-\$677 million
Add a 1 percentage-point surcharge to the City’s hotel tax	\$97 million

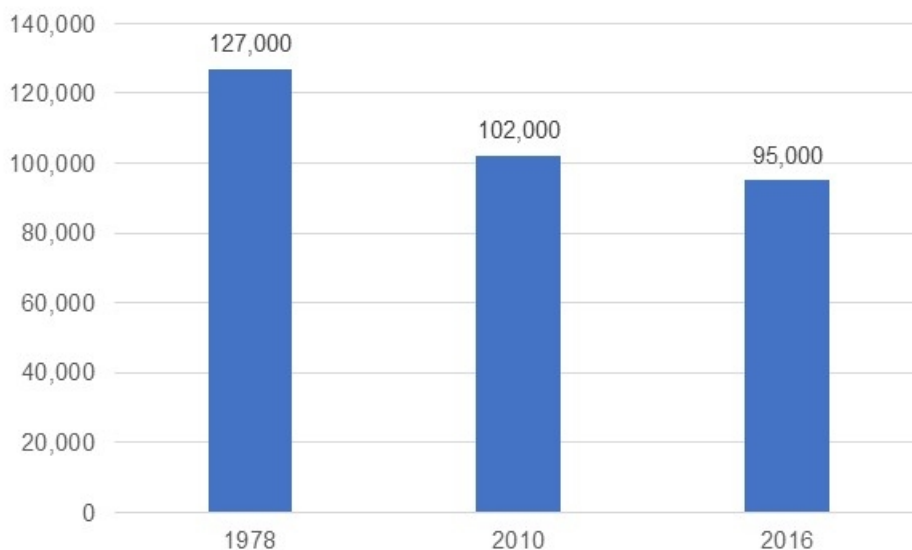
We are not suggesting that all of these are needed – only that that should be considered as alternatives to congestion pricing that could in some combination meet the system’s needs for many years to come

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The past forty years have seen a continuing decline in the supply of off-street public parking in the Manhattan core (defined by the Department of City Planning as the area below 110th Street on the West Side of Central Park and 96th Street on the East Side). In 2011 DCP estimated that the number of off-street public parking spaces had fallen from 127,000 in 1978 to 102,000 in 2010 – a decline of 19.7 percent.¹

Since then the decline appears to have accelerated. In 2017 NY1 reported (based on data obtained from the Department of Consumer Affairs) that as of 2016 the number of spaces in the Manhattan core had dropped to 95,000 – a loss of 6.9 percent in just six years.²

Figure 1: Decline in the supply of off-street parking spaces in the Manhattan core, 1978-2016



Ongoing erosion in the supply of public parking in the Manhattan core appears to reflect a combination of supply-side and demand-side pressures. Since the City’s economy began to recover in 2010, the price of developable land has escalated. In the Hudson Yards area, for example, the Related Companies in September paid \$96 million for a development site on which it plans to build a mix of apartments and office space, a price equivalent to about \$410 per buildable square foot.³ The result has been a recurring pattern of developers acquiring and demolishing parking structures to make way for new construction.

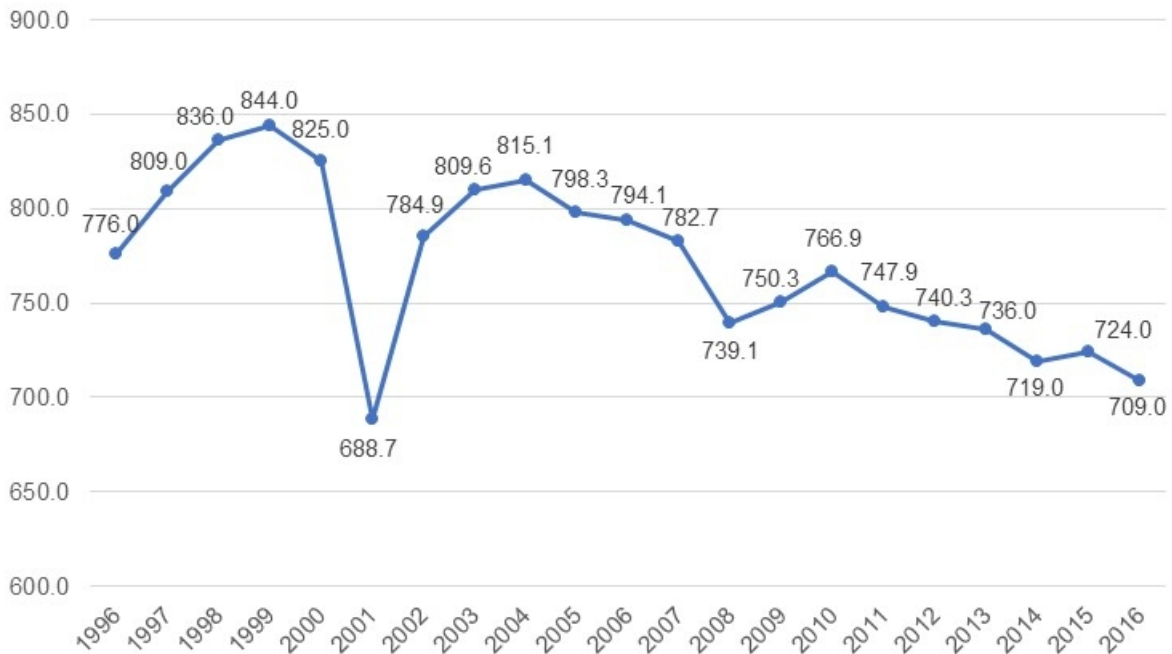
At the same time, the number of vehicles being driven into the Manhattan central business district (the area below 60th Street) has declined. As Figure 2 shows, the number of vehicles (including private autos, taxis, vans and trucks) being driven into the CBD on a typical weekday has fallen from 844,000 in 1999 to 709,000 in 2016 – a decline of 16 percent.

¹ New York City Department of City Planning, Manhattan Core Public Parking Study, December 2011, p.5

² Michael Scotto, “No Parking Any Time” *News 1 New York*, January 31, 2017

³ Richard Bockmann, “Related pays \$96M for its piece of Hudson Yards development with Spitzer,” *The Real Deal* September 19, 2018

Figure 2: Number of vehicles entering the Manhattan CBD on a typical fall weekday, 1996-2016 (in thousands)



Source: New York Metropolitan Transportation Council, Hub-Bound Travel Study

The decline in vehicular trips is also evident in data reported by the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey on the volume of traffic on the two agencies' tolled bridges and tunnels into Manhattan. As Tables 2 and 3 show, despite a strong and continuing economic recovery, traffic on these facilities has in most cases declined since 2008 (although not as much as total weekday traffic into and out of the CBD).

Table 1: Annual traffic volume by MTA Manhattan crossing, 2008-2016 (in millions)

Year	RFK Bridge (MN)	Henry Hudson Bridge	Queens Midtown Tunnel	Hugh L. Carey Tunnel	Total
2008	32.3	22.9	29.0	17.4	101.6
2009	31.7	22.7	28.1	16.3	98.8
2010	31.9	23.1	28.7	16.5	100.2
2011	30.6	22.1	28.9	17.0	98.6
2012	30.6	21.5	27.9	16.2	96.2
2013	31.3	19.4	28.1	17.0	95.8
2014	31.7	19.6	29.3	17.4	98.0
2015	33.3	21.2	29.0	18.1	101.6
2016	33.7	21.8	27.1	18.3	100.9

Source: MTA, Daily Traffic on MTA Bridges and Tunnels data

Table 2: Annual traffic volume by PA Manhattan crossing, 2008-2017 (in millions)

Year	Holland Tunnel	Lincoln Tunnel	George Washington Bridge	Total
2008	16.9	20.9	52.9	90.7
2009	16.6	20.2	52.1	88.9
2010	17.0	20.2	51.2	88.4
2011	16.6	19.8	50.4	86.8
2012	16.1	19.0	49.1	84.2
2013	16.2	18.7	49.4	84.3
2014	15.6	18.8	49.0	83.4
2015	15.4	18.9	50.5	84.8
2016	15.4	19.2	51.6	86.2
2017	14.9	19.0	51.7	85.6

Source: The Port Authority of NY & NJ, *Monthly Traffic and Percent of E-ZPass Usage reports*

While the decline in vehicular trips into the CBD reported by NYMTC is substantial, it probably understates significantly the decline in the number trips by *private automobile*. This is because the decline in private auto trips has in recent years been partly offset in a rapid *increase* in the number of trips into and out of the CBD by app-based for-hire vehicle services such as Uber and Lyft.

According to the New York City Taxi and Limousine Commission, the average number of daily trips provided by these services rose from about 253,900 per day in 2016 to 600,600 per day during the first half of 2018 – an increase of about 346,000 trips per day.⁴ About 47 percent of these 600,600 trips – more than 282,000 per day – originated in the boroughs outside Manhattan.⁵ Some additional number of trips originated in Manhattan neighborhoods outside the CBD (the Upper East Side, the Upper West Side, Harlem, Washington Heights), probably bringing the total number of trips originating outside the CBD to more than 300,000.

Data published by the TLC do not allow us to determine precisely how many of the app-based trips that originate in the outer boroughs or in Upper Manhattan involve travel into the CBD. If we assume for purposes of this analysis that about one-third of these trips terminated in or passed through the CBD, we can estimate that in the first half of 2018, app-based car services were providing something on the order of 100,000 trips into the CBD each day.

Some of these app-based, CBD-bound trips were clearly substitutes for trips that would otherwise have been made using taxis or more traditional car services. But it is likely that a significant number were instead substitutes for the use of private autos. When we take this shift into account, the number of *private auto* trips into the Manhattan CBD each weekday has probably dropped by at least 20 percent since 1999 – and is still dropping.

⁴ This growth is especially significant when we consider that as recently as 2010 the number of trips provided in New York City by app-based car services was zero.

⁵ New York City Taxi & Limousine Commission, *2018 Taxi Fact Book*, p.5

Two conclusions can be drawn from these data:

- Increased use of app-based car services is a significant factor in depressing demand for off-street parking in the CBD.
- “Congestion pricing,” as proposed by groups such as Move NY and Governor Cuomo’s Fix NYC panel, is unlikely to be as effective in reducing congestion as its supporters claim. Some of those who are persuaded to leave their cars at home will instead travel by taxi or app-based car service. For each trip, these services tend to generate more congestion than private auto trips. This occurs because after dropping off passengers, drivers typically cruise the area while waiting for their next fare, while private auto drivers typically end their trips by parking. (Other potential problems with congestion pricing are discussed below.)

The decline in demand for off-street parking from commuters and occasional visitors has to some extent been offset by increased use of off-street parking by Manhattan residents. In its 2011 study of off-street parking in the Manhattan core, the Department of City Planning found that resident car-owners accounted for 44 percent of total utilization of public parking in the Manhattan core – and in some primarily residential locations within the core, more than 70 percent.⁶ Census data suggest that this trend may be continuing. Between 2010 and 2017, the number of Manhattan households with cars grew from 156,654 to 169,378 – an increase of 8.1 percent.⁷

While there is clear evidence that traffic congestion within the Manhattan CBD has gotten worse during the past few years, the long-term decline in overall vehicular traffic into the Manhattan CBD, combined with an even sharper decline in recent years in private auto trips into the CBD, make it equally clear that ***private auto trips into and out of the CBD are not the primary source of the City’s traffic congestion problems.***

Instead of looking to congestion pricing to provide a magic bullet, New York should develop a multi-faceted strategy – using pricing, more effective management of street space, more aggressive enforcement and greater use of technology – that more directly addresses specific causes of congestion. The following are just a few examples:

- Eliminate on-street automobile parking from the busiest commercial areas of Midtown and Lower Manhattan; use the space thus freed up to expand loading and unloading zones, passenger pick-up and drop-off zones and taxi stands. This will reduce double-parking by delivery vehicles, and congestion caused by taxis, other for-hire vehicles and private autos stopping in traffic to pick up and drop off passengers; and will reduce “cruising” for on-street parking. The street space thus freed up could also be used to create additional bus lanes.
- Where on-street parking remains, charge more for it. This will increase turnover, and further help to reduce cruising for cheap on-street parking.
- Increase fines for parking illegally in the CBD, and for traffic violations such as “blocking the box;” use the proceeds to expand the NYPD’s traffic enforcement staff. (Mayor de Blasio recently announced that the City would be stepping up enforcement of traffic and parking rules.)

⁶ Department of City Planning, op. cit., p. 26.

⁷ U.S. Bureau of the Census, American Community Survey

- Sharply reduce the number of parking placards issued by City agencies, impose strict limits on their use and vigorously enforce them. Except in narrowly defined circumstances, a City placard should not be treated as a license to park illegally.
- Reduce the use of City-owned cars for routine travel by City employees within the five boroughs.
- Restore two-way tolling on the Verrazano-Narrows Bridge. This would reduce the existing incentive for truckers who drive from New Jersey to Brooklyn, Queens and Long Island via Staten Island cut their costs by making the return trip via the Manhattan Bridge, Canal Street and the Holland Tunnel. While it was never very compelling, the original rationale for one-way toll collection – that it would eliminate traffic back-ups at the toll plaza on the Staten Island side of the bridge – has now been rendered largely irrelevant by the introduction of all-electronic tolling.
- Continue to expand the use of technology to manage the flow of traffic. For example, the City’s “Midtown in Motion” program – first introduced in 2011 and since expanded -- allows traffic signal timing to be adjusted in real time to reflect actual traffic conditions. It could be expanded further.

Better ways to finance transit improvements

Advocates for congestion pricing have touted it not only as a way to relieve congestion, but as the best way – indeed, for some of its proponents the *only* available way – to finance needed improvements in New York City’s mass transit system. Unfortunately, the version of congestion pricing they have proposed is even less well-suited to financing transit improvements than it is to alleviating congestion.

As a means to finance increased investment in the region’s transportation systems, the imposition of stiff new tolls on the East River bridges and at 60th Street – for automobiles, \$5.76 in each direction for those who have EZ-Pass and \$8.50 for those who don’t, in the version proposed by Move NY – is questionable from several perspectives.

Broadly distributed benefits, but highly concentrated costs

The starting point for any discussion of transit financing should be an acknowledgment that the benefits derived from maintaining and improving the region’s network of transit and commuter rail services are widely shared. Those who benefit economically from these systems include:

- Subway, bus and commuter rail riders
- Employers
- Property owners (especially in Manhattan) and businesses
- Motorists
- Truckers

But under the approach favored by Move NY and its allies, just a small subset of those who reap the benefits of New York's transit system – motorists and truckers who regularly drive into and out of the CBD from Upper Manhattan, the Bronx, Queens, Brooklyn and Staten Island – would bear most of the burden of financing increased investment in that system.

Property owners and businesses in areas that are well-served by mass transit and commuter rail – who are clearly among the transit system's primary beneficiaries – would not be asked under the Move NY plan to contribute anything directly to the cost of increasing investments in transportation; nor would the millions of people who use the MTA's transit and commuter rail services every day. Drivers elsewhere in the region similarly would not be required to contribute anything additional to the cost of investing in transportation; and contributions to the region's transit and commuter rail systems from motorists and truckers using six MTA bridges⁸ would be substantially *reduced*.

The illusion of choice, the fallacy of fairness

Supporters of congestion pricing justify charging drivers to use the East River bridges or to cross 60th Street by arguing that if they don't want to pay the toll most of these drivers can instead use mass transit or commuter rail. This argument glosses over the reality that for many New Yorkers, driving (or being driven) into the Manhattan CBD may be more of a necessity than a choice. Examples include:

- People who commute to Manhattan from neighborhoods in the City where there are no good mass transit options
- People who combine long commutes into Manhattan with late or irregular hours (police officers, night shift nurses, etc.)
- People whose jobs are based in Manhattan but require frequent travel to multiple locations in the City and the surrounding area (sales reps working for Manhattan wholesalers, architects or construction supervisors simultaneously working on projects in the Bronx and Queens, etc.)
- Patients (especially the elderly and infirm) who have to travel into Manhattan for medical care

Moreover, for businesses that regularly (in many cases, daily) have to move products or equipment and supplies from other parts of the City into and out of the Manhattan CBD, the availability of mass transit alternatives is irrelevant. This lack of alternatives is especially worth noting in light of the high tolls the Move NY plan would impose on trucks using the East River bridges or crossing 60th Street, ranging from \$10.40 each way for two-axle light trucks to \$39.76 for tractor-trailers with seven or more axles.

Move NY is marketing its East River/60th Street toll proposal as "the Fair Plan." But it's hard to see what's fair about requiring a small percentage of the region's residents and businesses to bear the largest share of the cost of fixing its transit system. By way of illustration: A 5 percent increase in subway and local bus fares, dedicated to subway and bus improvements – an increase to which many transit advocates would vehemently object – would cost riders who use

⁸ The Verrazano-Narrows, Cross-Bay, Marine Parkway, Throgs Neck, Whitestone and Robert F. Kennedy bridges.

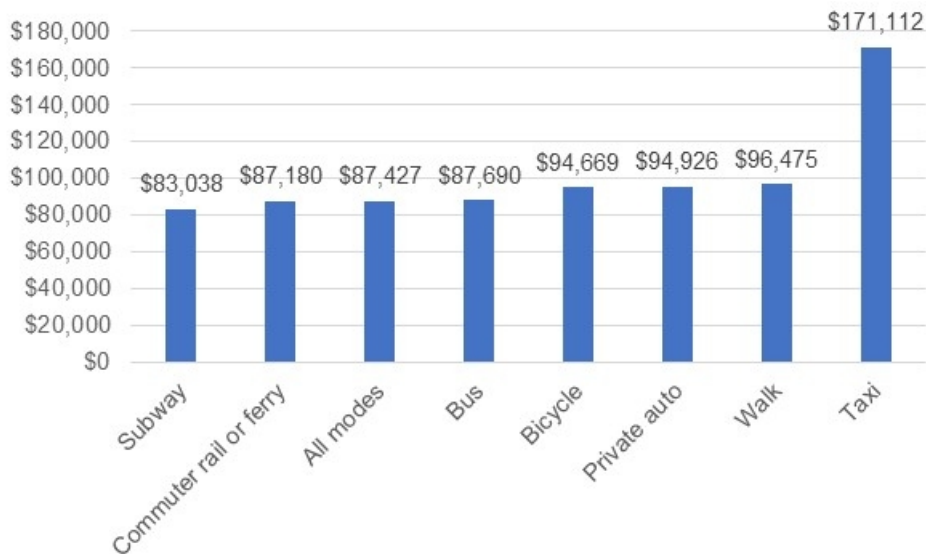
monthly unlimited Metrocards \$72 per year, while the new tolls proposed by Move NY would cost the 150,000 City residents who drive to work in Manhattan an average of about \$2,500 per year.

Proponents of Move NY-style congestion pricing argue that it's fair because people who travel into Manhattan via private auto have higher incomes than subway riders. While this is on the whole correct, the difference between the two groups is in fact much smaller than Move NY and its supporters imply.

Figure 3 – based on Census Bureau journey-to-work data for 2006-2010 – shows median household incomes for the 1.63 million New York City residents who as of 2010 commuted to jobs in Manhattan using various modes of transportation. These data highlight several important characteristics of City residents who work in Manhattan:

- With a median household income of \$87,427, New York City residents who worked in Manhattan were typically what most New Yorkers would consider middle class – but not necessarily wealthy.
- Median household incomes did not vary dramatically by mode of commutation.⁹

Figure 3: Median incomes of New York City residents who work in Manhattan, by mode of commutation, 2010



Source: U.S. Census Bureau, *Census Transportation Planning Package, 2006-2010*

The median income of those who commuted to Manhattan jobs by private auto, for example, were 14 percent higher than the median income of those who commuted by subway, but only about 8 percent higher than the incomes of those who commuted by bus, railroad or ferry. The median incomes of those who biked to work in Manhattan matched almost exactly the incomes

⁹ U.S. Bureau of the Census, *Census Transportation Planning Package, 2006-2010*. Updated CTPP data will be available early in 2019.

of those who commuted by private auto; and (perhaps not surprisingly in a borough of high housing costs) the median income of those who walked to jobs in Manhattan was higher than the median for those who drove.¹⁰

The one notable outlier in Figure 3 is the median household income of New Yorkers who commute to Manhattan jobs by taxi – \$171,112, almost twice the median for all City residents who work in Manhattan.

The 150,000 City residents who commute to Manhattan by private auto (according to the Census Bureau’s CTPP data) would of course not be the only New Yorkers who would be hit hard by Move NY-style congestion pricing. In 2010, about 25 percent of all residents of Nassau and Westchester counties who worked in Manhattan – about 22,000 Westchester residents and 23,600 from Nassau – commuted by private auto.

Although not insignificant, the difference in incomes between those who commute to Manhattan jobs by mass transit and those who drive to such jobs is hardly great enough to justify placing a disproportionate share of the burden of financing mass transit improvements on the latter group.

Not enough to fix the system

In May 2018, MTA NYC Transit President Andrew Byford unveiled an ambitious plan to radically overhaul the City’s subway, bus and paratransit networks over a ten-year period.¹¹ The plan called for accelerated deployment of communications-based train control throughout the subway system, acquisition of 3,000 new subway cars, major improvements to 300 stations, a redesign of the City’s bus network, introduction of new fare-paying technology and improved accessibility throughout the system.

Although the plan was presented without a price tag, media reports indicated that internal estimates of the cost of Byford’s plan ranged from \$19 to \$38 billion. Moreover, the high cost of Byford’s plan is notable for what it does not include: no investment in new subway lines or extension of existing lines, and nothing for the capital requirements of the Long Island Rail Road, Metro North or MTA Bridges and Tunnels.

Move NY has claimed that the imposition of tolls at the East River bridges and at 60th Street could yield \$1.5 billion in new revenue annually. But after accounting for the costs associated with a new tolling system and other measures included in the Move NY plan, such as reducing tolls on six MTA bridges, reducing fares on Metro North and LIRR trips within the City, and allocating a portion of the new toll revenues to the City’s 58 community boards, the revenues available to support the MTA capital program would be more on the order of \$800 million.

Even if Byford’s *Fast Forward* plan is stretched out over fifteen years rather than ten (which may in any case be a matter of practical necessity), it is likely to require at least \$2.0 billion in new

¹⁰ It is worth noting that the dollar values in Figure 3 represent *median* incomes. Some of those who commuted to Manhattan by private auto had incomes significantly lower (or higher) than \$94,926; some who commuted by subway had incomes significantly higher (or lower) than \$83,038. The broad ranges underlying the medians cited in Figure 3 further undercut any claim that Move NY-style congestion pricing would tax “the rich” to help low-income and working-class New Yorkers.

¹¹ Metropolitan Transportation Authority, *Fast Forward: The Plan to Modernize New York City Transit*, May 2018

funding annually – exclusive of any additional funding that might be needed to support other elements of the MTA’s capital program. The new surcharges on for-hire vehicle and taxi fares approved by the Legislature in March 2018 (\$2.75 per trip for Uber and Lyft on trips into, out of or within the Manhattan core, \$2.50 for taxis and 75 cents per passenger for shared-ride services), estimated to yield about \$400 million annually, will provide a down payment. But much more will be needed.

The MTA has recognized as much. In October, Chairman Joseph Lhota called for the creation of “multiple sources” of new revenue to support the agency’s capital plan. “I say multiple sources of new additional revenue,” Lhota stated, “because congestion pricing, even if fully developed and completely implemented, will not be enough.”¹²

Potential legal complications

Since the 1990’s, changes in federal law and regulations have allowed New York State and New York City to use federal highway funds to support rehabilitation of non-interstate highways and bridges. During that time, federal-aid highway funds have been used for major maintenance and repair of all four East River bridges, Route 9A and the FDR Drive. Currently, “all lanes of an existing, toll-free non-Interstate System federal-aid highway, bridge or tunnel may be converted to a toll facility;” but only in cases where the facility is being substantially reconstructed or replaced.¹³ Moreover, the decision to use tolls to help finance reconstruction or replacement cannot be applied retroactively, after reconstruction or replacement is completed.

In addition to these federal statutory issues, any new system for tolling entry into the CBD is likely to require a full environmental impact analysis. Even if the Legislature were to authorize such a system in 2019, it would probably take until 2021 to complete the environmental review process, and at least another year to put in place a complex and costly system for collecting tolls – during which time which opponents of congestion pricing could still challenge the results of the environmental review process in court. Given the magnitude and immediacy of the transit system’s needs, waiting until 2022 or later to start collecting new revenues seems particularly ill-advised.

No growth in revenues

Unlike most of the MTA’s existing dedicated tax revenues (including sales and payroll taxes), the tolls proposed by groups such as Move NY would provide no “natural” long-term revenue growth. Instead, given the likelihood that the number of vehicles being driven into and out of the Manhattan CBD will continue to decline, tolls would have to be increased every year or two just to keep the new toll revenues from declining. Such tolls cannot provide a stable basis for meeting the current and future needs of the MTA.

¹² Christina Saint Louis, “Everyone wants to fix the MTA, but who’s going to pay?” *City & State*, October 24, 2018

¹³ Congressional Research Service, *Tolling U.S. Highways and Bridges*, August 4, 2017

Better ways to finance increased investment in transit

Advocates for tolling entry into the CBD sometimes acknowledge that there are other revenue sources that could be used to fund increased investments in New York's transit systems. But they typically dismiss these alternatives as either politically impossible or otherwise less desirable than their own proposed solution. But there are real alternatives.

When evaluating various options for funding increased investment in transportation, New Yorkers should keep several general criteria in mind.

- The cost of preserving, operating and improving New York's transit system should be shared broadly among all those who benefit from the system's existence, and the benefits it provides – subway, bus and commuter rail passengers; property owners and businesses, especially those in areas well-served by mass transit; motorists and truckers; and the region at large.
- All other things being equal, increases in existing taxes or charges – or institution of new taxes or charges that can easily piggyback onto existing systems for revenue collection – are generally preferable to those that require the creation of complex and costly new systems for collection, administration and distribution of revenues.
- Given the continued growth of transit operating costs and long-term capital needs, revenue sources that provide some natural growth over time are preferable to those (such as Move NY's version of congestion pricing) that don't.
- New revenues earmarked for the MTA's capital plan should be phased in over several years, giving the agency time to demonstrate that it can effectively manage a significantly larger and more complex capital program. Giving \$2 billion or more in new annual revenues to an agency that is not able to invest it promptly, efficiently or effectively would be economically counterproductive.
- Together the MTA and the State have a long history of diverting revenues originally intended to fund reinvestment in the agency's basic infrastructure, whether into politically more appealing expansion projects, into rapidly rising employee pension and benefit costs or into efforts to limit fare increases. Perhaps the most jarring example is the MTA payroll tax. First enacted in 2009, it will in 2019 throw off nearly \$1.6 billion for the MTA; yet in the decade since it was enacted, the problem of underinvestment in the transit system's basic infrastructure has only gotten worse.

During the past year, the long-term cost of these habits has become increasingly evident. Any legislation providing new sources of revenue for the MTA should provide that for at least the next ten years, such revenues can be used solely to support the Fast Forward program, other investments aimed at keeping the system in a state of good repair, and other safety and security enhancements.

The following are several options for funding improvements in New York's transit system. This list is not meant to be comprehensive; nor would it be necessary to enact all of them. Rather,

they are meant to show that there are alternatives to imposing tolls on the East River bridges and at 60th Street – alternatives that are far more consistent with the criteria outlined above and that could in some combination produce the revenues needed to finance a truly comprehensive overhaul of the City’s transit services.

- Since the creation of the MTA, New York’s approach to financing mass transit has reflected a belief that the system’s costs should be shared among riders, motorists and the broader regional community. If a substantial increase in funding is now required, riders need to share in that responsibility. Along with the fare increases already built into the Authority’s 2019-2023 plan, the MTA should consider an additional increase in transit and commuter rail fares, designed to yield a 5 percent increase in revenues. We estimate that in 2019 such an increase would provide approximately \$316 million in annual farebox revenues.
- Consistent with long-standing practice, MTA bridge and tunnel tolls could also be adjusted to yield a 5 percent increase in revenues – approximately \$97 million.
- As noted above, owners of commercial property in Manhattan are among the prime beneficiaries of the existence of, and improvements to, the transit system. A special 5.0 percent surtax on real property taxes paid by commercial property owners in Manhattan would have yielded approximately \$408 million in City fiscal year 2017.
- Alternatively, Giancarlo Falcocchio and Constantine Kontakosta of the NYU Tandon Engineering have called for creation of “transit maintenance assessment district” (similar to a business improvement district) covering the Manhattan CBD, with owners of commercial and industrial property paying an annual assessment to support the transit system. With a total of 664 million square feet of commercial and industrial space in the CBD, an assessment of just \$1.00 per square foot could yield \$664 million annually for the City’s transit system.¹⁴
- From 1971 through July 1999, New York City levied a modest tax on the gross incomes of non-city residents who were employed in the City – 0.45 percent on gross wages and salaries, and 0.65 percent on income from self-employment. Restoring the New York City non-resident income tax (the “commuter tax”) at half its previous rate, and dedicating the proceeds to MTA’s *Fast Forward* program, would have yielded \$461 million in the City’s current fiscal year. At a rate of 0.225 percent, a non-City resident earning an annual salary of \$100,000 would have paid just \$225.00 per year.
- In addition to regular State and local sales and use taxes (currently a combined 8.5 percent in New York City), New York State imposes an additional tax of 0.375 percent, dedicated to the MTA, on all sales within the downstate MTA district. For the coming fiscal year, the New York State Budget Division estimates that this surcharge will provide \$1.021 billion in revenue to the MTA. Increasing MTA sales tax rate from 0.375 to 0.5 percent – with the additional one-eighth of one percent dedicated to the MTA capital

¹⁴ Giancarlo Falcocchio and Constantine Kontakosta, “Businesses Bear the Burden: *Urban Design Forum*, September 21 2017

program – would provide the agency \$340 million in additional revenue in the next fiscal year.

- New York State and New York City have each suggested that the other should be providing more direct financial support to the MTA. Both are right. Rather than leaving this question to the vagaries of the annual budget process, the proceeds of the existing sales tax on black car, e-hail and other for-hire vehicle services in New York City could be converted from a source of State and City general fund revenue to a dedicated tax supporting the MTA. While the rapid growth of app-based services during the past few years makes it difficult to project what this tax will produce in the future, we estimate that in 2019 such a transfer would provide an increase of approximately \$320 million in dedicated MTA funding.
- Similarly, New York City and State could agree to convert the existing sales tax on off-street commercial parking in Manhattan – plus the additional surtax levied on off-street parking charges in Manhattan, which brings the total tax rate to 18.375 percent – into a dedicated tax supporting MTA NYC Transit’s *Fast Forward* program. In fiscal year 2018, this change would have shifted approximately \$200 million in State and City general fund revenues to the MTA.
- Since 2012, ten states and the District of Columbia have legalized recreational use of marijuana; and support for legalization appears to be growing in other states as well. In 2018 the New York State Department of Health estimated that legal sales of marijuana (depending on the tax rate set by the Legislature) could in the first year generate \$248.1 to \$677.7 million in new state revenues. A recent report from the Rudin Center for Transportation at NYU suggests dedicating some or all of this new revenue to mass transit improvements.¹⁵
- In 2018, increasing the State’s existing MTA-dedicated petroleum business tax by 5 cents per gallon would increase the MTA’s PBT-tax revenues by approximately \$170 million annually.
- Increasing the State’s motor fuel tax (now 8 cents per gallon) to 13 cents, with the additional revenues being split between the MTA’s *Fast Forward* program and upstate transportation projects, would yield about \$160 million annually for the MTA.
- New York City’s ability to accommodate more than 60 million annual visitors depends in part on its transit system. It seems reasonable to ask the City’s travel and tourism industries to share the increased cost of investment in that system. A 1.0 percentage-point surcharge added to the City’s 5.875 percent hotel tax would for example produce approximately \$97 million in new revenue that could be dedicated to the MTA.

Table 3 summarizes the revenues described above.

¹⁵ Mitchell L. Moss, Kelsey McGuinness and Rachel Wise, *A New Revenue Source for Mass Transit: Legalizing and Taxing Cannabis*, NYU Rudin Center for Transportation, November 2018

Table 3: Possible sources of new MTA revenues: selected examples

Proposal	Estimated annual revenue
Increase MTA fares to yield a 5.0% increase in farebox revenue	\$316 million
Increase MTA bridge and tunnel tolls to increase revenue by 5.0%	\$97 million
Convert FHV sales tax to a dedicated MTA tax	\$320 million
Convert the NYS/ NYC parking tax to a dedicated MTA tax	\$200 million
Increase the State’s MTA-dedicated petroleum business tax by 5 cents per gallon	\$170 million
Increase the State motor fuel tax from 8 to 13 cents per gallon, with half the incremental revenue dedicated to the MTA’s <i>Fast Forward</i> plan	\$160 million
Impose an assessment equal to 5.0% of the real property tax due on commercial property in Manhattan	\$408 million
Impose an assessment of \$1.00 per square foot on commercial and industrial property below 59th Street	\$664 million
Restore the NYC non-resident income tax at half its previous rate, with all proceeds dedicated to MTA NYC Transit’s <i>Fast forward</i> plan	\$461 million
Increase the State sales tax surcharge dedicated to the MTA from 0.375 to 0.5%, with the additional revenue dedicated to the MTA capital plan	\$340 million
Legalize and tax the sale of cannabis for recreational use	\$248-\$677 million
Add a 1 percentage-point surcharge to the City’s hotel tax	\$97 million

In the long run, New York may also want to consider other options for funding increased investment in the State’s transportation infrastructure, such as:

- A system of universal road pricing – requiring all vehicles operating in New York State to be equipped with GPS or sensor-based technology that allows them to be charged for road use in real time, with charges varying according to where, when and how far they are driven.¹⁶ In addition to pricing congestion much more efficiently than the “cordon pricing” system proposed by groups like Move NY, it would better prepare New York for the transition to electric and other very-high-mileage vehicles.

¹⁶ In January 2017 the London Assembly’s Transport Committee called for replacing London’s existing system of center-city congestion charges with a city-wide road pricing system.

- A carbon tax: In 2017 the Political Economy Research Institute at the University of Massachusetts estimated that a state tax averaging \$55.00 per ton of CO₂ emissions would yield an average of \$7.1 billion annually between 2021 and 2030.¹⁷ Assuming (as do the authors) that 25 percent of this revenue would be rebated to low-income taxpayers, such a tax would provide an average of \$5.3 billion annually in net new revenue. These funds could be used to provide incentives for conversion to renewables, improvements in energy efficiency and investments in mass transit.

Authorizing and implementing measures such as these would, however, take several years, and would work best if were being adopted on a regional or national level. In the interim, a combination of measures such as those described above may offer the best near-term solution.

Time to move on

For too long, a fixation on imposing steep tolls on drivers and truckers using the East River bridges or crossing 60th Street has diverted attention away from other more broadly-based, more equitable and more efficient ways to finance needed mass transit investments, and from the need for a more comprehensive approach to reducing central business district traffic congestion.

That same fixation has for too long obscured the reality that traffic congestion (like subway, sidewalk or airport congestion) is a byproduct of the City's economic and social vitality. It is a chronic condition that we need to manage more effectively – not a life-threatening disease. People drive their cars into the CBD for many good reasons: as the most efficient way to get to work when mass transit or commuter rail service is too far away or too infrequent, when they need their cars for work during the day, for medical care, to go to the theater or a basketball game or out to dinner. It is in the City's interest to allow them to make that choice

The goal of more effective management of the City's streets should not be simply to reduce the total volume of vehicular traffic – instead, if New York City is to keep growing, we need to figure out how we can safely and efficiently accommodate *more* traffic. In this context it is important that the City recognize as well that off-street parking is not a source of the problem. It is an essential part of the solution – an essential (and privately financed and operated) part of the transportation infrastructure that makes the Manhattan core work as a place to live, work, do business and visit.

This doesn't mean prioritizing vehicular traffic over everything else. Should the City reduce speed limits or otherwise restrict the flow of traffic where doing so will save lives? Yes. Does it need to provide more space for cyclists and pedestrians? Yes. Tradeoffs will be required – they always are.

But there are far better ways than congestion pricing both to finance mass transit and to reduce congestion. It's time to start pursuing them.

¹⁷ Robert Pollin et al, *Clean Energy Investments for New York State*, Political Economy Research Institute, University of Massachusetts, November 2017