



April 16, 2020

Senator Charles E. Schumer  
322 Hart Senate Office Building  
Washington, D.C. 20510

Congresswoman Nita Lowey  
2365 Rayburn HOB  
Washington, D.C. 20510

Members of the New York State Congressional Delegation:

I want to thank you again for your leadership and hard work in securing nearly \$4 billion in federal transit aid for the MTA and \$25 billion for public transportation agencies across the country in the CARES Act. All of us at the MTA and, most importantly, our customers and 74,000 employees, thank you for your work in securing this support.

Unfortunately, as you know, the crisis has worsened dramatically in New York since my last letter, dwarfing our initial revenue loss estimate of nearly \$4 billion, which was a conservative estimate based on the information we had at the time. With a clearer picture of the crisis emerging over the last few weeks, and now the benefit of a detailed economic study led by McKinsey & Company<sup>1</sup>, we project the full 2020 financial impact of the COVID-19 crisis to the MTA to be between \$7.0 and \$8.5 billion.

**I am writing to request that the next legislation include an additional \$3.9 billion to stem the immediate financial hemorrhaging in the MTA's 2020 operating budget.** This is the midpoint of the projected range of the MTA operating deficit attributable directly to the COVID crisis, after subtracting the \$3.8 billion slated to be delivered by the CARES Act.

In the few short weeks since I last wrote, ridership and associated revenue have continued to plummet across the system. Ridership has now declined 93 percent on the subways, 95 percent on Metro-North, and 97 percent on the Long Island Rail Road, with equally reduced ridership on buses as well. We're also seeing 62 percent fewer crossings at our bridges and tunnels. Based on the current ridership and reasonable forecasts of a slow return to higher (but not pre-COVID) levels in 2020, we expect to see losses in fare and toll revenues of \$4.7 - \$5.9 billion this year alone, and additional impacts in 2021.

Moreover, we are now able to forecast sizable losses of \$1.6 - \$1.8 billion in state and local taxes dedicated to the MTA in 2020 as a result of the extraordinary economic downturn facing the region and nation. Making up the losses in fare, toll, and tax revenues (which are included in the \$7.0 - \$8.5 billion need detailed above) is essential to maintaining New York's transit system, the lifeblood of the region, and demands significant additional assistance.

We are also incurring additional expenses related to ensuring the safety of our staff and riders, disinfecting our stations, rolling stock and work spaces to a new, even more costly level. We do not expect those overheads to decline, but instead to increase as ridership returns.

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<sup>1</sup> See attached Appendix summarizing McKinsey's analysis.

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Through it all, however, the members of our heroic workforce continue to show up -- day in and day out – just as they did after 9/11 and Superstorm Sandy. They are committed to helping the doctors and nurses, the childcare, grocery store and utility workers, the police officers and other first responders do their critical jobs. We all owe them a huge debt of gratitude.

The dedication of our workers comes at the highest cost: heartbreakingly, 68 brave colleagues have tragically passed away due to this virus. New York City Transit alone has more than 2,400 subway and bus employees who have tested positive for COVID-19. Another 4,400 are on home quarantine and thousands more are calling out sick.

The COVID-19 pandemic is a national disaster that requires a national response. The situation is dire, and we cannot cut our way out of this crisis. While there are minor savings in a few areas, as we strive to maintain basic services and protect our workforce, there is no way an agency of our size can find the necessary billions in savings to put our budget back in the black.

Supplemental formula increases to existing transportation funding programs – which distribute dollars based on formulas that already shortchange the MTA and which do not even consider the impacts of the pandemic – do not work. We need Congress to provide a distinct funding stream to New York, the epicenter of the disaster – as it did after Superstorm Sandy – to offset the operating budget impact of the COVID-19 crisis.

Further, Speaker Pelosi has rightly prioritized infrastructure funding as a key driver of economic growth as Congress considers stimulus investments to boost the U.S. economy. There is no better stimulus investment than one that advances public transportation – the lifeblood of New York’s economy. The MTA continues to move the frontline workers in the neighborhoods that rely most on subway and bus service<sup>2</sup> – and that have been the hardest hit during the COVID-19 crisis -- including the Bronx, central Queens and eastern Brooklyn.

Federal assistance will also help protect our historic \$51.5 billion 2020-2024 Capital Program, which is projected to deliver 13,000 jobs per billion dollars spent. The MTA has maintained an ambitious goal of awarding 30 percent of its capital program dollars to minority and women-owned businesses. Before the COVID-19 pandemic, the MTA was poised to kick off \$13 billion of “shovel-ready” projects in 2020. With a heavily unionized construction staffing system in place, there’s no need to wait for re-hiring to take place – we have a bench of men and women ready to work, as soon as the projects get the go-ahead.

The projects and others outlined in our Capital Program – like Metro-North Penn Station Access, Second Avenue Subway Phase 2, our aggressive signal modernization and ADA programs – will not only stimulate the regional economy, but also improve service and connectivity for communities that need it most. These are investments that pay dividends long after the ribbon-cuttings are over.

They also deliver long-term environmental benefits, especially important to areas of our city struggling with high rates of pulmonary conditions like asthma, one of the comorbidities that makes lower income residents more vulnerable to COVID-19.

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<sup>2</sup> More than 60 percent of trips made by New York City residents with household incomes below \$50,000 are by New York City Transit subway or bus.

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The MTA has a major role to play in the revival of the New York metropolitan region's economy – which alone accounts for almost 10 percent of the entire national GDP. And the nation needs a strong New York to lead the recovery from this pandemic. That's why we are seeking your leadership – once again – to assure that the next congressional legislation delivers \$3.9 billion to the MTA to offset our COVID-related operating budget crisis -- in addition to an appropriate<sup>3</sup> level of stimulus funding. We look forward to our continued partnership on this vitally important matter.

Sincerely,



Patrick J. Foye  
Chairman and Chief Executive Officer  
Metropolitan Transportation Authority

**cc:**

Senator Kirsten E. Gillibrand  
Congressman Eliot Engel  
Congressman Jose E. Serrano  
Congressman Jerrold Nadler  
Congressman Peter King  
Congresswoman Carolyn Maloney  
Congresswoman Nydia Velazquez  
Congressman Gregory Meeks  
Congressman Brian D. Higgins  
Congresswoman Yvette D. Clarke  
Congressman Paul D. Tonko  
Congressman Tom Reed  
Congressman Hakeem Jeffries

Congressman Sean Patrick Maloney  
Congresswoman Grace Meng  
Congressman John M. Katko  
Congresswoman Kathleen M. Rice  
Congresswoman Elise M. Stefanik  
Congressman Lee Zeldin  
Congressman Adriano Espaillat  
Congressman Thomas Suozzi  
Congressman Joseph Morelle  
Congressman Anthony Brindisi  
Congressman Antonio Delgado  
Congresswoman Alexandria Ocasio-Cortez  
Congressman Max Rose

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<sup>3</sup> The CARES Act distributed aid through existing federal transit formulas, which resulted in the MTA being allocated 16 percent of the funds though we carry 38 percent of transit passengers nationwide. The COVID-19 pandemic has severely and disproportionately impacted New York and any funds must address this disparity as a matter of national interest.

## **Appendix A - Methodology for forecasting 2020 revenue impacts from COVID-19**

### **Context**

On March 17, five days before the stay-at-home order went into effect for New York State, the MTA projected that it would face a 2020 budget shortfall of at least \$4B in fare and toll revenue. This estimate explicitly did not take into account the impact of COVID-19 on taxes and other dedicated revenue streams that support the MTA's operation.

A month later, it is now clear that the COVID-19 crisis is more severe and of longer duration than anyone could have anticipated. The impact to the MTA's finances is material and leaves a gap that must be filled in order to continue normal operations. The MTA has begun refining the fare and toll revenue loss projections to reflect these changes (e.g., the ridership drop has since grown from 60% to more than 90%), as well as projecting losses in the tax and other subsidy revenues that generally make up half of the MTA's total revenue sources. McKinsey & Company was contracted by the MTA to analyze the potential impact of COVID-19 on the MTA's 2020 calendar year revenues. What follows is an estimate of these shortfalls through the end of calendar year 2020, totaling \$3.2-\$4.7B.

It is critical to note that this analysis does not attempt to capture the impact on MTA finances in 2021. A view of 2021 will need to be developed when the key factors that influence it – the course of the virus, public health responses including social isolation measures, trajectory of the economic recovery, etc. – can be seen with greater clarity.

This analysis is focused on operating costs and does not make any assumptions related to additional capital expenditures that the MTA may incur over the course of the crisis. It also gives only an initial view on additional operating costs.

### **Analysis and Modeling**

**Exhibit 1** below outlines the currently estimated financial impact of the COVID-19 crisis on fare, toll, and non-fare revenue as well as additional operating expenses in the calendar year 2020.

### Exhibit 1. Overview of projected operating gap in 2020

Type of revenue/cost	Projected financial impact in 2020, \$B
Fare revenue	(3.9) – (4.9)
Toll revenue	(0.8) – (1.0)
Non-fare revenue <sup>4</sup>	(1.6) – (1.8)
Additional operating expenses	(0.7) – (0.8)
<b>Sub-total</b>	<b>(7.0) – (8.5)</b>
CARES ACT Funds to MTA	3.8
<b>Total incremental gap</b>	<b>(3.2) – (4.7)</b>

### Economic forecasts for 2020 for the MTA service area

In general, this analysis reviews two scenarios for how revenues may change in 2020. The scenarios reflect different assumptions for how ridership and bridge and tunnel traffic and other dedicated revenue streams will behave across several variables. As indicated above, the midpoint between these two scenarios – \$3.9B – has been selected as the basis of the MTA’s request to Congress.

### Forecasting Methodology

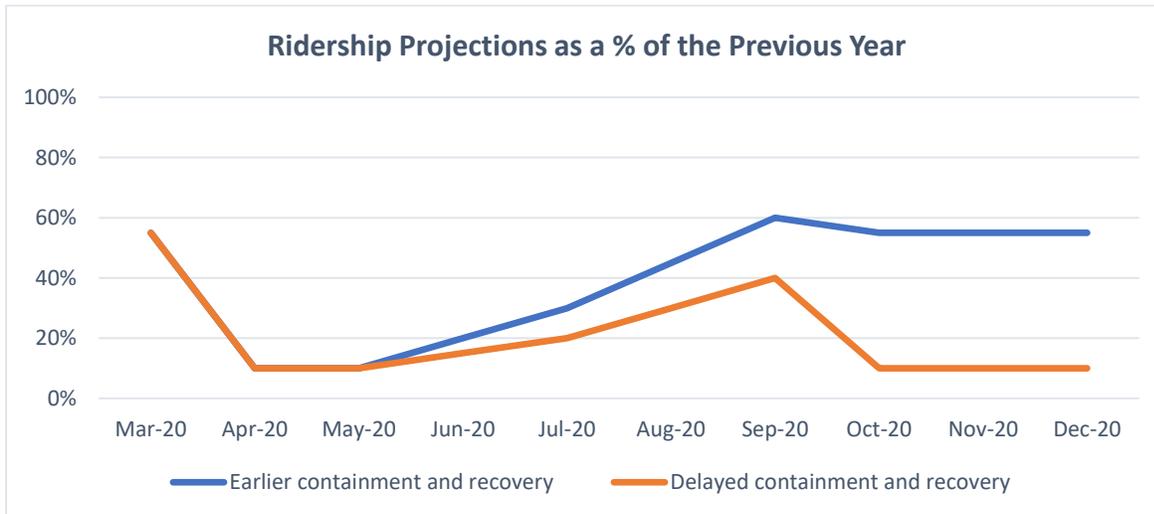
There is substantial risk that the higher end of the range could materialize based on uncertainties in the course of the disease, the speed of development and mass promulgation of high-volume clinical testing and protocols, the availability of medical supplies and equipment, continued public adherence to protective policies, and Federal policy response. Hence, both scenarios are presented throughout.

From these variables and scenarios, two potential pictures of ridership for 2020 were developed (see **Exhibit 2**).

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<sup>4</sup> Non-fare revenue loss does not include the impact of reduced transfers from toll revenue; these are accounted for in the toll revenue losses

## Exhibit 2. Ridership assumptions for 2020 used in the fare analysis



### *Non-fare revenue*

Non-fare revenue consists of a variety of taxes and other dedicated revenue streams. For the purpose of this analysis, taxes were grouped together based on their underlying drivers (e.g., “mobility,” “real estate,” “employment”). Then, the analysis evaluated how each type of tax might perform in 2020 based on how its underlying drivers could behave. For example, the Petroleum Business Tax and the portions of MTA aid from passenger car rentals both are tied to driving patterns (“mobility”) and are predicted using a proxy for that behavior (i.e., toll revenue projections); moreover, because these “mobility” taxes are specifically tied to toll projections, they also reflect the variation described above between scenarios 1 and 2.

## Revenue implications for the MTA in 2020

### *Fare revenue*

Potential scenarios for ridership were developed as inputs to fare modeling. When translating ridership to revenue, the model also assumed an average of 10% additional reductions in transit revenues due to public health procedures.

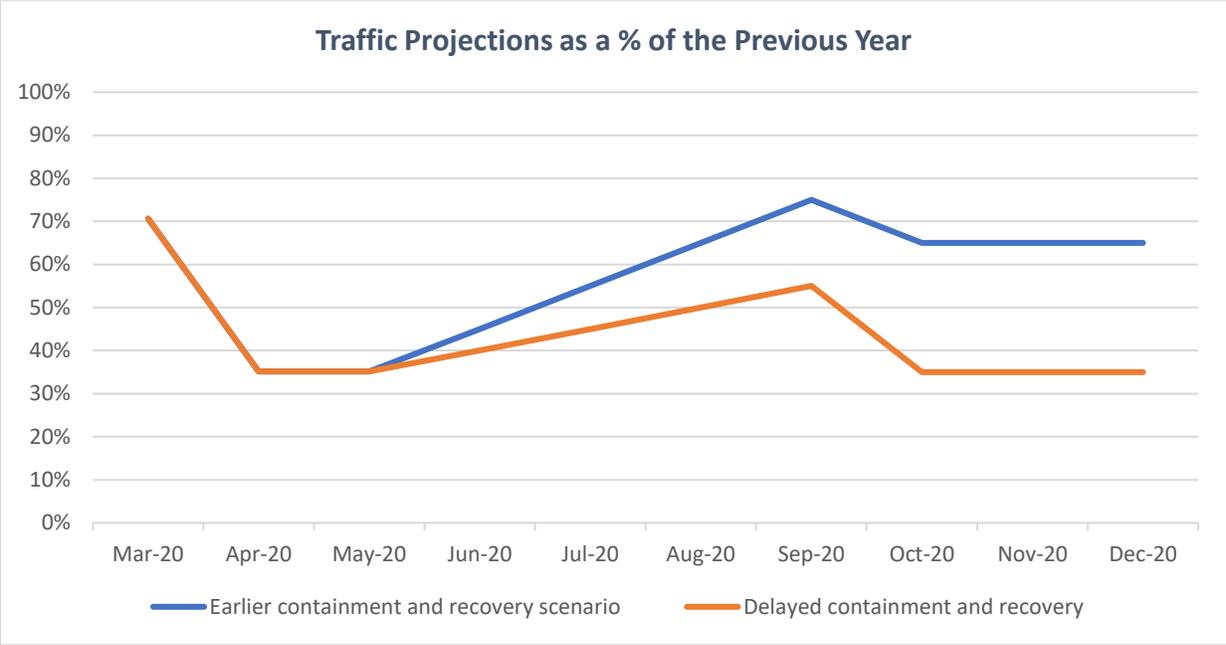
The result is a potential **gross loss of approximately \$3.9-4.9B in revenue from fares in 2020, representing an approximately 60-75% reduction from the \$6.5B farebox revenue estimated in the February 2020 Plan.** The impact of this loss to the MTA’s bottom line is amplified compared to other systems due to the MTA’s comparatively high dependency on fares, with some of the largest farebox recovery ratios in the nation.

*Toll revenue*

Toll revenue was similarly modeled looking at historical data and incorporating the same thinking on public health responses and timing (see **Exhibit 3**).

Toll revenue is currently down 65-70% on the MTA's bridges and tunnels, as compared to 90+% on its transit services, reflecting the marginally greater comfort of drivers using personal vehicles and the relative robustness of truck traffic. The analysis anticipates bridge and toll revenues to follow a similar trajectory as ridership, albeit from a less deep trough, gradually returning to about two-thirds of normal levels by the end of the year in scenario 1. Similar to transit revenues, this reflects the need for more limited social distancing measures to take effect in the fall; if there is a significant resurgence of COVID, the impact could be larger.

**Exhibit 3. Bridge and tunnel traffic assumptions for 2020 used in the toll analysis**



The resulting analysis shows approximately **\$0.8-1.0B in losses for 2020, representing a 36-48% decrease from the February 2020 Plan toll revenue estimate of \$2.1B, and a combined total of approximately \$4.7-5.9B in losses when added to the reductions calculated in fare revenue.**

*Non-fare revenue*

The economic contraction may also impact non-fare revenue, which in 2019 was \$8.1B. Taxes were separated into seven main types, which were modeled according to the methodology described above, with the following results (see **Exhibit 4**).

#### Exhibit 4. Non-fare revenue modeling for 2020 by groups of taxes

Tax group	Original 2020 Budget, \$B	Projected losses in 2020, \$B	Decrease projected for 2020, %
Mobility	1.9	(0.4) - (0.5)	-23 to -29%
Employment	1.6	(0.3)	-17%
Real Estate	1.5	(0.4)	-57%
Business income	1.1	(0.3)	-30%
Sales	0.9	(0.3)	-32%
Other	0.02	(0.0)	-42 to -44%
No change <sup>5</sup>	2.1	-	0%
<b>Total</b>	<b>8.4</b>	<b>(1.6) – (1.8)</b>	<b>-19 to -21%</b>

Note: Totals may not add due to rounding. Total also does not reflect the impact of adjustments (applies to Urban Tax, the "Mansion Tax", and the Internet Marketplace Tax)

#### Initial view on operating cost implications for the MTA

Protecting the health and safety of its workforce and customers is, above all, the MTA's highest priority. The MTA has already taken steps to enhance cleaning, provide personal protective equipment (PPE) to frontline employees and increase occupational health services, which increase operating costs by \$4M a week. This activity could continue throughout at least the remainder of 2020.

Further, to instill confidence in the system and attract riders back to service, the MTA anticipates needing to undertake a series of additional measures. These could include, for example, introducing additional ventilation and cleaning procedures or adjusting staffing to spread customers out and enforce health standards. These, in addition to the continuation of what has been done the last six weeks, could add an estimated \$0.7-0.8B in operating expenses in calendar year 2020. This cost, which does not include additional capital expenditures, could vary depending on the decisions the MTA makes on how to operate through the crisis.

#### Benefits of filling the operating gap

87% of people who enter Manhattan's Central Business District during the peak do so through bus, subway, or rail.<sup>6</sup> As social distancing eases and the pace of economic activity picks up, workers will need a way to return to jobs, especially lower income populations, who most rely on the MTA to get to work and for other purposes.

In recent years, NYC's Metropolitan Statistical Area (MSA) has generated 8.3% of all U.S. nominal GDP growth and 2.6% of all global nominal growth between 2010 and 2017.<sup>7</sup> The value of the funds required to protect the MTA's operations has multiplier effects nationally. A BEA-informed analysis of the impact of a \$3.2-4.7B investment in replacing lost operating funds shows the potential for a \$6.2-9.1B total national GDP impact, including generating approximately 75-109K jobs.

The MTA also provides environmental benefits. Prior to COVID-19, by removing vehicles from the road, the MTA was offsetting a net 17 million metric tons of greenhouse gasses every year, including surface atmospheric emissions (e.g., PM 2.5, NOx, SOx) that reduce air quality and particularly impact the region's most vulnerable populations.<sup>8</sup>

<sup>5</sup> 25% of the original 2020 budget was predicted to remain unchanged because it represented legal commitments to provide funds, or because it appeared the underlying drivers were unlikely to shift significantly in 2020 (e.g., Payroll Mobility Tax Replacement Funds, Internet Marketplace Tax, Motor Vehicle Fees for registering vehicles)

<sup>6</sup> NYMTC 2018 Hub-Bound report Table 1B

<sup>7</sup> Canback Global Income Distribution Database (C-GIDD)

<sup>8</sup> MTA Network Overview, [new.mta.info/about-us/the-mta-network](http://new.mta.info/about-us/the-mta-network)