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No Easy Option for M.T.A. if Albany Cuts Its Revenue

By MICHAEL M. GRYNBAUM

Among the billions of dollars in cuts that were proposed by Gov. David A. Paterson last week was $113 million in state financing for the Metropolitan Transportation Authority, an agency whose precarious financial situation has already required a state bailout.

The governor's cuts need legislative approval before becoming a reality. But rail, bus and subway riders who have suffered through a year of fare increases and service reductions may be excused for assuming the worst.

"I would never bet against the state taking money back from the M.T.A.," said William Henderson, executive director of the authority's Permanent Citizens Advisory Committee.

The authority said in a written statement that it would carry out "cash management strategies, revenue actions and expenditure reductions as necessary" to cope with reductions. Officials would not elaborate, given the protracted legislative process the governor's proposal would require.

But any loss of financing means cuts, and the authority would have to choose from a limited list of unpleasant options.

Fare increases may be the least likely option. In July, the authority announced a budget with no fare increases in 2010, a reprieve that was characterized as a sort of miracle after the crisis of late spring, when a last-minute rescue plan from Albany closed a gaping shortfall.

An abrupt fare increase could be a political disaster. Still, fare increases of 7.5 percent are planned for 2011 and 2013, so a sudden loss of financing could spur an accelerated schedule. "The money has to come from someplace," Mr. Henderson said.

To make up a $100 million shortfall, the authority would have to raise fares again by roughly 2 percent, assuming no other cost-saving measures. Fares and tolls rose about 10 percent this summer.

Service cuts could also help close the gap, but even significant changes rarely amount to big savings. Removing nearly 300 station agents from the subways last month saved $5.7 million.

Overnight closing of four downtown stations on the N line would save $390,000; eliminating the W train would save $3 million; and closing the Z line and shortening the M would save $2.4 million, according to authority projections in March, when those closings were being considered.

Cleanliness, rather than train service, may be more vulnerable.

“Station renovations and cleaners are often the first to go,” said Neysa Pranger, a spokeswoman for the Regional Plan Association, a transportation advocacy group. Indeed, New York City Transit cut $32.5 million from its cleaning budget this summer by cutting back repainting and maintenance services for trains and stations.

For riders, the least painless approach would be on the bureaucratic end: lowering administrative costs, cutting back on contracts, and reducing back-office positions. But the authority has already tried these tactics.

“I don’t know how much they could do with internal belt-tightening,” Ms. Pranger said. “They might be able to squeeze a little more water from the stone.”

The authority may face a more immediate problem with its bondholders.

Most of the governor’s proposed cuts stem from a portfolio of dedicated tax revenues, used by the authority to guarantee hundreds of millions of dollars in outstanding bonds. A reduction in that revenue could result in a downgrading of bond ratings, which would impede the authority’s ability to issue debt, a crucial source of financing.

Ratings on the bonds were recently reaffirmed by major agencies. But a Merrill Lynch report in August argued that the bonds were rated too high, noting that the authority’s constant tussling with political officials over financing had raised concerns.

For its part, Governor Paterson's office says that its proposed cuts — aimed at partly reducing a deficit that may reach nearly $50 billion by March 2013 — will not cripple the authority.

"Whether it's the state government, or the city government, or the M.T.A., everyone has to manage reductions in resources responsibly to maintain their credit rating," said Matt Anderson, a spokesman for the governor's budget office.