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MAKING DECISIONS ABOUT TRANSIT

The practice of dealing with deficits by putting off repairs and maintenance was good politics even if it was bad for transit’s future. But shape and productivity issues must be resolved. The system must be scaled not to arbitrary historical standards, but to meet the region’s travel and economic needs.

by

DAVID SCHOENBROD

Reshaping and streamlining transit to improve the most essential services will ultimately make the system better for both riders and transit workers. Though critical parts of such a program, such as eliminating less-used services and imposing higher workloads on some employees, will bring cries of anguish in the short run, the choices must be faced because large subsidies to transit will grow larger, even with substantial fare hikes and only modest wage increases, unless costs are cut. The power to cut service and increase productivity, however, resides in institutions that have tended to sacrifice the public’s long-term interests for short-term political favor. How then can an accountable form of government make transit decisions that take adequate account of the future?

This is not a new problem. The practice of dealing with transit deficits by putting off repairs and maintenance rather than by raising the fare or increasing subsidies was good politics even as it was bad for transit’s future. The harm done had its impact at a later date, after the next election, unlike a fare hike or a tax increase.

Such myopia in government is not confined to transit. New York City’s and State’s borrowing to meet current expenses, which promoted the fiscal crises of the mid-1970s recalled eighteenth-century philosopher David Hume’s warning that:

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It is very tempting to a minister to employ such an expedient, as enables him to make a great figure during his administration, without overburdening the people with taxes, or exciting any immediate clamors against himself. The practice therefore of contracting debt will almost infallibly be abused, in every government.

So most state constitutions try to forbid borrowing to meet current expenses. State constitutions do not prohibit allowing transit or other public facilities to deteriorate, even though deterioration is like the forbidden debt in motive and impact. Courts have had enough trouble trying to make controls on debt effective; controls on deterioration would be even harder to implement.

Hidden borrowing through deterioration plagues public services other than transit—from education to bridges—but the problem is particularly acute for transit because it is so capital intensive and because so much of its capital plant is hidden from public view. Reductions in the most significant parts of the education budget, for example, will soon show up in how the classroom looks or in terms of what goes on inside it. On the other hand, major portions of the transit budget could be cut without immediately detectable consequences.

Before getting too sophisticated in thinking about a smaller, more efficient transit system, it is important to consider that the process to make the decisions has worked primitively. Our institutions were unable to respond to transit’s physical and mechanical decay until that decay was so palpable that it was truly oppressive for riders and became a prominently discussed reason for major employers to leave New York City. What was done to enable our institutions to try to repair the damage? Can our improved institutions cope with decisions about the system’s shape and productivity? If not, what further improvements are needed?

Dealing With The Institutional Problems

The first four decades in the history of New York’s subways demonstrated how myopically transit was treated. From the day the first subway opened at the start of this century through a long era of inflating costs, the political process kept the fare at a nickel. As the *WPA Guide To New York City* reported in 1939, “The 5-cent fare—a recurring issue in municipal politics—is not likely to be increased in the immediate or distant future. The New Yorker is extremely sensitive on this point.” When, as a result, the private corporations that operated subways became insolvent, the city took over these lines and ultimately had to increase the fare, but the politics of transit still meant that there was more sensitivity to the level of the fare than to the physical integrity of the system.

The state legislature created the New York City Transit Authority in 1953 to take over the city’s transit system. The TA was designed to overcome the problems of the past; the TA Board, which is now the same as the MTA Board, was to operate the system “for the convenience and safety of the public on a basis which will enable the operations thereof, exclusive of capital costs, to be self-sustaining.” The statute thus fixed responsibility for the good repair of the system on a seemingly
independent board with the power to raise the money needed to fulfill that responsibility. Specifically, the board was given the power and the duty to increase fares to cover operating expenses, taking account of grants from other units of government. As to capital spending needs, the statute provided that they “shall be paid by the city....”

The TA was never as independent as it seemed, and, in time, its power became more apparent than real. The city’s obligation to pay for capital costs, except when incurred with the city’s approval, was subject to an annual limit of $5 million, below what was needed from the start. And despite the board’s theoretical independence, decisions about raising the fare still involved the governor, the mayor, and other political leaders. Nonetheless, in the TA’s first decade, the fare was high enough to sustain almost the entire operating budget, and the city provided reasonable amounts of capital funds. This changed in the late 1960s. With rising labor costs and falling ridership, the fare increases needed to cover operating costs were politically unacceptable. Therefore, the operating budget was balanced through increasingly large subsidies and reductions in repairs and cleaning. Some capital funds were used to make up for the shifts in the operating budget and, later, even diverted into the operating budget in a device known as the “Beame shuffle.” But the fiscal crisis in 1975 put an end to this. Needed capital projects were left undone, and preventive maintenance “deferred.”

Making Hard Decisions

So the power to decide how much would be spent to keep the system in good repair remained in the political process, even though the 1953 statute seemed to insulate this decision from politics. Political leaders could take credit for “saving the fare,” but were insulated themselves from responsibility for poor service. As Ross Sandler and I wrote in A New Direction in Transit, a 1978 Department of City Planning report to Mayor Koch:

Transit managers, whose jobs are at the sufferance of political leaders, are not in a position to point out the consequences of inadequate funding for transit. The result is that political leaders announce the good news, transit managers announce the bad, and neither presents the entire story.

The process was irresponsible.

During the last several years, however, some hard decisions have had to be made to provide more resources for repair and rehabilitation. But significant gains will take years because the backlog of disrepair is great and the work takes substantial time. Some of the key decisions were:

- The MTA Board’s explicit decision to end “deferred maintenance” as a means to balance the budget;
• Voters’ approval of a state transportation bond issue that provides funds for capital improvements;
• The state legislature’s enactment of a package of new taxes to provide operating funds for the MTA; and
• The state legislature’s grant to the MTA of the power to float bonds for capital improvements backed by farebox revenues.

These changes shift power and responsibility. In the past, the future of the system was sacrificed to short-term political expediency. Capital funding was determined not by what the board judged was needed, but by what the city—and later the state and federal government—would give. Now, the power to issue fare-backed bonds helps the board gear its capital program to its assessment of need. Paying off the bonds, as well as ending deferred maintenance, will require either an increase in the fare or additional subsidies. So the board now has more power to end the present’s mortgaging of the future and can put the choice of how heavily to subsidize the fare where it belongs, in the political process.

Why were elected officials willing to give the MTA Board this potentially embarrassing power as well as to advocate new taxes and tax-backed bond issues and to sanction significant fare increases? First, the deterioration of transit had become increasingly visible, making the need for some response patent. In addition, the ability of politicians to blame poor service on the MTA was eroding. The direct participation of governors and mayors in transit decisions was evident in their unwillingness to “trade in” Westway funds for transit. And the federal Clean Air Act placed responsibility to improve transit as a pollution control strategy upon the state. In 1976 litigation under this act resulted in Governor Carey’s being judged a violator for failure, among other things, to implement transit improvement strategies. To extract himself from this legal predicament, the governor committed himself, under the statute, to prepare and implement a program, with funding, to make transit service adequate. Federal EPA’s refusal, from 1978 to 1980, to approve the governor’s proposed plans increased the pressure to fund transit more adequately.

Moreover, in 1978, A New Direction in Transit specified, for the first time, what had to be done to make transit service decent. It showed that dramatic improvement was not only possible but was essential to the region’s economic vitality. Through this report transit managers provided information that previously had not been made public about what really needed to be fixed and at what cost.

Finally, and perhaps most important, in the face of mounting criticism, Governor Carey appointed a new MTA chairman in 1979, Richard Ravitch, who was unique among his predecessors in his independence of the governor. Ravitch argued from his first day in office that transit funding was inadequate and waged campaigns for financing that put the governor and other political leaders on the spot.

Hybrid

The changes in power over transit have made the MTA function as a new sort of creature, a hybrid between a state agency and a state authority. An
agency, headed by an official who serves at the pleasure of the governor and operating under a budget enacted by the legislature, is directly accountable to the political process. An authority, run by a board whose members serve for staggered terms of set duration and operating under its own budget that is financed, ideally, with its own revenues, is insulated from politics to a much greater degree. The strength of the authority is meant to be its ability to conserve the public assets assigned to its control. An authority is considered a better vehicle for floating revenue-backed bonds because its structure gives it the power to resist politically motivated actions that might jeopardize the revenue. The authority’s weakness is in making allocational “who gets what” type decisions, such as how much to subsidize the fare.

As created in 1953, the Transit Authority was an authority in structure. In time, however, it came to function as an agency because its care for transit properties was made subservient to political decisions. The TA’s basic legal structure has remained constant since 1953, but the process that makes decisions within the structure has changed. The board has always had the power to set the fare. But, under the new hybrid approach, the TA makes the managerial decision on the level of spending necessary to maintain system assets, and then the political bodies make the allocational decision about how much to subsidize the operating budget. Political bodies, therefore, make the value choice between token-buyers and taxpayers, while the TA’s final choice of a fare is a question of mathematics rather than values. This process should be distinguished from the previous practice where notions of what are acceptable levels of fare and subsidies determined the level of maintenance and involved the board heavily in allocational choices, or at least in fronting for allocational choices that others made.

Before celebrating the new process for transit governance in New York and assessing its application to decisions about the system’s shape and productivity, it is important to see that our ability to deal with the system’s disrepair may be only transient and partial. The improved capacity to deal with disrepair has depended on an MTA chairman and board willing to insist on their responsibility to preserve the system—even if elected leaders are put on the spot—and on public concern about an acute deterioration in service. Should that concern abate, it would be tempting for a governor to angle again toward an MTA Board that was more tractable. Even the current board has had to bend sound fiscal practices to accommodate political leaders. When the tax package that the legislature enacted produced less revenue in 1982 than promised and financial logic and concern about the rating of the fare-backed bonds suggested that the fare be increased unless the legislature came up with more money in 1982, the MTA finally went along with legislative appeals that the fare not be increased on the theory that the legislature would provide the additional money later. Such practices are all too likely when the MTA depends on subsidies for half its operating budget and most of its capital budget.

**Decision Making Stymied**

The system’s shape and productivity involve even harder choices than have been faced so far. When funds to remedy structural disrepair had to be raised,
taxes were levied and other painful steps were taken rather than make basic decisions about the system's shape or productivity. These two issues must now be resolved or the system may suffer a fiscal hemorrhage that would endanger progress towards its longer-term repair.

Our government institutions have largely failed on these issues. As for the system's shape, there is no comprehensive vision of the region's needs in terms of size, layout, or hours of operation. Nor is there any consensus as to who should make the decisions. The actions taken so far have been crisis-oriented and reactive or marginal in impact. In the past, elected officials and the MTA have often joined in announcing cuts in the frequency of service or the closing of some token booths or small pieces of the system as part of a last-minute package to limit the need for fare increases or subsidies. There have been no major shrinkages in overall coverage in recent years. But substantial sums were spent on two programs to expand the system—the Second Avenue Subway and the new Queens line—one of which had to be abandoned and the other reduced in scale because there were not enough funds available to both complete the programs and keep the existing system going. The lack of a comprehensive vision that relates the system's shape to regional travel needs and available resources has therefore already cost dearly.

The region still lacks the institutional means to deal intelligently with the question of how and where the system should shrink and grow. No official document lays out the choices or recommends a course of action based upon service reduction as a fiscal instrument, although chairman Ravitch recently announced that work on this problem has begun. Moreover, it is unclear whether any entity has the political legitimacy as well as the legal power to make system planning decisions. Instead, significant initiatives seem to be vulnerable to veto by any number of unspecified political actors. This lack of decision-making capability reduces the incentive for planners to produce the information needed to make informed choices.

Our ability to make decisions about productivity is almost as limited. Increasing productivity has been discussed for years but, until the 1982 labor contract, was more a subject for press announcements than for progress. The recent arbitrator's decision struck down a host of written and unwritten work rules that would impede progress on productivity. This is important, but it only opens the door. Decisions still will have to be made as to what will be done, not just about intersticial questions but also about such overarching matters as automation and shifts in staffing practices. Who will speak for the public in these matters? Will it be the MTA management, or will the governor and the mayor play a political role as they have in dealing with the wage rate? And when there are disputes between management and employees, who will decide? The arbitrated labor contract provides for an arbitration process for matters that arise under the contract, but this process probably cannot cope with some of the more important issues. In the meantime, no official document lays before the public the range of ways to increase productivity and their consequences.

Shape and Productivity

Can the hybrid approach of the MTA dealing with managerial issues and elected officials then handling allocational issues help with decisions about the
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It is conceptually possible but politically difficult to apply the hybrid model to shape and productivity issues. The MTA could, as manager, propose to carry out a particular cut in service and then leave the political process to provide additional subsidies if the change were to be averted. But an MTA initiative to, say, eliminate a transit line would probably result in the MTA's having to back off without substantial fiscal relief. It would bring out in the legislature, the Board of Estimate, and other political arenas a strong negative reaction that the MTA would have to attend to because so much of its budget is supplied by grants.

The political process has shown itself prompt to obstruct the MTA's taking unpopular actions but loath to tell the MTA what to do instead. The state legislature has, by separate enactments, forbidden closing a station, reducing the frequency of service, eliminating routes, or increasing fares without first going through special hearing procedures that focus attention on the detriments.

No similar procedures discourage the deterioration of transit that results from the failure to provide adequate funds to maintain the existing system properly. Rather than provide the funds needed, the legislature instead created, in 1981, an inspector general over the MTA to hear complaints and pay the MTA to fix unsafe conditions that the MTA cannot afford to remedy. This is a gratuitous complication of the management problems already facing the MTA. In the same vein, the legislature passed a statute in 1982 to create a State Public Transportation Safety Board, whose jurisdiction would include the MTA and the inspector general. This the governor wisely vetoed. The MTA Board itself was established to look out for the public interest. If a second board to oversee the first would do more than add complication, there should then be a third board to supervise the second, and so on, to make sure that all boards do their jobs right.

Improving the MTA's Process

If the hybrid MTA is to make essential decisions about system shape and productivity, a way must be found to deal with objections from actors who fail to offer positive solutions. The MTA could present the choices in a form that would diminish the political advantages of such opportunism. More specifically, the MTA could offer its vision of transit's future in a report that estimated the resources available for the years to come and the range of means that could be used to reconcile needs and resources, including possible changes in the system's shape or in methods of operation.

Because it does not now present such an array of options, the MTA sets the stage for its critics to object to specific cost-saving initiatives, since how each individual project serves the larger interest of the entire system is never spelled out. Such criticism might be reduced in potency all the more if the MTA set out its own

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proposals at a conference like the one to be held on December 16, 1982, where an informed audience could help to deflate demagogic attacks. Because responsible positions usually involve owning up to advantaging or disadvantaging various groups, the new context could help to elevate the MTA from everyone’s scapegoat to an arbitrator among interest groups.

As to productivity issues, the new context would alter what otherwise would be bilateral management-labor confrontations by allowing others, including the region’s employers and employee organizations, to comment. The bilateral face-offs make it seem as if productivity gains are labor’s loss and that lack of progress results only from labor’s position rather than management’s competence. The change in context should help to make clear that productivity is not such a zero sum game. This is particularly important because future subsidies for transit depend upon public confidence that the money will be well-used.

An annual report and conference, by themselves, would not achieve a substantial shift in focus because too many reports and hearings are already required. These pass like proverbial ships in the night because they usually avoid the larger choices of public concern by focusing on details. Where reports do highlight the decisions to be faced, something is gained. A New Direction in Transit and the MTA’s follow-up report on disrepair received extensive attention from the press and public officials because they dealt head on with a key question: how and at what cost to fix the system.

Nothing similar has yet been done on the issues of shape and productivity. This is not because the question lacks an audience. The press believes that the public wants to know more about transit issues, as shown by the substantial increase in newspaper coverage over the past several years.

It might be objected that the MTA’s assuming the power to propose and implement a transit strategy for the region would give too much power to an unelected body, that the MTA would become a power unto itself like the Port Authority. But the region could do worse than to have its transit run by the Port Authority. And in any event, making transit strategy is what the MTA is, by statute, supposed to do. The MTA is more a geographically representative body and less a panel of experts because the New York City mayor and suburban county executives nominate a majority of the MTA Board. Moreover, if the legislature believes that the MTA has gone too far, it can change the MTA’s structure, which is not enmeshed in an interstate compact as is the Port Authority’s. Finally, the Port Authority is fiscally self-sustaining while the MTA needs subsidy. Therefore the political process would continue to influence MTA Board decisions. The danger is more in continued MTA dependence rather than in excesses of independence. A hybrid MTA that made manifest the options concerning the system’s shape and productivity would not be free of politics, but would help the political process to be more constructive.

Should We Replace the MTA?

Perhaps it is not enough to try to enhance the MTA’s ability to overcome political opportunism that stalls needed decisions. Should there be a fundamental
restricting of transit governance by making the body that is responsible for operations more independent by giving it the power to levy taxes to subsidize transit?

At what geographical scale should that body function? Ideally, the area that benefits from transit most directly should be the area that decides upon and pays for the subsidy. On that basis, the state is too large, and the individual municipalities are too small. For instance, many suburbanites ride New York City subways and buses, and many other suburbanites would not be able to drive near the city if it weren't for the city's transit system. Taxing for transit at the city level would mean underfunding because many suburbanites would get a free ride.

An appropriate area for transit operations and financing would be regionwide, but this presents interrelated political, policy, and constitutional problems. The state legislature might be able to delegate the power to set tax rates to an appointed board, but this is neither the typical approach to transit finance nor is it advisable because an appointed board would lack electorally generated pressure to curb costs and taxes. An elected board would have to be selected under “one man, one vote,” and this would aggravate suburban fears of being victimized by the city.

On August 16, 1982, then-gubernatorial candidate Cuomo proposed disbanding the MTA and turning transit over to agencies that would be more rather than less tied into the political process. One would hope that Governor Cuomo will realize that this proposal invites reliving the problems of the past. Putting agencies, whether state or local, in charge of our capital intensive transit takes away the protection that an independent board can provide against borrowing through deterioration. Moreover, although the proposal is offered in the name of making both the governor and the mayor more accountable for transit, the effect could be the opposite. Cuomo wanted agencies of local government to run the various transit operations and a state agency to take account of regional concerns. His proposal promised that the respective duties and responsibilities of these agencies would be spelled out at a later date, but it is doubtful that this could be done with sufficient precision to make actual accountability clear. This problem would be particularly acute in regard to finance. The city is too small a jurisdiction to collect taxes for transit commensurate with the benefits that transit in the city bestows. The state should provide subsidies through its agency, but how would the division of responsibility be specified? The upshot, in any event, would be a division between operating responsibility and financing power like that which jeopardizes the decision-making capacity of the MTA. Governor Cuomo is right in criticizing his predecessors for hiding behind the MTA, but the appropriate remedy is for him to take the lead on choices of substance rather than start a long debate about changes in the MTA structure.

No Final Solution

Within the long-existing legal structure of the New York City Transit Authority, chairman Ravitch and the MTA Board have created a new process that begins with decisions about what is needed to preserve the transit system rather than what will make politicians look good. This change was not only essential, but
legitimate, because the TA’s board deals with the managerial question of the system’s condition while political bodies deal with the allocational questions of the level of the fare and how to subsidize it. The MTA, however, has yet to develop a process to deal with the more difficult problems of the system’s shape and productivity. To do so, the MTA must claim its responsibility and power by laying the choices before the public that finances the system. These choices are all too likely to be avoided or submerged if transit operations are made less independent in the name of greater control by the governor or mayor.

It may seem strange to recommend less than a radical restructuring of transit governance when transit service and the way the system is run are so often disappointing. Our system does not, however, have the special claim of pride on a national budget that so benefits Paris, London, Moscow, and even Washington, DC. It is overlarge and rundown and so is bound to require a large proportion of its budget to be subsidized. It is also a big system so that the absolute size of the subsidy makes it a major political issue. These stressful conditions have been dealt with better in New York than in Boston, Chicago, and Philadelphia, which all have suffered recent acute crises of transit governance.

The MTA is no “final” solution, but it would be a mistake to expect one. The appropriate structure for transit decisions depends on the issues of the era. Issues will most likely change as much in the future as they have in the first 80 years that took us from the luxury accommodations of Vanderbilt’s IRT to the 1950s notion that expressways would make transit obsolete. The issues of the immediate future require a strong MTA Board that can make transit operationally lean and scale the system not to some arbitrary historical standard but to meet the region’s travel and economic needs.