

Northeastern University Dukakis Center for Urban & Regional Policy

TRANSIT CAMPAIGNS:
FINANCING CASE STUDY

2009 KEEP NEW YORK MOVING CAMPAIGN

BACKGROUND

WHAT WAS THE GOAL OF THE CAMPAIGN?

The goal of the campaign was to raise revenue for the Metropolitan Transportation Authority (“MTA”), the public entity responsible for public transportation, toll bridges, and tunnels in the New York City (“NYC”) area, to address a \$1.2 billion deficit in its \$10 billion operating budget for 2009 and a budget gap of at least \$17 billion for its upcoming 2010-2014 capital program.

WHAT WAS THE RESULT OF THE CAMPAIGN?

On May 6, 2009, the New York State Legislature approved a \$1.8 billion per year rescue plan for the MTA, which raises revenue from a broad base of fees and taxes including a 0.34% payroll tax, a 50 cent taxi fee, a \$25 vehicle registration fee, a \$2 license fee, an additional 5% car rental tax, and a 7.5% fare increase which was set by the MTA, thereby avoiding major service cuts and a 23% fare increase.

The plan included funding to cover the operating budget deficit and debt service on sufficient bonding for the first two years of the gap in the MTA 2010-2014 capital program. It also mandated a series of aggressive reforms to improve efficiency, transparency and accountability of the agency including an annual audit of the agency by the state Legislature and a clear and public policy on the granting of privileges and benefits to employees such as agency-owned vehicles.

WHY WAS THE CAMPAIGN INITIATED?

The campaign was initiated to avoid major service cuts and a large fare increase set to take place in 2009. By 2008 the deteriorating economy had decimated some of the MTA’s most important revenue sources, while rising debt service and pension benefits had increased the agency’s costs. Specifically, the slowdown in residential and commercial property sales due to the recession resulted in declining revenue from

the Mortgage Recording Tax (“MRT”), a tax collected within the MTA service area on all mortgages secured, as well as the urban tax, a property transfer tax based on the assessed value of a property collected within NYC, both important sources of MTA revenue.

The MTA received \$1.6 billion from the MRT and urban tax combined in 2007 but only \$597 million in 2008. After NYC Mayor Michael Bloomberg’s legislative proposal to charge a traffic congestion fee for vehicles traveling into or within Manhattan failed in June of 2008, there was no relief for the MTA in sight. In November of 2008, the MTA therefore announced a \$1.2 billion operating deficit for 2009.

To balance its budget without new revenue, the MTA revealed its “doomsday” plan which proposed to eliminate 2,700 jobs, two subway lines, and overnight bus service on twenty-five routes, decrease frequency on all trains, and increase fares and tolls by 23% by June of 2009 and to put in place regular alternate year fare and toll increases to start in 2011.

HOW WAS THE CAMPAIGN STRUCTURED?

In 1998, the Regional Plan Association (“RPA”), an independent regional planning organization, established the Empire State Transportation Alliance (“ESTA”), a coalition of leaders in the business, civic, labor and environmental communities to support robust MTA capital investments.

In 2008, ESTA joined forces with Campaign for New York’s Future (“CNYF”), another diverse coalition that advocates for New York City Mayor Michael Bloomberg’s sustainability effort, PlaNYC, to form the Keep New York Moving (“KNYM”) coalition.

HAVE THE RESULTS OF THE CAMPAIGN LASTED?

In March 2010, less than a year after the rescue plan was passed, the MTA put in place extensive service cuts, layoffs, and elimination of free student MetroCards to close a new \$750 million operating budget gap which had arisen as a result of direct cuts to state aid and underperforming tax revenue.

This case study was prepared in September of 2012 by Emily Long, Rafael Mares, and Aviva Rothman-Shore of the Conservation Law Foundation based on interviews with Robert D. Yaro, President of RPA and Richard Barone, Director of Transportation Programs of RPA, as well as a review of documents related to the campaign.

CAMPAIGNING FOR A BETTER TRANSIT SYSTEM: 10 LESSONS LEARNED

Thirty-four bus routes and two subway lines were eliminated and seventy-six bus routes were reduced. More than 1,000 employees were laid off. The service cuts were comparable to those proposed in the original “doomsday” plan but the layoffs were fewer and fare and toll increases were avoided. Absent the rescue plan, fare increases would likely have been necessary.

The payroll tax, now an important source of revenue for the MTA, continues to be a top target for elimination by Senate Republicans and several Democrats.

Delegates from suburban areas within the MTA district were able to scale back the tax by \$250 million in 2011 by exempting small businesses in addition to schools. Several Long Island municipalities have filed suit challenging the constitutionality of the payroll tax. In 2012, one such challenge prevailed at the trial court level (it is now being appealed), while all six previous cases were dismissed (two of which are being appealed together), and one additional case is still pending.

In July 2012, the MTA announced a balanced budget and stated that due to increased ridership and internal cost-saving efficiencies, the agency will be able to restore about one-third of the cut bus routes and subway lines and add some new routes and extensions, starting in October. Earlier in 2012, Governor Andrew Cuomo and the legislature approved a deal to fund the remainder of the five-year capital program by committing an additional \$770 million to the MTA and increasing the bond cap by \$7 billion.

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POLITICAL CONTEXT

WHAT FORMAL STEPS WERE REQUIRED FOR THE CAMPAIGN TO SUCCEED?

The New York state legislature had to enact legislation by the end of the 2009 legislative session in June or the MTA would have had to implement its “doomsday” plan. In January 2009, Governor David Paterson requested that the legislature draft a bill implementing a financial strategy for the MTA based on the recommendations of a blue ribbon commission which had just concluded its work.

Assembly Speaker Sheldon Silver and Senate Majority Leader Malcolm Smith introduced two different proposals in March

of 2009, the major difference being that one proposal included funding for capital needs while the other only included revenue for MTA's operating budget.

The Assembly's plan, which included increasing bridge tolls to fund transit, was not received well by the Senate. After much debate, Governor Paterson released a plan on May 2, 2009 largely based on the Senate's plan, which included a payroll tax instead of increased bridge tolls and no funding for the capital program, and announced that he would force a vote the following week, at which time the final rescue plan, which added two years of capital funding, was adopted by the legislature.

WHAT WAS THE POLITICAL CLIMATE AT THE TIME OF THE CAMPAIGN?

The political climate for a revenue-raising measure was not great. Like the rest of the country, New York was entering a recession and the anti-tax movement was growing. Mayor Bloomberg's congestion pricing proposal had just been defeated due to opposition from both houses. Voters outside of the MTA service area were averse to funding a system they did not perceive as providing a benefit to them.



WHAT SUPPORT FROM CRITICAL STAKEHOLDERS COULD BE EXPECTED?

The leaders of NYC's business, civic, labor, and environmental communities that make up ESTA have worked together in the past to support MTA capital investment and were eager to support new efforts to rescue the agency.

ESTA includes right- and left-leaning groups who may typically not agree on much but do agree on the value of a robust transit system. While nearly 85% of the nation's workers get to their jobs in a car, 80% of rush-hour commuters to NYC's central business districts do so by public transit.

The average weekday ridership almost hit eight million in 2009. Thus, the agency's "doomsday" plan angered strap-hangers and drew thousands of riders out to express their outrage at public hearings.

WHAT PREVIOUS PLANNING OR RESEARCH EFFORTS BENEFITED THE CAMPAIGN?

In June 2008, Governor Paterson appointed Richard Ravitch, former Chairman of the MTA, who has been widely credited with rescuing the New York transit system in the 1980s, to lead a blue ribbon commission with the task of developing a financing strategy addressing the MTA's capital and operating needs over ten years.

Ravitch was not provided with the financial support or staff necessary for such an undertaking. He therefore asked RPA, of which he has been a board member since 1987, if it would staff the commission. RPA readily agreed. ESTA and CNYF members began testifying at Ravitch Commission hearings and urged others to submit their own testimony, focusing on the message that everyone who benefits from transit—drivers, riders, businesses—would have to help rescue it.

The Commission's Final Report, dated December 2, 2008, included recommendations consistent with this message and addressed MTA's long-term needs. Its release gave KNYM a concrete plan to rally around.

CAMPAIGN FINANCE

HOW WAS THE CAMPAIGN FUNDED?

RPA has a long legacy of preparing recommendations and policies to guide the growth and development of the tri-state metropolitan region. As such, RPA was able to rely on the support of foundation grants and loyal members to staff the Ravitch Commission and get organized even before the campaign was launched.

That year, RPA received a \$250,000 grant from the Rockefeller Foundation for ESTA's transit advocacy work. After the KNYM campaign was launched, members began to fundraise among private companies. The budget for the eighteen-month effort was about \$300,000. KNYM also relied extensively on in-kind time contributions from coalition members.

CAMPAIGN MANAGEMENT/STRUCTURE

WHO LED THE CAMPAIGN?

RPA and AECOM, a global provider of professional technical and management support services, served as co-chairs of ESTA. RPA staffed and led the KNYM campaign. Neysa Pranger, who was Director of Public Affairs, ran the campaign with support from Rich Barone, Director of Transportation Programs. Coalition members of ESTA and CNYF were crucial for rallying grassroots support.

ESTA originally was focused only on capital needs and there was disagreement among KNYM members whether to broaden the goal to include the operating deficit. Recognizing that money is ultimately fungible, the coalition decided to support raising revenue for both the MTA's operating budget and its capital needs.

To be better prepared for potential future disagreements, KNYM then developed a platform statement of agreement, which gave members something positive to reference and fall back on.

POLITICAL STRATEGY

WHAT WAS THE OVERALL POLITICAL STRATEGY FOR THIS CAMPAIGN?

Subway riders in New York in 2008 paid 69% of the operating costs at the fare box, one of the highest in the nation. The "doomsday" plan would have had riders pay 83% of the operating costs. In other words, public subsidies would account for only 17% of the costs. As such, KNYM members worked vigorously to educate the public and more importantly lawmakers on the need for all sectors who benefit from the system to help support it. Members regularly traveled to Albany and wrote letters to educate lawmakers.

They testified at public hearings and meetings, urging legislators to adopt the Ravitch Plan. They created district-by-district Assembly and Senate maps showing the specific impacts of the pending cuts on their constituents, which were distributed at meetings and even used during closed door sessions of the legislature.

WHAT WERE THE MAIN POLITICAL CHALLENGES OF THIS CAMPAIGN?

To fund the MTA, the Ravitch Plan recommended a twelve-county MTA District payroll tax, tolls on the East River and Harlem River Bridges, as well as regular and predictable fare

and toll increases. The tolls became a contentious issue in the Senate (Democrats held a 32-to-30 majority), when six Democrats and all thirty Republicans opposed the tolls, thus blocking the rescue plan.

Senate Majority Leader, Malcolm Smith, originally supportive of the tolls withdrew his backing. The Commission offered various compromises on the tolls but many Senators dismissed them as gimmicks.

In addition, suburban Democrats were wavering in their support due to pressure from their school districts worried about the rise in expenses from the payroll tax. After months of debate and lack of progress, and despite his earlier support, Governor Paterson announced his own plan in May 2009 proposing to raise significantly less money than the Ravitch plan and failing to commit any funding for capital needs.

HOW WERE THESE CHALLENGES MET?

To broaden the dialogue about bridge tolls, RPA collaborated with CNYF and Tri-State Transportation Campaign to hold two forums, one in Nassau County and the other in Westchester County. In addition, due to significant concern for how the tolls would physically work, RPA together with the Environmental Defense Fund and other campaign members held a forum in Albany on tolling techniques.

Though several labor unions were not a part of KNYM due to a falling out the previous year, three of the state's biggest unions along with business interests, good government groups, social justice and transit advocates including ESTA, sent a letter to every member of the legislature, although clearly aimed at the Senate, urging legislators to immediately adopt the Ravitch plan.

When Governor Paterson offered a new plan which included a payroll tax reimbursement for school districts but no tolls and no capital funding, KNYM penned a strong letter to key officials, made a well-timed visit to the Capitol, issued a media statement, and initiated a round of calls to key reporters and legislative staffers.

KNYM was able to secure lead editorials in the NYC "trifecta" of media (the New York Times, the Daily News, and New York Post) criticizing Governor Paterson's for caving to the Senate. As a result, the coalition was able to salvage funding for the first two years of the MTA's five-year capital program. Tolling was, however, left out of the final rescue plan.

COMMUNICATIONS STRATEGY

WHAT WAS THE OVERALL COMMUNICATION STRATEGY FOR THIS CAMPAIGN?

The purpose of the campaign was summed up neatly by its name—"Keep New York Moving"—which was used both to denote literally moving people and figuratively moving the economy. In communication materials like advertisements and leaflets targeted to members of the public, the coalition boiled the issue down to what it would mean for them. Instead of talking about the \$1.2 billion operating budget gap and the \$17 billion gap in capital funding, for example, one leaflet read, "\$2.50 fare? \$105 for a 30-day MetroCard? \$0 to fix and rebuild transit? In tough times, it's time to invest in transit." A rider can relate to these numbers and better understand the consequences of inaction.

HOW DID THE CAMPAIGN SPEND ITS COMMUNICATIONS RESOURCES?

The coalition worked with Bart Robbett, of Robbett Advocacy Media, to develop cheeky ad copies to capture people's attention and motivate them to act. Robbett produced several advertisements, one of which was chosen for the subway. The subway advertising campaign launch was accompanied by a news conference and robust leafleting effort.

The advertisement was displayed in half (about 3,000) of all New York City subway cars for a month. It had a photo of a subway staircase descending into the station with a caption reading "At \$103 a month, you'd expect they'd have a sauna, a pool and Pilates classes down there."

The advertisement also urged riders to take action at the website KeepNewYorkMoving.org and send a message to Gov. Paterson and state legislators demanding more reliable funding for New York's growing transit needs. In addition, the campaign bought some drive-time radio spots in Albany hoping to reach lawmakers during their commute to the Capitol building. It also paid for a few spots on WNYC, a public radio station, and placed some internet advertisements.



On April Fools, KNYM distributed invoices for riders to send in and “invoice” the state for the added costs of transit. They also held several rallies that were widely promoted online and on social media sites. Over the course of the campaign, the City Council, State Senate, State Assembly, and the MTA held dozens of well-attended public hearings. Coalition members testified at every one with a consistent message supporting the Ravitch plan stating that all sectors of society needed to participate in rescuing the transit system.

KEY LESSONS

TAILORING THE COMMUNICATIONS STRATEGY TO FIT THE AUDIENCE

To mobilize straphangers, KNYM used social media, fun advertisements, and outreach events, such “transit funerals.” To convince legislators to act, KNYM used direct communication methods such as testimony, letters, meetings, and district-specific maps of service cuts as well as indirect approaches such as earned media.

KNYM’s purchase of drive-time radio advertisements in Albany allowed the coalition to reach legislators as they drove to the Capitol. When funding for capital needs was dropped by Governor Paterson’s plan, the direct and indirect communication methods employed by KNYM helped salvage funding for two years of the five-year capital plan. Most significant were the lead editorials of the “trifecta” of media in New York on May 4, 2009, all highly critical of the Governor’s plan’s shortcomings.

Though legislators were in disagreement as to how the revenue should be raised, in large part thanks to KNYM’s strategic messaging, they ultimately understood the value of a healthy transit system and that it needed the legislature’s help.

REGIONALIZING THE RAISING AND SPENDING OF REVENUE CAN OVERCOME PERCEPTION THAT REST OF THE STATE IS SUBSIDIZING ONE REGION

Although passed by the state legislature, all the fees and taxes in the rescue plan are being raised and spent in the MTA region. The taxi surcharge, for example, applies only to trips that begin within NYC and end within the twelve counties. Even prior to the 2009 rescue plan, New York levied certain taxes and fees only within the twelve counties that are served by the MTA to help fund the system including the MTA district sales tax, a corporate franchise tax surcharge, and the mortgage recording tax.

ORGANIZATION STRATEGY

HOW WERE CRITICAL STAKEHOLDERS RECRUITED INTO THE CAMPAIGN?

Both coalitions involved had leaders across sectors who had recently collaborated on advocating for congestion pricing. With the defeat of congestion pricing and the increasing urgency of the MTA’s financial troubles, these leaders were ready to work together again to support the Ravitch Plan.

WHAT METHODS DID THE CAMPAIGN USE TO SECURE PUBLIC SUPPORT?

Though the legislature was the ultimate target of the campaign, the public was needed to put on pressure. Starting in November 2008, before the official launch of the campaign, members conducted a “Keep New York Moving Day” and members, joined by an elected official, were posted at subway stations throughout the city distributing leaflets and asking riders to sign giant postcards to send to the Governor with the message “I ride the subway and I vote.”

In the months prior to the MTA public hearings on fare increases and service cuts, members handed out nearly 200,000 leaflets to riders directing them to an action website where one could sign a petition to send to the state legislature. The “Pilates” subway advertisement reached millions of riders. Many media events were also staged to drum up publicity on the issue. ESTA member Straphangers Campaign held “transit funerals” at stations slated for elimination.

RAISE REVENUE FROM A BROAD BASE OF SOURCES

The final rescue plan enacted by the legislature includes fare increases, a payroll tax, three car-related fees, and a taxicab fee. Thus, a variety of beneficiaries—drivers, businesses, and straphangers—are helping to pay for the system. This combination not only made the plan more politically palatable, but MTA's new diverse portfolio of revenue also reduces the risk that future financial volatility affects the MTA's budget as significantly. Before the recession, a large portion of MTA revenue came from real estate taxes.

When the real estate bubble burst, tax receipts fell dramatically and the MTA faced a huge operating deficit. In addition, the diverse set of new revenue options is more resilient to potential future political attacks.

SET REVENUE ASIDE IN A "LOCKBOX"

After the rescue plan, the legislature redirected \$260 million in dedicated transit funds. This might have been avoided through inclusion of lockbox language in the legislation that prevents such raids. Although no law short of a constitutional amendment can completely stop future legislatures from redirecting dedicated funds, a set of disclosure requirements to make the impact of a raid clear can help prevent it.

WILLINGNESS TO COMPROMISE IS IMPERATIVE TO A SUCCESSFUL COALITION

A broad coalition is clearly more powerful. However, since it by definition has members across the political spectrum, disagreements have to be expected. Compromise is the price members of successful coalitions are willing to pay for the increased likelihood of success.

POTENTIALLY TRANSFERRABLE IDEAS

- Coming up with a terribly good name for proposed service cuts such as calling them a "doomsday" plan
- Fun advertisements and events to capture the public's attention and motivate people to take action
- Focusing on tangibles as opposed to abstractions in messaging
- Developing a platform statement agreement for the coalition
- Willingness to collaborate with stakeholders outside of the coalition
- Creating district-by-district maps of service cuts to give to legislators