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Winners and losers in the MTA bailout

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ALBANY - There are few winners and potentially many losers from last week's bailout of the Metropolitan Transportation Authority, experts said.

After months of haggling, state leaders produced a \$2.9-billion rescue plan they admit is deeply flawed.

If the economy deteriorates further, the new taxes may not sustain the operator of the Long Island Rail Road, New York City subway, Long Island Bus and other mass transit. And the leaders don't know where money will come from to reimburse school districts for their payroll-tax payments and to fund MTA building projects after 2011.

Economists worry the payroll tax will discourage hiring, and even cause firings, as businesses, charities, local governments and others not receiving reimbursements seek to reduce their costs. "This could actually make the recession worse," said Pearl Kamer, chief economist for the Long Island Association business group.

Still, there was widespread relief on LIRR platforms from Great Neck to Greenport. Commuters had feared paying as much as 30 percent more for tickets starting next month but now will pay 10 percent more.

Here's how some of the players fared in the 2009 MTA fiscal crisis:

WINNERS

Motorists. Those using the Brooklyn, Manhattan and 10 other bridges over the East River or Harlem River escaped having to pay tolls. A state commission had recommended the crossings cease to be free.

LIRR, LI Bus customers. They made out better than expected.

"Nobody likes to pay more, but the fare hike they were talking about would have been devastating . . . not every commuter is an executive wearing a three-piece suit and making six figures," said Gerry Bringmann, chairman of the LIRR Commuter's Council. He added commuters would have been

harmed by service cuts, including elimination of six bus routes and no weekend service on the LIRR's West Hempstead branch.

MTA itself. The MTA was bailed out for now and in the future, providing the economy does not significantly worsen.

The new taxes not only close this year's \$1.8-billion deficit but will continue after the authority's other revenue sources recover, guaranteeing substantial reserves. And while lawmakers insisted on more oversight, notably independent audits of financial records, critics questioned whether the MTA would improve.

"They've been given a blank check," said state Sen. John Flanagan (R-East Northport).

LOSERS

Employers. They will be hit hard by the payroll tax because it increases expenses during the worst recession in 70 years. Some companies could close or move elsewhere, experts said. Those that remain may either raise prices or cut jobs.

E. Christopher Murray, president of the Nassau Council of Chambers of Commerce, said, "this job tax will hurt small businesses that are already struggling and will create more unemployment." He said firms with fewer than 50 employees accounted for most of Nassau's job growth.

Homeowners. They could lose if counties, towns and villages follow through on warnings of higher property taxes to pay for the payroll levy.

Peter Baynes of the Conference of Mayors said local governments, not just school districts, should receive payroll-tax rebates. "To do otherwise would simply place more pressure on already overburdened property taxpayers," he said.

State Senate Democrats. The MTA deal wasn't good for them either, though all 32 voted for it.

Since taking control of the upper chamber in January, they've sought to be equal partners with the Assembly's Democratic majority and Gov. David A. Paterson. But Sen. Malcolm Smith, the majority leader, couldn't produce the votes for a plan endorsed by the others. So, Paterson secured the support of four Democratic holdouts, including Craig Johnson of Port Washington and Brian X. Foley of Blue Point, with the promise of school reimbursements.

MIXED BAG

School districts. Their complaint about the payroll tax appears to be the sole one heeded by Paterson and leaders of the legislative majorities. Other employers won't be reimbursed and must pay the tax back to March 1.

Still, school administrators blasted the accommodation, saying the bailout bill included no money for the rebates. They also were skeptical of Paterson's "locked box" where tax payments would be placed until the rebates are forthcoming.

Jim Kaden, president of the Nassau-Suffolk School Boards Association, predicted the reimbursements would become entangled in the annual battle over school aid.

The governor. Last week, Paterson accepted the congratulations of subway riders hours before signing the MTA bill into law. It was further proof, he said, that "we've been able to get things done" in the Capitol.

Paterson aides hope the deal will boost his anemic popularity. But pollster Lee Miringoff of Marist College was skeptical, saying, "the public isn't keeping score as to who moved things along. . . . He is not going to get applause for this."