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Cancelling Congestion Pricing Removes Largest Source of Funding For Transit Capital Plan Without Long-term Alternative to Fund Crucial Repairs and Improvements

IBO Statement on Governor's Congestion Pricing Decision

June 6, 2024, – Yesterday, Governor Hochul announced an indefinite delay to the June 30, 2024, start of congestion pricing in New York City. Outside of any debate on the merits of congestion pricing, removing the single largest source of revenue planned for the MTA's 2020-2024 Capital Program creates a major financial risk to the Metropolitan Transportation Authority (MTA)'s ability to modernize and upgrade the largest transit system in North America.

The sudden loss of this anticipated revenue coupled with the lack of any long-term financial alternative to support crucial improvements for tracks, signals, and cars, will complicate the long-term competitiveness of New York City. IBO has studied the [financial implications of transit delays](#) for riders in New York City. Time lost due to morning rush-hour subway delays costs riders as much as \$390 million a year, after inflation-adjusting our 2017 estimate. The planned capital improvements funded through congestion pricing were intended to reduce delays and breakdowns across the transit system.

Congestion pricing was expected to yield \$400 million in revenues this calendar year and \$1 billion annually thereafter, with toll revenues legally required to finance \$15 billion for capital projects—funding that has been budgeted and planned for since the program was first authorized by the State in 2019. The MTA has stated multiple times there “is no plan B” for this funding. While the Governor in her statement yesterday indicated that the State could set aside money for the MTA, this is not a long-term solution, and very much subject to the financial health and other spending priorities of Albany.

Separately, any proposals to raise taxes as a new MTA revenue source would require legislative approval from Albany and are also far from certain. Furthermore, past IBO research found that [MTA-dedicated tax revenue](#) have at times fallen short of projections. Albany may also look to the City to cover the MTA's financial needs. In 2018, then-Governor Cuomo went as far as to put in the State's Executive Budget that the [City would pay for the MTA's capital program](#), an amount larger than the City's own five-year capital spending plan at the time.

Past budgetary struggles demonstrated that the MTA needed to identify an ongoing, independent revenue source to directly fund its sizable capital needs, which manifested as New York City's congestion pricing program. Congestion pricing is not an idea that originated in Albany or within the MTA; the concept

originated with a Nobel-prize winning economist at Columbia University in the 1950s and has since been successfully implemented abroad in cities such as London, Singapore, Milan, and Stockholm.

To delay the program now halts decades of policy and implementation work representing unquantifiable amounts of time, money, and other resources. New York City congestion pricing was first legislatively proposed in 2007. Twelve years later, in 2019 Albany granted permission for the MTA to enact congestion pricing in New York City. Then, after more than a year of delays and nearly two years of environmental assessment, the program received final federal approval in July 2023. The final toll and exemption schedule was approved in March, and installation of tolling equipment completed in April, and a planned rollout date of June 30, 2024. By indefinitely pausing the program, the Governor will have unilaterally taken a revenue source off the MTA's list of present options, stoking further uncertainty than was already created by ongoing litigations.

According to the MTA's Capital Dashboard, the authority has allocated more than \$427 million to plan and build out the infrastructure to implement congestion pricing so far. Looking forward, the MTA has a contract with TransCore to install, operate and maintain the tolling infrastructure for the next six years, for a total cost of \$556 million ([amended](#) from an original \$507 million due to delays in the implementation of congestion pricing). If the program is not enacted at a future point, MTA investments made to date will potentially be written off as bad spending.

Governor Hochul's announcement to delay congestion pricing just weeks before implementation without any clear alternatives—after five years of direct financial and infrastructure planning and investments—will present a challenge to the MTA in their ability to maintain and improve the transit system that New York City's economy relies on.

Selected further IBO reporting:

- [Fare Play: Considerations for Exempting Yellow Taxis From a Congestion Pricing Surcharge](#) (2024)
- [On Track for Recovery? An Examination of the MTA's Pandemic Ridership and User-Revenue](#) (2022)
- [Back On Track? Federal Aid for the MTA May Be Coming, But Fiscal Problems Remain](#) (2021)
- [Trouble Ahead, Trouble Behind: The Impact of Declining Dedicated Tax Revenue on MTA Finances](#) (2020)
- [Morning Malaise: How Much Extra Time Is Spent Waiting for the Subway on Your Line?](#) (2017)
- [Subway Signal Repair & Replacement Projects: Current Status](#) (2017)
- [Behind the Wheel: Who Drives Into The Proposed "Congestion Zone"](#) (2007)
- [Bridge Tolls: Who Would Pay? and How Much?](#) (2003)



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