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Regressive Toll Tax No Way to Fund Transit, Reduce Congestion, Protect Public Health or Spur Economic Growth

Testimony on the Central Business District Tolling Program
and its proposed tolling structure of congestion pricing
by Corey Bearak, Senior Policy Advisor, Keep NYC Free

Core Arguments

1) No one disputes the need to build and maintain an effective public transit system serving 22.2 million residents in the largest and most economically significant metropolitan region in the United States with more than 10.7 million jobs. The focus must be (1) identifying equitable, fair and sustainable resources and (2) impacts of any resource plan.

2) By every measure this regressive, inequitable, unfair and unsustainable congestion toll-tax scheme fails on every level.

3) Despite its name it achieves nothing of any consequence with relieving congestion.

4) It even falls short of its claims concerning the environment; instead it negatively impacts public health.

5) Moreover, its implementation will increase everyday costs of goods and services for small businesses and all New Yorkers whether they take public transit, ride a bike, walk, rely on for hire vehicles or drive a car.

6) It remains the most inefficient and uncertain source of revenue.

7) The best path remains canning this toll-tax scheme and identifying other resources not reliant on any net revenue scheme.

8) This scheme remains the brainchild of some misguided folks who fixate on eliminating passenger cars in Manhattan, mostly south of 60th Street by imposing a tax on entry that effectively eliminates all but the uber-wealthy if this toll-tax scheme that requires a net revenue ultimately prevails. This congestion pricing scheme is nothing more than a handout to hedge fund-supported Uber and Lyft and its wealthiest riders at the expense of lower income and minority New Yorkers, many living in transit deserts.

9) Its misguided adoption during the 2019 state budget process involved funding massive borrowing to help someone – no longer in public office – become the second coming of Robert Moses.

The MTA Failed to Consider Other, Better Sources of Funding

10) That process leads to its first weakness: A total failure to consider alternative revenue sources that better meet the funding goals of the MTA capital program: That approach improves public transit and helps to induce those who rely on cars who can do so opt to use transit. The “Project” purpose as stated in the EA is to reduce traffic congestion in the Manhattan CBD in a manner that will generate revenue for future transportation improvements, pursuant to acceptance into the Federal Highway Administration’s (FHWA’s) Value Pricing Pilot Program (VPPP) and create a new local, recurring funding source for MTA’s capital projects. Yet the MTA failed to examine other revenue sources.

11) That \$300-400 million of the toll-tax scheme budget goes to its administration (and the administrative company is from outside New York State) makes clear how inefficient and just stupid, this toll-tax scheme remains as a revenue.

12) Further, to the extent, it discourages passenger car entry into the CBD – which is not a business district per se but a series of neighboring mixed used communities – it required an even pricier toll-tax structure to achieve the net revenue required under the law creating it.

13) Just consider this list of 12 substantial alternative, equitable and sustainable resources that leverage more than \$60 billion in new borrowing:

- ▶ 13-1) Adding 0.625% to current MTA Sales Tax within New York City raises \$1 billion annually which based on bonding raising the alleged \$15 billion claimed for by Congestion pricing (which it would not realize)
- ▶ 13-2) Extending above (adding 0.625% to current MTA Sales Tax) to the MTA counties could raise even more for suburban transit.
- ▶ 13-3) Non-resident income tax double old rate equitably splitting proceeds for transit needs across MTA region \$2 billion which means \$30 billion in borrowing.
- ▶ 13-4) 1 percentage-point surcharge on the City’s hotel tax raises \$97 million
- ▶ 13-5) An assessment equal to 5% of real property tax due on commercial property in Manhattan raises \$408 million
- ▶ 13-6) \$1 per square foot surcharge on commercial and industrial property below 59th Street raises \$664 million
- ▶ 13-7) Combining above 5% assessment and \$1 per square foot surcharge leverage more \$15 billion in borrowing.
- ▶ 13-8) Market rate fees for street closures raises \$600 million which leverages another \$9 billion in borrowing.

- ▶ 13-9) Restore NYS & NYC Stock Transfer Tax (end rebate); fully applied raises \$14 billion annually.
- ▶ 13-10) *Pied-a-terre* tax \$650 million.
- ▶ 13-11) Collecting evaded fares and tolls \$700 million.
- ▶ 13-12) Restore State and City General Revenue funding of the Capital Program (during the Giuliani (in FY'95 NYC cut \$400 million) and Pataki administration (In 1982-1986, the state gave \$1,509 million; in 1987-1991, the state gave \$879 million)*)

14) And none of the above cover an ongoing need to address waste, inefficiency, mismanagement in MTA operations and capital spending. The recent concerns expressed by the MTA that lawsuits challenging their toll-tax scheme will impede its ability to proceed with capital plan projects supports consideration of these “alternative” revenues.

The Toll-Tax Scheme Fails to Protect Public Health & the Environment

15) Just as this toll-tax scheme fails as a revenue, it flunks on public health and protecting the environment. This tax scheme proposes no measures that address asthma where it impacts most: air pollution hot spots including The South Bronx, East Harlem, the Lower East Side, South Jamaica and Bedford-Stuyvesant. The MTA’s plan will only worsen the health and our quality of life of many New Yorkers, especially in environmental justice communities.

16) For example, Lower East Side residents suffer increased rates of asthma and cardiovascular disease due to FDR traffic and city agency depots near their homes. Working-class drivers and small businesses will get no benefit and will be burdened with yet another senseless cost, which would also reroute carbon-belching truck traffic into low-income communities.

17) As more commuters exit the highways on the Upper East and Upper West Sides of Manhattan to avoid paying the toll-tax, they cause detrimental environmental and health impacts, not to mention congestion and a strain on parking, in those residential neighborhoods.

18) The finding of no significant environmental impact (“FONSI”) and reliance on an Environmental Assessment (“EA”) remains flawed; it documents significant additional asthma impacts from truck traffic but mandates no mitigation BEFORE the scheme would start.

19) Juxtapose this against the Westway project; its demise involved its affect on tiny snail darters; in the South Bronx and other communities we focus on mitigation to protect human lives. It explains an important basis for the New Yorkers Against Congestion Pricing Tax class action lawsuit.

20) And that EA ballyhooed at 4,000 pages – a real misnomer; while size matters not, please note that the EA actually totaled less than one-fifth that. Counting appendices that includes testimonies and comments padded the tally. One appendix – nearly 700 pages – featured one intersection diagram per page; not at all anything impressive.

Rather than Spur Growth, the Toll-Tax Can Kill the Economy

21) Often overlooked is the impact on small business and the economy. A toll-tax ranging \$24 to \$36 even with offsets ranging from \$6-\$20 when using river tunnels means increased costs of truck deliveries to retailers and restaurants, and other businesses there, and even worse for their customers. This inflicts price hikes on everyday New Yorkers who do not drive but take a bus or ride the subway, walk or ride a bike.

22) Distribution companies who bear the cost of this toll-tax scheme on the truck deliveries they receive and make will not just pass the additional costs to businesses and people in the Manhattan zone, but impose their additional costs on businesses and people throughout the entire region. As this toll-tax scheme increases the cost of deliveries to merchants, expect them in turn pass the hike along to the customers, and thus impose an additional tax on the middle class including an additional tax on those who already face the congestion tax when they drive. That means folks, not just residents inside the CBD but those living in the other four boroughs and upper Manhattan – and Long Island, will also be hit with increased costs of goods; this will especially affect the middle and lower income families.

23) Thus, this toll-tax affects the livelihoods of many non-drivers. In other words, this toll-tax scheme will hurt individuals and families who never enter or never leave the CBD with additional costs in the midst of already increasing inflation and a weak economy.

24) This toll-tax scheme discriminates against those who live in the affected areas in myriad ways. Drivers will be charged simply for going home—an unfair tax New Yorkers living outside the zone will not bear. Parents and grandparents will be charged to drive in to watch children so residents can work and children outside the zone will be charged for driving in to help their parents. Nurses, office cleaners and others who work odd hours will be hit particularly hard. They have no safe and realistic way to travel below 60th Street in early morning hours. Doormen and superintendents will see their cost of travel rise—whether in money (if they drive) or time (if they must depend on public transit).

25) A congestion tax could be a fatal blow to Manhattan's core businesses including Broadway and in Chinatown and Little Italy. This toll-tax scheme will hurt real estate values, Broadway's recovery, the restaurant industry below 60th Street, and retail businesses below 60th Street. If fewer passenger car drivers and their passengers visit Manhattan, it impacts, Broadway, restaurants and retail and anything else ancillary to those businesses; tax revenues decline; economic activity matters. We live in a new era where people have the option to work anywhere. Why add an extra impediment to traveling into Manhattan when so many businesses there are struggling to recover?

A Regressive, Unfair & Inequitable Tax

26) From a racial and environmental Justice perspective the entire scheme fails to resource improvements in transit deserts that exist in New York City neighborhoods of color including Southeast Queens.

27) Everyday New Yorkers should not face a choice of everyday cost of living increase against pie in the sky hope for better service when so many live in transit deserts whether it be Southeast Queens or the Lower East Side.

28) The toll-tax provides no funds to expand everyday transit service; it pays for a capital plan that does nothing to improve the commutes for that universe.

29) The adverse effect on low-income drivers associated with the cost of any new toll-tax scheme would constitute a disproportionately high and adverse effect.

30) This toll-tax scheme would be New York's most regressive tax — in the middle of an inflation crisis.

A Non-Factor in Relieving Congestion

31) In NYC, the tax scheme imposes displacement as drivers seek parking outside the zone in Manhattan's upper west and east sides and neighborhoods near transit in Brooklyn, Queens and The Bronx; no capacity exists to absorb displaced cars or new transit riders at any of these locations.

32) The scheme ignores that most congestion in the zone results from a predominance of App-based For Hire Vehicles ("FHV's") – mainly Uber and Lyft – which champion the toll-tax scheme; as personal passenger vehicle entry into Manhattan declined over the past decade, some one-hundred-thousand App-FHVs clogged Manhattan Streets. Trips by private automobiles into Manhattan's central business district have been declining for two decades, while Lyft and Uber rides have gone through the roof.

34) NYC Department of Transportation policies that closed or removed lanes of traffic also contribute to the congestion (no opposition to bus lanes where it makes sense and can work but do schemes that permit MTA buses to crawl one to two miles per hour faster make things measurably better?

35) Look more sternly at the impact of street closings due to construction, total street closures — such as on Broadway, and street grid traffic policies that limit turns and access to some streets. All cause additional miles driven aka cruising. It also remains significant to mention a continued failure to create taxi stands as effective means to pick up and drop off passengers.

36) Rather than note the aforementioned (paragraph 32, 33 and 34), the EA wrongly implies the island configuration of Manhattan is at fault rather than devising and implementing better policies to effectively address roadway capacity. This also includes more "Park & Ride" opportunities to encourage public transit use from outside the CBD.

37) Congestion pricing is not working in London. Fees have gone up while congestion has dramatically increased in other areas of London. FHVs have replaced passenger cars. Moreover, the comparison to London, which has a real commercial core, remains faulty; New York City's zone has long been mixed used neighborhoods and trends further along that path.

Conclusion

38) So we are left with a phony plan that irresponsibly uses falsehoods about congestion reduction and the environment to support a regressive, inequitable, unfair and unsustainable toll-tax. The best path remains to acknowledge this plan fails on every level and to recommend what works.

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*Direct governmental [capital] subsidies reached a peak of \$5.2 billion in the 1987-1991 plan and then fell in each of the two subsequent plans. These subsidies accounted for 55 percent of the capital financing in the 1982-1986 plan and 64 percent in the 1987-1991 plan, but only 39 percent in the 1995-1999 plan. (NYC IBO August 1999)