

MTA: Public Authority Leaves New Yorkers in the Dark

Millions of New Yorkers depend on the MTA for their daily transportation, and they expect the MTA to make open and accountable decisions in the best interests of the people it serves. Instead, the MTA operates under a cloud of secrecy and impropriety. When its management decisions are made based on personal connections instead of merit, it's no wonder that the MTA is mired in mismanagement and reluctant to engage in full financial disclosure. Unfortunately, it's New York's straphangers and taxpayers who bear the brunt of the MTA's lack of openness and accountability. *Compiled from news stories in the Daily News, NY Post, Newsday, and the New York Times.*

Lack of Accountability Sends MTA Finances

Off the Track

If the MTA were a typical business with shareholders watching over it, its leadership would have been fired by now. That's because any standard business arrangement demands fiscal accountability. But the MTA operates on connections and secrecy.

The result? In just one example, the cost of the renovations at the MTA's new headquarters ***spiraled from an original budget of \$135 million to over \$400 million.*** New Yorkers shoulder the burden of this excess through higher taxes and increased fares.

In another instance, the cost of bathroom renovations at the new headquarters more than ***quadrupled from \$1.4 million to more than \$6 million.*** As reported in the *New York Post*, the MTA hired its contractors under an unusual arrangement that allowed the contractors to add hundreds of thousands of dollars of management fees on top of the standard charges.

Meanwhile, ***the MTA's former facilities manager allegedly accepted bribes*** of up to \$100,000 that determined who received contracts and who was allowed to overbill for their services.

Impropriety was widespread in building renovation projects.



Where does this leave the average New Yorker? Thanks to unchecked mismanagement, the MTA has claimed a billion-dollar deficit that now forces subway riders to pay a 50-cent fare increase. Accountability isn't just a nice idea. In this case, its absence hits New Yorkers in the pocketbook.

Public Input or



Public Deception?

After passing the MTA's new financial plan on March 6, Chairman Peter S. Kalikow claimed that it "truly reflects the input we received from our riders and the general public." If only that were the case.

After a fare hike was approved, State Comptroller Alan Hevesi did an independent analysis of the MTA's finances and concluded that the agency's claim of openness "is a fraud." His report found that the MTA used creative accounting to ***transform a 2002 surplus of \$537 million into a surplus of \$24.6 million.*** Similarly, it shifted 2003 funds to 2004 to ***show a \$236 million deficit instead of an \$83 million surplus*** for 2003.

The MTA used these so-called deficits

to call for a fare increase. But can it really claim to have listened to public input when it withheld openness in reporting its finances? When the MTA's financial plans impact the public's pocketbook, the MTA has an obligation to provide full disclosure and openness about its finances.

Public Authorities, Private Finances

These scandals are possible because of the structure of New York State's "public authorities," corporate entities created by the state to serve the public interest, but independent of the state budget process and free of the state's constitutional limits on debt.

Public authorities do not need legislative approval for their budgets the way a typical state program would. While some independence for an agency can be healthy, dire situations such as that at the MTA show the need for far more oversight.

Getting the MTA

Back on Track

New York could do much better for its transit riders. Some reforms that would bring accountability and independent oversight to the MTA include establishing an independent budget office to supervise its finances and having the state attorney general, rather than the governor (who already appoints the MTA board), appoint an inspector general to oversee the agency.

WHO'S WHO ON THE MTA BOARD?

When the subway fare goes up, when token booths close, or when bus drivers get a raise, it's the MTA that is calling the shots. Who are these public officials that control millions of New Yorkers' daily transportation? The MTA is governed by a board of 17 members approved by the Governor, who directly appoints six of them. They're not regular folks like you and me. Many are major campaign contributors for Governor Pataki — at least seven board members have given tens of thousands of dollars to Pataki's campaign accounts. And even more have longstanding personal or political ties to the Governor, the MTA, or the Republican party. A list of the multiple connections linking board members, the Governor and the Mayor can be harder to follow than a NYC subway map. Here are just a few of these connections at the MTA. *Source: Newsday, May 4, 2003, except where noted.*

Peter Kalikow, Chairman

Has given \$30,000 in campaign contributions to Governor Pataki and \$65,000 to state Republican committees (Common Cause research). President of HJ Kalikow & Company, a real estate developer/owner. His office is down the hall from the former MTA chairman, who is listed as a member of Kalikow's firm. Previously served on the board of the Port Authority.

Nancy Shevell Blakeman

Along with her husband, has given over \$40,000 in campaign contributions to Governor Pataki. Wife of Port Authority board member Bruce Blakeman, who is former presiding officer of the Nassau County Legislature, Republican candidate for state comptroller in 1998 and a friend of David Mack.

David Mack, Vice Chairman

Also a member of the board of the Port Authority. NYS Police Deputy Superintendent and Nassau County Police Assistant Commissioner. Loaned Kalikow money to avoid bankruptcy in 1994.

Thomas Cassano

Represents the Transport Workers Union, although he was part of the prior TWU leadership and is a political opponent of current union leader Roger Toussaint. Also has a management job at the MTA.

Barry Feinstein

Was banished for life from union he headed, Teamsters Local 237, after being accused of embezzlement. Founder and Chairman of Consortium for Worker Education, which receives millions of dollars in public funding.



James Harding, Jr.

Is also Pataki's NYC director of legislative affairs.

Lawrence Gamache

Worked for the MTA for 28 years.

Susan Kupferman

Also works for Mayor Bloomberg as director of operations. Formerly MTA deputy executive director under Mark Shaw, who is currently Mayor Bloomberg's deputy mayor.

Alfonse D'Amato and the Web of Influence at the MTA

Former Senator Alfonse D'Amato is a prime example of the influence of connections at the MTA. In what the New York Times has called the "\$500,000 phone call", D'Amato allegedly received \$500,000 from a developer to help him receive a \$230 million loan.

The developer owned the MTA's new headquarters but needed more paperwork from the MTA to receive his loan. D'Amato made a well-placed phone call to his friend and former MTA chairman E. Virgil Conway, who handled the matter, got the developer his loan, and netted D'Amato his \$500,000. D'Amato's influence at the MTA wasn't a one-time deal.

As the New York Daily News reported, his connections there are strong: not only is he a close Pataki ally who helped engineer the governor's win in 1994, but he also rents office space from MTA Chairman Peter S. Kalikow, who has raised funds for D'Amato in the past.

According to the *Daily News*, D'Amato was hired to lobby on behalf of Alstom, a major MTA contractor. Despite the massive \$2.4 billion value of the MTA's subway-car contract with Alstom, transit officials skipped a step designed to protect the MTA from financial risk. Normally, a contractor must post a bond for 25% of the contract to protect the MTA from potential loss. However, Alstom did not have to post this bond immediately, and it later only posted 5%-10%.

This fact sheet was created in June 2003 as part of a series called CONNECT THE DOTS, which aims to show how money in politics impacts on issues New Yorkers care about. To learn more about Common Cause/NY's CONNECT THE DOTS coalition, call 1-800-300-8707. This project was made possible by support from the New York Community Trust.