BLUE RIBBON SUMMIT ON FINANCING THE MBTA AND THE RTAs

Financial Situation of Transit in Massachusetts
A Brief Overview
HOW IS TRANSIT PROVIDED IN MA?

MA has 16 Transit Authorities:

- Berkshire Regional Transit Authority (BRTA)
- Brockton Area Transit (BAT)
- Cape Ann Transit Authority (CATA)
- Cape Cod Regional Transit Authority (CCRTA)
- Franklin Regional Transit Authority (FRTA)
- Greater Attleboro Taunton Regional Transit Authority (GATRA)
- Lowell Regional Transit Authority (LRTA)
- Martha’s Vineyard Transit Authority (VTA)
- Merrimack Valley Regional Transit Authority (MVRTA)
- Massachusetts Bay Transportation Authority (MBTA)
- Metro West Regional Transit Authority (MWRTA)
- Montachusett Regional Transit Authority (MRTA)
- Nantucket Regional Transit Authority (NRTA)
- Pioneer Valley Transit Authority (PVTA)
- Southeastern Regional Transit Authority (SRTA)
- Worcester Regional Transit Authority (WRTA)
How is transit provided in MA?

Municipalities and people served

- RTAs serve:
  - 256 cities and towns
  - 30,176,352 passenger trips/year (Fixed Route: 27,928,487; ADA/Demand Response: 2,247,865)

- MBTA serves:
  - 175 communities, with a population of almost 4.7 million people
  - 1.25 millions daily riders (4 rapid transit lines, 14 commuter rail lines, 182 bus routes and 250 transit stations)
How Are the RTAs Funded?

Total Combined Operating Cost: $265,267,929

- RTA Generated Revenue: $136,289,805
- Federal Assistance: $35,719,230
- Local Assistance: $26,568,699
- State Assistance: $59,235,055

Combined Capital Spending: $76,548,588
(FY2011)
HOW IS THE MBTA FUNDED?

- Operating Budget (FY2010): $1.6 billion

- Capital Spending Budget: $3.84 billion (CIP FY2011-15) – an average of $768 million/year

- Fare Revenue: $453 million (FY2010)
- Other Operating Revenue: $73 million (FY2010)
- Local Assessments: $150 million (FY2010)
- Dedicated Sales Tax: $767 million (FY2010)
- Additional Sales Tax: $160 million (FY2010)
- Other Income: $23 million (FY2010)
FORWARD FUNDING

- Backward Funding: Prior to 2000, the MBTA received an unlimited “net cost of service” payment from the Commonwealth to offset costs incurred in the previous fiscal year. Debt issued by the Commonwealth, not the MBTA.

- Forward Funding (MBTA): Set aside 20% of sales tax revenues for MBTA. Restructured local assessments (resulting in decrease of total assessments spread across more communities). MBTA gained authority to issue debt and became responsible for $3.2 billion in debt transferred from the Commonwealth.

- Forward Funding (RTA): Scheduled to begin July 1, 2011. No designated funding stream set aside. Similar attempt has been made three times previously w/out success.
**How did Forward Funding Work for the MBTA?**

**Comparison of MBTA Finance Plan for FY01-08 to Actual Outcomes**

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<th>Finance Plan</th>
<th>Actual Outcome</th>
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<tr>
<td>State Sales Tax Revenue</td>
<td>3% growth per year</td>
<td>1% growth per year</td>
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<tr>
<td>Operating Costs</td>
<td>2% decrease per year</td>
<td>4-5% increase per year</td>
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<td>Overall Budget</td>
<td>Balanced</td>
<td>Net Deficits</td>
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<td>Cash Flow</td>
<td>Fewer short-term fixes</td>
<td>Multiple debt restructurings and one-time cash infusions</td>
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<td>Cash Surpluses</td>
<td>5-10% of gross revenues</td>
<td>0%</td>
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- Cumulative Sales Tax Shortfall (FY01-08): $460 million
- Actual Sales Tax Revenue Shortfall (FY01-08): $150 million (due to minimum level funding)
2009 TRANSPORTATION REFORM

- Created Single State Transportation Department (MassDOT).
- MBTA and RTAs remain separate legal entities.
- MBTA Board has same five members as MassDOT board.

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<th>Commonwealth Transportation Fund</th>
<th>Massachusetts Transportation Trust Fund</th>
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<td>Pays for: debt service, contract assistance, some state transportation programs (including RTAs)</td>
<td>Pays for: MassDOT operation and supplemental assistance to RTAs and MBTA</td>
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<td>Receives:</td>
<td>Receives:</td>
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<tr>
<td>Gas Tax (21-cents per gallon)</td>
<td>Remainder of CTF</td>
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<tr>
<td>Motor vehicle fees (vehicle license, registration, and drivers license fees)</td>
<td>Tolls</td>
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<td>Additional 1.25% sales tax (FY10)</td>
<td>Other fee-based revenue</td>
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**How large is funding gap in MA?**

- **RTAs:** > $125 million per year (just to fill in service gap)
  - Service Gap: based on bare additional service hours, increase in peak service headways, etc. needed

- **MBTA:** $4-$8 billion over twenty years (w/out any planned capital expansion except for transit commitments)
We’re not alone....

Transportation for America - http://t4america.org/
COST DRIVERS RTAs AND MBTA

- Rising Fuel and Utilities Costs
- Wages and Fringe Benefits
- Increase in Elderly Population in Need of Paratransit Services
  - (RTAs are estimating a 200%-300% increase by 2025)
**Debt Service Problem**

- **MBTA:**
  - Lacks Dedicated Revenue Source for Debt
  - Inherited State Debt Obligations
  - Spends more on Debt Service as a percentage of funds available for operating costs than comparable transit authorities (23.94%)
  - Total debt equaled $8.6 billion as of FY09
  - Payments on debt extend through 2039 and will be more than $400 million per year until 2022 (consume almost all projected fare revenue)

![Comparative debt of the 6 largest agencies](chart.jpg)
Debt Service Problem

- RTAs
  - No capital debt
  - $75 million in revenue anticipation notes (paid off every year)
  - $3 million interest payments on debt per year
State of Good Repair

- MBTA State of Good Repair Backlog:
  - exceeds $3 billion
  - annual allocation needed to prevent it from growing larger = $694 Million ($224 million more than the annual level of recent years).

- RTAs State of Good Repair Backlog:
  - No similar backlog