Stabilizing the MBTA’s Finances

- The Massachusetts Bay Transportation Authority (MBTA), or T, serves 175 Massachusetts communities with a population of almost 4.7 million people spread over 3,200 square miles
- The MBTA anchors the regional economy
  - MBTA station areas (areas within ½ mile of a T commuter rail or rapid transit station or key bus route) occupy less than 3% of the land area in metro Boston (from the NH to RI borders and west to nearly Worcester)
  - But account for 1 in 5 residents and workers and nearly 1 in 3 households

<table>
<thead>
<tr>
<th>Metropolitan Boston</th>
<th>MBTA Station Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>4,552,402</td>
</tr>
<tr>
<td>Households</td>
<td>1,344,257</td>
</tr>
<tr>
<td>Workers</td>
<td>2,277,958</td>
</tr>
</tbody>
</table>

**MBTA Operating Deficits**

- The MBTA has long had a structural operating deficit, with expenses exceeding revenues
  - Revenue from the dedicated penny of sales tax has failed to meet projections
  - With the 2012 fare increase, the MBTA’s revenue recovery ratio has risen to 41%
- Over the next five years, existing revenues are projected to increase only 1% per year while expenses are projected to increase 5% per year
- The MBTA’s projected FY 2013 operating deficit of $185 million was closed with a combination of increased fares, service cuts, and efficiencies, as well as $64 million in one-time revenues
The MBTA’s Debt Burden

- At $5.2 billion, the MBTA carries the largest outstanding debt of any transit agency in the US.
  - $1.3 billion was inherited as “legacy debt” as part of the 2000 forward funding legislation
  - $1.7 billion was issued to fund the Commonwealth’s legal commitments to expand transit as part of the mitigation package required to build the Big Dig
- Moody’s downgraded the MBTA’s senior sales tax bonds from Aa1 to Aa2 in November 2012, citing reduced debt service coverage and strained financial operations
- As shown above, if the Commonwealth assumes responsibility for “legacy” and “Big Dig” debt service payments, the MBTA could close its remaining deficits through FY 2017 with modest fare increases

Maintenance and Modernization (State of Good Repair) Backlog

- The MBTA has never been able to generate “pay as you go” revenue as planned with forward funding, so every dollar spent on maintenance and modernization has been borrowed
  - $2.2 billion in debt has been issued to fund maintenance and other capital needs since the MBTA began issuing its own debt after forward funding was implemented
- The MBTA’s growing backlog of unmet maintenance needs, called the State of Good Repair backlog, was estimated at more than $3 billion several years ago and may be twice that large
  - The MBTA must spend nearly $500 million each year simply to keep the backlog from growing
  - By some estimates the T should spend $750-800 million annually on maintenance and modernization to address the State of Good Repair backlog