BORN BROKE:

How the MBTA found itself with too much debt, the corrosive effects of this debt, and a comparison of the T's deficit to its peers

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Executive Summary

For the past several years the MBTA has only balanced its budgets by restructuring debt, liquidating cash reserves, selling land, and other one-time actions. Today, with credit markets frozen, cash reserves depleted and the real estate market at a stand still, the MBTA has used up these options. This recession has laid bare the fact that the MBTA is mired in a structural, on-going deficit that threatens its viability.

In 2000 the MBTA was re-born with the passage of the Forward Funding legislation. This legislation dedicated 20% of all sales taxes collected state-wide to the MBTA. It also transferred over $3.3 billion in Commonwealth debt from the State’s books to the T’s books. In essence, the MBTA was born broke.

Throughout the 1990’s the Massachusetts sales tax grew at an average of 6.5% per year. This decade the sales tax has barely averaged 1% annual growth. The underperformance of the sales tax coupled with too much debt has been slowly strangling the T for years. In FY10 the MBTA faces a $160.4 million deficit and without external assistance in the form of debt relief or new revenue the Authority will be forced to make draconian service cuts and impose dramatic fare increases.

The MBTA is not alone in facing financial difficulties. New economic realities have affected each of the 10 largest transit agencies in the United States. All are facing dwindling government subsidies and many are considering fare increases, layoffs, service cuts or some combination thereof.

The MBTA is stuck in a financial, not organizational quagmire. No amount of reorganization, reform, or efficiencies can generate the $160 million needed to close the FY10 budget gap, let alone the even larger deficits projected in the future. Until the MBTA’s underlying debt and financing weaknesses are addressed, all such changes, at best, will only delay the T’s day of reckoning. Relief of the $3.3 billion in Commonwealth debt currently on the MBTA’s books is the fairest, most efficient and most feasible way to solve for the MBTA’s underlying financial deficiencies.

I. Introduction:

The Massachusetts Bay Transportation Authority (MBTA) is a key component of the economic and environmental health of Massachusetts. Nearly 1.3 million unlinked trips in and around Boston are made each day by T, including 55% of all work trips into Boston, and 42% of all trips into its financial district.[1]

In FY10 the MBTA faces a $160.4 million budget deficit[2], a $2.7 billion maintenance backlog[3], and a debt load of $8 billion (including interest)[4].

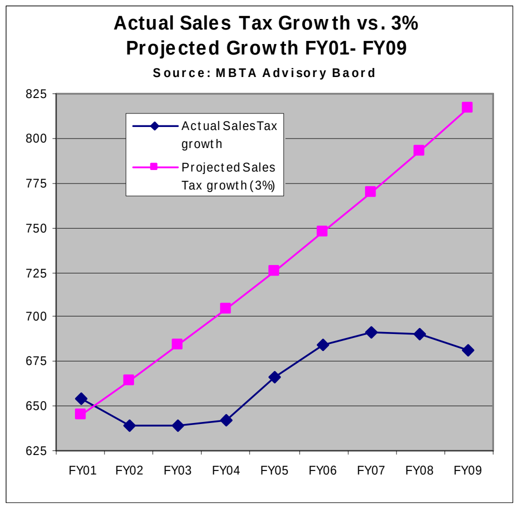
Recent History

In 2000 the MBTA was re-born with the passage of the Forward Funding legislation. This legislation forced the MBTA to be more fiscally prudent and leaner by dedicating a set amount of financing to it at the start of each fiscal year, and requiring it to end that year with a balanced budget.

The signature parts of Forward Funding were the annual dedication of 20% of all Massachusetts sales taxes receipts and the transferal of over $3.3 billion in Commonwealth debt to the MBTA.

Sales Tax

Sales tax is the principal financing source for the MBTA. Between 1990 and 2000 the Massachusetts sales tax grew at an average of 6.5% per year.[5] When the MBTA received a dedicated portion of this revenue source in 2000, many believed that the T's budgetary problems were over. But, since 2000 the sales tax has grown at a meager 1.0% per year on average.[6]



By 2003 it was clear that the sales tax had failed as the principal financing source for the MBTA. In 2007 the report of the independent, bi-partisan Massachusetts Transportation Finance Commission noted that "the state sales tax has generated far less revenue than anticipated, and it is unlikely that those revenue targets will ever be achieved …

this is a significant shortfall for MBTA operations and capital programs.[7]"

In FY10 the MBTA expects to receive no increase in sales tax revenue on the FY09 amount.[8]

Debt

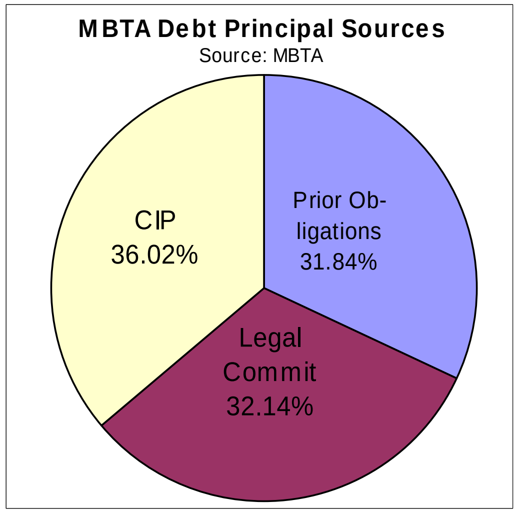
The MBTA owes over $8 billion in debt principal and interest to its bondholders. Before it was re-born, the MBTA did not issue debt for major projects. Instead, the Commonwealth borrowed for transit projects on the T's behalf and paid back these debts over time. Under Forward Funding the MBTA gained the authority to issue debt and the responsibility to pay it back.

Forward Funding also transferred billions in transit debt from the Commonwealth's books to the MBTA's books. Of the $5.2 billion in principal currently on the T's books, $3.3 billion was transferred by the State.[9]

MBTA debt is categorized in three ways: capital investment program, prior obligations, and legal commitments.

Capital improvement program debt ($1.869 billion) corresponds to money the MBTA has borrowed since 2000 for maintenance and infrastructure modernization.

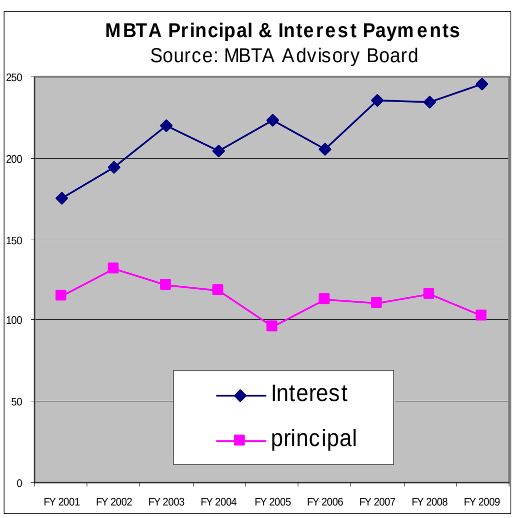
Prior obligation debts ($1.652 billion) were borrowed by the Commonwealth to build projects and perform maintenance for the benefit of public transportation users in eastern Massachusetts prior to 2000. In 2000 these debts were transferred to the MBTA.



Legal obligations debt ($1.688 billion) corresponds to state implementation plan (SIP) commitment projects. These were public transportation projects the state agreed to build as part of the Big Dig. As with prior obligation debt, SIP commitment debt was transferred to the T in 2000. The State also transferred the responsibility to finish many SIP commitment projects, and the T borrowed to do so. In 2007 the State agreed re-assume responsibility for outstanding SIP projects, but not the debt for such projects borrowed before 2007.[10]

Restructuring

Since 2004 the Authority has often relied on debt restructuring to avoid deficits. In many cases restructuring allowed it to take advantage of lower interest rates and save money. In other cases restructuring only lowered principal payments in return increased interest payments. Since 2000 interest payments have steadily increased, while principal payments have steadily declined. Unless this trend is reversed the T will continue to spend hundreds of millions on debt service each year without ever getting out of debt



Debt service payments have consistently consumed between 20%–30% of MBTA spending since 2000. Unlike many of its peers, the T lacks a dedicated revenue source for capital or debt spending. Instead, the T is forced to make debt service payments from the same sources it uses to funds operations, basic maintenance, and system enhancements.

Other Budget Actions

This decade the MBTA has often relied on other budget actions to stave off deficits. Over the past 8 years the T has steadily sold off property to raise cash, and all but exhausted its rainy day funds. Today, this $1.6 billion agency has less than $27.4 million in reserve, of which only $8.8 million is available for operating costs.[11]

The current economy has made the MBTA's financial deficiencies clear. Conditions are only expected to worsen and deficits grow larger in the near future. As fewer commuters have jobs to commute to, fare and parking revenues may decline. The frozen credit market makes refinancing next to impossible. The soft real estate market precludes most land sales and declines in consumer spending make the rebound of sales tax revenues unlikely.

II. Budget

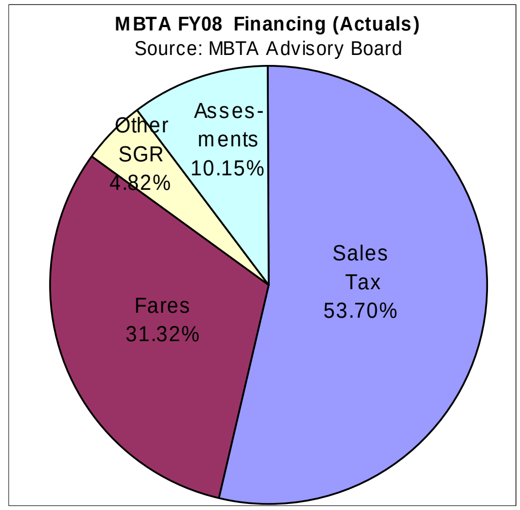
All major American transportation organizations are financed through a combination of system generated revenues (SGR) and government subsidies. System generated revenues come from fares, parking fees, advertising contracts, investment income, station rents, land sales, utility credits, etc. Government subsidies are either dedicated portions of taxes, or appropriations from state, county of municipal general funds. In either case subsidies are derived from taxes.

Financing

The MBTA is no different from its peers, in that it is financed by a combination of system generated revenues and subsidies.

Fares are the largest component of system generated revenues and constituted 31.32% of total financing in FY08, the last year for which final numbers are available. MBTA fares have increased 25% every three years since 2000.[12]

Parking fees, rents by concessionaires in T stations and advertising contracts generated 3.47% of total financing in FY08.[13]

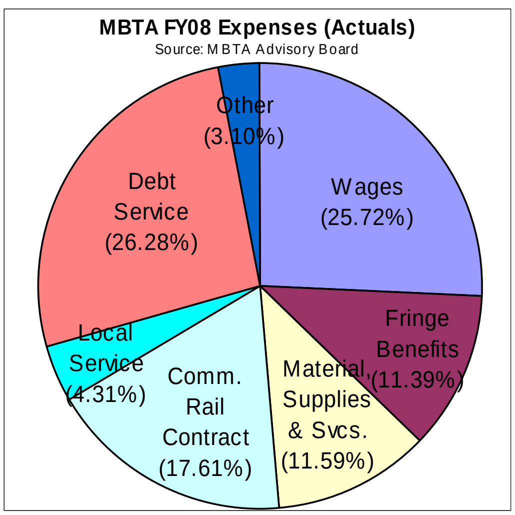


The MBTA's subsidy sources are assessments on cities and towns and sales tax receipts. Each municipality within the MBTA service district is assessed by the MBTA annually. Assessment rates are determined by population and collected by the state on the T's behalf. 175 of the Commonwealth's 351 cities and towns and over 73% of the Massachusetts population lives within the MBTA service district.[14]

As detailed above, the MBTA receives 20% of all sales tax receipts collected in Massachusetts. In FY08 sales tax receipts constituted over 53% of total financing.

Expenses

The MBTA spent over $1.4 billion in FY08 across seven broad categories: debt service (26.3%), wage (25.7%), contracted commuter rail costs (17.6%), materials, supplies, and services (11.6%), fringe benefits (11.4%), contracted local services including paratransit and ferry (4.3%), and other costs such as insurance and finance charges (3.10%).[15]



Labor costs are a large component of MBTA spending. Over 90% of MBTA employees are unionized and these 26 individual unions bargain collectively for pay and benefits on behalf of their members; sometimes through binding arbitration. Once a labor contract is in place the Authority has little control over the pay and benefits its employees receive.

For instance, despite the MBTA's budget woes, a July 2008 binding arbitration ruling mandated retroactive 3% pay hikes for FY07 and FY08, a 3% increase in FY09 and a 4% increase in FY10 for most unionized employees.[16] Under Massachusetts law the MBTA has no choice but to pay these increased wages, even in the face of a $160.4 million deficit in FY10.

Pensions

The pensions of MBTA retirees are paid by an independent retirement fund to which the Authority makes formula-based annual employer contributions. In 2007, the last year for which a report is available, the retirement fund spent over $148 million on retiree benefits. That year the MBTA contributed just over $30 million to this fund, or 21% of benefit costs.[17]

III. National Context

The MBTA is not alone in facing stark choices in these economic times. As the economy has worsened and tax receipts declined, many public transportation agencies are considering service cuts and/or fare increases in 2009 or 2010. A partial list of agencies with projected FY10 deficits include:

Agency	Projected Deficit
• MTA- New York:	$1.2b[18]
• LACMTA- LA:	$400m[19]
• MBTA- Boston	$160m
• CTA- Chicago:	$155m[20]
• WMATA- Wash. DC:	$154m[21]
• SEPTA- Philadelphia:	$150m[22]
• KCM- Seattle:	$100m[23]
• MARTA- Atlanta:	$65m[24]
• MUNI- San Francisco:	$65m[25]
• Metro- St. Louis:	$50m[26]
• Tri-Met- Portland, OR	$13.5m[27]

National Transportation Database

Each year the Federal Transit Administration collects data from public transportation agencies, collates it and produces the National Transit Database (NTD). Even though data may differ slightly from agency documents, since NTD data remains consistent throughout, for the purposes of comparison such differences are moot.

All numbers reported are taken from the NTD 2007 report, the most recent edition.

For the purposes of comparison the 10 largest agencies, in terms of unlinked trips, were evaluated. Particular attention was paid to governance structure, financing sources, projected deficits, and deficit closing strategies.

NYCT – New York

New York City Transit (NYCT) is a

NTD 2007 Report - Top 10 Largest Public Transportation Agencies					
Organization	**NYCT**	**CTA**	**LACMTA**	**WMATA**	**MBTA**
Size Rank	1	2	3	4	5
Region	New York	Chicago	Los Angeles	Wash. DC	Boston
Governance	Ops Unit	Pub. Authority	Pub. Authority	Pub. Authority	Pub. Authority
Operations Financing $	6,473,476,165	1,117,505,455	1,286,350,062	1,344,979,661	1,241,654,161
Operations Expenditure $	5,397,368,807	1,408,238,949	1,124,937,069	1,240,615,192	987,148,623
# FT Employees	49,391	10,589	9,587	10,207	7,428
Organization	**SEPTA**	**NJT**	**MUNI**	**MARTA**	**KCM**
Size Rank	6	7	8	9	10
Region	Philadelphia	New Jersey	San Francisco	Atlanta	Seattle
Governance	Pub. Authority	Pub. Authority	Govt. Unit	Pub. Authority	Govt. Unit
Operations Financing $	962,655,190	1,707,288,936	531,910,848	455,390,523	463,474,018
Operations Expenditure $	916,470,647	1,605,189,531	509,391,225	373,519,151	497,519,684
# FT Employees	8,784	10,309	3,802	4,459	3,073
Source: NTD 2007 Report					

division of the Metropolitan Transportation Administration (MTA). NYCT operates 26 subway lines, 243 bus routes, the Staten Island Railway and paratransit service across New York City

The MTA is governed by a 23-member board of directors comprised of 17 voting and 6 non-voting members. 6 of the 17 voting members are appointed by the Governor, 4 on the recommendation of New York City's Mayor and 1 each on the advice of the County Executives of Nassau, Suffolk, Westchester, Putnam, Duchess, Orange and Rockland Counties. Directors from Putnam, Duchess, Orange and Rockland Counties cast one collective vote. The 6 non-voting seats rotate between stakeholder groups.

The MTA is financed by system generated revenues (47%) and government subsidies (53%).[28] System generated revenues come principally from fares and tolls. Dedicated subsidies are generated from portion of the state gas tax, portions of statewide corporate and franchise taxes, proceeds from an MTA sales tax (0.375%) collected within the service district and a mortgage recording tax levied on property purchases within the MTA district.

MTA New York City Transit	
Service Area pop.	8,008,278
Annual Unlinked Trip	3,256,977,960
Governance Type	Ops. Unit
Total # Employees	49,391
Fare Financing	$2,811,715,386
Non-Fare SGR	$228,535,771
Total SGR	$3,040,251,157
Local Subsidy	$1,511,178,615
State Subsidy	$1,922,046,393
Federal Subsidy	$0
Total Subsidies	$3,433,225,008
Total Financing	**$6,473,476,165**
Employee Costs	$4,890,319,875
Mat. & Supplies	$480,157,780
Purchased Transport	$205,420,477
Other Ops. Costs	-$178,529,325
Total Expenditure	**$5,397,368,807**
Source: NTD 2007 Report	

New York City residents also pay "urban taxes" to the MTA in the form of a second mortgage recording tax, and a property transfer tax equal to 1% of a property's value when ownership is transferred.

The State of New York, MTA county governments, and New York City also appropriate grants to the MTA each year. Such grants are relatively small and change little year-to-year.[29] County governments also cover the costs of train station maintenance.

In FY10 the MTA faces a projected $1.2 billion deficit.[30] To close this gap an independent state commission proposed an 8% fare and toll increase, new tolls on previously un-tolled bridges, and a new 0.33% payroll tax within the MTA district.[31]

As the New York Assembly considers this proposal, the MTA Board recently approved a 20% to 30% fare and toll increase, the elimination of 35 bus routes, the axing of 2 subway lines, 1,000 lay-offs, additional cuts to off-peak service on all modes, extended subway headways, and the outright cancellation of some weekend bus service.[32]

CTA – Chicago

The Chicago Transit Authority (CTA) operates 153 bus routes and 8 heavy rail lines throughout the Chicago region. CTA's 7 member board consists of 4 mayoral and 3 gubernatorial appointees.

CTA is financed by system generated revenues (45%) and subsidies (55%).[33] Its largest subsidy source is a dedicated CTA sales tax (1.25% in Cook County, 0.75% in DuPage, Kane, Lake, McHenry and Will counties) collected within its service district.[34] The City of Chicago also collects a $1.50/$100 real estate transfer tax on property transactions dedicated to the CTA.

Illinois matches these locally generated funds from its state transportation trust fund, which is principally funded by the state gas tax. The State, Counties and the City of Chicago also directly appropriates grants to CTA for mandated free or reduced fares for students, veterans and elderly or disabled persons annually.[35]

Chicago Transit Authority	
Service Area pop.	3,763,791
Annual Unlinked Trip	499,544,307
Governance Type	Authority
Total # Employees	10,589
Fare Financing	$459,670,179
Non-Fare SGR	$44,175,591
Total SGR	$503,845,770
Local Subsidy	$307,176,469
State Subsidy	$195,642,681
Federal Subsidy	$110,840,535
Total Subsidies	$613,659,685
Total Financing	**$1,117,505,455**
Employee Costs	$1,131,641,346
Mat. & Supplies	$155,359,197
Purchased Transport	$0
Other Ops. Costs	$121,238,406
Total Expenditure	**$1,408,238,949**
Source: NTD 2007 Report	

In 2008, to close a $158 million deficit, Illinois increased the CTA sales tax and the Chicago real estate transfer tax. Despite these increases, CTA recently announced a projected $155 million deficit for in its current fiscal year.[36] Prior to the tax increases, CTA intended to cut 50% of its bus routes, layoff 2,400 employees and dramatically increase fares. It remains unclear how it plans to close this new deficit.

LACMTA – Los Angeles

The Los Angeles County Metropolitan Transportation Authority (LACMTA) operates 191 bus routes, 3 transit ways, 3 light rail lines, 2 heavy rail lines, 1 BRT route, and paratransit service throughout Los Angeles County. It also provides regional planning, coordination, design and construction services to municipal governments as well as subsidies for 16 municipal bus lines, and LA's commuter rail service.

LACMTA is overseen by a 13-member board consisting of the 5 elected LA County supervisors, the Mayor of Los Angeles, 3 mayoral appointees, 4 elected city council members from outside of City of Los Angeles and 1 non-voting gubernatorial appointee.

LACMTA is financed by system generated revenues (26%) and subsidies (74%). Its principal subsidy source is a 1.75¢/$1.00 dedicated sales tax collected within LA County. This transit sales tax was increased in 2008 by ballot referenda.

Los Angeles County Metropolitan Transportation Authority	
Service Area pop.	8,493,281
Annual Unlinked Trip	495,362,403
Governance Type	Authority
Total # Employees	9,587
Fare Financing	$293,878,777
Non-Fare SGR	$36,984,744
Total SGR	$330,863,521
Local Subsidy	$613,335,929
State Subsidy	$156,786,942
Federal Subsidy	$185,363,670
Total Subsidies	$955,486,541
Total Financing	**$1,286,350,062**
Employee Costs	$739,469,348
Mat. & Supplies	$128,314,403
Purchased Transport	$34,463,344
Other Ops. Costs	$222,689,974
Total Expenditure	**$1,124,937,069**
Source: NTD 2007 Report	

Until recently, the Authority also received state subsidies under the California Transportation Development Act (TDA). The trust funds associated with this legislation receive 0.25¢ of the state sales tax, and a portion of the state's special sales tax on motor fuels.[37]

Under the austerity budget recently passed in California, TDA funding for public transportation agencies was eliminated, a loss of over $400 million in FY10.[38]

WMATA – Washington, DC

The Washington Metropolitan Area Transit Authority operates 5 heavy rail lines, 338 bus routes and paratransit service in and around Washington, DC.[39] Its 12 member board consists of 4 members each from Maryland, Virginia, and Washington, DC.

Washington Metropolitan Area Transit Authority	
Service Area pop.	1,305,693
Annual Unlinked Trip	411,598,592
Governance Type	Authority
Total # Employees	10,207
Fare Financing	$514,611,829
Non-Fare SGR	$222,227,288
Total SGR	$736,839,117
Local Subsidy	$368,815,007
State Subsidy	$221,325,537
Federal Subsidy	$18,000,000
Total Subsidies	$608,140,544
Total Financing	**$1,344,979,661**
Employee Costs	$864,999,810
Mat. & Supplies	$146,062,251
Purchased Transport	$61,013,577
Other Ops. Costs	$168,539,554
Total Expenditure	**$1,240,615,192**
Source: NTD 2007 Report	

WMATA is financed by system generated revenues (55%) and subsidies (45%).[40] Operating and capital subsidies are paid by the District of Columbia, the State of Maryland and the Virginia counties of Fairfax and Arlington and the Cities of Fairfax, Falls Church, and Alexandria.

The District of Columbia earmarks portions of its 20.0¢ gas tax, parking meter fees, traffic fines, and vehicle registration fees to WMATA.[41]

Maryland pays its subsidies from the Maryland Transportation Trust Fund, which receives revenue from the state 23.5¢ gas tax, vehicle sales tax receipts, registry fees, corporate income taxes, rental car taxes, and other sources.[42]

In Virginia each local government funds its subsidy amount differently, usually through a combination of proceeds from an extra 2% gas tax levied within service district, property taxes and general fund appropriations.[43]

IN FY10 WMATA faces a $154 million deficit. Through layoffs and other administrative reductions, this deficit was reduced to $29 million in March 2009.[44] To close the $29 million deficit, WMATA plans to cut 10 bus routes, truncate 12 others and stretch headways on all modes.[45]

MBTA - Boston

The Massachusetts Bay Transportation Authority (MBTA) operates 191 bus routes, 14 commuter rail lines, 3 heavy rail lines, 3 ferry routes, 1 light rail line, and paratransit service. It is overseen by a 7-member board of directors each of whom is appointed by Governor.

The MBTA, like its peers, is financed by system generated revenues (37%) and subsidies (63%).[46] Its largest financing source is a dedicated 20% of all sales taxed collected in Massachusetts.

Massachusetts Bay Transportation Authority	
Service Area pop.	4,510,400
Annual Unlinked Trip	357,578,991
Governance Type	Authority
Total # Employees	7,428
Fare Financing	$395,876,376
Non-Fare SGR	$58,636,446
Total SGR	$454,512,822
Local Subsidy	$134,988,493
State Subsidy	$644,117,259
Federal Subsidy	$8,035,587
Total Subsidies	$787,141,339
Total Financing	**$1,241,654,161**
Employee Costs	$704,584,507
Mat. & Supplies	$111,002,988
Purchased Transport	$65,068,810
Other Ops. Costs	$106,492,318
Total Expenditure	**$987,148,623**
Source: NTD 2007 Report	

The MBTA faces a projected $160.4 million deficit in FY10.[47]

SEPTA – Philadelphia

The Southeastern Pennsylvania Transportation Authority (SEPTA) operates 117 bus routes, 8 light rail lines (trolley), 3 trackless trolley routes, 3 heavy rail lines, 13 commuter rail lines, shared ride service, and paratransit operations in Bucks, Chester, Delaware, Montgomery and Philadelphia Counties. Philadelphia City and County are synonymous.

The Pennsylvania Governor, Senate majority and minority leaders, and House majority and minority leaders each appoint 1 member of SEPTA's 15-member board. The remaining seats, respectively, are appointed by Philadelphia's Mayor, Philadelphia's City Council President, and the governments of Bucks (2), Chester (2), Montgomery (2), and Delaware (2) Counties. The 2 Philadelphia appointees may collectively veto any board action, but a 2/3 vote of the full board may override this veto within 30 days.

SEPTA is financed by system generated revenues (40%) and subsidies (60%).[48] State subsidies are paid through the new Pennsylvania Public Transportation Trust Fund (PPTTF). This funds receives

4.4% of all state sales tax receipts, PA lottery proceeds (earmarked for free transit for senior citizens) money from the PA Turnpike Authority, a $1 per purchased tire tax, a $2 per day tax on car rentals, and a 3% tax on car lease amounts.[49]

Local subsidies are appropriated annually by city and county governments as a match to state funds. All local funds are earmarked for projects and services benefiting those jurisdictions.[50]

Southeastern Pennsylvania Transportation Authority	
Service Area pop.	3,317,418
Annual Unlinked Trip	321,839,783
Governance Type	Authority
Total # Employees	8,784
Fare Financing	$348,621,108
Non-Fare SGR	$34,383,101
Total SGR	$383,004,209
Local Subsidy	$72,863,139
State Subsidy	$407,191,156
Federal Subsidy	$99,596,686
Total Subsidies	$579,650,981
Total Financing	**$962,655,190**
Employee Costs	$755,547,558
Mat. & Supplies	$84,737,506
Purchased Transport	$38,581,837
Other Ops. Costs	$37,603,746
Total Expenditure	**$916,470,647**
Source: NTD 2007 Report	

SEPTA also faces a difficult FY10. Currently it is in the middle of contentious negotiations with its labor unions over its attempt to increase its employee health insurance premium cost-share amount from its current 1%.[51]

The viability of the PPTTF is also in question. Payments by the PA Turnpike Authority accounted for over 30% of all PPTTF funding in FY08. To cover these payments the Turnpike Authority planned to add tolls on I-80, a previously un-tolled, east-west highway. However, in 2008 the Federal Highway Administration rejected its tolling request, raising doubts about the Turnpike Authority's ability to meet its trust fund obligations.[52]

In late March 2009 SEPTA released its FY10 budget. The transmittal letter accompanying this budget warns of a potential $150 million deficit in FY10 due to declining sales tax receipts and the failure of the tolling proposal.[53]

NJT – New Jersey

The New Jersey Transit (NJT) Corporation is a state entity that operates 242 local and commuter bus routes, 11 commuter rail lines, 3 light rail lines and paratransit service throughout the state. NJT is overseen by a 7 member board, each of whom is appointed by the

Governor, who may unilaterally veto any board decision.

NJT is financed from system generated revenue (49%) and government subsidies (51%). Its subsidies are paid principally by casino gambling taxes[54] and the state transportation trust fund.[55] This trust fund is financed by a 10.5¢ gas tax, 13.5¢ diesel tax, 2.75% tax on petroleum product distributors, sales taxes on new vehicle purchases, vehicle registration fees, special heavy truck fees, and annual appropriations from toll road authorities.

New Jersey Transit Corporation	
Service Area pop.	17,799,861
Annual Unlinked Trip	268,289,345
Governance Type	Govt. Unit
Total # Employees	10,309
Fare Financing	$679,299,440
Non-Fare SGR	$158,773,943
Total SGR	$838,073,383
Local Subsidy	$14,721,367
State Subsidy	$598,848,801
Federal Subsidy	$255,645,385
Total Subsidies	$869,215,553
Total Financing	**$1,707,288,936**
Employee Costs	$959,316,831
Mat. & Supplies	$220,339,772
Purchased Transport	$155,309,304
Other Ops. Costs	$270,223,624
Total Expenditure	**$1,605,189,531**
Source: NTD 2007 Report	

As a unit of state government NJT's budget is wound into the overall state budget. New Jersey faces a $7 billion deficit in FY10.[56] Additionally, six of the state's eleven casinos are currently in bankruptcy, calling into question the financing NJT receives from gambling taxes.[57]

MUNI – San Francisco

San Francisco Municipal Railway	
Service Area pop.	808,844
Annual Unlinked Trip	206,458,675
Governance Type	Govt. Unit
Total # Employees	3,802
Fare Financing	$142,993,651
Non-Fare SGR	$12,724,692
Total SGR	$155,718,343
Local Subsidy	$277,074,154
State Subsidy	$93,961,396
Federal Subsidy	$5,156,955
Total Subsidies	$376,192,505
Total Financing	**$531,910,848**
Employee Costs	$409,615,265
Mat. & Supplies	$41,530,691
Purchased Transport	$18,700,137
Other Ops. Costs	$39,545,132
Total Expenditure	**$509,391,225**
Source: NTD 2007 Report	

The San Francisco Municipal Railway (MUNI) is a division of the San Francisco Municipal Transportation Agency (SFMTA), itself a unit of city government. MUNI operates 54 bus routes, 7 light rail lines and San Francisco's famed cable car.

SFMTA is overseen by a 7 member

board of directors, each of whom is appointed by San Francisco's Mayor.

MUNI is financed by system generated revenues (29.3%) and subsidies (71%). Almost all subsidies are generated locally[58] from a tax on off-street parking, parking fines, meter revenue, moving violations and other automobile-related fees.[59] MUNI also receives annual appropriations from the city general fund and, until recently, from the state under the TDA.

Like LACMTA, MUNI faces the loss of TDA subsidies in 2009. Such a loss could leave a $50 million hole in its 2009 budget and a $65 million shortfall in 2010.[60]

MARTA – Atlanta

The Metropolitan Atlanta Rapid Transit Authority (MARTA) operates 4 heavy rail lines, 138 bus routes and paratransit service in and around Atlanta.

Atlanta's Mayor appoints 4 of MARTA's 18 board members. Other appointments are made by the County Commissions of Fulton (3), DeKalb (5), Clayton (1) and Gwinnett (1) Counties, the Georgia Departments of Revenue (1), the Georgia Department of Transportation (1), the Atlanta Regional Transportation Authority (1) and the Atlanta Building Authority (1).

Metropolitan Atlanta Rapid Transit Authority	
Service Area pop.	1,574,600
Annual Unlinked Trip	147,523,544
Governance Type	Authority
Total # Employees	4,459
Fare Financing	$102,141,681
Non-Fare SGR	$37,869,231
Total SGR	$140,010,912
Local Subsidy	$275,288,244
State Subsidy	$0
Federal Subsidy	$40,091,367
Total Subsidies	$315,379,611
Total Financing	**$455,390,523**
Employee Costs	$329,163,776
Mat. & Supplies	$36,372,958
Purchased Transport	$0
Other Ops. Costs	$7,982,417
Total Expenditure	**$373,519,151**
Source: NTD 2007 Report	

System generated revenues (31%) and subsidies (69%) finance MARTA.[61] Its principal subsidy source is a dedicated sales tax collected within Fulton and DeKalb counties.[62] Neither the state nor Clayton or Gwinnett Counties subsidize MARTA.

MARTA's projected deficit in FY10 is $65 million due to a decline in sales tax receipts.[63] To close this gap the Authority is considering a 25¢ fare increase and/or a 10% to 30% cut in service.[64]

KCM – Seattle
Seattle's King County Metro (KCM) operates 222 bus routes, a public van pool operation, and paratransit service in King County, Washington including the City of Seattle. It will also operate a new regional light rail line scheduled to open this year.[65]

King County Metro	
Service Area pop.	1,861,300
Annual Unlinked Trip	113,928,156
Governance Type	Govt. Unit
Total # Employees	3,073
Fare Financing	$85,138,566
Non-Fare SGR	$73,445,979
Total SGR	$158,584,545
Local Subsidy	$290,956,818
State Subsidy	$4,060,508
Federal Subsidy	$9,872,147
Total Subsidies	$304,889,473
Total Financing	**$463,474,018**
Employee Costs	$302,504,000
Mat. & Supplies	$57,970,186
Purchased Transport	$79,644,172
Other Ops. Costs	$57,401,326
Total Expenditure	**$497,519,684**
Source: NTD 2007 Report	

A unit of county government, KCM is answerable to the elected King County Executive and County Council.

KCM's is financed by system generated revenues (34%) and subsidies (66%).[66] Its principal subsidy is a dedicated portion of the 8% King County sales tax.[67]

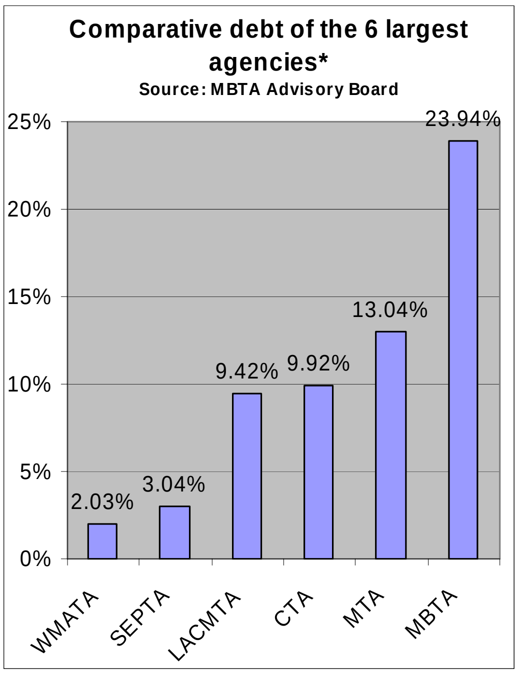
Despite three fare increases since March 2008 and a 20% increase in ridership since 2006, in FY10 KCM faces a $100 million deficit due to declining sales tax receipts.[68] To close this gap county leaders are considering a 20% service cut or a new local vehicle excise tax.[69]

IV. Conclusion:

Comparative Debt
All transit agencies have some debt. The difference between them is the financing sources available to service that debt, and the ultimate responsibility for it.

Transit agencies which operate as units of government, for all intents and purposes, have their debts paid by their parent government organization. Still others have dedicated revenue streams for debt service or maintenance.

The MBTA is unique among its peers in that it lacks a dedicated revenue source for debt service or capital maintenance. Among its peers, the MBTA spends the most on debt service as a percentage of funds also available for operating costs.* These are funds the T could spend on operating costs, its $2.7 billion maintenance backlog, system enhancements, better on-time performance of measures to reduce overcrowding.



Instead, the T is required to fund its operating costs, capital maintenance program and debt service from the same financing sources. This makes operating costs compete with debt service costs. Most debt service costs are contractually obligated; whereas most operating costs are not. In FY10 debt service costs will consume an even larger 26.08% of spending.[70]

Recommendations

The United States faces a national public transportation financing crisis without a national solution. Each of the 10 largest public transportation agencies faces stark choices in FY10 due to economic conditions beyond their control.

The MBTA's bleak FY10 financial outlook is exacerbated because of its unusually large debt load, and the lack of a dedicated revenue source for debt or capital costs. $78 million the projected $160.4 FY10 deficit is due to increased debt service payments.[71]

Two-thirds of the debt on the MBTA's books was assigned to it by the Commonwealth, including $1.8 billion in big dig related debt.

Organizational structure does not matter as much as financial structure. The underperformance of the sales tax as a principal financing source and too much debt are the causes of the T's structural weaknesses. Until these factors are addressed, no amount of reorganization, efficiencies, or reforms will allow prevent deficits in FY10 or in the future.

* Calculated as a percentage of total expenditure from financing sources primarily used for operating costs. Based on each agency's FY09 proposed budget. MBTA debt does not include lease payments.

The fairest, most equitable and fiscally prudent step the Commonwealth could take to make the T whole for next year and for years to come would be to take back its $3.3 billion in debt. Such an action would save the MBTA hundreds of millions of dollars in annual debt service costs and free up financial resources to operate the system and reduce the backlog of maintenance needs. Most importantly, it would make the T whole in FY10 and for many, years to come.

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