

Fixing Transit Finance: A Framework for Discussion



The Wharf Room, Boston Harbor Hotel
April 25, 2011
8:00-9:30 AM

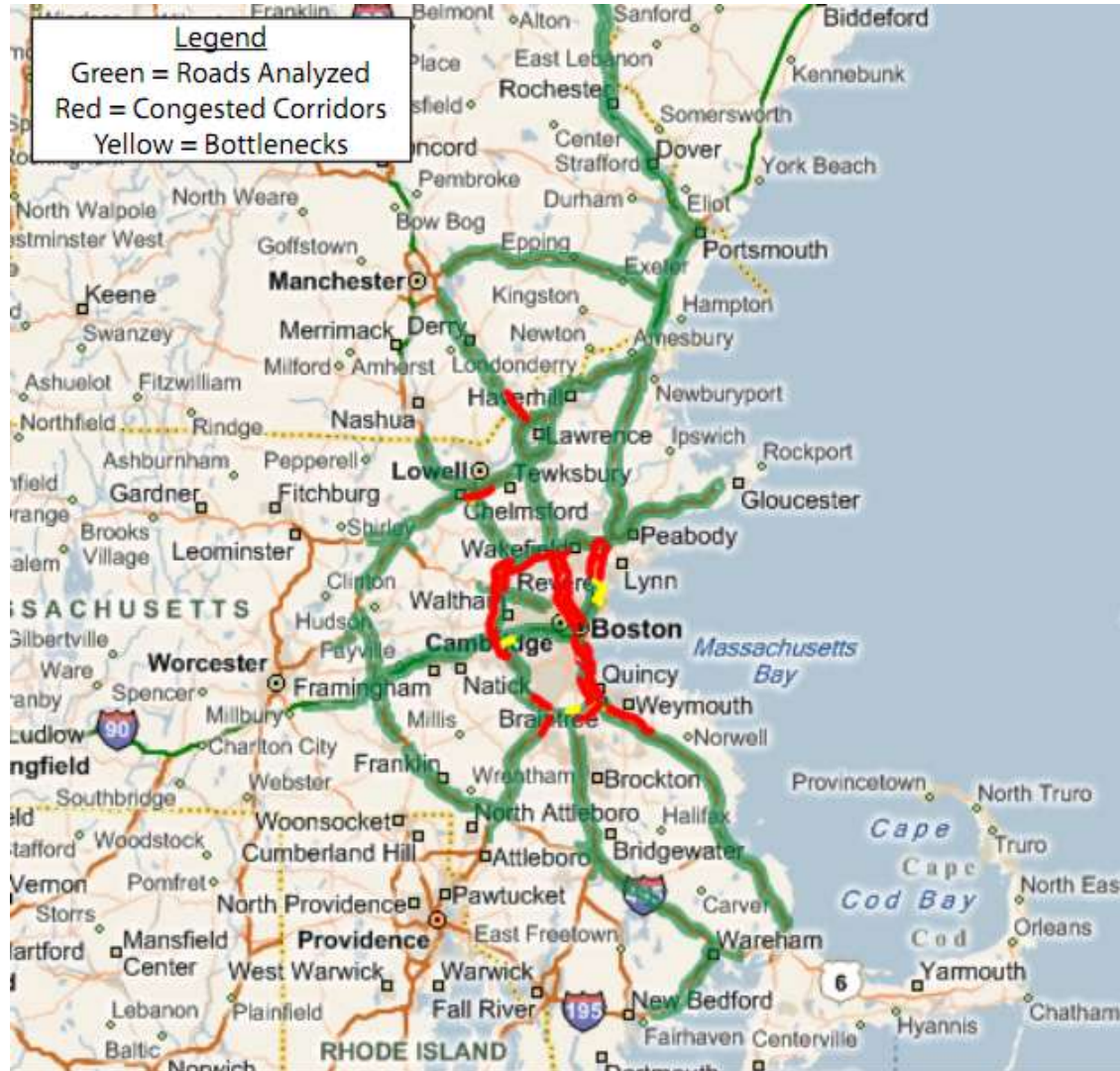


Transportation Reform: Progress To Date

- MassDOT Scorecard: \$124.9 million in savings (Dec. 2010)
 - \$9.5 million in snow removal savings
 - \$2.7 million saved by bringing services in-house
 - \$30 million anticipated health care savings (shifting T employees to GIC)
- Transportation Finance Commission recommendations
 - 12 of 22 completed
 - Another 8 in progress
- Transportation Advisory Committee established to monitor progress on reform
 - Finance
 - Communications
 - Best Practices



The Regional Congestion Picture



INRIX Congestion Scorecard:
 Metro Boston 8th worst commute

Travel Time Tax (time wasted waiting) up since 2006 in Boston metro area; average for top 100 metros down 12.8% since 2006.

American Community Survey (2005-2009): Mass. commutes 6th worse in nation, getting worse.

Regional issue with impacts for Boston/Cambridge, and vice versa.



Where would we be without the T?

Public Transportation Service	2009	2008	2007
Existing Service			
Annual Passenger-miles of travel (million)	1,810	1,881	1,765
Unlinked Passenger Trips (million)	364	378	364
Added Congestion if Public Transportation Service were Discontinued			
Annual Increase			
Delay (1000 hours)	32,885	35,805	38,064
Delay per Peak Auto Commuter (hours)	8	9	9
Congestion Cost (\$million)	745	832	830

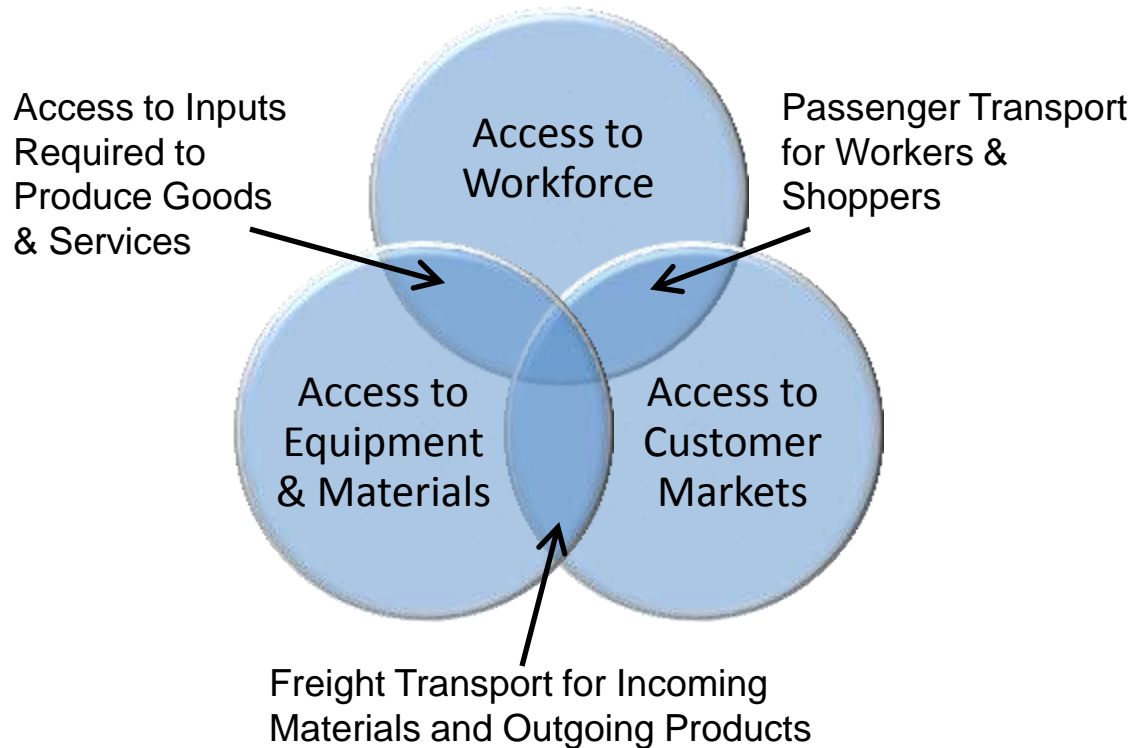
Texas Transportation Institute Urban Mobility Report 2010

Slide Courtesy:

Dukakis Center for Urban & Regional Policy Northeastern University

Transportation Investment and the Massachusetts Economy

Our Transportation Future:
White Paper, July 2010



Direct, indirect and induced economic benefits of transportation investment.

\$1 billion spent on highway and transit capital projects → 14,000 total jobs created (EDRG)

Investing in transportation makes all sectors of the economy operate more efficiently.

Transportation Investment and the Medical, Academic and Life Sciences Cluster



Enhance access and mobility:

- Within clusters
- To and from clusters

Boston/Cambridge:

- Compact geography
- High “bump rate”
- “Meds and eds”
- Logan Airport
- Challenge: Traffic
- Solution: Transit

Transit Needs: Replacing Rolling Stock

- Orange Line: 120 cars built in 1979-1981 need to be replaced
- Red Line: 74 cars built in 1969 need to be replaced
- New vehicles are needed on the Mattapan High Speed Line to replace the cars built in the 1940s
- More than half of the MBTA's 82 commuter rail locomotives date to the 1970s and nearly all are at or past the manufacturer's recommended lifespan of 25 years





\$4.6 Billion in Projects Not Funded in MBTA Capital Investment Program

Procurement New Red Line Vehicles (to replace existing Fleet #1)	\$369,358,215
Procurement New Orange Line Vehicles (to replace existing Fleet #12)	\$660,464,470
No. 8 Upgrades - Breda Car Reliability Improvement	\$28,250,000
Overhaul - Type No. 7 Cars- 3700 Series (20)	\$48,653,894
Replacement of Type No. 8 Cars	\$210,000,000
Replacement of Type No. 7 Cars	\$455,000,000
Replacement of # 2 Car	\$281,000,000
#3 Red Line Overhaul	\$215,000,000
20 - New Locomotives (Opt. 2)	\$115,762,798
75 - New Bi-Level Coaches (Opt.2)	\$214,613,412
33 - Bi-Level Kawasaki Car Overhaul	\$32,828,406
480 - New Buses	\$333,800,054
Electric Trolley & Dual Mode Bus Replacement	\$128,000,000
Bus Fleet Rehab. Phase II	\$128,000,000
Arborway Bus Maintenance Facility (1)	\$224,438,888
Dorchester Avenue Bridge	\$12,850,000
Clayton & LaGrange Street Bridges	\$28,000,000
Commuter Rail Positive Train Control (PTC)	\$506,870,500
Other projects	\$529,634,830

The Green Line Bottleneck

The needs assessment concluded that:

- “The Green Line (West Corridor) fails the load standard on the B, C, and D Branches.”
- “The Green Line Central Subway is currently operating at capacity, constraining the ability of the system to meet growth in demand for service.”
- “By 2030 ridership demand on the Green Line’s surface branches, as well as in the Central Subway, is projected to exceed capacity if two-car trains are still in use”

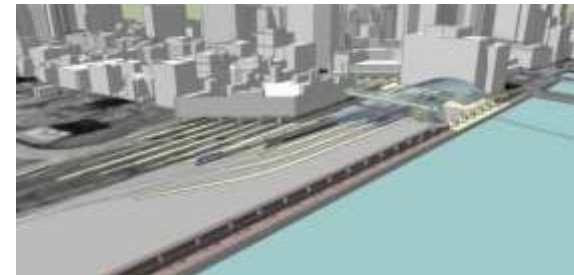


Slide Courtesy:

Dukakis Center for Urban & Regional Policy
Northeastern University

The South Station Bottleneck

- 111-year-old South Station is New England's busiest rail station
- Used by 48,000 commuter rail passengers and 3,600 Amtrak passengers each day
- During morning and afternoon peaks, trains arrive or depart every 60-90 seconds on South Station's 13 platform tracks
- The needs assessment concluded that "Track capacity at South Station limits service expansion."
- MassDOT received \$32.5 million from the Federal Railroad Administration for planning and environmental review of a South Station expansion that would add 7-11 new platforms



Slide Courtesy:

Dukakis Center for Urban & Regional Policy
Northeastern University



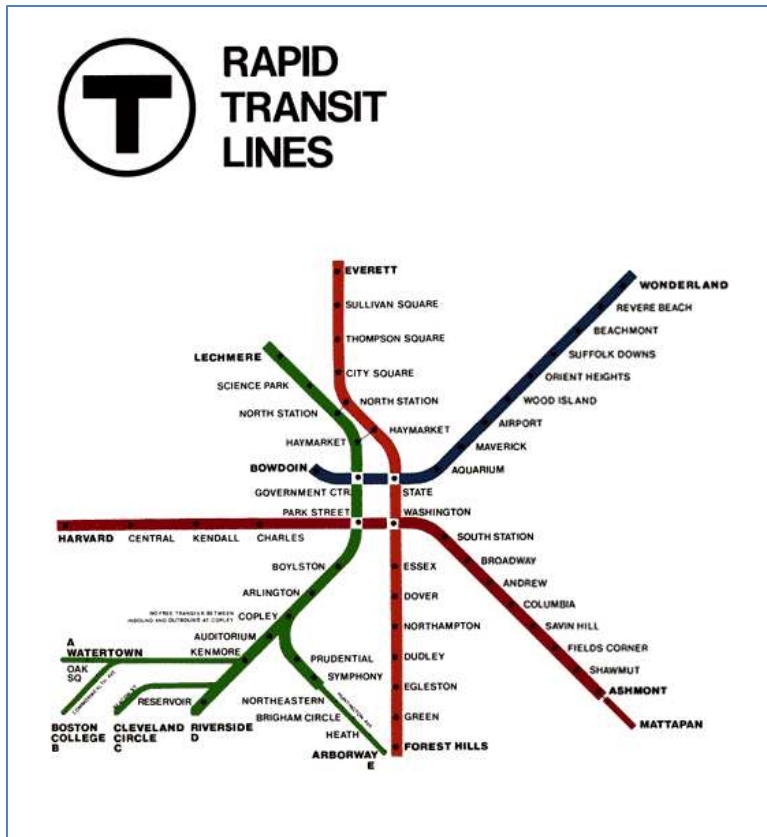
Transit Needs: Projected Growth

- “Higher transit demand resulting from the implementation of the MetroFuture land use plan will require investments to increase capacity.”
- “A number of planned major development projects would rely heavily on transit, would increase transit ridership and possibly demand for additional service.”
- “The Fenway/Longwood Medical and Academic Area is . . . a growing center for employment in the Boston region. Congestion of the transportation system in this area constrains growth and economic development potential.”

Transit Expansion Nationwide



We've Managed to Operate and Expand Our Transit System, but...



1967



Today

What will the map look like 40 years from now?
 How safe and reliable will the service be?
 How will we pay for it?

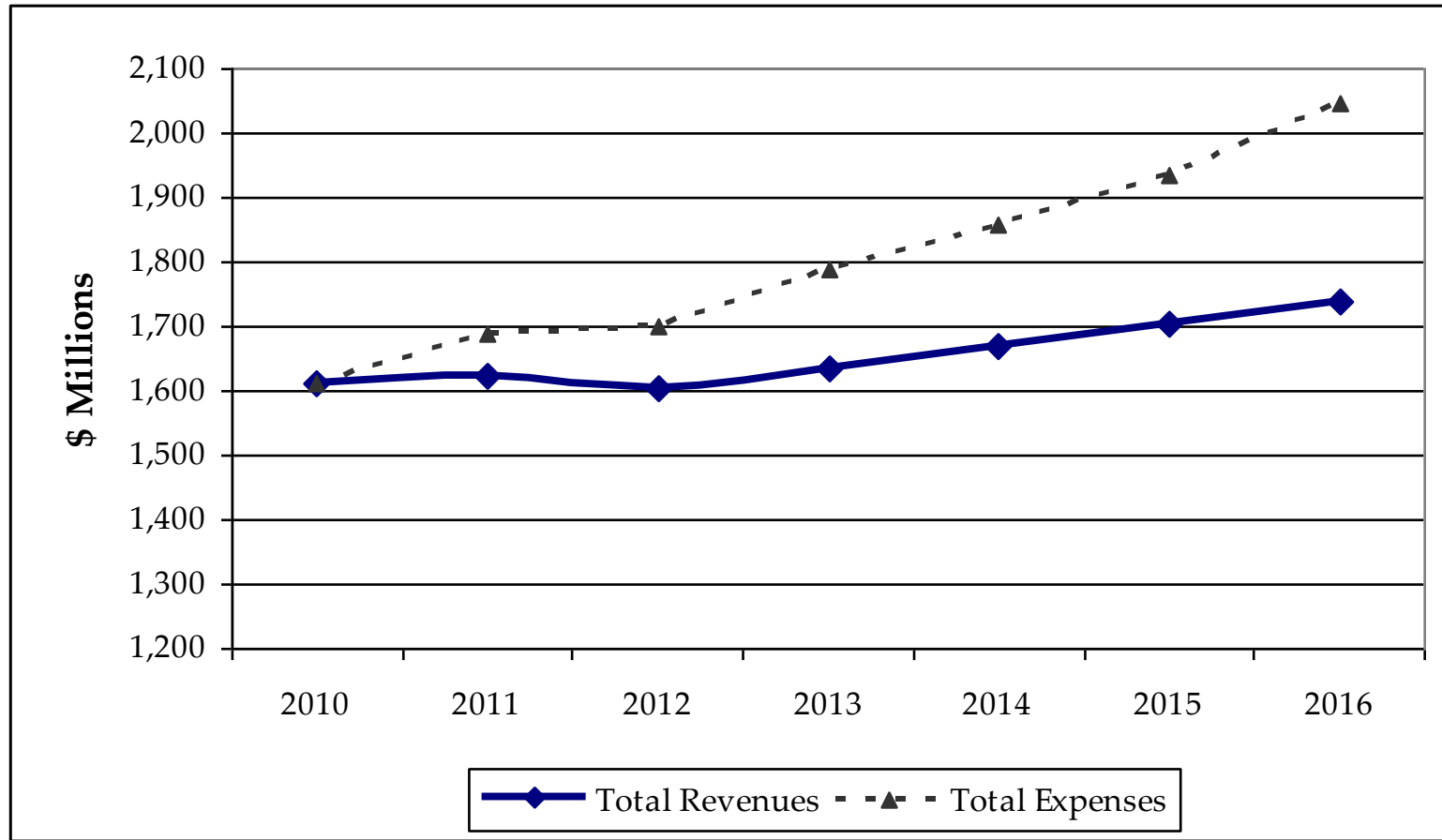


A Better City Forum: Fixing Transit Finance

Michael J. Widmer, President
Massachusetts Taxpayers Foundation
April 25, 2011



MBTA Facing an Exploding Structural Gap Between Revenues & Expenses



MBTA Projections (includes \$160 million of new sales tax revenues in 2010 and after)

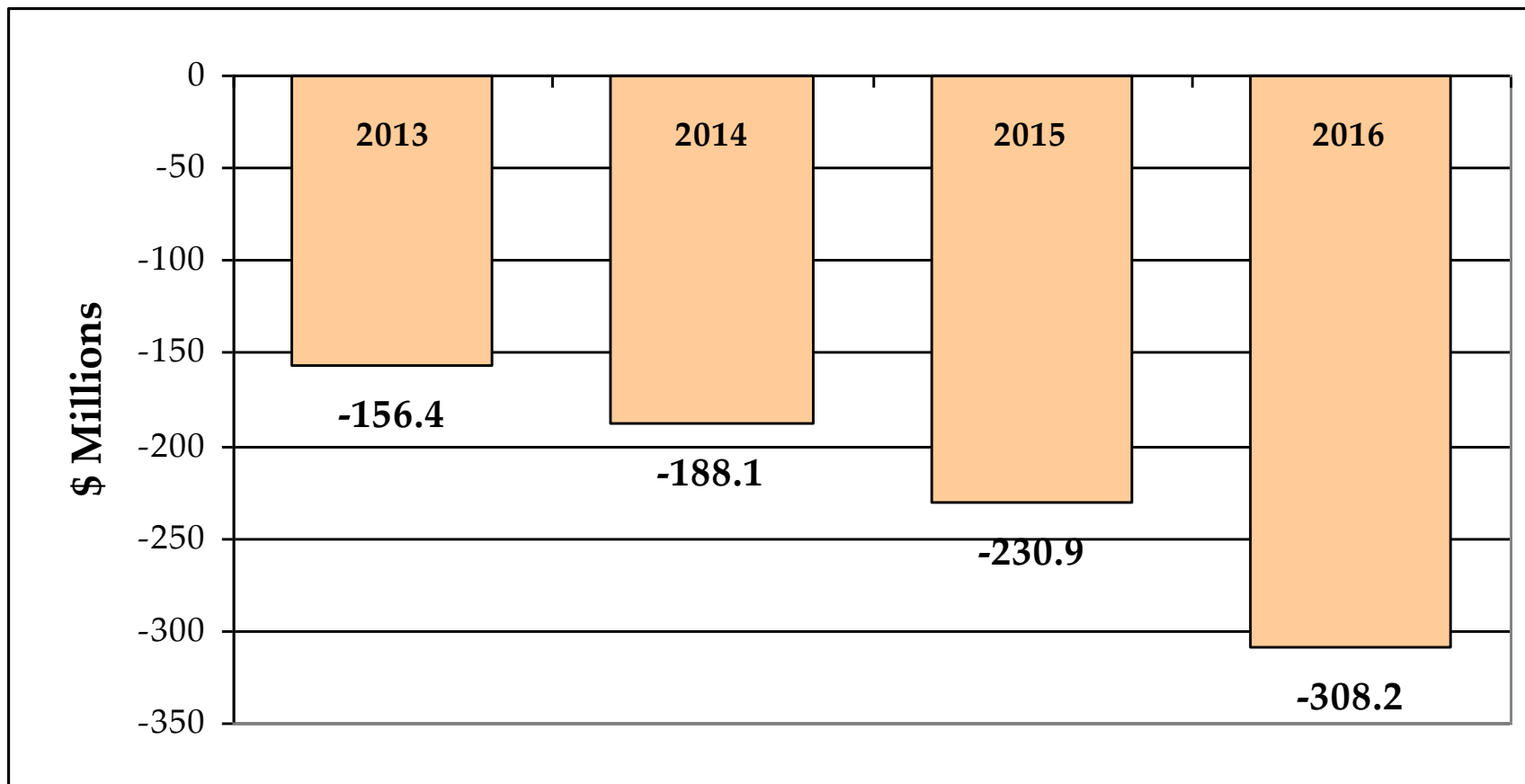


One-Time Revenues, Restructuring of Debt Close 2011 and 2012 Gaps

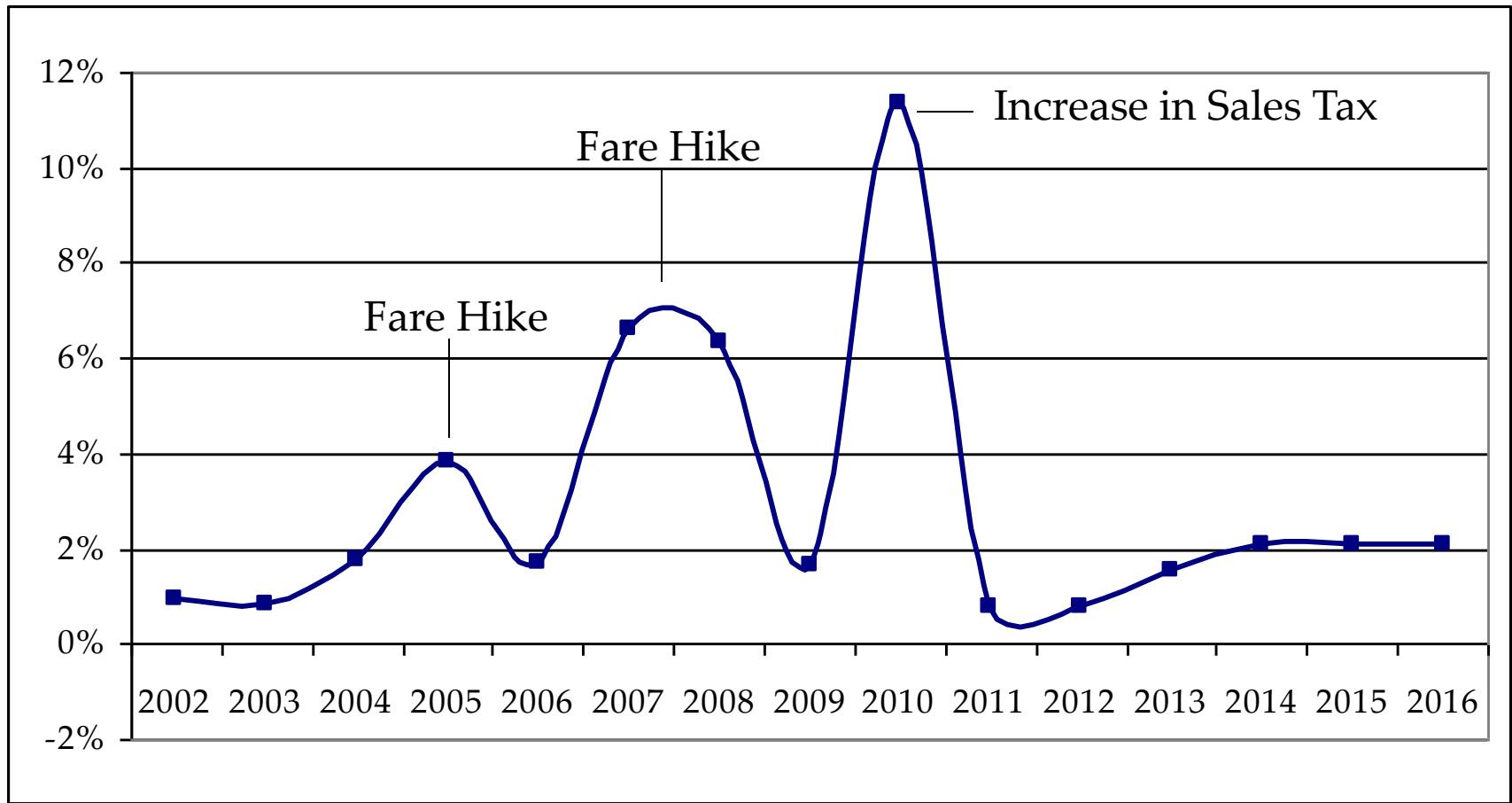
- Fiscal 2011
 - Restructure debt ~ \$68 million
- Fiscal 2012
 - Restructure debt ~ \$33 million
 - Lease North Station Parking Garage - \$45 million
 - Issue bonds securitized by parking garage revenues to pay down \$35 million of debt annually from FY 12 - 17



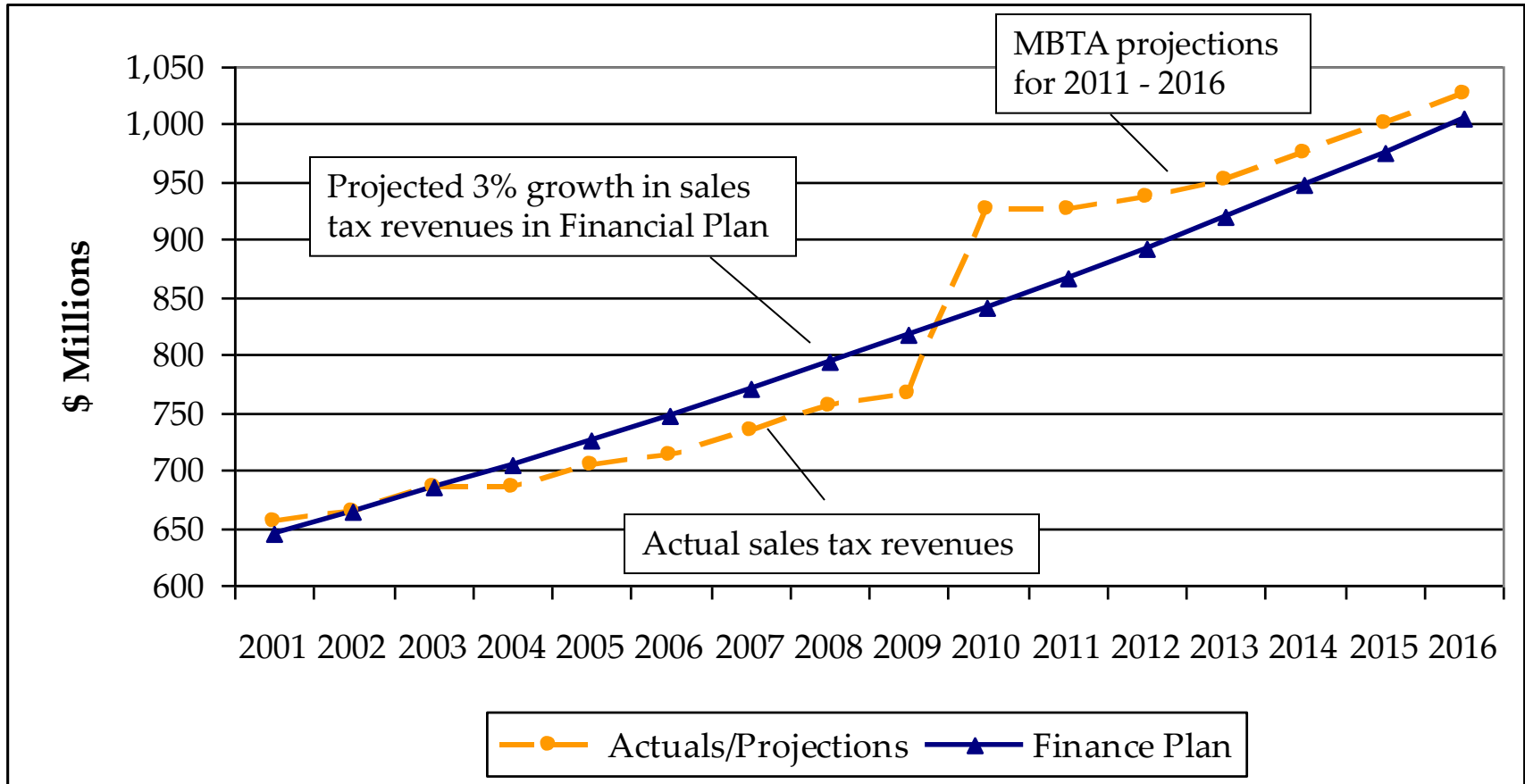
Huge and Growing Deficits Beyond FY 2012



Revenues from Transportation, Local Assessments, and Sales Taxes Growing at ~ 2 Percent Annually from 2011 - 2016



\$160 Million In New Sales Tax Revenues Puts MBTA Ahead of Original Finance Plan



Expenses Growing Twice as Fast as Revenues

	2010	2011	2012*	2013*	2014*	2015*	2016*	Annual Change 2010 - 2016
Wages and Taxes	428.6	427.8	441.0	449.3	458.3	467.5	476.9	1.9%
Employee Benefits	182.6	184.9	206.4	197.7	202.7	213.9	226.6	4.0%
Materials	177.8	187.4	203.8	222.3	242.8	265.6	290.7	10.6%
Insurance	15.5	15.4	15.4	15.8	16.2	16.6	17.0	1.6%
Commuter Rail	276.9	300.5	318.0	331.6	330.5	339.3	348.4	4.3%
The Ride	91.2	95.7	110.7	116.3	128.7	145.3	159.6	12.5%
Debt Service	438.9	477.8	405.1	457.4	477.0	485.1	527.4	3.4%
Total	1,611.5	1,689.5	1,700.4	1,790.3	1,856.2	1,933.3	2,046.6	4.5%

* MBTA Projections



The MBTA Carries the Largest Debt Burden in the Nation

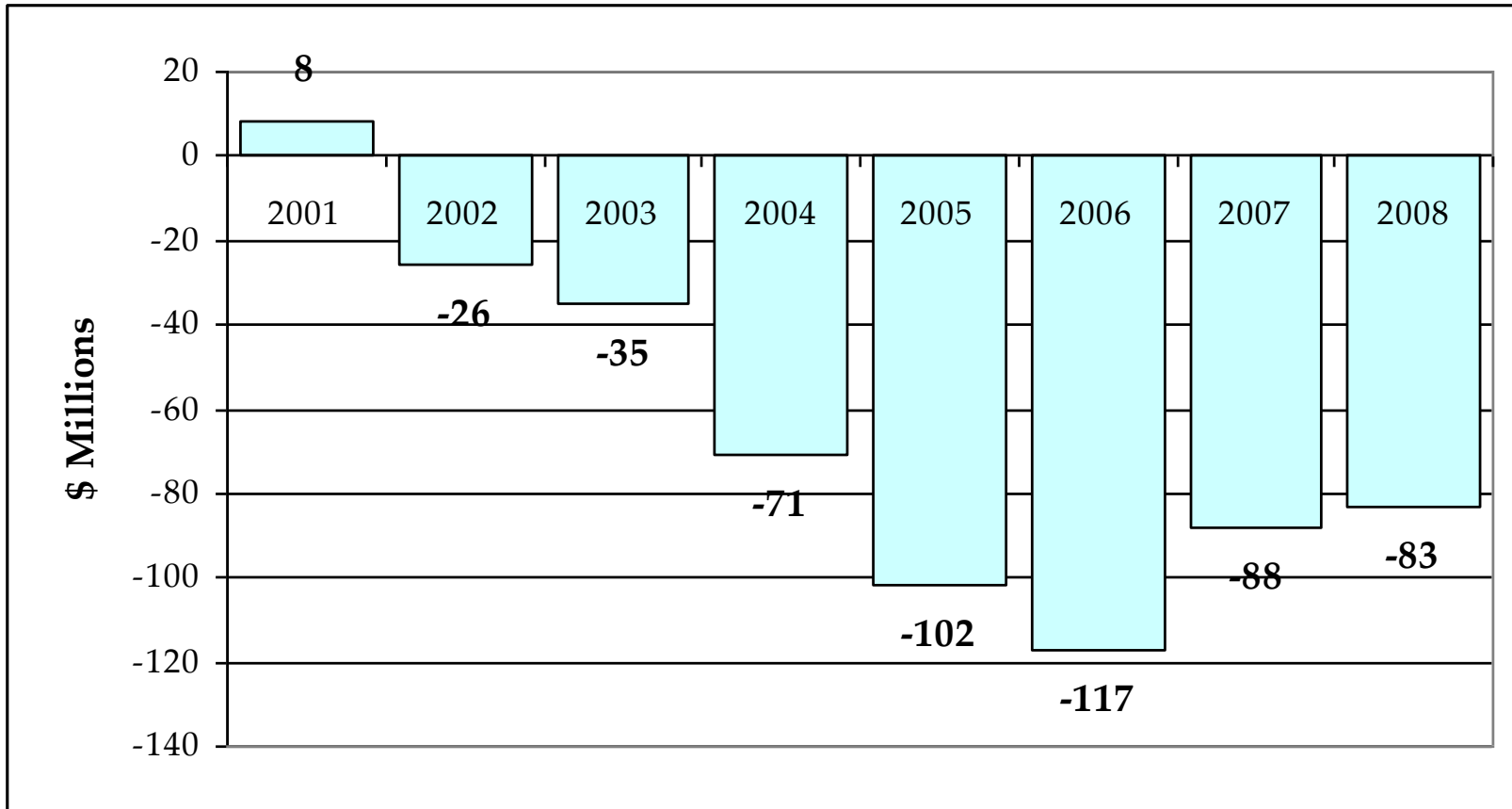
The MBTA has the highest transportation authority debt burden in the country; will spend ~ 28 percent of its FY 11 budget on debt service

	Total P&I Debt	Operating Budget	Debt as % of Budget
Boston / MBTA	8,600	1,700	506%
New York / MTA	37,161	9,886	376%
Chicago / CTA*	1,234	1,285	96%
Los Angeles / MTA	4,370	3,826	114%
WMATA (DC)	671	1,357	49%

* Excludes \$4.8 billion in pension and OPEB bonds



However, Because of a Series of Debt Restructurings, the MBTA Paid \$515 Million Less in Debt Service Than Forecast by the Finance Plan



The MBTA's Debt Trap – A Vicious Cycle

- Forward Funding finance plan expected principal debt to peak at \$4.6 billion in 2005 - by FY 10, MBTA had \$5.5 billion in debt
- “Much of the current debt has been refinanced at a lower cost over the past ten years, but those savings opportunities no longer exist.” *MBTA 2011 Operating Budget Proposal to the Board of Directors*
- Delaying debt payments to balance operating budgets has increased total debt and interest costs, exacerbating the T's debt burden
 - Restructuring debt in FY 11 and 12 transfers more than \$100 million in principal payments to future operating budgets
 - Securitizing parking revenues reduces principal payments by \$265 million from FY 12 – 16 and shifts \$350 million in debt to FY 2022 – 2041 along with ~\$400 million in additional interest payments



Paul Regan



MBTA Advisory Board

Reform Before Revenue

next steps for RTAs

How regional transit authorities are adapting to current fiscal conditions – and what must be done to ensure future transportation needs are met

Why is public transit important?

Provides mobility and affordable access

Reduces congestion/improves air quality

Influences land use patterns

Facilitates economic growth



Massachusetts Public Transit

- Massachusetts Bay Transportation Authority (MBTA)
 - Commuter Rail
 - Light and Heavy Rail
 - Buses
 - Ferry
- Regional Transit Authorities
 - 15 Individual Authorities
 - 254 Cities and Towns
 - \$110 M Operating Budget
 - 29 Million Annual Paratransit and Fixed Route Customers



RTAs have different needs than the MBTA

MBTA

- Forward funded
- Huge Debt Load
- State of Good Repair (SOGR) issues
- High service levels – frequency, span of service
- Many Choice Riders

RTAs

- Retroactively Reimbursed
- Revenue Anticipation Notes (RANS)
- Relatively good SOGR
- Relatively poor service levels – limited night and weekend service
- Majority captive riders

Reform

- Patrick Administration through Sec Mullan has already implemented meaningful and significant reform
- On going process
- Continue creating efficiencies
- New Study to focus on transit reform and improvements



MassDOT RTA Study

Efficiencies

Interoperability

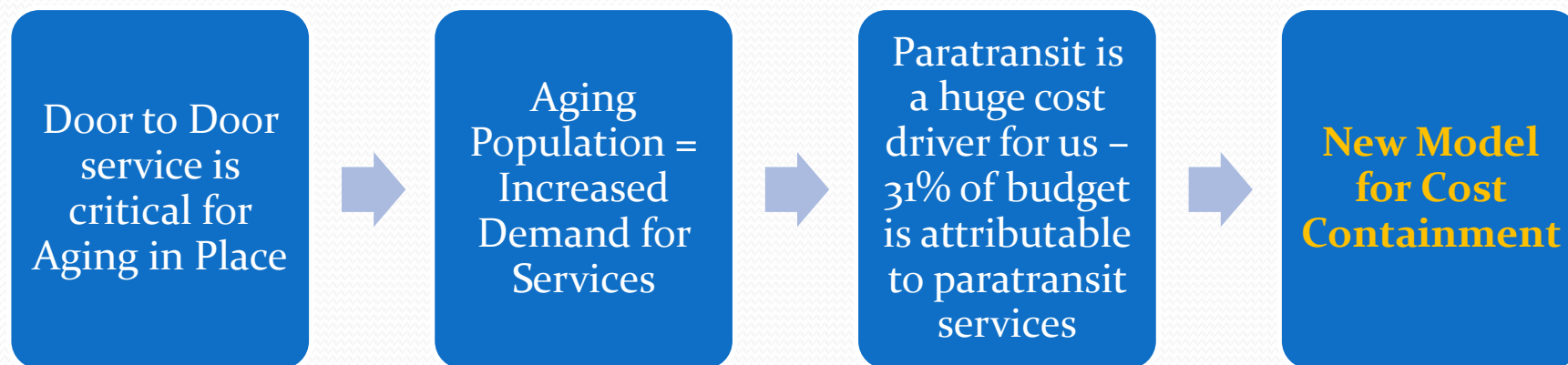
Performance Measures

Service Standards

RTA Financing 101

- RTAs are only item in the budget retroactively reimbursed
- RTA State Operating Funds (SCA) are projected to be reduced for FY12 by 5% from FY11 levels
- State assistance is at SFY07 levels
- Significant reduction in SCA when accounting for inflation
- Local Communities are assessed for service
- Federal funds are in flux – uncertainty regarding reauthorization and funding levels

Paratransit Services



Health and Human Service Partnering

- Shared Customer Base allows us to pool resources
- Reduces burden to both programs – significantly driving down program costs
- HST partnering causes the cost per paratransit trip for CCRTA to decrease from \$22.96 to \$19.44
- Comparatively MBTA costs have increased 35% in past two years.

Executive Order 530

Establishing a Commission for the Reform of Community, Social Service and Paratransit Transportation Services in the Commonwealth

6 Month
Timeframe



Membership

- MBTA
- RTAs
- Human services
- Consumers



Goal: Drive down costs while continuing to provide high quality service to qualifying residents

Getting to work

- RTAs provide a valuable service in that they allow people an affordable way to get to work.
- Wisconsin cut transit funding by 10% making 40,500 jobs in Milwaukee inaccessible by transit
- 8.7% of people in Massachusetts commute by public transit
 - National average is 4.7%
 - City of Boston residents 30%
- **CCRTA ridership up by 16.3% in past fiscal year**



Economic Impacts of Transit Investment

- For each billion of transit investment over 36,000 jobs are directly created.
- \$1 invested in public transportation generates \$4 in economic returns
- Congestion cost the US \$114.8 Billion annually
- Improved air quality leads to healthier communities

Innovation

- Reduced operating costs through capital investments
- Multimodal approach
 - Coordination
 - Collaboration
 - Communication
- Development patterns - exploring opportunities to create sustainable communities



Same Needs Different solutions

Policies

- What works in the Boston – might not work in the Berkshires

Implementation

- Key is finding common ground

Solutions

- Sustainable Transportation

Sustainable Transit Finance in Massachusetts Looking at Options

A Better City

April 25, 2011

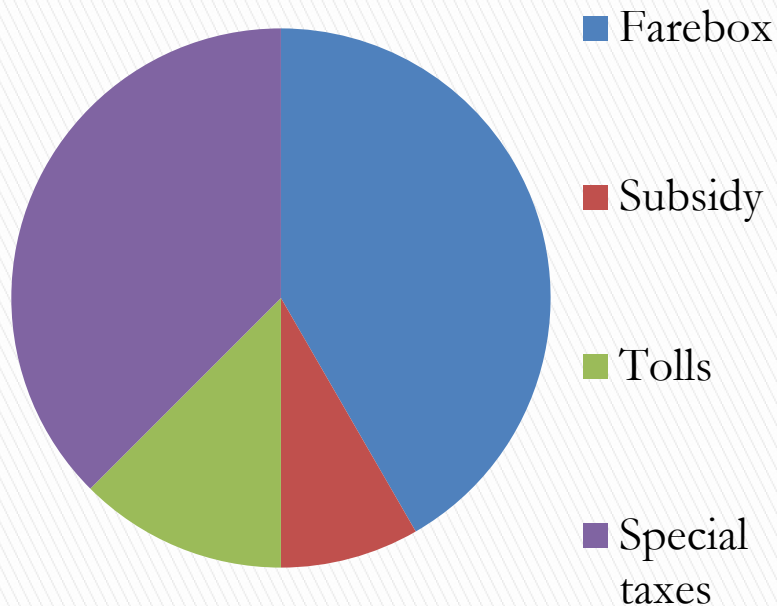
Astrid Glynn, TPRG

Transit Finance in Massachusetts

- ▶ Statewide mobility choice for sustainable growth
 - Supported by strong state funding (sales tax to MBTA)
 - Chosen by communities (membership in RTAs)
 - Relied on as part of a balanced multimodal system
- ▶ Falling behind despite reform and greater efficiencies
 - \$570m annually needed to sustain State of Good Repair
 - \$2.7b State of Good Repair backlog
 - \$616m deficit projected for 2014
 - Federal help uncertain
- ▶ Reform as a necessary and first (but not sufficient) condition for success.

Diversity of Revenue Streams: NY's MTA

MTA Revenue



MTA Revenue Mix

- ▶ Special dedicated taxes include:
 - Franchise taxes
 - Petroleum business tax
 - Mortgage recording tax
 - District sales tax
 - Increased payroll tax in metro New York counties *
 - 50-cent surcharge on taxi rides,*
 - \$25 charge on motor vehicle registrations,*
 - 25% increase to drivers' licenses /learners' permits fees*
 - 5% increase in the tax on vehicle rentals.*

* added in 2009

Special Dedicated Taxes/Fees

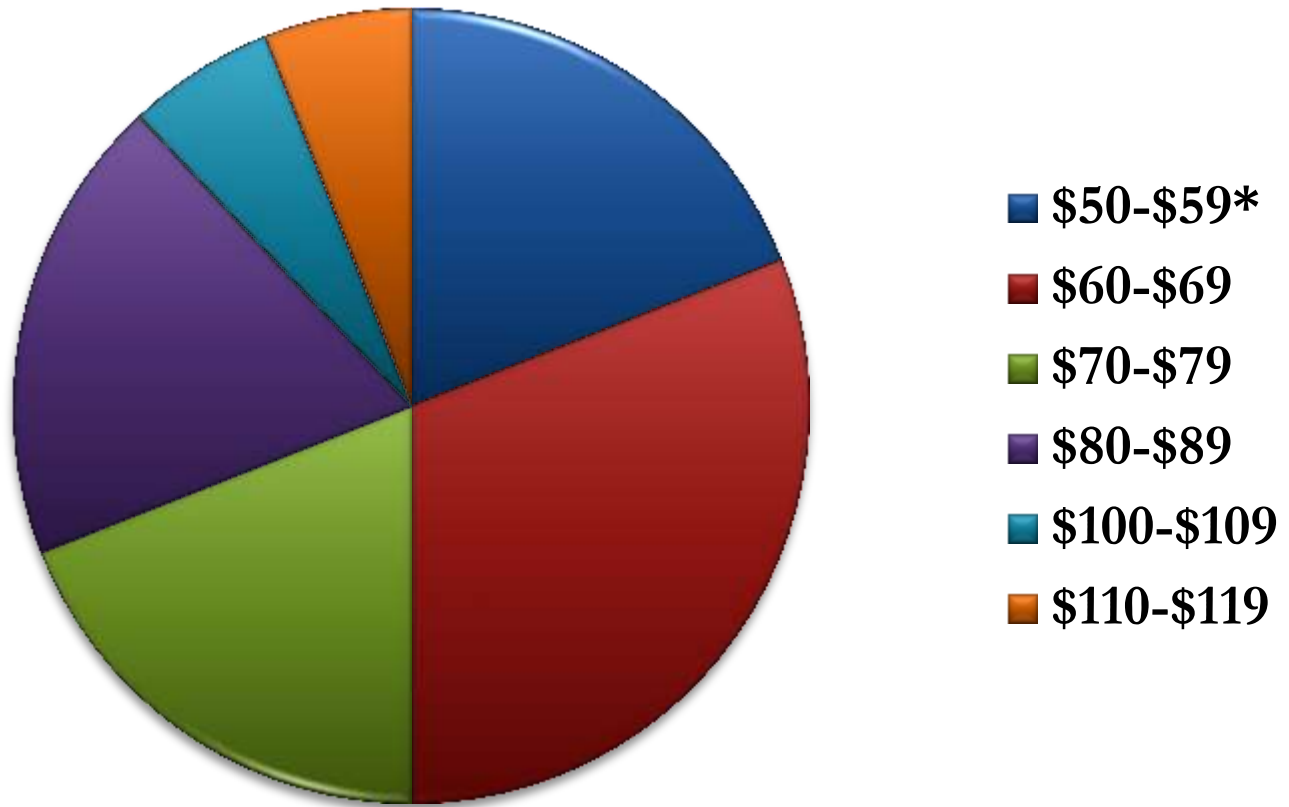
Basics – Sustainable Fare Policies

- ▶ Regular fares increases as deliberate strategy
 - In some cases regardless of need (Vancouver, BC);
 - MBTA's Forward Funding Commission urged incremental increases linked to other reforms.
- ▶ The 2007 Transportation Finance Commission recommended regular scheduled fare increases.
- ▶ Charlie Card: chance to tailor fare structure (off- peak pricing) to maximize revenue, maintain fare equity.

Fare Sampling: MBTA and 15 Other Major Systems

Major Systems

Major Metro Monthly Pass Prices



Cross-Subsidies: Tolls for Transit?

- **Golden Gate Bridge Transportation Authority:**

- Bridge tolls subsidize ferries and bus service
- Policy of toll increases to sustain transit subsidy



- **Pennsylvania Act 44 (proposed, not enacted)**

- Cross subsidy would have flexed toll revenues from turnpike to transit;
- Would have added new tolls on I-80; vetoed by FHWA.
- Revisit in reauthorization?



Local Choices and Participation

- ▶ *Increasing direct stakeholders- going to the customers*
- ▶ Common source for New Starts match and expansion—
 - Charlotte, NC: voter referendum approving half cent sales tax increase for transit project
- ▶ Sometimes local taxes substitute for state
 - Washington State; local sales taxes provide 70% of transit's revenue, compared to 3% from state sources.
- ▶ APTA: 73% of 2010 transit votes passed at polls
- ▶ Massachusetts
 - RTAs structured on local votes to participate
 - A new CPA that would support transit?

Leveraging the Benefits of Transit

- ▶ *Parking surcharges: Reaching the non-user who benefits from transit*
- ▶ Parking fees or taxes in cities such as Chicago, Miami, Pittsburgh, San Francisco, Los Angeles and New York.
- ▶ Locally tailored application – both geography (ex: Manhattan only) and type of parking covered (ex: commercial, not residential)
- ▶ Flat fee or percentage of revenue
- ▶ Direct relationship to transit availability and modal choice; choosing growth without congestion
- ▶ Consistent with City of Boston parking freeze; complementary to zoning controls on parking (ex: Somerville, Cambridge).

Leveraging the Benefits of Transit

- ▶ *Reaching major beneficiaries –*
- ▶ Access to Airport, as well as Port passenger terminals, real estate, and parking
- ▶ Key component of urban location –
 - Expressly recognized in Logan's ground access planning
 - Transit as local distribution network that connects to the regional aviation system
- ▶ Application of FAA rules becoming more nuanced
 - reflecting One DOT approach
- ▶ Nexus more feasible with integrated MassDOT

Other Approaches

- ▶ Climate Change revenues:
 - share of Regional Greenhouse Gas Initiative auction proceeds usable by transit (NY)
 - Proposed emission fees based on engine size (VT)
- ▶ Highway Access permits – developer contributions to support transit (PA)
- ▶ U Pass – partnering with universities to encourage student usage
- ▶ Gasoline sales tax (7 states, including VA which has 2% sales tax where transit exists)
- ▶ Public Private Partnerships as way to jump start projects
- ▶ Infrastructure Banks, TIFIA, RRIF (available and proposed federal loan programs)

Federal support important, but...

- ▶ Obama proposal to increase all transportation funding, including one time boost for transit expansion and new emphasis on State of Good Repair (especially for older systems).

HOWEVER

- ▶ House FY2012 “Path to Prosperity” would reduce all federal transportation by 30%. Transit particularly vulnerable if Highway Trust Fund is only Federal revenue source.

Conclusions

- ▶ Guidelines for structural change:
 - Diverse revenue sources help (spread costs and buffer peaks and valleys)
 - Cross-subsidies logical part of integrated system
 - Look at ways to capture full range of beneficiaries (non-riders as well as riders)
 - Consider mix of geographic bases (state, regional, local goals)
- ▶ Keep pushing for Federal support
- ▶ Continue the conversation