



# Fixing Transit Finance: A Framework for Discussion

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*A Better City*

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## **Acknowledgements**

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## Executive Summary

Massachusetts, home to America's first subway, has long been a leader in transit. Transit expansion has opened new economic pathways in the state, helping Boston avoid urban blight a generation ago, fostering a new residential sector downtown and serving as a cornerstone for economic growth in the Urban Core and the entire region. If not for transit, urban centers in many parts of the state would see significant increases in congestion, travel times and mobile source pollution. Imagine trying to get to a Red Sox game or the TD Garden without the T.

But today, Massachusetts' historical status as a transit leader is threatened by its unsustainable transit finances. The MBTA, saddled by debt payments in excess of its fare revenues, is facing deficits growing into the hundreds of millions of dollars. The state's 15 Regional Transit Authorities (RTAs) are less indebted but are struggling to maintain their fleets and routes so as to serve current customers and attract new ones. Fares hikes are likely in the future for each of these systems, but they will not close the financial gap.

At the same time, transit systems across the nation have been stricken by the Great Recession and have adopted various strategies to cope. Remarkably, given its debt load, the T has weathered the storm better than most, maintaining fares and services and finishing FY2010 with a small surplus. Still, many other systems have pursued innovative transit funding strategies, and Massachusetts would do well to learn from them.

This paper aims to do just that. It examines six other major U.S. transit systems for lessons of what to do – and what *not* to do – to close Massachusetts' transit funding gap. It then takes those lessons, together with other national trends in transit finance, and presents a list of options that might be pursued as part of a comprehensive transit finance strategy for the Commonwealth. Among the ideas for Massachusetts to consider:

- Diversified transit revenues to better weather economic downturns;
- Regular, modest fare increases to keep pace with inflation;
- Cross-subsidization (i.e., using tolls and other transportation revenues to pay for transit);
- A bigger role for local government and geographically-tailored revenues;
- Leveraging the benefits of transit to development through innovative financing; and
- Better positioning Massachusetts to compete for future federal funding.

It should be noted that these options are just that: options. They are not recommendations and do not carry the endorsement of A Better City or its members. This past year the advocates of transit have been meeting and discussing possible solutions. This paper is ABC's contribution to that conversation.

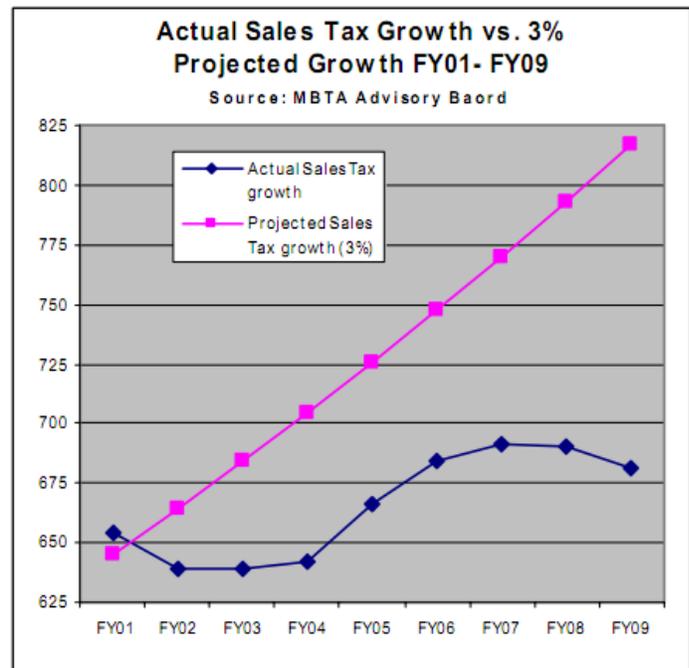
## Transit Finance 101: the MBTA and the RTAs

There have been several reports in recent years about the financial state of the MBTA, all of which tell essentially the same story: Saddled with debt, the T has a large and growing hole in its budget. Efficiencies, fare hikes and service cuts, no matter how severe, will not be enough to close the gap.

### *How Did We Get Here?*

Ironically, the origins of the T's current deficits lie in the "Forward Funding" plan that was intended to make the agency self-sufficient. Prior to Forward Funding, the legislature would pay the T's expenses after the fact, giving the agency little incentive to cut costs. Forward Funding gave the T a secure revenue stream – one penny from the state sales tax – but required the agency to live within its means. It also authorized the MBTA to issue its own debt.

Unfortunately, sales tax revenues, which were expected to grow by 3% a year, have averaged only 0.03% growth annually through FY2010.<sup>1</sup> Expenses, meanwhile, have gone up faster than projected, creating a large and growing structural deficit. Local assessments, the MBTA's other dedicated revenue, are indexed to inflation but may not increase by more than 2.5% annually in the aggregate. The resulting gap that could not be eliminated by budget cuts has generally been filled by reserves (now severely depleted), refinancing of debt, and the early benefits of 2009's Transportation Reform legislation, which will play more of a role in later budgets when lower health care costs are expected to be in place.



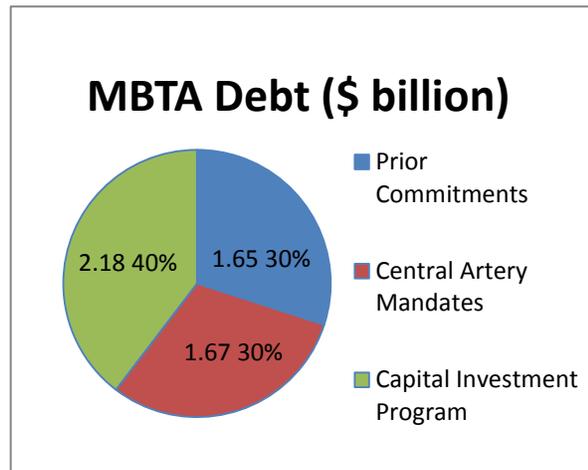
Source: *Born Broke*, MBTA Advisory Board, 2009

Under Forward Funding, the Commonwealth transferred \$3.32 billion in debt to the MBTA: \$1.65 billion for prior transit-related commitments and \$1.67 billion to pay for legally mandated transit projects connected to the Central Artery/Tunnel Project. That \$3.32 billion comprises more than 60% of the \$5.5 billion in principal debt the T cur-

<sup>1</sup> MBTA Budget Briefing FY2011.

rently owes; the remaining \$2.18 billion is money the MBTA has borrowed to fund its Capital Investment Plan.<sup>2</sup>

Transferring debt to the T made the goal of self-sufficiency unattainable from the start. The MBTA's debt load, measured as a percentage of its operating budget, is the highest among transit agencies in the nation. The problem is compounded by the fact that, unlike most agencies, the MBTA has no dedicated revenue source for to pay its debt or capital costs. This means that debt payments come out of the same funds that could be used to pay for operations – or to address the T's \$2.7 billion maintenance backlog. For FY2011, the \$472 million in debt payments outstrips the agency's expected fare revenues of \$450 million.<sup>3</sup> As the MBTA Advisory Board's put it in its April 2009 report on the T's finances, the agency was “born broke.”<sup>4</sup>



In 2009, Governor Patrick proposed, with the support of transportation advocates and the business community, an increase in the state's gasoline tax – which had not been raised since 1991 – to help close the MBTA's budget gap. Instead, the legislature appropriated an additional \$160 million to the MBTA from an increase in the sales tax. (The RTAs received \$15 million from the same source.) But even with that assistance – and \$8.6 million in savings realized from 2009's landmark Transportation Reform legislation – the MBTA needed restructure \$67.9 million in debt to balance its books for FY2011.<sup>5</sup> The FY2012 budget has proven just as challenging, with the T putting forward a proposal to securitize revenues from its parking assets to help manage looming debt payments – in essence, taking out more debt to pay off existing debt. Even with the parking securitization plan, the MBTA is projecting a \$156 million deficit in FY2013, growing to a staggering \$308 million in FY 2016.<sup>6</sup> And that's assuming the T continues to receive \$160 million in additional sales tax revenues, which are appropriated annually by the legislature.<sup>7</sup>

### ***Funding the RTAs***

In addition to the MBTA, there are 15 other Regional Transit Authorities (RTAs) in Massachusetts. These agencies are still funded in much the same way the T was before Forward Funding: the state reimburses them for up to 75% of their operating expenses. The RTAs make up the difference with fare revenues, local assessments paid by the

<sup>2</sup> MBTA FY2011 Operating Budget Summary.

[http://www.mbta.com/uploadedfiles/About\\_the\\_T/Financials/Budget%20Briefing%20FY%202011.pdf](http://www.mbta.com/uploadedfiles/About_the_T/Financials/Budget%20Briefing%20FY%202011.pdf)

<sup>3</sup> Ibid.

<sup>4</sup> MBTA Advisory Board. *Born Broke*. April 2009. [http://www.mbta.com/uploadedfiles/Documents/Financials/Born\\_Broke.pdf](http://www.mbta.com/uploadedfiles/Documents/Financials/Born_Broke.pdf)

<sup>5</sup> MBTA Budget Briefing FY2011

<sup>6</sup> MBTA Proforma FY2012-2016, 2011.

<sup>7</sup> D'Alessandro, MBTA Review, 2009.

communities they serve, federal funds, and by issuing Revenue Anticipation Notes against future state and local subsidies.

Under the 2009 Transportation Reform legislation, the RTAs were slated to move to Forward Funding "not later than July 1, 2011." (The governor's FY2012 budget proposal postpones this move, since no dedicated revenue stream has been identified for the RTAs.) While their debts are small compared to that of the T, the RTAs face another problem: their finances have constrained their ability to invest in new equipment and routes, limiting their ability to serve current riders and attract new ones.

### ***The Economic Value of Transit***

Despite the challenges facing the MBTA and the RTAs, the social and economic value of the transit in Massachusetts is clear. Taken together, the MBTA and the RTAs serve roughly half a million people making 1.3 million trips per day.<sup>8</sup> Nearly 9% of Massachusetts workers commute by transit, well above the national average of 4.8%.<sup>9</sup> The figure is much higher in Boston, where 55% of work trips (and 42% of trips into the Financial District) are made via the T.<sup>10</sup> The MBTA serves 175 of the 351 communities in the Commonwealth; the RTAs serve 256. The MBTA alone is the fifth largest transit system in the United States<sup>11</sup> and is absolutely vital to the economy of Greater Boston.

Still, public transit advocates face a cultural problem when attempting to advance transit funding in the Commonwealth. Despite the T's wide reach and high use, there remains a perception that the system primarily serves the eastern part of the state. Residents elsewhere remain highly dependent on their cars for transportation and do not feel the benefits of transit. Finally, the lack of a cohesive, statewide transit strategy means that the interests of the MBTA and the RTAs are not always addressed together, or even properly aligned.

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<sup>8</sup> MassDOT Transportation Facts, May 21, 2010.

<sup>9</sup> Ibid.

<sup>10</sup> Davis, J. Presentation to Regional Transportation Advisory Council. February 11, 2008. US Census 2000.

<sup>11</sup> APTA Public Transportation Ridership report, 4<sup>th</sup> Q 2009/2010.

## The National Picture: Growing Demand, Constrained Revenues

The situation in Massachusetts mirrors that of transit nationwide. The good news is that transit is growing nationwide; the bad news is that we still don't have a good way to pay for it. According to the American Public Transportation Association (APTA), transit ridership has been growing steadily nationwide since 1995; in 2008, total transit ridership reached 10.5 billion unlinked trips, the highest figure since 1956.<sup>12</sup>

Market research and demographics suggest the trend will continue. When surveyed, over half of respondents born between the mid-1970s and mid-90s reported that “an easy walk to stores was an extremely important determinant in housing and neighborhood choice”; more than two-thirds of that group “felt that living in a walkable community was important.”<sup>13</sup> Their parents feel similarly; the American Association of Retired Persons (AARP) found that “71% of older households want to live within walking distance of transit.”<sup>14</sup>

For families struggling to make ends meet, transit can be a boon. The Urban Land Institute's 2010 report *The Boston Regional Challenge* examined the combined cost of housing and transportation around Metro Boston and found that in communities well-served by transit, the potential savings on transportation offset higher homes prices and rents. “Compared to the cost of owning two cars,” the report found, “a family with good access to transit and jobs can save as much as \$5,000 each year by owning only one car.”<sup>15</sup>

Unfortunately, just as Americans appear to be turning to transit in greater numbers, the economic downturn has put considerable strains on the nation's transit systems. Massachusetts is not alone with its transit woes, and in some respects we are coping better than others. According to a report by APTA, since January 1, 2009, 59% of public transit systems reported they have cut service or raised fares; an additional 25% of systems they were seriously considering either or both options. Further, 54% have chosen to transfer capital funds to fund operations, a short-term solution that reduces critical investment back into these troubled systems.<sup>16</sup>

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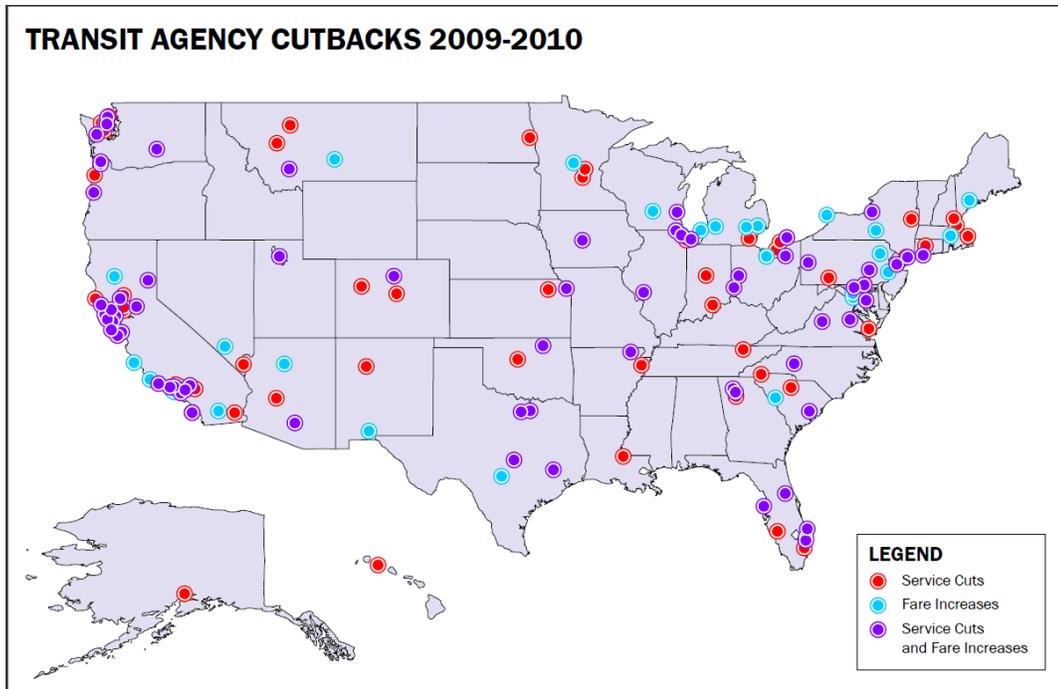
<sup>12</sup> American Public Transportation Association, 2010 Public Transportation Factbook. 61<sup>st</sup> Edition. April 2010. [http://apta.com/resources/statistics/Documents/FactBook/APTA\\_2010\\_Fact\\_Book.pdf](http://apta.com/resources/statistics/Documents/FactBook/APTA_2010_Fact_Book.pdf)

<sup>13</sup> Draft USDOT Strategic Plan, 2010-2015, p. 48

<sup>14</sup> Ibid.

<sup>15</sup> ULI/Terwilliger Center, *The Boston Challenge: Examining the Costs and Impacts of Housing and transportation on Area Residents, their Neighborhoods and the Environment*. April 2010.

<sup>16</sup> APTA, *Impacts of the Recession on Public Transportation Agencies, Survey Results*, March 2010.



Source: Transportation for America, <http://t4america.org/resources/transitfundingcrisis/>

Despite fare increases and service cuts, many transit systems are still wrestling with significant budget challenges. The New York subway, the Metropolitan Transit Authority (MTA), issued lay-off notices to approximately 1,000 employees in February 2010, including 450 station agents<sup>17</sup>. TriMet in Portland, Oregon, raised fares and cut service in September of the same year.<sup>18</sup> Chicago Transit instituted significant service cuts in April 2010 – 18% for bus and 9% for rail – yet remains uncertain about state funding for the rest of this year.<sup>19</sup> New Jersey Transit cut service and raised fares 25% for rail and 10% for bus to address a \$300 million budget shortfall.<sup>20</sup> Given the national climate and the T's colossal debt load, the fact that the MBTA managed to post a modest surplus for FY2010 without cutting service or raising fares is a remarkable achievement.

The problem with transit funding is substantial, and it is nationwide. Things are so bad, in fact, that many transit agencies and advocates have lobbied for the right to use Federal transit subsidies, traditionally reserved for capital spending, to fund operations. (The prohibition was eased in 2009, when transit agencies were permitted to use up to 10% of stimulus funds for operating expenses.) But such a move could prove short-sighted given that the capital needs of the nation's transit systems are severe and growing. The Federal Transit Administration estimates it will cost \$77 billion to bring the nation's transit systems up to the state of good repair. That comes out to \$18.3 billion

<sup>17</sup> "M.T.A. Plans to Lay Off Subway Agents," *New York Times*, February 23, 2010.

<sup>18</sup> <http://trimet.org/news/september2010proposal.htm>, [http://portlandafoot.org/w/2010\\_TriMet\\_cuts](http://portlandafoot.org/w/2010_TriMet_cuts)

<sup>19</sup> "34 laid-off CTA drivers to get jobs back," *Chicago Sun Times*, April 14, 2010, Mary Wisniewski

<sup>20</sup> "It's Official: NJ Transit Votes to Raise Fares, Cut Service," *Jersey City Independent*, April 14, 2010, Jon Whiten, <http://www.jerseycityindependent.com/2010/04/14/its-official-nj-transit-votes-to-raise-fares-cut-service/>

*annually* over 20 years to address the backlog while keeping up with normal maintenance.<sup>21</sup> The outlook for additional federal support is mixed. President Obama's proposed budget would increase transportation funding across the board, including funding for transit expansion and state-of-good-repair maintenance. On the other hand, the Republican "Path to Prosperity" would slash federal transportation spending by 30%.

As essentially every transit agency is struggling, it is hard to point to one funding scheme that appears bulletproof now and in the future. Nonetheless, it is important to understand some of the main funding mechanisms that are used throughout the country in order to discern best practices for the future of transit funding.

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<sup>21</sup> Federal Transit Administration, 2010 National State of Good Repair Assessment. June 2010.

## The Limits of the Farebox

Since the T has managed to stay afloat without raising fares or cutting service, it is reasonable to consider both options as part of a potential revenue solution. At the same time, it is important to recognize the limits of both approaches.

In 2007, the state's Transportation Finance Commission recommended that "fares should remain a meaningful source of revenue for the MBTA, through regular and predictable increases to keep pace with inflation." During the economic downturn, however, the administration has worked to keep fares down so as not to burden commuters. Given the dire state of the MBTA's finances and the economic recovery, it may be time to reconsider that policy and adopt the TFC's recommendation.

The MBTA's last proposed a fare increase in 2009, when it put forth a menu of fare hikes and service cuts to fill a projected hole in the budget. (The measures were not implemented.) The 19.5% overall fare increase would have raised \$69 million after accounting for lost revenues from decreased ridership, and the proposed service cuts would have saved \$55 million.<sup>22</sup> It may be the case that adjusting fares and service is part of a future revenue solution, but these options alone will not fill the hole.

"Fares should remain a meaningful source of revenue for the MBTA, through regular and predictable increases to keep pace with inflation."

Transportation Finance Commission, 2007

The farebox is an important part of any transit agency's budget. The ratio of fares to operating expenses is called the Fare Recovery Ratio (FRR); including non-fare revenues to the equation produces the Revenue Recovery Ratio (RRR). The Federal

Transit Administration reported the average FRR ratio from 2002 to 2004 for all transit modes combined to be 35%.<sup>23</sup> By this measure, the MBTA is doing well; its projected FRR for the FY2011 budget is 37.1%, and its RRR is 44.7%.<sup>24</sup> Direct comparisons between authorities are difficult given that different authorities run different modes of service, each with different FRRs. Nonetheless, recent examples highlight the challenges of sustaining a transit system on the expectations of a high FRR. In 2007, Maryland's system did not meet its statutorily mandated FRR of 40%,<sup>25</sup> and NJ Transit recently announced that its current FRR has dropped to 43%, down from a high of 50%.<sup>26</sup>

Many transit agencies bolster their bottom lines with non-fare revenues, including parking, real estate transactions and advertising.<sup>27</sup> While this is an important source of

<sup>22</sup> MBTA, *Your Service, Your Choice*. July 2009.

<sup>23</sup> *Transit Farebox Recovery and US and International Transit Subsidization: Synthesis*, Kathy Lindquist, WSDOT Research Office, Michael Wendt, WSDOT Library, James Holbrooks, WSDOT Public transportation office, October 2009.

<sup>24</sup> MBTA Budget Briefing FY2011.

<sup>25</sup> MDOT Report to the Legislature, October 2007.

<sup>26</sup> NJT, FAQ, [www.njtransit.com](http://www.njtransit.com)

<sup>27</sup> *Transit Farebox Recovery and US and International Transit Subsidization: Synthesis*, Kathy Lindquist, WSDOT Research Office, Michael Wendt, WSDOT Library, James Holbrooks, WSDOT Public transportation office, October 2009. ("Most transit systems are not self-supporting, so advertising revenues and government subsidies are required to cover costs. Sources indicate the Hong Kong MTR Corporation and Singapore are two of the few self-supporting transit systems in the world.")

revenue, the total benefit may be relatively small in comparison to the total budget. For example, the Washington DC Metro (WMATA) has projected \$15 million in advertising revenue for FY2011. That is not an insignificant sum on its own, but it is only the tiniest fraction of the authority's \$1.4B operating budget.<sup>28</sup>

Perhaps because users pay fares each time they ride the bus or train, transit is held to a higher standard of self-sufficiency than other modes of transportation. In fact, no mode of transportation is self-sustaining; highways and transit alike benefit from government subsidy. User fees – transit fares or tolls and fuels taxes alike – should be designed with two goals in mind: to generate revenue to help sustain the transportation system, but also to help users understand the true cost of their chosen mode of travel.

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### Recent Transit Fare Hikes and Service Cuts Nationwide

<b>Pittsburgh</b>	Implemented 15% service cuts in March 2011, including eliminating 29 routes. 4% of riders lost their entire route.
<b>New York</b>	Monthly passes increased by 17% to \$104 in December 2010. 3rd fare increase in 3 years, along with service cuts.
<b>Los Angeles</b>	Metro Board voted to reduce service by 300,000 hrs annually.
<b>Minnesota</b>	State House and Senate have both passed bills cutting transit.
<b>San Francisco</b>	FastPass fare increases effective July 1, 2011.
<b>Tucson</b>	Low income fares/passes set to increase by 50%; regular fares to increase from \$1.25 to \$1.50.
<b>Oakland</b>	Fare increase public hearings set for end of April 2011.
<b>Seattle</b>	King County fare increase went into effect at beginning of Jan. 2011. and Sound Transit enacted fare increases in April 2010 for June 2010 and June 2011.
<b>Wisconsin</b>	Governor's budget calls for a 10% transit cut -- either an 8% cut in service or a 30% increase in fares.

Advances in technology are paving the way for more precise means of accomplishing both these goals. On the highway side, GPS and transponders could be used to charge motorists based on when and where they drive. For the MBTA, the successful implementation of the Charlie Card opens the door to variable pricing schemes such as the "peak of peak" pricing recently implemented in Washington, D.C.<sup>29</sup>

The T could also charge riders based on the distance they travel. Such a policy would require riders to "tap-out" at their destinations. It may also require software changes to permit the tracking of an individual cards through the system, which could potentially

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<sup>28</sup> WMATA FY2011 Budget Book at 32 and 41.

<sup>29</sup>WMATA Press Release: Morning peak-of-the-peak pricing takes effect on August 29. Aug. 25, 2010. [http://www.wmata.com/about\\_metro/news/PressReleaseDetail.cfm?ReleaseID=4617](http://www.wmata.com/about_metro/news/PressReleaseDetail.cfm?ReleaseID=4617)

raise privacy concerns among riders. By charging more during periods of highest demand, the MBTA may be able to increase revenue while maintaining or even lowering fares during hours of lower ridership.

## Paying for Transit: Lessons from Six Other Transit Systems

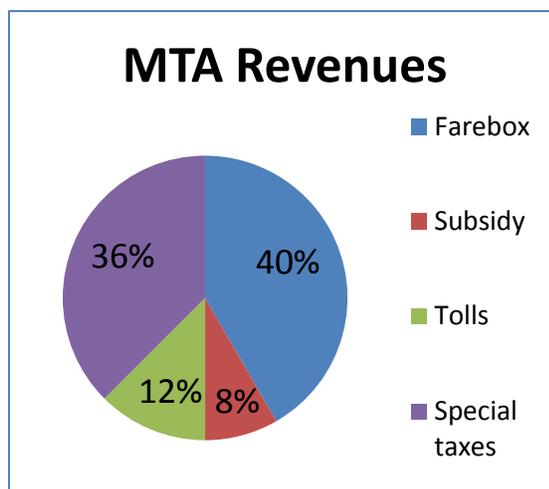
Below are descriptions of the funding mechanisms for six of the largest transit systems in the country: **New York, Philadelphia, Chicago, Portland, Oregon, Atlanta, and Washington, D.C.** For each, we have highlighted lessons that Massachusetts could emulate – and pitfalls it should try to avoid. These lessons are then summarized in the final section of the report.

Where possible, the information cited below comes from the most recently approved budget of the relevant transit authority. However, it is important to stress that the climate around transit funding can be extremely fluid, and legislative action is being requested in several jurisdictions. Just a year after New York adopted a significant revenue “solution,” the MTA faces large layoffs, and the architect of the bailout has questioned the continued financial viability of the transit authority.<sup>30</sup> Before Georgia passed transportation legislation this spring, transit workers were painting big red “Xs” on buses to illustrate the services likely to be cut for lack of a legislative solution for the transit authority.<sup>31</sup>

### ***New York/MTA***

New York uses myriad revenue streams to support the Metropolitan Transit Authority (MTA). In addition to farebox revenue (40%), the MTA receives 12% of its revenues from tolls, 8% from state and local subsidies and 36% from dedicated taxes.<sup>32</sup> Some of these taxes are levied at the local/county level; others involve transfers within the state budget. The tax sources include a mortgage recording tax, a corporate franchise tax, a district sales tax, a franchise tax on transmission companies, and a petroleum business tax.

In a move to avoid major fare increases, New York passed a bailout plan in May 2009 that included a variety of taxes and fees meant to address the budget shortfall.<sup>33</sup> The plan included an increased payroll tax in metro New York counties (\$34 tax for \$10,000), a 50-cent surcharge on taxi rides, a \$25 charge on motor vehicle registrations, a 25-30% increase to drivers’ licenses and learners’ permits fees, and a 5% increase in the tax on vehicle rentals.<sup>34</sup> The plan was developed by Lt. Gov. Richard Ravitch after a proposed congestion



<sup>30</sup>[http://www.nypost.com/p/news/local/ravitch\\_mta\\_is\\_hopele\\_8KTZeOveDlm380Tdb2BhjM](http://www.nypost.com/p/news/local/ravitch_mta_is_hopele_8KTZeOveDlm380Tdb2BhjM)

<sup>31</sup> “Red X’s mark Atlanta start to transit cut protests”, Associated Press, April 2010; *see also* “MARTA supporters make last-minute plea for state assistance” *Atlanta Journal-Constitution*, Christian Boone, April 20, 2010.

<sup>32</sup> MTA Adopted 2011 Budget, <http://mta.info/mta/budget/feb2011/Master.pdf>

<sup>33</sup> What the M.T.A. Bailout Plan Means for You, May 5, 2009 <http://cityroom.blogs.nytimes.com/2009/05/05/what-the-mta-bailout-plan-means-for-you/>

<sup>34</sup> *Ibid.*

pricing plan failed to pass the state assembly. The bailout looked at the metropolitan area's transportation system as an economic whole, imposing charges on those who "chose" to drive in an area where transit was a robust alternative. Unfortunately, the plan as passed has not proved adequate to the MTA's growing financial shortfall, and the system was forced to raise fares at the end of 2010.

New York's funding structure has often been viewed as desirable because it is not overly reliant on any one revenue stream. Its blend of revenues helps it avoid the most serious impacts of economic changes in particular sectors. Unfortunately, the severity of the recent recession, which hit Wall Street particularly hard, undermined that approach. Nonetheless, the fundamental principal of revenue diversity holds true, particularly if some of the revenue can come from other parts of the transportation system like tolls. The support of business groups like the Partnership for NYC suggests they consider cross-subsidies and diverse taxes/fees preferable to the alternative: a city without a reliable and responsive transit system.

### ***Philadelphia/SEPTA***

Former Pennsylvania Governor Ed Rendell advocated but did not achieve a statewide solution to aid the South East Pennsylvania Transit Authority (SEPTA) serving Philadelphia and the surrounding region. In 2007, the Commonwealth of Pennsylvania created a Public Transportation Trust Fund, to be funded by sales tax revenues and the proceeds of bonds from the Pennsylvania Turnpike Commission. The Turnpike Commission would be allowed to toll I-80, a federally funded non-toll road, and would make a payment to the Fund that would be used to fund transit.

**Tolls for Transit?** Transportation Reform created not one but two "trust funds" for transportation. But it also mandated that tolls only be used to support the roads on which they were collected.

The Trust Fund was intended to create a long-term solution which would give transit more stable funding than annual appropriations or one-time budget fixes. The plan hinged on the I-80 tolls,

which in turn needed approval from the Federal Highway Administration – approval which, the state learned in April 2010, it would not receive.<sup>35</sup> Within days of the news, Representative Rick Geist (R), chairman of the state's Transportation Committee, unveiled a plan to essentially recapture the lost revenue by requiring a larger local match for transit (up to 25%) and allowing local option taxes, such as property transfer fees.<sup>36</sup> SEPTA also started new hearings for fare increases to deal with its deficit,<sup>37</sup> and in July

<sup>35</sup> "Rejection of I-80 tolls means tough decisions," *Philadelphia Inquirer*, April 8, 2010, Ed Wilson (additionally, "In the Pittsburgh area, the Port Authority of Allegheny County has said the loss of Act 44 funding would cost it \$25 million next year - on top of a \$25 million operating deficit - likely forcing major service cutbacks.")

<sup>36</sup> <http://www.rickgeist.com/>; see also *Progressive Railroading*, April 9, 2010

<sup>37</sup> "SEPTA budget hearings set to start this week," *Philadelphia Business Journal*, Athena D. Merritt, April 12, 2010 ("SEPTA will begin hearings this week on the fiscal 2011 budget that includes a 6 percent systemwide fare increase").

2010, Gov. Rendell threatened to "flex" Federal highway subsidies to help the state's transit systems if state legislators did not approve higher taxes and fees.<sup>38</sup>

Pennsylvania's approach was remarkable for attempting to create cross-modal subsidies by pooling funds, rather than combining operations under one authority like the MTA. The failure of that approach illustrates how the lack of broader statewide subsidies can strain local sources. It also demonstrates the complex level of agreement and the approvals necessary to significantly change a funding structure involving other modes of travel.

Thanks to Transportation Reform legislation, Massachusetts now has not one but two transportation trust funds: the Commonwealth Transportation Fund and the Massachusetts Transportation Trust Fund. However, that same law also mandated that tolls collected only be spent to maintain their respective roadways. While the financial infrastructure for cross-modal subsidies now exists, legislative action is still needed before tolls can be used to support transit in the Commonwealth.

### **Chicago/CTA**

The Regional Transportation Authority in Illinois makes public funding available to the Chicago Transit Authority (CTA) for operations. That public funding comes from three sources: sales tax revenue, state matching funds and a Real Estate Transfer Tax (RETT). CTA's primary source of funding is the regional sales tax, which was authorized in 1983. Of the original 1% sales tax, the CTA receives 100% of the net taxes collected in the City of Chicago and 30% of those collected in suburban Cook County. The CTA also receives a portion of the .25% increase that was approved in 2008. Further, the CTA receives all of RETT revenues collected in Chicago, plus 100% of a statewide increase in the tax authorized in 2008.

	<b>Chicago Sales Tax Revenue</b>	<b>Suburban Cook Sales Tax Revenue</b>	<b>Collar County Sales Tax Revenue</b>
CTA	100%	30%	0%
Metra	0%	55%	70%
Pace	0%	15%	30%
<b>Total:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Chicago divides sales tax revenues among transit agencies based on geography.  
Source: CTA FY2011 Budget

Chicago's approach is akin to a geographic "sliding scale," with the CTA benefiting more directly from the economic activity in the area it serves most. At the same time, all the tax sources are collected on the state level, which is consistent with Massachusetts' taxation system.

<sup>38</sup> [http://www.pittsburghlive.com/x/pittsburghtrib/s\\_691479.html](http://www.pittsburghlive.com/x/pittsburghtrib/s_691479.html)

## **Portland/Tri-Met**

The public transportation system in Portland, Oregon, also relies heavily on a tax to pay for operations – in this case, the payroll tax. Fifty-five percent of the Tri-Met operating budget derives from payroll and self-employment taxes,<sup>39</sup> the revenues from which have declined significantly due to the high and extended unemployment rate the region has suffered during the recession.<sup>40</sup> Unemployment has hit TriMet twice: once by cutting into its tax subsidy and again by depressing revenues generated from ridership.

It is unclear whether the payroll tax has been hit harder than other taxes or whether it will rebound more or less quickly, but the overreliance on a single revenue source has not helped the system avoid significant problems during the downturn. To help make up the gap, the city increased the payroll and self-employment tax starting January 1, 2011.<sup>41</sup> The state DOT has also pitched in, flexing \$15 million to TriMet in February 2011.<sup>42</sup>

TriMet's situation illustrates the weakness of relying on a revenue stream tied so tightly to one economic factor, no matter how closely and rationally that factor may be linked to transit usage. Portland's experience mirrors the difficulties that the MBTA has experienced with high dependence on the sales tax and highlights the need to diversify revenues as New York has done.

## **Atlanta/MARTA**

The Metropolitan Atlanta Regional Transit Authority (MARTA) was created in 1965 and started bus operations in 1972 and rail operations in 1979.<sup>43</sup> DeKalb and Fulton counties subsidize MARTA via a 1% sales tax.<sup>44</sup> The original enabling act required 50% of the funds it received via the sales tax to go to operating costs and 50% to go to capital, although the legislature raised the operating cap to 55% from 2002 through 2008.<sup>45</sup>

In 2010, Georgia passed comprehensive transportation legislation which lifted the 50/50 restriction on MARTA funding – but only for three years. The act also created 12 transportation



Off-duty MARTA employees painted red X's on buses and trains slated to be cut, prompting the legislature to take action.

<sup>39</sup> Tri-Met Adopted Budget Summary 2010-2011, <http://trimet.org/pdfs/publications/FY11-Adopted-Budget-Summary.pdf>

<sup>40</sup> TriMet's Budget, The Big Picture, February 10, 2010, <http://trimet.org/openhouse/budget.htm> ("Because payroll taxes make up 55% of TriMet's income, that's the position we're in. Each year, we do the best we can to project what our income will be, but the recession and double-digit unemployment directly impact payroll taxes, which translates into less income for TriMet. Unemployment also affects ridership. In the past 6 months, bus ridership has declined 10 percent overall and nearly 16 percent during rush hour, which means additional lost income.")

<sup>41</sup> Tri-Met Fact Sheet, FY10, <http://trimet.org/pdfs/publications/factsheet.pdf>

<sup>42</sup> "Follow-up: TriMet to get \$4.5 million in ODOT Flex Funds," BikePortland.org, <http://bikeportland.org/2011/02/16/follow-up-trimet-to-get-4-5-million-in-odot-flex-funds-48009>

<sup>43</sup> MARTA FY10 Budget Book, p.2.

<sup>44</sup> MARTA FY10 Budget Book, p.42.

<sup>45</sup> MARTA FY10 Budget Book, p.42.

districts in the state, each of which will propose a slate of transportation infrastructure investments to be paid for by a \$0.01 sales tax in that region. Voters will go the polls in 2012 to decide whether to fund the projects proposed for their districts.<sup>46</sup>

The Atlanta example provides two separate lessons for Massachusetts. First, the restrictions placed on MARTA's funding illustrate the need for flexibility if legislative formulas are to keep up with changing economic forecasts. Second, the idea of regional ballot initiatives to fund specific transportation improvements reflects a broader national trend in transit funding (discussed further later in this report). Massachusetts lacks a strong tradition of local ballot initiatives; indeed, such an approach might require amending the state constitution. Still, it is an idea that is gaining acceptance in other states and which may warrant consideration.

### ***Washington, DC/Wmata***

Like MARTA, the Washington Metropolitan Area Transit Authority (WMATA) was created in the 1960s and started operations in the 1970s. It is now the fourth largest transit system in the country, as measured by ridership.<sup>47</sup> State and local funds account for approximately 40% of WMATA's annual operating and capital budgets. Public subsidies for WMATA are divided among the municipalities most directly served in Maryland, Virginia and the District of Columbia, using a complex formula that considers population, density, average weekday ridership, and the number of stations in each jurisdiction.<sup>48</sup> The municipal jurisdictions are the metro-areas most directly served, including Alexandria, Virginia, and Prince George's County, Maryland. The challenges of this governance structure were on display last year, when the purchase of a new fleet of railroad cars was nearly held up when Virginia threatened to withhold its contribution over a dispute about its representation on the WMATA board.<sup>49</sup>

In June 2010, the WMATA board approved a FY2011 budget containing sweeping fare increases to close a \$189 million deficit.<sup>50</sup> In addition to across-the-board hikes, the budget includes special surcharges during "peak-of-peak" hours.<sup>51</sup> Despite these increases, WMATA is projecting *lower* passenger revenues in its FY2012 budget, an illustration of the negative impact of fare hikes on ridership.<sup>52</sup>

WMATA's multi-jurisdictional structure is unique, but its relatively fixed and fragmented funding structure is similar to that of Massachusetts' RTAs, whose ability to grow depends on local assent for each new service and state capital support. Its variable pricing scheme – charging users based on distance and during periods of peak demand – may be an option for the T with the successful implementation of the Charlie Card, so long as it is implemented in a way that maintains ridership as much as possible.

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<sup>46</sup> [http://www.legis.state.ga.us/legis/2009\\_10/fulltext/hb277.htm](http://www.legis.state.ga.us/legis/2009_10/fulltext/hb277.htm)

<sup>47</sup> APTA Public Transportation Fact Book 2010.

<sup>48</sup> WMATA Subsidy Allocation Methodology, p.3.

<sup>49</sup> <http://www.fairfaxtimes.com/cms/story.php?id=1782>

<sup>50</sup> [http://voices.washingtonpost.com/dr-gridlock/2010/06/metro\\_board\\_oks\\_fare\\_hikes\\_bud.html](http://voices.washingtonpost.com/dr-gridlock/2010/06/metro_board_oks_fare_hikes_bud.html)

<sup>51</sup> [http://voices.washingtonpost.com/local-opinions/2010/06/avoiding\\_death\\_spiral.html](http://voices.washingtonpost.com/local-opinions/2010/06/avoiding_death_spiral.html)

<sup>52</sup> WMATA Proposed FY2012 Budget, [http://www.wmata.com/about\\_metro/docs/FY2012\\_Proposed\\_Budget.pdf](http://www.wmata.com/about_metro/docs/FY2012_Proposed_Budget.pdf)

## Additional Lessons for Massachusetts

In addition to the six systems above, there are some general trends in transit funding that may be applicable to Massachusetts.

### *Dedicated and Targeted Taxes*

Voter-approved local taxes to fund transit have been very successful recently. In most cases, new local taxes have been approved to build new transit; in a few instances, local taxes have been approved to keep or increase existing transit initiatives or services. In either case, voters have been willing to impose a cost upon themselves to gain, keep or expand transit in their locality.

Charlotte, North Carolina, is a prime example. In 1998, voters approved a half-cent sales tax to build the first leg of LYNX, a light rail system that had been discussed since the 1980s.<sup>53</sup> In 2007, there was a referendum to eliminate the transit-supporting tax, despite the fact that much of the proposed system had yet to be built. Despite delays and cost overruns in building the new service, the measure was defeated by a 70/30 margin; the voters chose to continue the tax to support transit.<sup>54</sup>

Charlotte voters are not alone in supporting transit at the polls. In November 2006, almost three-quarters of transit ballot measures proposed were approved, representing over \$74B in spending. Voters in the Puget Sound region of Washington State approved Proposition 1, which provides for a 0.5% increase in the local sales tax to support a \$17.8 billion transit expansion package over 15 years. Similarly, 53% of voters in Honolulu approved an amendment to the city and county charter to establish a \$3.7 billion commuter rail system.<sup>55</sup>

The trend continued even into the recession. In November 2009, five out of seven transit-related measures were decided in transit's favor. In April 2010, after St. Louis cut one-third of its bus routes, voters approved a half-cent increase to the sales tax to restore and expand service. The measure, which had



Charlotte's LYNX light rail is an example of a new transit born at the ballot box.

<sup>53</sup> City of Charlotte Website, <http://www.charmeck.org/Departments/CATS/MTC/home.htm>, ("In November 1998, the citizens of Mecklenburg County approved the levy of a one-half cent sales tax to be used to finance public transportation systems.")

<sup>54</sup> Election 2007: Charlotte Transit Wins By 70%; Seattle Transit Expansion Loses, Light Rail Now Project Team – November 2007, [http://www.lightrailnow.org/news/n\\_lrt\\_2007-11b.htm](http://www.lightrailnow.org/news/n_lrt_2007-11b.htm) ("Via a margin of 70% to 30%, Charlotte-area voters resoundingly endorsed public transportation by defeating an initiative to repeal the region's public transit funding that had been mounted by transit opponents and advocates of further dependency on private motor vehicles.")

<sup>55</sup> "Voters Shout 'YES!' on 73 Percent of Transit Ballot Measures," *Passenger Transport*, November 17, 2008, Susan R. Paisner.

failed previously in 1997 and 2008, finally passed with 63% of the vote.<sup>56</sup> And during the recent midterm elections, in the midst of a conservative wave, voters across the country passed a remarkable 73% of public transportation ballot measures.<sup>57</sup>

Aside from St. Louis, which voted to restore recently-cut service, it is difficult to point to any area that has voted local option taxes simply to *maintain* an existing system. This suggests that despite the fiscal risks of expansion, combining expansion and maintenance of current service may be key to earning new local revenues for transit. Voters also need reassurance on the competent delivery of the approved measures, and there needs to be a fair level of consensus on the desirability of the proposed expansion.

Massachusetts lacks a strong tradition of local taxes. Even voluntary business improvement districts (BIDs) have been difficult to establish here, and ballot initiatives to fund transit may not even be permissible under the state constitution. Nonetheless, during this recession Massachusetts localities have been given (and some have used) the option of increasing their restaurant taxes. Many cities and towns have made use of the Community Preservation Act, which translates into an increase in real estate taxes. In each case, strong local buy-in and tangible benefits have been found to justify new taxes. Given the impressive track record of pro-transit ballot measures across the country, perhaps it is time for Massachusetts to consider some means of local taxation to support transit.

### **Parking**

Parking taxes or fees are well-established funding mechanisms. They have been successfully used in many other areas, and are consistent with Massachusetts' policy goal of promoting growth without increasing highway congestion. Such fees could also be tailored to geography and to the market; depending on where and how applied, they could be aimed to encourage transit use and to protect local business from adverse impacts.

Cities as varied as Miami, Pittsburgh, San Francisco, Chicago, Los Angeles and New York have found parking to be a viable revenue source for regional projects such as transit. In some cases parking taxes/fees are *ad valorem* taxes; others are surcharges. Rates range from a percentage of revenues (typically 10% and up) to a flat fee per transaction (ex: \$1 on a daily rate, \$14 monthly).<sup>58</sup> The type of charge can affect the degree to which it is passed on, thus reinforcing the goal of congestion pricing without creating the perception of restricting access to certain geographic areas.

In Massachusetts, a state-authorized tax/fee (structured either as a flat rate surcharge or as a percent of estimated value) could be applied on commercial parking in growth

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<sup>56</sup> "Voters approve Metro tax," *St. Louis Business Journal*, April 7, 2010, but see also *Progressive Railroading*, April 20, 2010 in which Denver Transit is described as still committed to the FasTracks expansion project, despite a decision that it would not seek a sales tax increase to complete project by 2017. If no new funding is found, the new target date would be 2042.

<sup>57</sup> APTA. 73 of Percent of Public Transportation Ballot Measures Pass. Nov. 3, 2010.

[http://apta.com/mediacenter/pressreleases/2010/Pages/101103\\_BallotMeasures.aspx](http://apta.com/mediacenter/pressreleases/2010/Pages/101103_BallotMeasures.aspx)

areas that are experiencing congestion, that have an adequate supply of premium parking, and that are within the service area of the MBTA or an RTA. Residential parking and small lots could be exempt, along with parking for the disabled and parking for car sharing services and car pools.

### ***Local Assessments for Livable Communities***

Communities' traditional unwillingness to approve local option taxes might be countered by appealing to the growing interest in livable communities. This approach shows particular promise if it is tied to specific, community-based improvements and coordinated with a federal strategy to for further investment. As noted earlier, both demographic and market forces are favoring more walkable, transit-oriented communities. The Community Preservation Act (CPA), Tax Increment Financing and Business Improvement Districts (BIDs) are examples of financing structures that might prove acceptable to local communities.

In areas like the Longwood Medical Area or the Seaport District of Boston, such assessments or fees might be used to help fund larger projects like the Urban Ring or the Silver Line Phase 3. In less densely developed areas, the first level of support might go to expanded bus service, clean-fuel buses, new bus shelters, rider information systems, and Transportation Management Associations such as those offered by the Medical Academic and Scientific Community Organization (MASCO), A Better City and the Route 128 Business Council. Local funds might even be used to attract and leverage federal funding.

### ***Climate Change Revenues***

Climate change legislation/regulation will require strong transit alternatives, particularly in metropolitan areas. New climate change standards will also make it imperative that transit systems, which are often major consumers of energy, adopt more energy-efficient practices and equipment. Transit would thus be a logical recipient of energy-efficiency revenues, particularly from any federal carbon tax that would tax petroleum "upstream" of the consumer.

At the state level, at least two states (Washington and Vermont) have proposed engine displacement and emission fees to gain revenue from inefficient automobiles.<sup>59</sup> While neither proposal was adopted, recent federal initiatives, including the successful "Cash for Clunkers" program, may reduce opposition to the concept. A similar approach, structured as an increased registration fee or excise tax, was considered in Massachusetts before the Regional Greenhouse Gas Initiative (RGGI) was adopted, although it was not pursued thereafter. Since then, more communities are focusing on their carbon footprints, "green" buildings, recycling, and other climate change strategies. It is worth considering whether that trend might be extended to support for new "green" fees/taxes dedicated to local and regional transit.

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<sup>59</sup> *Building Massachusetts through Transportation Investment*. Cambridge Systematics for A Better City. 2009) pp 3-19, 20.

## ***Developer Fees and Airport Charges***

Developers often rely on transit to enhance the marketability of their buildings and to reduce their contribution to roadway congestion. In a poor economy there is little incentive to specially assess new developers, even if their projects would be direct beneficiaries of the transit system and even if they might be called upon to contribute more to the highway system (intersection improvements, etc.) if the transit option were not available.

However, airports such as Logan are special beneficiaries of transit. Logan has direct service by both the Silver Line and the Blue Line, which helps make its unusual proximity to downtown Boston an advantage rather an occasion for extraordinary congestion. (MassPort actually purchased Silver Line vehicles for the MBTA in order to establish that service.) Even if parking fees are not adopted more generally around Massachusetts, a charge on parking at Logan for the benefit of transit may be worth exploring.

Despite strict controls on revenues earned by FAA-funded properties, the FAA has allowed airport support of transit serving an airport (such as the Hiawatha Line in Minneapolis-St Paul) and has expressly recognized the desirability of transit as a form of airport access.<sup>60</sup> Moreover, rental car fees imposed at Logan are already being used to support the Massachusetts Convention Center Authority (MCCA), on the grounds that tourism benefits from the MCCA's facilities. Since tourism also benefits from transit, a similar rationale could be used to impose a surcharge or tax on airport car rentals and/or parking, with the proceeds going to transit.



MassPort helped subsidize Silver Line service to Logan. Could the airport help support the rest of the T?

## ***Here Comes the Cavalry? Federal Help, or Lack Thereof***

Traditionally, the federal government has sought to limit its role in transit funding to capital investments, although the FTA's definition of "capital" can be quite broad. While the American Recovery and Reinvestment Act (ARRA) allowed transit authorities to use some federal funds to cover their operating costs, the Administration has not regarded this as a desirable long-term approach.

It remains to be seen whether FTA/USDOT would be willing to engage with transit authorities to identify alternatives to federal operating funds, even if such a strategy would be in line with a professed federal goal of creating more livable communities. For

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<sup>60</sup> FAA/Airports Surface Access Best Practices (Bulletin 1).

example, could federal operating funds be made available on a short-term basis to transit systems or projects that secure longer-term state and local support? To those that undertake new responsibilities as part of a statewide Climate Change plan? To authorities modernizing their fleets to make them more energy efficient? The national pattern of transit deficits suggests that a more proactive approach is well warranted.

Many recent federal grant solicitations and policy statements have signaled an interest in creating and maintaining transit choices and increased mobility, which may indicate openness to creative solutions that advance transit alongside other goals (e.g., transit-oriented workforce housing, travel planning linking transit to parking, alternative fuel fleet conversions, student ID/transit pass combinations, etc.). One example is the \$4 million Livable Communities grant recently awarded to the Metropolitan Area Planning Council to implement MetroFuture, a long-range planning document combining land use, transportation and environmental goals.

The federal government also seems to be signaling a new role for the private sector and greater federal interest in innovative financing. USDOT has proposed expanding the types and amounts of innovative financing by creating a National Infrastructure Innovation and Finance Fund (I-Fund). (President Obama also mentioned an infrastructure bank in his 2011 State of the Union address, and Sen. Kerry put forward a similar proposal in March.) The USDOT's I-Fund would act as a clearinghouse directing applicants to devices such as those created under the Transportation Infrastructure Finance and Innovation Act (TIFIA), or Tax Credit or Private Activity bonds. Transit authorities such as Denver's are being encouraged to establish financing plans that would draw on a multitude of federal sources, including grants and loans with extremely favorable terms. Private sector participation there is being looked at to provide not only financing but also cost controls through timely project management and reliable operation.

In offering new tools such as TIFIA, which is limited to no more than 1/3 of a project's total cost, the federal government has also rewarded states that can show stable, dedicated state and local funding. As this type of federal support becomes more typical, Massachusetts will be pressed to show it can match federal funding through dedicated revenue streams.

## Options for Massachusetts

The funding problems that transit faces in Massachusetts are not unique, and there are no “silver bullets” being used elsewhere that will solve those problems now and in the future. Some of the solutions that other systems have adopted – notably, dedicated funding without annual legislative action – have already been implemented here. We must continue to cut costs and find efficiencies and recognize a reasonable fee for users. Nevertheless, there are several lessons that Massachusetts can learn from other transit systems as it works to make its transit network financially sustainable and adequate to the tasks ahead:

- First, a **blend of public sources** provides protection against downturns. While this is not a panacea, a combination of revenues generated from different parts of the economy (real estate transactions, payroll, sales) may help the transit system better manage an economic downturn. A single dominant public source, like Portland’s payroll tax, is likely to be more vulnerable.
- Second, **fares** should be recognized as a vital part of paying for transit and should be subjected to regular, modest increases to keep pace with inflation.
- Third, transit tends to benefit from **flexibility in uses** as well as in sources. Fine-grain and complicated controls like Atlanta’s mandated operating/capital split or Washington’s multi-jurisdictional budgeting may look like appealing safeguards on paper, but they can hinder needed actions in difficult times.
- Fourth, while Massachusetts’ tax structure gives the largest role to the state, there may be a **role for local government** to consider option taxes, strengthen the link between development and transit, or participate more directly in funding new service.
- Fifth, Massachusetts’ options have been hampered by the fact that it lacks flexible tax structures. **Geographically-tailored initiatives** such as parking charges may be feasible and appropriate if preceded by a good definition of the proposal’s goals and impacts.
- Sixth, if new taxes are to be generated for transit, voters must be confident that they will be used for transit – and for transit that they support. Efforts to construct a **“lock-box”** should be renewed, existing commitments of registry and gas excise tax funds to transportation must be protected and touted, and community-based transit planning should be encouraged.
- Seventh, **cross-modal and cross-regional structures** like those pursued in Pennsylvania would allow the use of toll revenues, passenger facility charges and registry fees to fund transit.
- Eighth, despite the challenging political climate, Massachusetts must position itself to compete for **federal funding** – particularly for transit expansion. Increasingly, federal funds will come to areas that can meet the performance and in-

vestment criteria of new federal programs, both in terms of policy (Livable Communities, Climate Change) and financing (TIFIA, the proposed I-Fund). Massachusetts and other states with "legacy" transit systems should also lobby for changes to federal criteria that judge new projects based on the net number of new riders they generate – a standard that favors newer systems over old.

- Ninth and finally, as the debate over transportation focuses more on **performance measures**, transit will be asked to show how it benefits the communities that support it and how it will help those communities achieve their goals. That dialogue – whether in the context of new development centers, major nodes such as airports, or expansion for new markets – will be part of how transit earns new revenues and monetizes the benefits it brings.

## Conclusion

It is always difficult to seek additional revenue sources for transit. It is particularly difficult in tough economic times – ironically, when transit is most needed. Nonetheless, the benefits of transit are too fundamental to the Massachusetts economy to allow our system to atrophy – either by disinvestment in the current system or by failing to grow the system to meet demand. There are no easy solutions, but there are a number of new options for Massachusetts to consider.

2009 and 2010 were years of reform, and reform must continue. But 2011 should be the year that we begin to talk about revenue.

There is a long local and national history of using public transportation as an engine for economic development. Whatever solutions are debated need to be considered with that in mind. Ultimately, we are looking for investments that promote our economy while protecting our natural environments and our sense of place. Transit is not just an occasional option; it is a key element to keeping the Commonwealth competitive in the 21<sup>st</sup> century.

A common phrase touted by advocates of transportation reform was "reform before revenue": fix what we have now before dedicating more resources to it. In that spirit, 2009 and 2010 have been years of reform, and successful ones at that. Heading into 2011, much of the low-hanging fruit has been picked, and many difficult challenges, like finding cost savings at the MBTA, are being addressed. Transit advocates must continue to support those efforts, not only because they produce real savings but also because they renew public trust that our transit systems are being well managed.

Ultimately, though, the cost savings from reform will not be sufficient to address our transit finance shortfall. They will certainly not be enough to fund the transit expansion that Massachusetts will need to remain competitive economically. Reform must continue, but we at A Better City believe that 2011 must be the year that we move on to tackle our unsustainable transit finances. 2009 and 2010 were the years of reform, and reform must continue. But 2011 should be the year that we begin to talk about revenue. We hope this paper will help start that discussion.

