



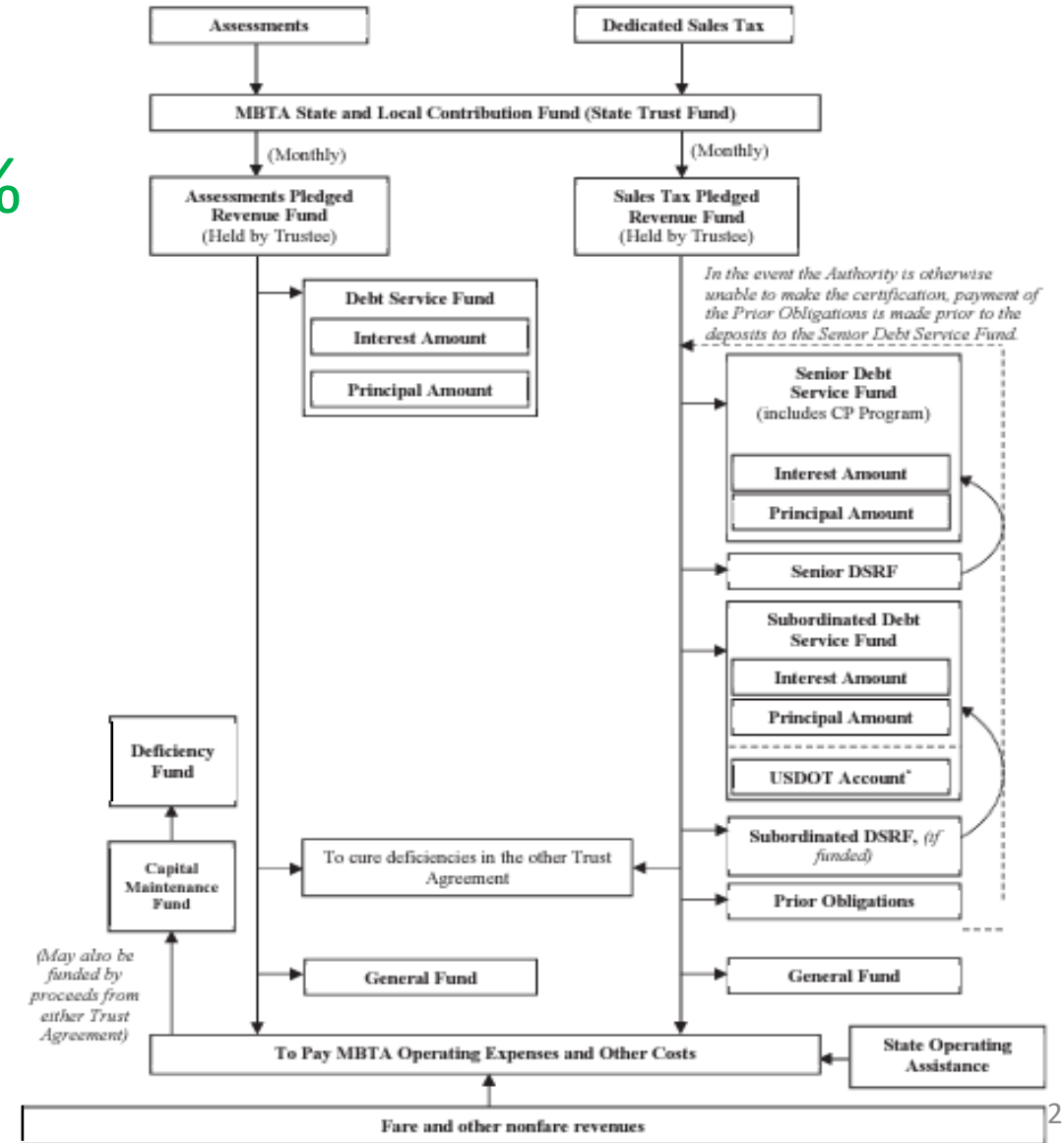
# MBTA Financial Challenges Past, Present, Future

Brian Kane, Executive Director

July 09, 2024

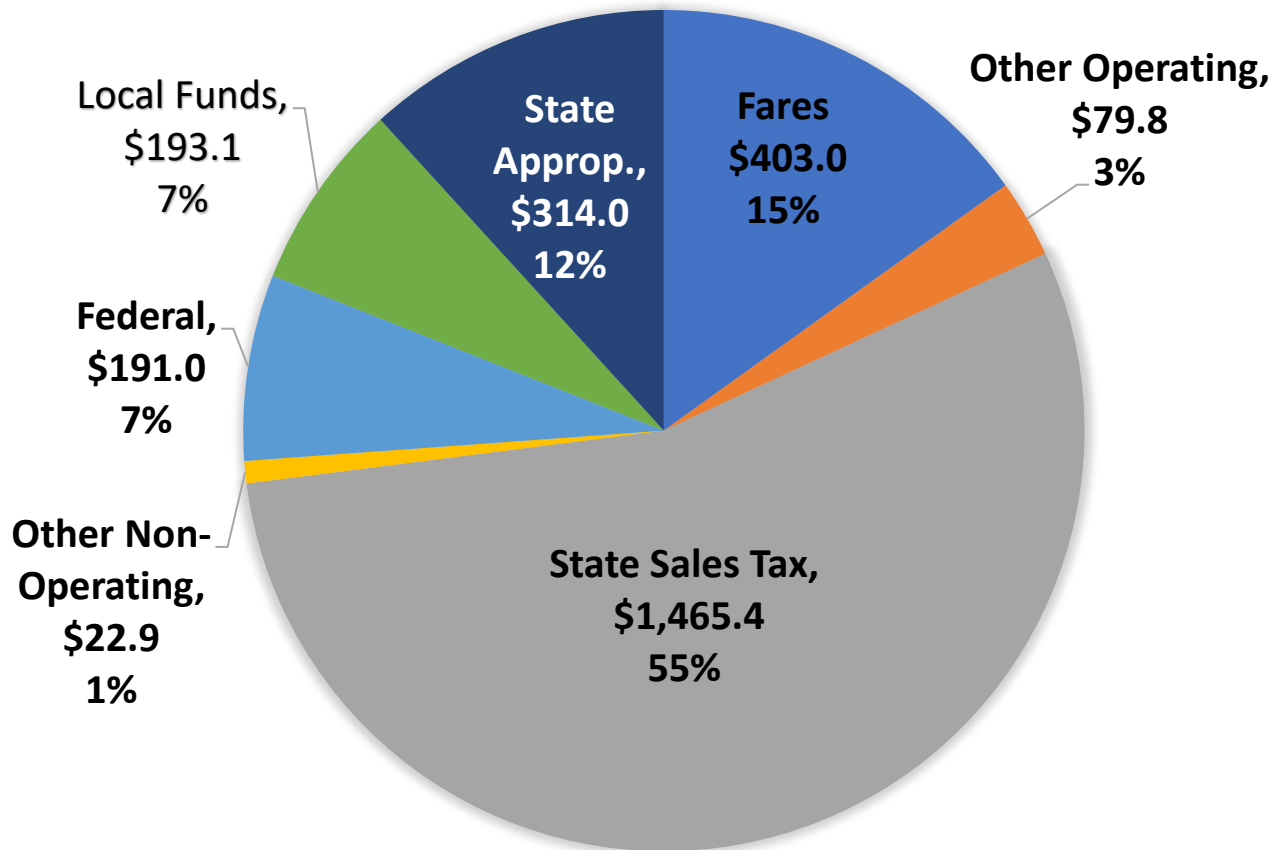
# How Is the T funded?

- A guaranteed base revenue amount \$1.13B + 3% per year from FY23 or 1% of statewide sales tax, whichever is greater
- Assessments on 178 municipalities: \$193M in FY25
- Federal grants & state appropriations
- Fares & own source revenue

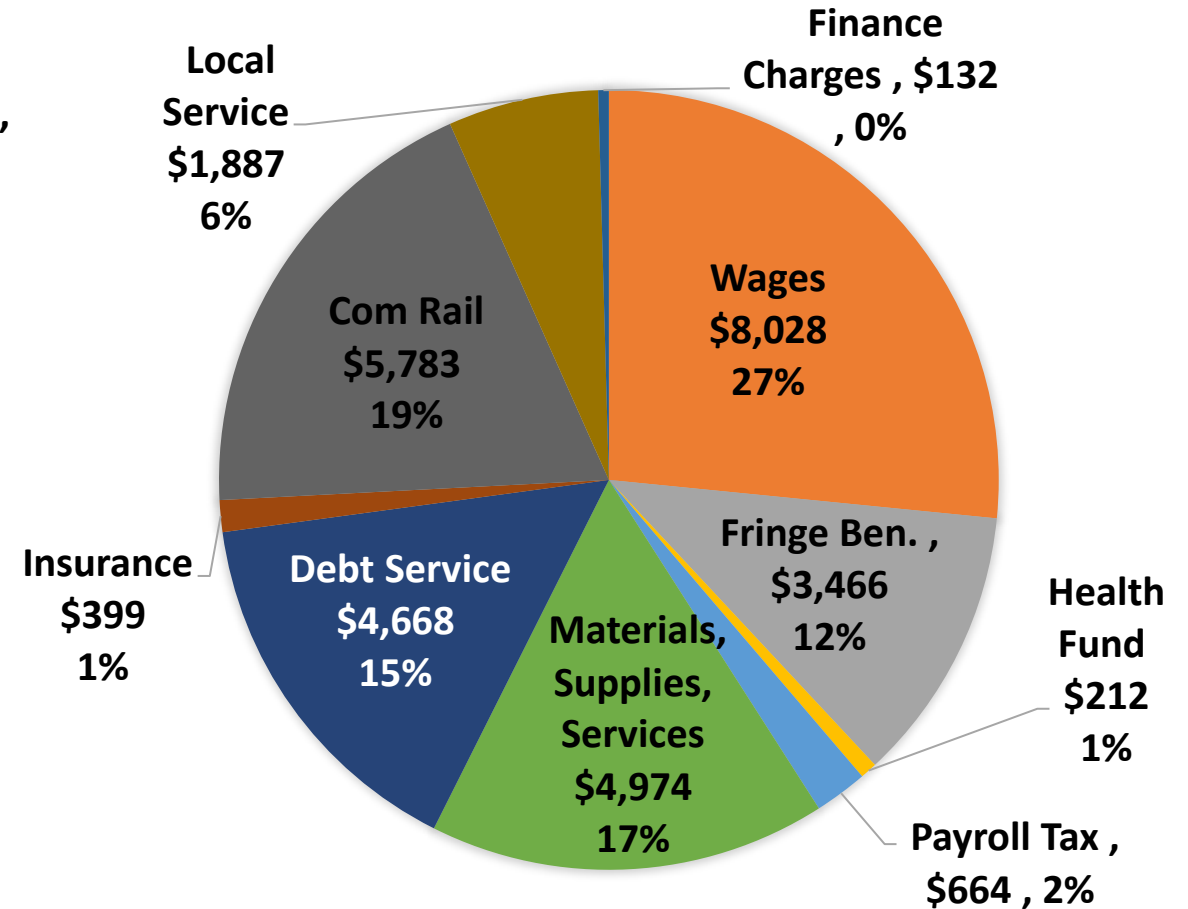


# FY25 Operating Budget

REVENUE BUDGET (\$M)



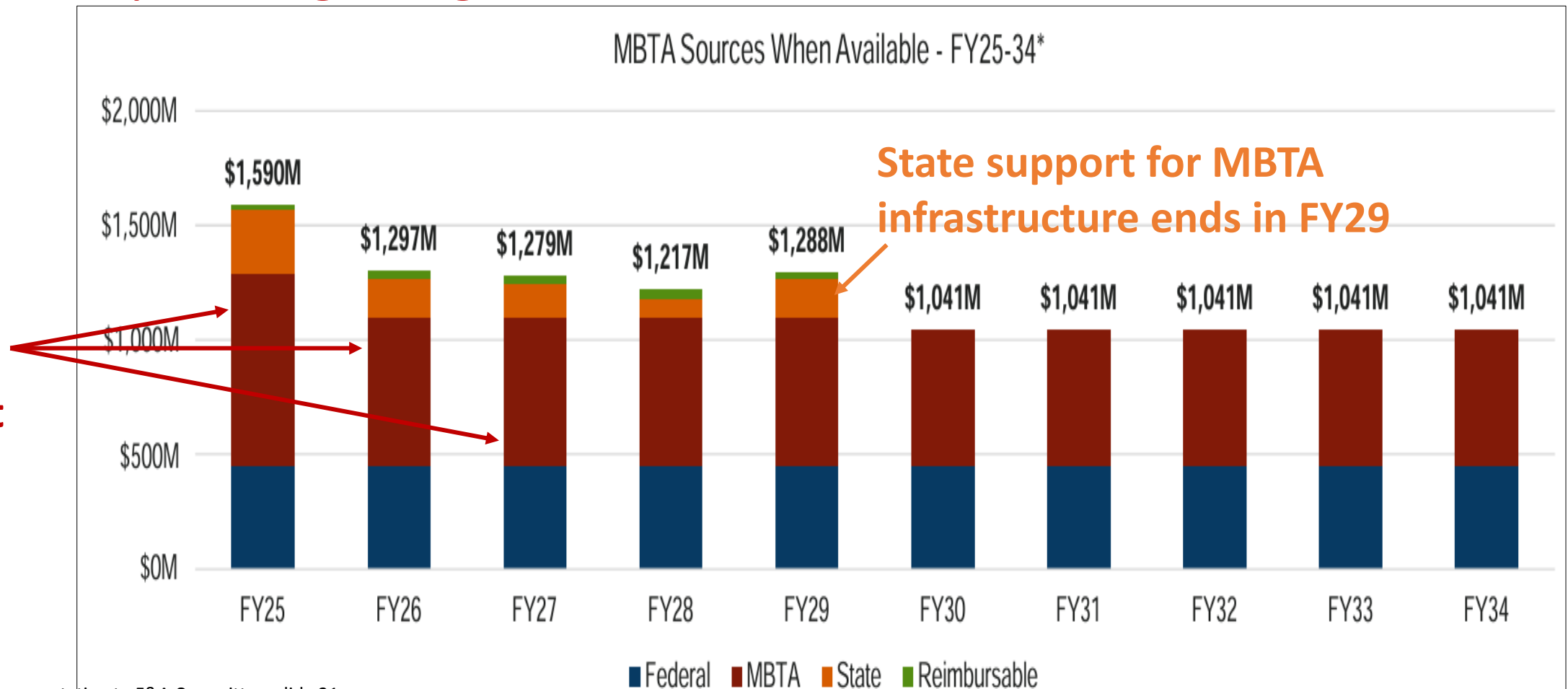
OPERATING EXPENSE BUDGET (\$M)



# FY25-34 Capital Budget

**MBTA must borrow against the same subsidy sources that funds its operating budget for its infrastructure needs too**

**MBTA borrowing against its future are the largest CIP source**

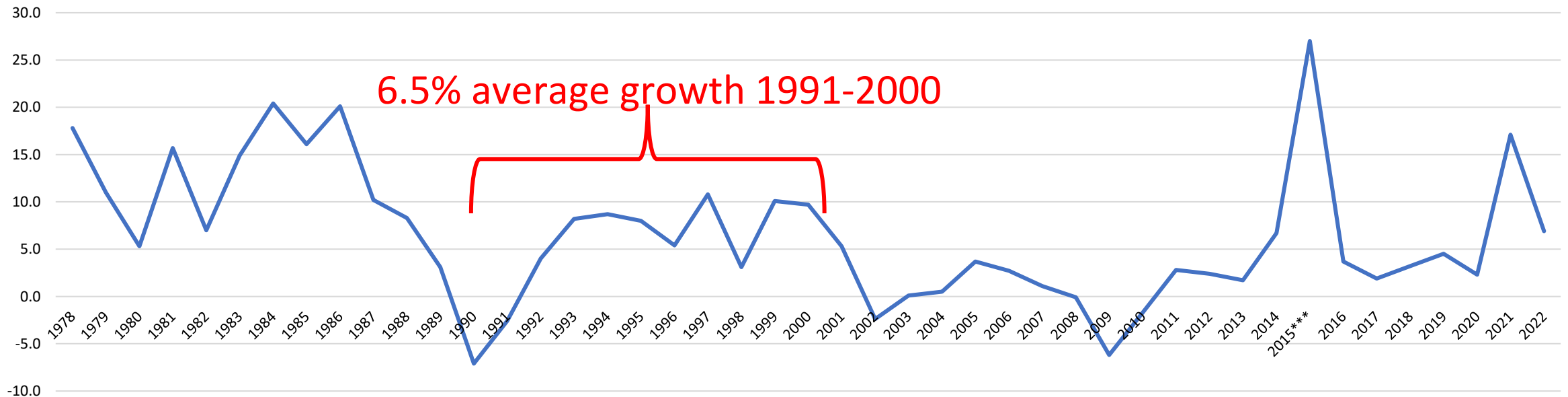


# Forward Funding 2000

“Prior to 2000, the MBTA was funded 18 months in arrears. As a result, it spent what it needed, then sent the bill to the legislature, which paid it. Forward Funding was intended to make the MBTA live within a predefined budget.”

-Transportation Finance Commission Report, Volume I 2007

## Sales Tax % growth 1978-2022



Source: MBTA Subordinated Sales Tax Bonds Variable Rate Demand Obligations 2022 Series A (10/13/22) p. 33 [https://cdn.mbta.com/sites/default/files/2022-10/2022-10-13-sales-tax-bonds-series-a-subordinated\\_0.pdf](https://cdn.mbta.com/sites/default/files/2022-10/2022-10-13-sales-tax-bonds-series-a-subordinated_0.pdf)

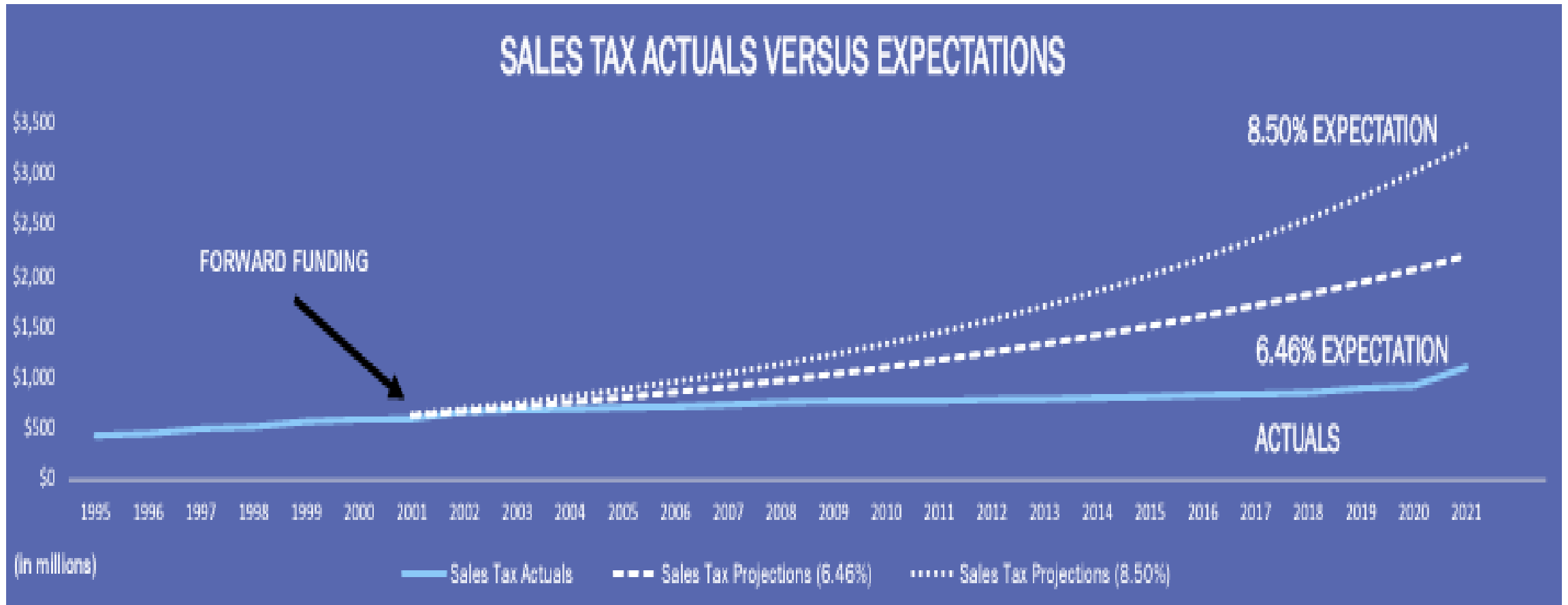
\*\*\*Amendments to the Enabling Act on October 31, 2014 increased the dedicated sales tax receipts by \$160m. The percentage increase in MBTA sales tax receipts for FY15 over FY14, excluding such increase is 5%

# Sales Tax Performance

Sales tax actual growth: 2.29%

Anticipated (2000): 6.46% - 8.50%

**Difference: \$9 - \$16 billion**

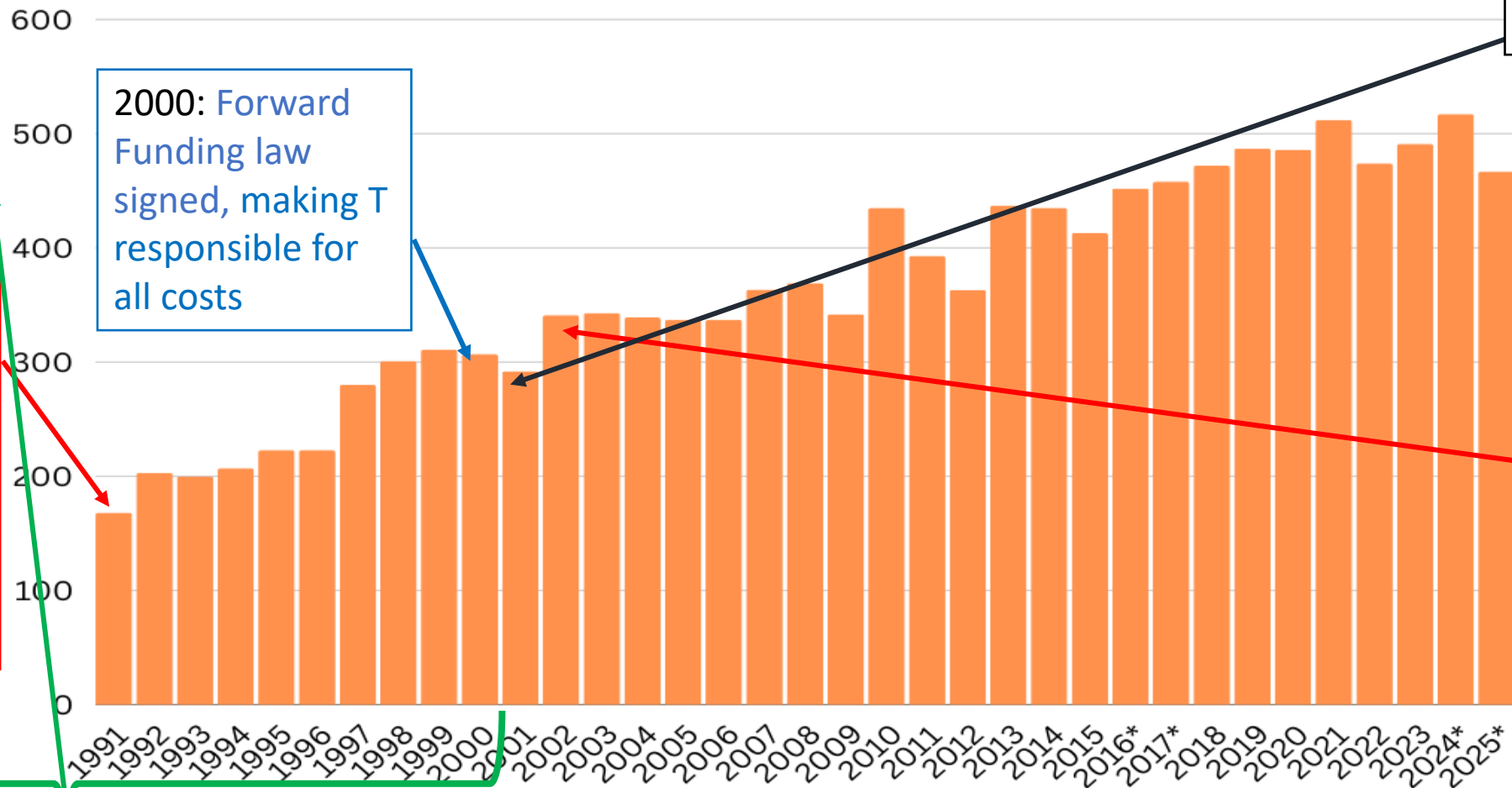


# T Debt Service 1991-2025

## MBTA Debt Service Payments 1991-2025

Actual 1991 - 2023, Budgeted 2024-2025

Dollars (in millions)



2001: T borrows \$1.85b, for system needs. Borrowing continues to this day

2002: MBTA is **Born Broke:**  
 -\$3.3 billion prior obligation debt  
 -\$1.7 billion Big Dig permitting debt  
 -System condition requires \$1.85 billion in CIP borrowing

2000: Forward Funding law signed, making T responsible for all costs

1965- 2000: **\$3.3b** in Prior obligation debt accumulates. State pays what T cannot.

1991: Big Dig construction and T borrows \$1.7b for transit mitigation projects begins. State pays what T cannot.

\*budgeted amount

# Fare Hikes

Fares rose faster than  
inflation since 2000

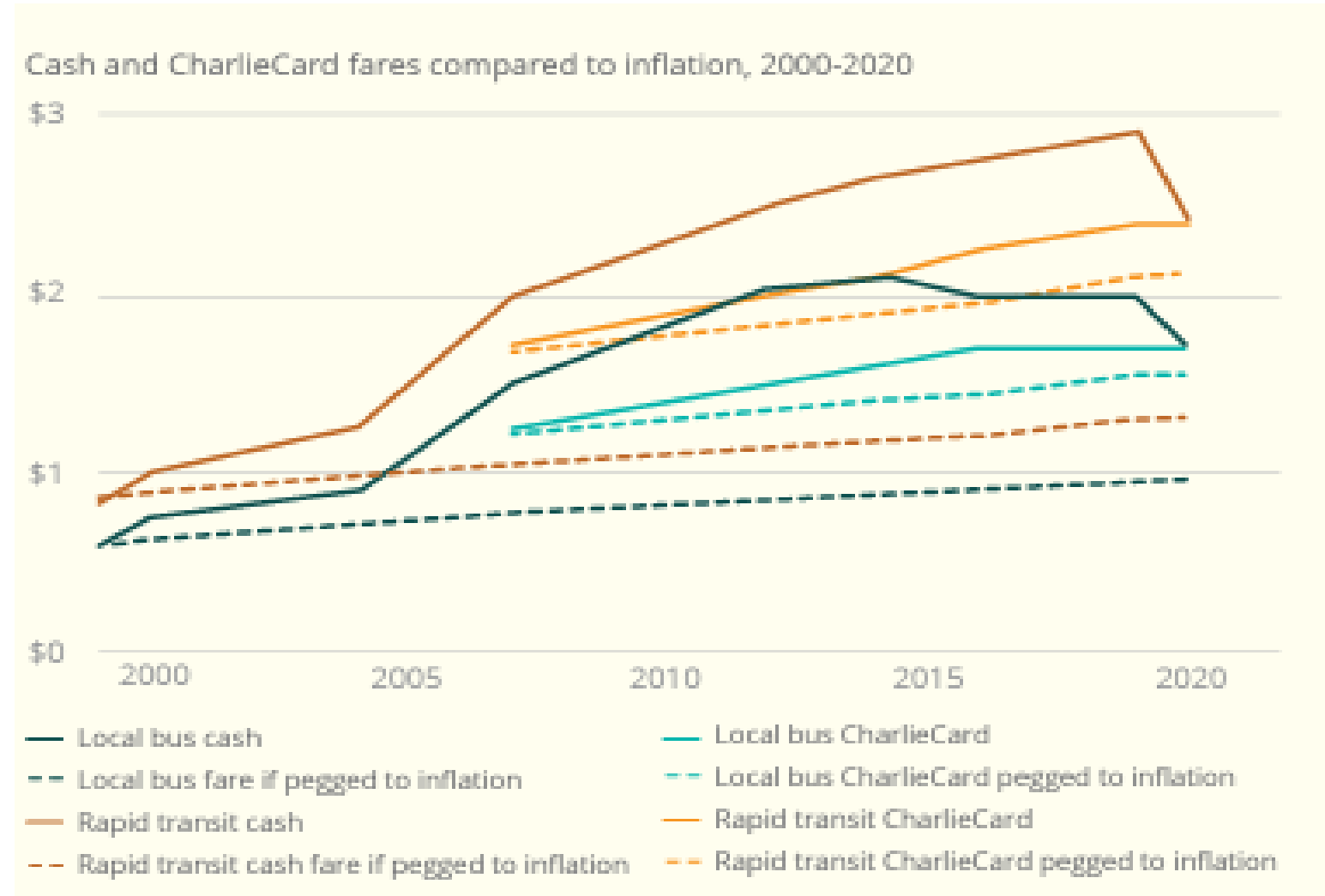
Number of fares increases  
by decade 1990-2020:

1990-1999: 1

2000-2009: 3

2010-2019: 4

Cash fares nearly  
tripled 1999-2019

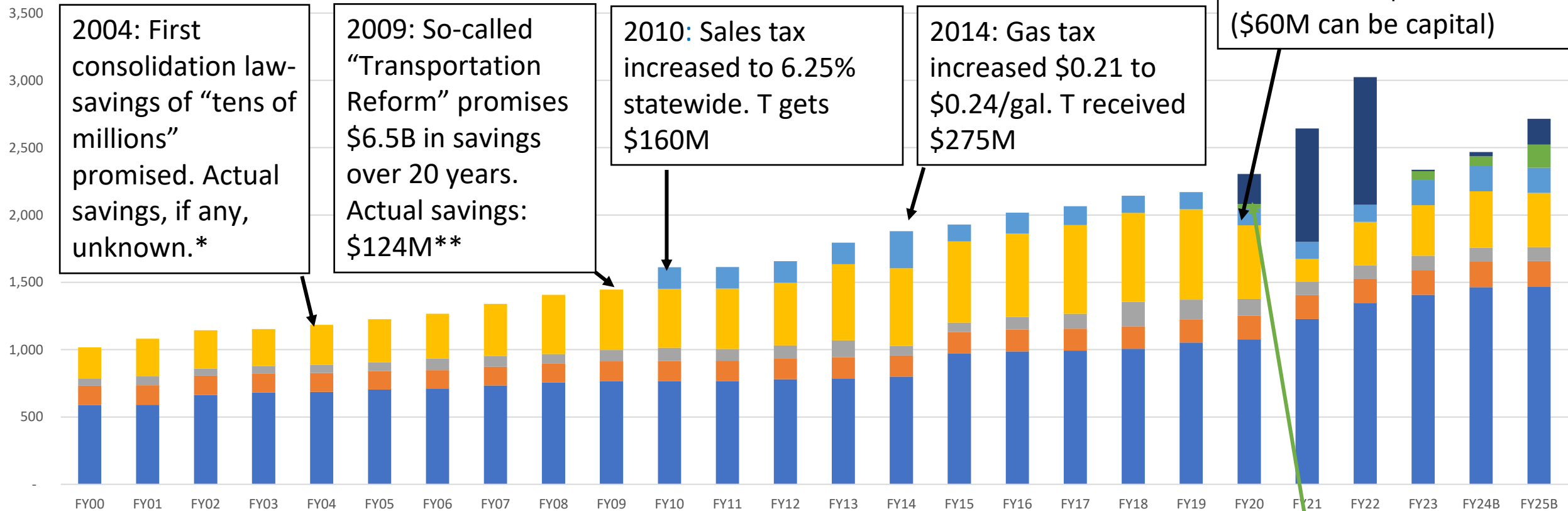


Source: Susanna Bohme "Un-Fare Deal: How Fare Policy At Baker's MBTA Transfers Wealth from Riders to Corporations" December 2021. Used with permission.



# Legislative Interventions

MBTA Historical Operating Revenue FY00-FY25



■ Sales Tax ■ Local Assessments ■ Other Operating & Non Operating Revenue ■ Fares ■ State Contract Assistance (Commonwealth Transportation Fund) ■ Additional State Assistance ■ Federal Assistance

Graph Source: MBTA Advisory Board graph using data provided by MBTA, 2024

\* Greenberger, Scott S. “Governor signs key transit bill” Boston Globe, July 22, 2024, p. 23

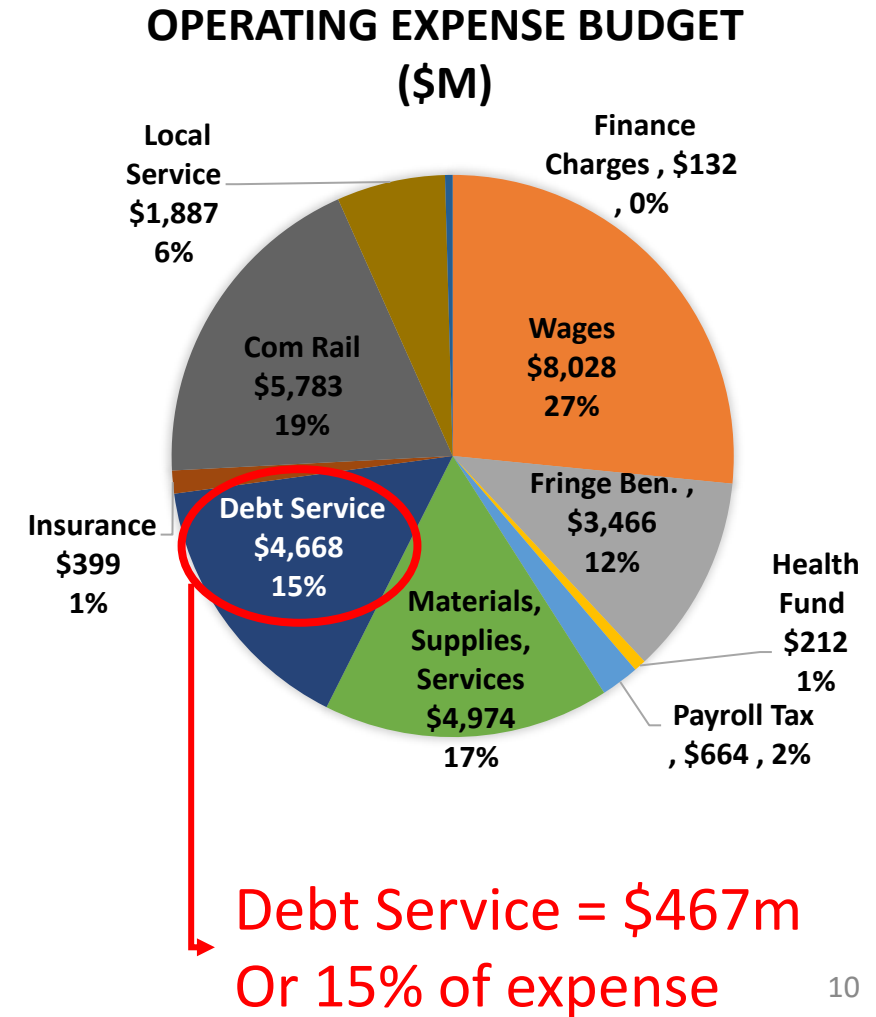
\*\*“MassDOT’s Cost Savings Dead End” Pioneer Institute Jan. 28, 2014, <https://pioneerinstitute.org/news/17009>

# Structural Deficit

The T was born broke, and remains broke

- Had sales tax grown at expected 3% after 2001, the T could have supported its operating and debt expenses.
- Had less debt been foisted on the T in 2001, it could likely have supported itself even with lower sales tax growth

New revenue and debt relief are both needed for a long-term fix



# Operating Deficits FY25-29

Status Quo					
Fiscal Year (\$ 000s)	FY25	FY26	FY27	FY28	FY29
Total Revenue*	2,714	2,409	2,475	2,538	2,589
Total Op Ex	(2,554)	(2,518)	(2,596)	(2,679)	(2,777)
Debt Service		(587)	(619)	(641)	(675)
<b>Total Expenses</b>	<b>(3,021)</b>	<b>(3,105)</b>	<b>(3,215)</b>	<b>(3,320)</b>	<b>(3,452)</b>
Surplus/(Deficit) #1	(307)	(696)	(740)	(782)	(863)
Deficiency Fund Transfer	307	0	0	0	0
<b>Net Rev. in excess of Exp</b>	<b>0</b>	<b>(696)</b>	<b>(740)</b>	<b>(782)</b>	<b>(863)</b>

\*Includes standard additional assistance of \$127

# Potential Service Cuts FY26

To realize of \$142M in savings in FY21, the T proposed draconian service cuts. The deficits starting 12 months from now are 5 times larger than \$142M

## PROPOSED FY21 SERVICE CUTS:

### Bus Cuts

- End all service at midnight
- 5%-20% frequency reduction across all routes.
- Consolidate 14 routes:
- Shorten 5 routes
- Eliminate 25 bus routes

### Commuter Rail Cuts

- End all service at 9PM (10PM for Fairmount)
- No weekend service
- Frequency reduction on all lines
- Close 6 stations
- Shorter trainsets
- Close Needham layover facility

### Red, Orange, Green, Blue, Mattapan Cuts

- Stop all service at midnight
- Cease running Green Line E branch trains west of Brigham Circle
- 20% frequency reduction

### Ferry Elimination

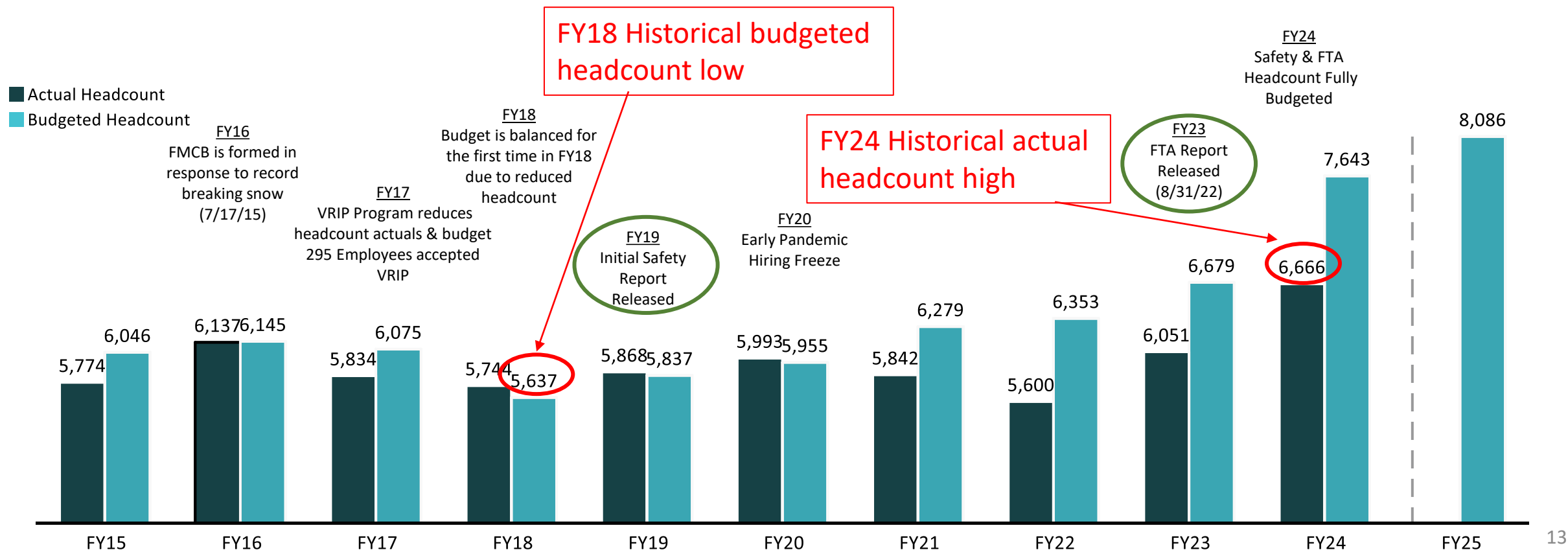
- End all ferry service

### Paratransit Cuts

- End service for some or all customers in 33 communities

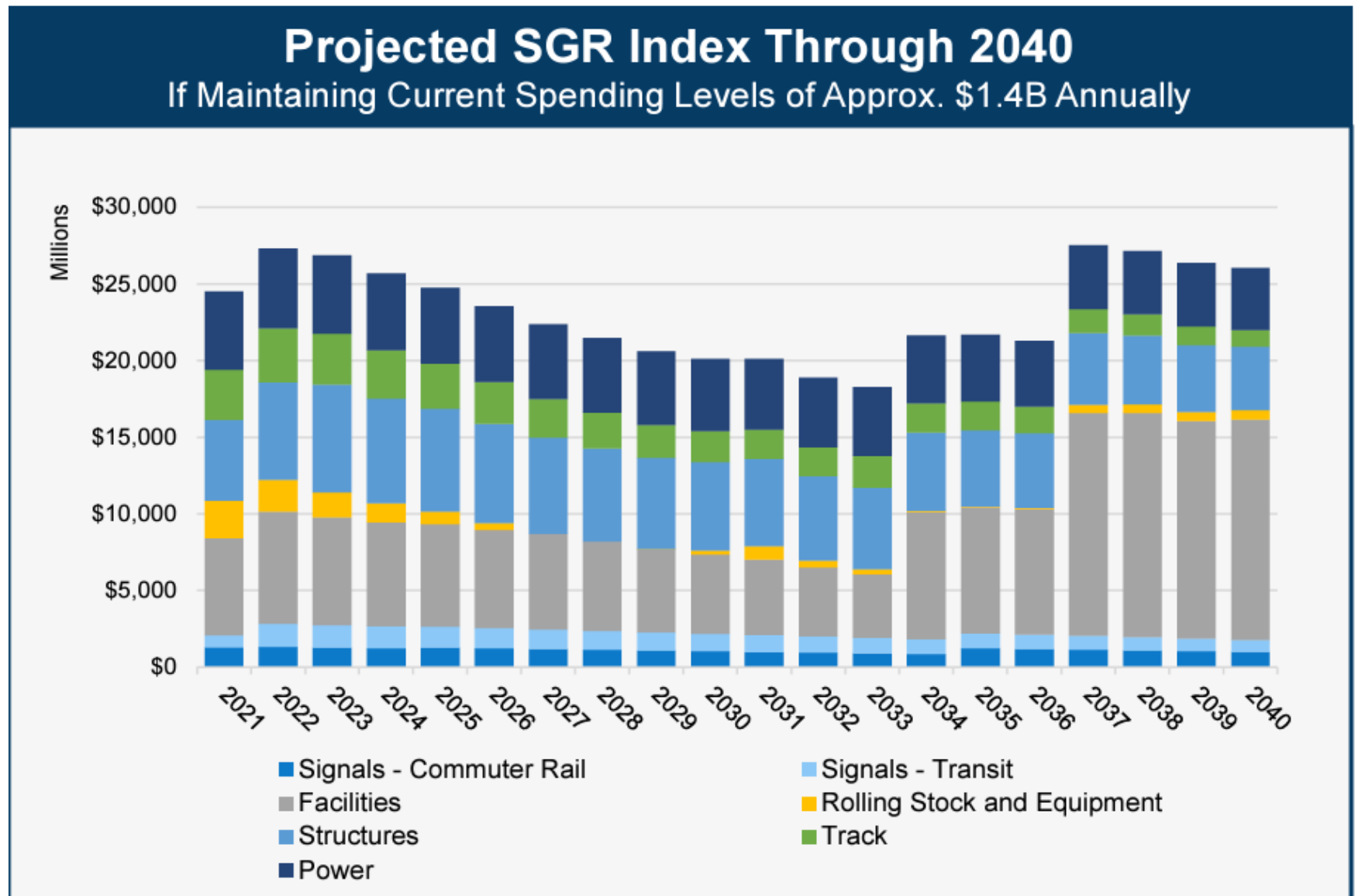
# Operating Headcount FY15-25

“MBTA’s staffing levels are not commensurate with the demand for human resources required to carry out current rail transit operations and maintenance in addition to expanding capital program activities.” Federal Transit Administration “Safety Management Inspection MBTA & DPI” August 31, 2022



# State of Good Repair Deficit

- SGR backlog is \$24B & growing
- Even \$2.0B/year does not reduce backlog
- Need is \$2.5B - \$3.5B/year



# Minimum Need Summary

OPERATING BUDGET		New \$ Millions			
Fiscal Year	FY25	FY26	FY27	FY28	FY29
Debt Relief	467	587	619	641	675
Total New Operating	467	587	619	641	675
CAPITAL BUDGET		New \$ Millions			
Fiscal Year	FY25	FY26	FY27	FY28	FY29
Total CIP at \$3.5B per year*	2,203	2,203	2,203	2,283	2,212
Total New Capital	2,203	2,203	2,203	2,283	2,212
GRAND TOTAL	2,670	2,790	2,822	2,924	2,887

\*Assuming capacity to spend

# Good News?

- Strong external political support
- History of legislative interventions
- Excellent internal leadership
- Dedicated sales tax
- Workforce & labor harmony
- Public backing





# Requirements for Solves\*

---

- Address structural deficit by tackling capital & operating budgets relationship
- Mitigate over reliance on any single subsidy source i.e. sales tax
- Support an MBTA that is consistently safe, reliable, punctual, frequent, cheap, and accessible
- Induce mode shift to reduce single occupancy vehicle trips

# Appendix

# Available New Funds FY25

GOV Budget		
Use	\$M	Source
Operating Assistance	314	CTF
Means tested fare	45	Fair Share
Subtotal	359	
Standard Add'l Assist	(187)	
<b>TOTAL New</b>	<b>172</b>	

Senate Budget		
Use	\$M	Source
Operating Assistance	314	CTF
Means tested fare	23	Fair Share
Ferries	8	Fair Share
CR Infrastructure	25	Fair Share
Subtotal	369	
Standard Add'l Assist	(187)	
<b>TOTAL New</b>	<b>182</b>	

House Budget		
Use	\$M	Source
Operating Assistance	315	CTF
Means tested fare	20	Fair Share
Ferries	5	Fair Share
FTA Safety	65	Fair Share
T Academy	40	Fair Share
Resilient Rides	35	Fair Share
Subtotal	480	
Standard Add'l Assist	(187)	
<b>TOTAL New</b>	<b>293</b>	

# Cautions

- Debt relief only solves for 5 years (at best); after FY30 additional operating funds are needed.
- Internal capacity to deliver increased CIP spending is unknown
- The external capacity of the vendor, labor, and management industries to deliver increased spending levels is unknown
- Additional analysis needed to better understand:
  - Relationship between increased spending and SGR backlog decline
  - Ridership, Climate, Congestion, etc. effects



THE MBTA  
ADVISORY BOARD

# SGR Deficit Effect

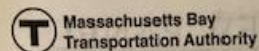
## MBTA Review



November 1, 2009

### AUTHORS/RESEARCHERS

David F. D'Alessandro  
Paul D. Romary  
Lisa J. Scannell  
Bryan Wolner



## Safety Review Panel



## Final Report

December 9, 2019

## SAFETY MANAGEMENT INSPECTION

Massachusetts Bay Transportation Authority  
Massachusetts Department of Public Utilities



U.S. Department of Transportation  
Federal Transit Administration

Final Report  
August 31, 2022

# Big Dig Transit Projects

- Lynn Sta/parking garage/bus terminal
- North Sta high platform/new tracks
- South Station bus terminal
- South Station track #12
- Extend Ipswich line to Newburyport
- Extend Old Colony line to Middleboro & Plymouth
- Extend Framingham line to Worcester
- 10,000 transit oriented parking spots
- Electric Silver Line to Seaport
- Blue Line platform lengthening
- Fairmount line new stations/ROW
- GLX to Medford Hillside & Union Sq.

“Since inception to the final amortization of Legacy & Central Artery Debt, the MBTA will pay \$8.03 billion in debt service (principal and interest)”

Source: “MBTA: A History of Funding” presentation to BOD 1/25/24