



transportation
land development
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About A Better City

Founded in 1989 as the Artery Business Committee, A Better City is a nonprofit association representing Greater Boston’s business and institutional community on transportation, land development and environmental sustainability. For more information, visit www.abettercity.org

About ABC TMA

Since 1996, A Better City’s Transportation Management Association has provided commuter services to over 80,000 employees of members businesses and buildings in the Back Bay and Financial District. ABC TMA is also actively involved in statewide commuter initiatives such as MassCommute. For more information, visit www.abctma.com



ABC's Policy Position in Brief

The MBTA has proposed two scenarios of fare hikes and service cuts to close its projected \$161 million budget deficit for the fiscal year beginning July 1, 2012. After reviewing both scenarios and consulting with our membership, A Better City (ABC) and the ABC Transportation Management Association (ABC TMA) have concluded that the Massachusetts economy cannot afford either scenario. Instead, we believe the T should seek to close part of its budget gap with a more reasonable fare hike and limited service cuts. The T should then work with MassDOT, Massport, the Patrick administration and the legislature to address the remaining budget shortfall for FY 2013, and to begin work on a long-term, comprehensive finance plan for the Commonwealth's entire transportation system.

ABC believes any solution to the T's current problem should include the following elements:

Smart Fare Policy. The T should adopt no greater than a 25% average fare increase. The T should also establish a policy of regular, smaller fare adjustments to establish predictability and minimize future ridership loss. The T should continue to provide discounts for students and seniors, but at no more than federally mandated levels. It should continue to offer The Ride paratransit but implement premium fares for service outside federally mandated corridors. Finally, the T should take aggressive action against fare evasion and adopt electronic fare collection and other fare collection improvements across the system.

Prudent Service Cuts. The T should not cut Commuter Rail service after 10pm and on weekends, nor should it cut weekend service on the E Branch of the Green Line or the Mattapan Trolley. Commuter boat service should be preserved, with a lower public subsidy and operated under the auspices of Massport. Due to the severe impact on riders, bus route service eliminations or reductions should be limited to the ten least efficient routes in the system. Going forward, the T should adopt more stringent and rational service planning criteria across all modes and commit to adjusting service accordingly.

Minimizing Impacts. The T should work closely with private employers, through its Corporate Pass program and through the state's Transportation Management Associations, to minimize ridership impacts and better serve those commuters who do lose bus service and have no transit alternatives. MassDOT should partner with MassCommute to institute a program to support expanded vanpooling and encourage other alternatives to driving alone.

Continued Reform. The T and MassDOT have already realized significant efficiencies and savings as a result of Forward Funding at the MBTA (2000) and Transportation Reform (2009). Extravagant employment benefits have been eliminated going forward, but there is room for more. The T's relationship with its unions must be addressed. The T should complete the task of shifting its entire workforce into the state's Group Insurance Commission. It must pursue strong management rights and reduce the role of arbitration in contract negotiations. It should continue to leverage its energy consumption to secure favorable rates. Opportunities to partner with the private sector on fuel purchasing, real estate development and the upcoming Commuter Rail contract should be pursued aggressively.

One Transportation System. Most importantly, the T cannot be expected to close its FY 2013 budget gap alone. The administration and legislature should work with MassDOT to allow for more flexibility in allocating its own resources, including registry fees, surplus snow and ice removal funds and other transportation revenues. Massport should also be asked to participate in funding and managing transit that benefits their assets, by assuming control of water transport and contributing, through an assessment, towards the operations of the Blue Line, Silver Line and other T services that directly serve Logan Airport.

The Massachusetts economy cannot afford either proposed scenario of fare hikes and service cuts. The T cannot be expected to close its budget gap alone.

Even after these measures are taken, there is likely to be a gap in the T's annual budget. ABC calls on the MBTA, MassDOT, the Patrick administration and the legislature to begin discussions now to quantify and address any remaining shortfall in the T's FY 2013 budget. Options include tapping into the state's "rainy day" fund or using the Commonwealth's bond cap to make a one-time payment on a portion of the T's legacy debt, which will decrease a portion of the T's debt service payments.

Ultimately, however, the crisis at the T is a symptom of a deeper problem with transportation finance statewide. We therefore call on Governor Patrick to appoint a task force, comprising the secretaries of transportation and administration and finance, the chairs of the Transportation and Way and Means Committees, and a representative from the governor's office, to develop a comprehensive transportation finance plan for the Commonwealth, to be acted upon early in the next legislative session in 2013.

How We Got Here

If there is any silver lining to the T's current financial crisis, it is that it has helped to educate the public about the structural deficits facing the authority. In fact, "Big Dig Debt" has become a regular talking point for those who have attended the public hearings over the T's two proposed scenarios.

Forward Funding: Best of Intentions, Unintended Consequences

The root causes of the current crisis date back to 2000. Before then, the MBTA was funded in arrears by the Commonwealth; the T provided service and submitted a bill to the legislature for its expenses. This arrangement left little incentive for the authority to be operated in the most cost-effective manner. In 2000, the legislature and the Cellucci administration set out to impose greater fiscal discipline and make the T live within its means by shifting the authority to "Forward Funding." The T would receive one-fifth of the state's sales tax revenue and issue its own debt, but in return would have to balance its budget.

Forward Funding was intended to make the T self-sufficient. Unfortunately, flaws in three key assumptions surrounding the plan have resulted in the opposite outcome:

Underperforming Sale Tax. During the 1990s, state sales tax revenues were growing at a rate of 6.5% per year. The Forward Funding plan assumed that these revenues would continue to grow by at least 3% per year. Instead, growth from 2001 to 2009 averaged just 1% a year. Thanks to fare hikes in 2001 and 2007, the T has actually managed to outperform projections for the revenues under its control, but not enough to make up the gap in sales tax funding.

Growing Expenses. The Forward Funding legislation called for the T to reduce its operating expenses by 2% annually. Instead, expenses actually increased by 5% each year through FY 2008. A 2009 report on the T's finances, authored by former John Hancock executive David D'Alessandro, identified four main drivers of these higher costs: fuel and energy costs, payroll and benefits, The Ride paratransit service, and Commuter Rail, which is operated by a private concession under a contract with the T. Some of these costs could have and should have been better managed and controlled by the T. But others were bound to increase and were out of the control of MBTA management. For example, the Forward Funding plan made no allowance for an increase in health care expenses for T employees.

Forward Funding was supposed to put the T on solid financial footing. Instead, it has brought the authority to its knees.

Crushing Debt Load. As part of Forward Funding, the Commonwealth transferred \$3.6 billion in debt to the T, \$1.7 billion of which was for transit projects associated with the Central Artery/Tunnel project. Since then, the T has borrowed another \$2 billion to fund other capital projects. It now owes a total of \$5.2 billion

in principal debt, over \$8.6 billion with interest. This total debt burden makes the T the most indebted transit authority in America. Nearly 30 cents of every dollar the T spends goes to pay debt service. Virtually every dollar the authority collects in fares goes back out the door to pay debt.

Because of these three factors, the Forward Funding plan that was intended to put the T on solid financial footing has instead brought the authority to its knees. Throughout the 2000s, the T has managed to balance its budget by selling off real estate assets and refinancing and restructuring its debt, pushing the problem out into the future. In 2009, as part of Transportation Reform legislation, the T received an additional \$160 annually, funded by an increase in the sales tax, but even that infusion has not been enough. To balance its budget for the current fiscal year, the T resorted to issuing bonds backed by future revenues from its parking facilities, and by counting on the monies from the sale or lease of the parking garage underneath North Station.

To its credit, the T is not pursuing debt tricks to tackle its \$161 million deficit for FY 2013. Instead, it is proposing two packages of substantial fare hikes and deep service cuts. But despite their severity, neither one of these scenarios is more than a one-year fix; no matter which is implemented, the T will be facing a \$40 million deficit in FY 2014, and a nearly \$200 million deficit the year after. These deficit projections are driven largely by the cost of servicing the T's debt.

Most importantly, as a result of its financial challenges, the T has had to put off critical maintenance of its aging system. The price tag for projects needed just to keep the system in a state of good repair is over \$3 billion and growing. Deferring needed work has only added to the price tag. For example, it will cost the T \$1 billion to replace aging cars on the Red and Orange Lines, and another \$100 million to make emergency repairs to the existing fleet so that it will survive until replacements arrive.

The T needs help now, but we as a state also need to ask, what kind of transportation system do we need, and how are we going to pay for it?

Transportation Finance: A Statewide Crisis

The crisis facing the T is a microcosm of the crisis facing transportation throughout the Commonwealth. Statewide, across all modes, transportation is plagued by a longstanding pattern of underinvestment and overreliance on debt. The MBTA is one of 16 Regional Transit Authorities (RTAs) statewide. Fortunately, these other RTAs are not as indebted as the T is. But they have had to raise fares to meet expenses, while offering levels of service far lower than their ridership demands and far lower than that offered by the MBTA. The RTAs face a cumulative state-of-good-repair backlog totaling \$150 million.

The Patrick administration should be commended for increasing spending to repair roads and bridges. But it is important to note that most of that funding comes from temporary sources, like the federal stimulus, or from bonds or grant anticipation notes as in the case of the innovative and successful Accelerated Bridge Program. Infrastructure projects are an excellent use of long-term financing, but unless adequate new revenues are identified to pay the debt, the costs of borrowing today will simply take away from the funds needed to operate and repair the system tomorrow. Right now MassDOT is funding \$145 million of its operating salaries from its capital account – using borrowed money, in essence, to mow the grass on highway medians. Today, 45 cents of every dollar spent on transportation in the Commonwealth goes to paying off debt.

The Transportation Reform legislation passed in 2009 consolidated the state's transportation agencies as MassDOT. Since then, the new DOT has realized some \$130 million in savings from efficiencies. The T alone expects to save \$30 million once all its employees are shifted into the state's Group Insurance Commission. This is good progress towards establishing more efficient operations and must continue. But no amount of cost cutting and reform will make up the difference between what we are spending today and what we

should be spending to maintain and grow our transportation system. MassDOT estimates that gap to be nearly \$1.4 billion this year alone – more than \$20 billion over the next 20 years.

The MBTA's troubles, then, are just the tip of the iceberg. The T, with MassDOT and administration, needs help to address its immediate shortfall, but eventually the Commonwealth will have to deal with two fundamental questions: what kind of transportation system do we need to support a healthy economy, and how are we going to pay for it?

Further Reading

If the T had a dollar for every report or article that's been written on its finances... it would still be in serious trouble. But there's still a wealth of information on the topic.

Visit ABC's blog (www.abettercity.org/blog) for the latest on the T.

Born Broke, MBTA Advisory Board, April 2009.

MBTA Review, David D'Alessandro et. al., November 2009.

Blue-Ribbon Summit on Financing the Massachusetts Bay Transportation Authority and Regional Transit Authorities, Dukakis Center at Northeastern University, November 2010.

"Is the T Safe to Ride?" *Boston Magazine*, February 2011.

Fixing Transit Finance: A Framework for Discussion, A Better City, April 2011.

Maxed Out, Transportation for Massachusetts, October 2011.

"How T Entered a Tunnel of Debt," *The Boston Globe*, February 5, 2012.

Assessing the Impacts: Why We Cannot Accept the T's Proposals

The T has put forward two scenarios of fare hikes and service cuts to address its \$161 million budget deficit. Scenario 1 would raise fares 43%, on average, and cut the least efficient bus routes in the system. Scenario 2 would raise fares 35% but make far more drastic service cuts: 101 weekday bus routes, 60 on the weekends. Both scenarios would eliminate Commuter Rail service after 10pm and on the weekends, weekend service on the Mattapan Trolley and the E Branch of the Green Line, all water transport, and private-carrier suburban bus service. Both would maintain The Ride paratransit service but establish premium pricing outside of the federally mandated coverage area. Both would reduce discounts for seniors and students and make other fare policy changes, with an eye towards collecting more revenue.

In assessing the T's proposals, A Better City carefully reviewed the Impact Analysis conducted by the state's Central Transportation Planning Staff (CTPS). We have also engaged our member businesses through a series of industry-based focus groups, and we polled members of our Transportation Management Association, which provides commuter services to businesses with 80,000 employees in the Back Bay and Financial District. Based on this research and outreach, we have concluded neither of the T's proposed scenarios is viable from an economic and mobility perspective. What is needed is a third scenario involving some short-term outside assistance for the MBTA.

Workforce Access and Mobility

Every work day, the population of the City of Boston doubles, as workers from the surrounding metropolitan area commute into their jobs. Fifty-five percent of those work trips (45% of all trips) involve the MBTA system. Seventy percent of the Commonwealth's residents live within the T's service area. At its core, the T system is about getting commuters to and from their jobs.

Across all sectors, ABC member businesses told us they are concerned about the impact that fare hikes and service cuts would have on their employees' ability to get to work. Some of our members in the hospitality industry noted that the T's current service hours are not adequate for employees working odd shifts. Indeed, it is not uncommon for employers in this industry to ask prospective employees how they intend to get to work early or late. The viability of T service, then, has a direct impact on the size of this industry's job shed, and particularly on the job prospects of low-skilled workers competing for those positions.

At its core, the T is about getting commuters to and from their jobs. 55% of work trips into Boston involve the MBTA system.

The health care industry operates 24 hours a day, 7 days a week, and the hospitals of the Longwood Medical Area would be particularly impacted by the proposed service cuts to the Green Line E Branch and the Commuter Rail. These cuts would impact the ability not only of doctors, nurses and support staff to get to their jobs, but also of patients to make their appointments. These concerns were echoed by our members in the financial and legal services industries. Increasingly, firms in these fields are operating outside normal business hours, and they were worried about the impact of evening and weekend service cuts on their employees' ability to get to and from work. These businesses have also deployed flexible scheduling and staggered shifts to best utilize their real estate and cope with our already-congested transportation network. For these firms, the concept of a "rush hour" is becoming antiquated.

Spotlight on the LMA

The Longwood Medical Area (LMA) is one of the focal points of Boston's health care and life sciences sectors. It is also extremely congested and currently underserved by transit. Proposed cuts to the CT3 and the number 60 bus lines, as well as to Commuter Rail and Green Line E Branch service, would make matters worse.

Our colleagues at MASCO, which provides transportation services to the hospitals and academic institutions in the Longwood Medical Area, have a wealth of data about the commuting habits and preferences of their member employees. This year, MASCO member institutions will purchase \$19 million worth of T passes on behalf of their employees. MASCO also spends approximately \$8 million to operate shuttle service between the LMA and transit stations and satellite parking lots.

Given the level of traffic congestion in the LMA, MASCO has made a concerted effort to encourage transit ridership, with great success. Since 2000, the share of LMA commuters using transit jumped from 39% to 47%; the percentage of commuters who drove alone declined from 47% to 34%. Unfortunately, that progress might be undone by the T's fare hikes and service cuts. Fully 43% of MASCO member employees surveyed said they would switch from the T to driving if the T went forward with either of its two scenarios of fare hikes and service cuts.

Workers in Greater Boston’s life science clusters at Kendall Square and the South Boston Waterfront rely on the T to foster connectivity with the city’s research universities and hospitals. The high “bump rate” – the chance of researchers and knowledge workers coming into contact with one another – is one of our area’s major competitive advantages in the innovation economy. The compact geography that facilitates those connections also necessitates a strong public transportation network.

We heard from some of our members that the proposed service cuts were forcing some of their employees to make very tough decisions. “One longtime assistant in our office told me that she would likely take an early retirement because her bus was being cut,” said Doug McGarrah, a partner at Foley Hoag, LLP. For her, like the hospitality workers mentioned above, access to public transportation is the deciding factor between working or not.

T Pass Subsidies

According to feedback from our TMA members, fare hikes on the T will impact not only individual commuters but many employers as well. Nearly 90% of respondents to a web survey of our TMA members reported that they provide T passes for their employees, mostly through the T’s Corporate Pass program. Just over half of responding companies allow employees to purchase their passes with pre-tax dollars, and another third also provide a subsidy, ranging from 35% to 75%. Just counting the companies responding to the question, ABC TMA members purchase over \$35 million worth of T passes and provide a subsidy of nearly \$10 million annually. For these companies, the proposed fare increases will have a direct impact on their bottom lines.

It’s important to recognize that T pass subsidies are only one way by which companies help pay for their employees’ transportation. Many major employers own and operate their own shuttle services, and many more contribute to shuttles run by TMAs, like the shuttle run by the Charles River TMA between Kendall Square and North Station. Parking and shuttle services are a significant cost for the hospitals and academic institutions of the Longwood Medical Area. The Massachusetts Convention Center Authority reports that some major events at their Boston facilities pay upwards of \$1 million in private transportation costs to shuttle attendees between the convention space and hotels throughout the city. Any discussion about businesses or institutions making a structured contribution to support transit must take into account the amount already being spent on these and other transportation services.

The proposed fare hike will impact not only individual commuters, but employers that subsidize T passes for their workers.

A Double Whammy for Commuters

The T’s proposed fare hikes are coming on the heels of a major reduction in the federal fringe benefit for transit, which dropped from \$230 per month to \$125 at the beginning of this year. The ABC TMA is working with other advocates to lobby Congress to bring the transit benefit back in line with the \$240/month allowance for parking expenses, but the current reduction limits the ability of employers to help employees shoulder the burden of the more expensive MBTA Commuter Rail passes.

Traffic Impacts

Across the board, employers were also concerned about the effect that changes at the T would have on the employees who drive their commutes. According to the CTPS Impact Analysis, the T’s Scenario 1 would generate 430,000 additional vehicle miles traveled every day; Scenario 2, with its deeper cuts, would result

in 630,000 more miles driven. These figures translate to 55,000 and 92,000 more cars on the road daily, respectively. As the Metropolitan Area Planning Council succinctly put it, “That means more congestion, lost productivity for workers sitting in traffic, less time spent with families, and reduced access to jobs.”

According to the Texas Transportation Institute, if there were no public transportation in the Boston area, the additional traffic congestion would cost the regional economy \$663 million annually. Based on this estimate, if one-tenth of the T’s current ridership elect to abandon the T and drive their commutes – a reasonable guess, given that the T is projecting ridership losses of 9% and 16%, depending on the scenario – the additional congestion could cost Massachusetts \$66 million a year.

Parking Impacts

A frequent concern we heard in our focus group meetings had to do with the availability of parking, which is already scarce in Boston. ABC members located in the South Boston Waterfront were particularly concerned that changes at the T would increase demand for parking at a time when large lots currently used by commuters to the Waterfront and to the Financial District are slated to be developed over the next decade.

If one-tenth of T riders abandon the system for their cars, the additional congestion could cost the Massachusetts economy \$66 million a year.

South Boston, East Boston and Downtown are all subject to Parking Freezes. The City of Cambridge also enforces a Parking and Transportation Demand Management ordinance. These policies, implemented to curb air pollution, have made both cities heavily reliant on transit to support future economic growth. On this issue, local policy and the proposed cuts at the T seem to be moving in opposite directions.

For large institutions, increased demand for parking is at odds with their plans to expand. UMass Boston is a commuter school with a 45% transit share. It’s attempting to increase that number to 60% so that it can utilize its surface parking lots for staging construction of new campus buildings. Boston University, which purchases \$2.1 million in T passes for faculty, staff and students, and spends \$1.6 million operating its shuttle service, is also planning to reduce its parking spaces in order to make room for new construction. T fare hikes and service cuts will make it harder for both these institutions to grow as they have planned to.

Real Estate Impacts

Since its founding as the Artery Business Committee, ABC has understood the connection between transportation infrastructure and real estate development. Developers are asked to account for the transportation impacts of their projects as part of planning and permitting processes. From the Vertex headquarters in the South Boston Waterfront to the tower that will finally fill the Filene’s site at Downtown Crossing to the myriad other new residential projects that have recently been approved by the Boston Redevelopment Authority, real estate development in Boston depends on a viable public transportation.

A lack of affordable housing is one of the key drivers of the high cost of living in Greater Boston. A 2010 report by the Urban Land Institute found that Greater Boston residents spend an average of 54% of their household income on housing and transportation, far higher than the national average. Building more residential units will bring down the price of housing, and building them at higher densities near transit will enable residents to do without the costs of car ownership. Increasingly, both young professionals and older “empty nesters” are opting to trade their yards – and their automobiles – for the convenience and vitality of living in an urban environment. Urban living is more energy efficient, and encouraging such development patterns is consistent with the state’s goals of reducing greenhouse gas emissions.

Raising fares and cutting service on the T weakens the foundation on which these promising new development patterns are being built. “The T is absolutely essential to real estate development, not only

in downtown Boston but also in other communities like Quincy,” says former ABC chair and real estate developer Robert Beal. “We can’t plan transit-oriented development if the future of our transit system is in doubt.”

Our members in the architectural and real estate development community report that many of the new multifamily residential developments in Boston are being planned with parking ratios as low as 0.5 spaces per unit, down from 1.5 spaces per units during the 1990s. The T is absolutely essential to make these developments viable.

“We built our Carruth project at Ashmont Station with far fewer parking spaces than most traditional developments, and it’s worked out quite well,” said ABC member Jim Keefe of Trinity Financial, which specializes in transit-oriented development. “People are choosing to live in the cities without cars. If we begin to cut transit, like the Mattapan Trolley, we are changing the deal for these residents.”

The impacts extend to projects outside of Boston, as well. Commuter Rail provides a vital link between Boston and the Commonwealth’s “gateway cities”. For a city like Lowell, which is considering reviving its downtown trolley service to enhance economic activity, the Commuter Rail provides important mobility for residents who want to live in an urban environment outside Boston but still access the capital city as commuters or on weekends. Hingham has recently built residential housing in its shipyard, near the MBTA ferry terminal. Discontinuing water transport altogether would significantly undercut the fundamental assumption underlying that development.

Tourism & Cultural Impacts

Boston’s sports teams and museums make it the cultural capital not only of Massachusetts but of all New England. Eliminating E Line service on weekends would adversely impact Symphony Hall, the Museum of Fine Arts, and the Isabella Stewart Gardner Museum. The proposed cuts to evening and weekend Commuter Rail service would have a significant impact on fans’ and patrons’ ability to get into and out of the city for games, concerts and other cultural events. Parking for Red Sox games is already challenging and expensive. If fans who currently take the Commuter Rail are forced to drive, it will only get worse. Similarly, cutting nighttime Commuter Rail service will force more fans to drive to Celtics and Bruins games, directly impacting the parking available at nearby Massachusetts General Hospital.

New England Aquarium president Bud Ris is worried about the impact of fare hikes and service cuts on his staff of 300 (50% of whom rely on transit) and the Aquarium’s 700 volunteers. Ris is also concerned about the impact those measures will have on parking rates near the museum.

“We know from many surveys over the years that the single biggest challenge our visitors face in getting to and from the Aquarium is the high cost of parking. If MBTA service is curtailed, the demand for parking in the City of Boston will only increase, driving up parking rates even more.” The Aquarium also recently opened a new aquatic facility in Quincy, near the MBTA ferry service. “Discontinuance of the MBTA’s water transportation options in Boston would have a significantly negative impact on this operation.”

“The T is absolutely essential to real estate development. We can’t plan Transit Oriented Development if the future of our transit system is in doubt.”

Robert Beal, The Beal Companies

“If MBTA service is curtailed, the demand for parking in the City of Boston will only increase, driving up parking rates even more.”

Bud Ris, New England Aquarium

Shifting Social Costs

One point that our members in the health care industry stressed to us was that transit service cuts will have an impact not only on institutions and employees, but also on their patients. Partners HealthCare operates Neighborhood Health Centers in some of the poorest parts of metro-Boston: East Boston, Chelsea, Revere, Jamaica Plain. Those centers report that 42-50% of their patients have no access to transportation other than the T. The Boston Medical Center also serves a highly transit-dependent population.

Neighborhood clinics are a vital link in the health care delivery chain, providing preventive care that can catch health problems early and promote healthy lifestyles, saving the entire system the costs of emergency room visits and chronic diseases. These sorts of interventions will play an increasingly important role as the Commonwealth shifts to a “global payment” insurance system, which gives health care providers a set amount per patient. Reducing transit has its own health impacts, adding to air pollution and cutting off access to healthy food options. Perversely, cutting the T to save money on transportation may actually cost the Commonwealth more in health care costs in the long run.

ABC’s Policy Recommendations

Based on feedback from our members and the impacts projected by the T’s own research, A Better City believes that the Massachusetts economy cannot afford to implement either proposed scenario of fare hikes and service cuts. Instead, the T should implement a more modest package of hikes and cuts and seek help from elsewhere in our transportation system – and from the Patrick administration and the legislature – to close the remaining gap in its FY 2013 budget. Our elected officials need to intervene, first to address the T’s current shortfall, and then to advance the conversation about paying for transportation statewide.

A Smart Fare Policy

A 25% Fare Hike. ABC joins the MBTA Advisory Board and the MassDOT Transportation Advisory Committee (TAC), of which ABC is a member, in recommending that the T implement no greater than a 25% fare hike across the system, excluding water transport. Fares have not been raised in 5 years, and a 25% increase would bring T fares more in line with those of other systems across the country. A 25% fare hike is also consistent with the previous two fare hikes, in 2001 and 2007. At the time of those hikes, the T saw ridership dip slightly, possibly because of larger economic conditions, but then rebound. The T estimates that a 25% increase would raise \$79 million net of a 7.2% drop in ridership; in other words, it would fill about half of the current budget gap.

Such a fare increase would also bring the T closer to the goal, set by the state’s Transportation Finance Commission in 2007, of having its own revenues – generated by fares, advertising, real estate and other sources – cover half the cost of providing service. It is true that a larger fare increase would bring the T closer to that goal, but given the economic impacts of two larger hikes proposed, we feel 25% is the most T riders should be asked to bear at this point – especially since, as the T itself notes, anything we do now is a one-year solution at best.

The T must adopt a policy of smaller, regularly scheduled fare increases, as is done in Los Angeles, San Francisco, Oakland, Denver and Portland.

Water Transport Fares. The one exception to the 25% fare increase would be to reduce the subsidy for water transport. Feedback from ferry riders suggests that most choose to ride the ferry over driving or taking the Commuter Rail. They should have the option to continue to do so, but they should pay a higher percentage of the actual cost of the service, compared to other modes.

It is important to note, however, that not all ferry communities are equally accessible. Communities like Hull would be geographically isolated without affordable ferry service. If fares on the ferries go up, care should be taken to preserve parallel services, and fare pricing should take into account whether transit alternatives are available.

Smaller, Regularly Scheduled Fare Hikes. ABC also endorses the idea, supported by other transit experts, that the T must adopt a policy of smaller, regularly scheduled fare adjustments, perhaps every two years. Keeping fare increases below 10% would avoid triggering full public hearings. It would also help the T communicate the true percentage of the cost of service being borne by the riders. Other systems around the country, including Los Angeles, San Francisco, Oakland, Denver and Portland have all adopted some sort of policy of regularly scheduled fare increases, all in increments of less than 10%. Of these, San Francisco, Denver and Portland reference the Consumer Price Index for their regions and targeted revenue recovery ratios; Los Angeles balances the expenses of the system versus what it thinks riders can afford to pay.

Encourage Monthly Pass Use. Nearly 65% of MBTA customers utilize monthly passes, far higher than the average for other major transit systems in the country. Monthly passes are a reliable revenue stream for the T and encourage use of the system at off-peak times. The T should encourage the adoption of monthly passes by making them a better value relative to the individual fare.

The economic and mobility impacts of the proposed Commuter Rail, Ferry and Trolley Cuts outweigh the savings generated by them.

Other Fare Policies. We support the T's proposal to increase student and senior fares to the federal maximum of 50% of the base fare. We also support proposals to increase fares more for CharlieTicket holders, to encourage adoption of the CharlieCard, to establish a \$10 minimum cash upload at bus and trolley fareboxes, to reduce the validity of Commuter Rail tickets to 14 days from 180 days, and to eliminate the 12-Ride Commuter Rail ticket. We would further encourage the T to pursue electronic fare collection on Commuter Rail and at parking facilities. These measures would enhance revenue collection, improve customer service and combat the perception among some of the public that not all T riders are paying their fair share. Finally, we support the creation of a premium service zone for The Ride paratransit service outside of the federally mandated corridor, with fares in line with those outlined in the T's Scenario 2.

Prudent Service Cuts

Maintain Commuter Rail, Ferry and Trolley Service. ABC does not support the T's proposals to eliminate Commuter Rail service after 10pm and on weekends, to eliminate water transport, and to eliminate weekend service on the E Branch of the Green Line and the Mattapan Trolley. The adverse economic and mobility impacts of these cuts would outweigh the cost savings generated by them.

Eliminate the 10 Worst Bus Lines. ABC also rejects the large-scale bus service cuts proposed by the T under both scenarios. Instead, the T should refer to its service planning and eliminate the 10 least efficient bus lines, as measured by subsidy per passenger, with the goal of saving \$3 million.

Effective Service Planning Going Forward. ABC supports the policy recommendation of the MassDOT TAC that the T enhance its service planning activities for all modes of travel and commit to make service adjustments – cuts, but also enhancements – as warranted by the data. Service planning should be conducted in concert with the regularly scheduled fare increases referenced above.

Minimizing Impacts

Even with a smaller fare increase and limited service cuts, T riders will be feeling the pain of these proposals. A small portion of riders will see their service eliminated, and some ridership loss is inevitable. Given the level of congestion we are already experiencing on our roadways, MassDOT must consider enhancing the state's Transportation Demand Management services in order to minimize added traffic and delay.

The MBTA and MassDOT should work closely with the business community to help to mitigate the impact of fare hikes and service cuts on commuters. The T should encourage increased use of its Corporate Pass program, with a particular emphasis on converting current users of Commuter Rail 12-Ride tickets. MassDOT should also strengthen coordination between the T and the state's Transportation Management Associations (TMAs), which provide incentive programs, carpooling, vanpooling, ride-matching and guaranteed rides home for member employees. In other parts of the country, TMAs have worked actively with state DOTs to identify and target areas that have lost transit service, and to encourage residents to walk, bike, carpool and vanpool. Real-time data applications like the ones the T has successfully supported for transit now exist to connect commuters to carpool and vanpool opportunities. MassDOT should work with the TMAs through MassCommute to promote these opportunities for alternative transportation.

The T should work with the private sector to minimize ridership loss and lessen the impacts on commuters.

MassDOT, in conjunction with MassCommute, should also establish a Capital Cost of Contracting Program for vanpools. This would enable the state to receive reimbursements from the National Transit Database for vanpool mileage. Similar programs in other states have helped to cut vanpooling costs by up to half and have encouraged dramatic increases in ridership.

Continuing Transportation Reform

If the Commonwealth is to contemplate committing additional resources to help the T, it is essential that those resources be used to maintain and operate the system. Unfortunately, recent newspaper reports regarding arbitration decisions leading to the reinstatement of T employees who had been fired for disciplinary reasons undermine the public's confidence in the use of their fares and tax subsidies.

It is important to note, first, what the T has managed to accomplish in terms of reform and cost savings. The \$161 million deficit currently facing the T was originally \$185 million before the T found cost savings to address part of the gap. The authority has reduced its headcount by nearly 700 employees since 1994, while increasing the level of service provided. As of FY 2011, over 90% of T workers are employed in an operational capacity. The T has moved to single operators on the Blue Line and Orange Line and is planning to do the same on the Red Line.

Transportation Reform legislation increased the minimum age and years served before employees are eligible for pensions, although only for new hires. That law also allowed the T to transfer its employees into the state's Group Insurance Commission (GIC), which it has managed to do with all its nonunion employees and some of its unionized employees. The authority expects to save \$31 million when all of its employees are in the GIC.

Another reform of sorts is the T's decision not to pursue any further refinancing or restructuring of its debt to close this year's deficit. This may be because there are no savings left to be had in that strategy, but moving away from debt games and addressing this year's deficit head on is a positive step towards addressing the structural problems at the core of the T's financial troubles.

Despite this progress, there is still room for improvement:

Contract and Legal Issues. The T has done a good job negotiating its latest round of collective bargaining agreements, winning pay freezes and increased employee contributions to health care. But the T's largest union, the Carmen's Local 589, is working without a contract. If the administration and legislature are to extend outside help for the T, they should consider empowering the T to address this and other negotiation and arbitration issues so that any additional revenues are used primarily to provide service and address the state of good repair, instead of funding salary and benefit increases. The T must actively protect and strengthen its management rights in future contracts so that it can make efficient use of its personnel. The legislature should also extend the full statutory protections from tort claims, enjoyed by other governmental entities, to the MBTA, so as to minimize the cost of legal settlements against the authority.

Energy Prices. The T has done a good job of hedging against diesel fuel prices and using tax credits to pay for compressed natural gas (CNG) for the Silver Line and other buses. It should continue to leverage its position as the largest consumer of electricity in the Commonwealth to secure favorable rates going forward. It should also consider opportunities to partner with the private sector, such as sharing its purchasing power to procure fuel for ferry operations and exploring opening its CNG refueling stations to private fleets in order to generate revenue.

The Ride. Multiple reports have identified the federally mandated The Ride paratransit service as a "budget buster" for the T. Governor Patrick has convened a commission to study paratransit statewide, and in February 2012 the state Inspector General issued a report comparing The Ride to paratransit service provided through the state's Human Service Transportation (HST) Office. According to that report, The Ride could save \$60 million a year by adopting the business model and service policies of the HST. Pending the results of the Governor's commission, it seems that the Inspector General has identified an alternative model for paratransit that warrants consideration. The Commonwealth should explore consolidating paratransit services statewide under the most efficient business and service criteria possible.

Commuter Rail. The current concession agreement for operating the Commuter Rail system, currently held by the Massachusetts Bay Commuter Rail Company, expires at the end of June 2013. The T should use this opportunity to pursue a longer-term contract that brings private capital to the table while revising incentives and penalties to improve performance and accountability. For more on this issue, see ABC's November 2011 white paper, *On the Right Track? The Future of Commuter Rail in Massachusetts*.

MBTA Advisory Board Proposals. ABC endorses the MBTA Advisory Board's proposal to merge the MBTA Transit Police with the State Police and to transfer the cost of that operation off the T's books. It is important to note, however, that MassDOT itself pays for a substantial portion of the State Police budget; this arrangement should also be reviewed in light of MassDOT's own budget shortfall. We also endorse the idea of shifting the cost of MBTA bus routes serving the Long Island homeless shelter and Shattuck Hospital to another state authority. These are common-sense changes that will allow the T to dedicate its resources to its core mission of providing public mass transportation.

Existing Institutional Support for Transit

One area where ABC differs from our colleagues at the MBTA Advisory Board is the issue of asking institutional beneficiaries of MBTA service to contribute to the system. As we noted above, hospitals and universities already contribute to the MBTA system by subsidizing employee travel through the Corporate Pass program, to the tune of at least \$10 million. These institutions also operate parking and shuttle services to fill gaps in transit service which impact their employees.

It may be appropriate to engage these institutions in a conversation about voluntary, structured engagement as part of a longer-term finance plan, but given the time pressures facing the T and disinclination on Beacon Hill towards any new revenues in the form of taxes or fees this year, we feel it would be fairer and more expedient to pursue other options to close the immediate shortfall.

One Transportation System

The policy recommendations above do not close the T's entire \$161 million deficit. Given political realities, ABC is not recommending that the Commonwealth pursue new revenues to close the remaining gap for this year. Instead, the T must work with MassDOT, the Patrick administration and the legislature to shift costs and revenues among transportation agencies and within the rest of the state's budget to cover the gap.

Massport. ABC agrees with the MBTA Advisory Board that Massport must make a larger contribution to the cost of MBTA service benefiting its assets. Specifically, Massport should be asked to pay an assessment, as do the cities and towns that receive MBTA service, towards the cost of Silver Line and Blue Line service to Logan Airport, and some portion of Red Line service to South Station. Further, revenues from Silver Line passengers boarding at Logan should be directed to the T, not Massport as they are presently. Massport and MassDOT should work to ensure that whatever arrangement they arrive at is consistent with FAA regulations regarding the use of airport revenues for ground access transportation, but there is precedent: the Minneapolis-St. Paul airport has successfully used airport revenues to support the Hiawatha Light Rail serving the airport.

In addition, we agree with the MBTA Advisory Board that Massport should take over water transport from the MBTA and, as a long-term action, consider purchasing the real estate and other assets associated with that service, as well as MBTA-owned real estate in the South Boston Waterfront near Massport's Conley Terminal. According to the Advisory Board, these measures would generate over \$30 million for the T. Water transportation must remain part of Greater Boston's transit mix, but Massport is better positioned than the T, both financially and in terms of its maritime and real estate expertise, to operate that service and leverage it for economic development.

Other MassDOT Revenues. The promise of Transportation Reform was to create one multi-modal transportation department that could better coordinate state transportation policy. Even though MassDOT is facing a deficit in its own operating budget, there may be opportunities to give MassDOT more flexibility to use nontransit revenues to support the MBTA. Governor Patrick has recently signaled a willingness to use snow and ice removal monies left over after this warm winter to help the T. Secretary Davey has also mentioned the use of fees collected by the Registry of Motor Vehicles to support transit. There is precedent for this idea in New York City, which uses fees charged on driver's licenses and learner's permits to help pay for the MTA.

Non-Transportation Revenues. Ultimately, after MassDOT and Massport have done what they can with their own resources, it is likely that some gap will remain in the T's budget. It is possible that gap could be as large as \$45-50 million. It is imperative that MBTA and MassDOT officials begin discussions now with the Patrick administration and the House and Senate leadership to quantify and address any projected shortfall.

Stabilization Fund. The most expedient option would be to close the gap using revenues from the state's Stabilization Fund, commonly referred to as the "rainy day fund". Under the Governor's proposed budget, expected revenues could push the fund's balance over \$1 billion this coming fiscal year. Using \$50 million of \$1 billion to preserve transit service that is vital to the Massachusetts economy seems eminently reasonable. Unfortunately, Secretary of Administration and Finance Jay Gonzalez has said recently that he does not support using the rainy day fund to help the T. Given the economic impacts of the T's two proposed scenarios, we urge him to reconsider his position. If protecting Massachusetts commuters from unprecedented fare hikes and service cuts is not an appropriate use of rainy day funds, then what is?

Debt Relief. As has been seized upon by many commenters at the public meetings regarding the T's fare and service proposals, the debt load of the MBTA is a major portion of the structural problem facing the authority. The annual debt service payments on just the \$1.7 billion of this debt associated with Big Dig transit commitments totals roughly \$106 million. Relieving the T of this debt should be considered as part of a long-term solution, but for this year, the Commonwealth should explore using its own bonding capacity to make some of the T's debt payments.

Towards A Comprehensive Transportation Finance Plan for Massachusetts

Public hearings on the T's proposals will continue into March. Then T officials will step back, process the feedback they have received, and make a final proposal for the MBTA Board to adopt, most likely at its April board meeting. Whatever the authority and its board decide to do to balance its budget, it must be in place by July 1, the beginning of the T's 2013 fiscal year.

Political leaders on Beacon Hill have thus far not committed to any outside help to close the T's current budget gap. Some have suggested that the MBTA Board will have to vote on a proposal that balances the T's budget, at great cost for the state's economy, before elected officials step in, if they step in at all.

Transportation finance in Massachusetts has been in crisis for so long that it's hard to remember a time when the T or the highways were not asking for additional resources. It's understandable that legislators are frustrated and reluctant to act yet again, given the hard work to craft Transportation Reform legislation in 2009. It's important to remember, however, the mantra of the legislature at the time: reform before revenue. In other words, let's fix our broken transportation bureaucracy before we dedicate any more resources to it. As important and successful as the 2009 bill was, it only addressed half the problem.

Reforms must continue, but the T's crisis shows we can no longer afford to put off a discussion about revenues for transportation.

Two and half years later, there are tangible signs of reform taking root: \$130 million saved, and innovative projects like the T's real-time open data initiative and the Fast 14 bridge replacement program. These reforms will need to continue, but the financial crisis at the T shows that we can no longer afford to put off a discussion about revenues.

To be clear, ABC is not advocating for new taxes or fees to cover the T's FY 2013 shortfall. What we hope is that our elected officials will realize, as our members have, that the T is simply too important to the Massachusetts economy for them not to intervene.

That said, it is clear that a conversation about additional revenues for our entire transportation system needs to occur. We believe that now is the time to commit to solving that problem. We propose that Governor Patrick appoint a Transportation Finance Task Force comprising the Secretary of Transportation, the Secretary of Administration and Finance, a representative from the governor's office, and the heads of the legislature's Transportation and Ways and Means committees, and to charge them with delivering a comprehensive transportation finance plan for the Commonwealth by the end of this year. Adopting that plan should be the first order of business when the legislature reconvenes in 2013.

In the past two years, transportation advocates have held consortia, blue ribbon summits and panel discussions, written white papers, op-eds and even legislation. ABC's own contribution is our 2011 white paper *Fixing Transit Finance: A Framework for Discussion*, which looked at how six other major transit systems fund their operations, the findings of which are summarized below.

There is no shortage of ideas for how to pay for transportation in the Commonwealth. What is needed now is for the governor and legislature to take up these ideas and come up with a package that works for Massachusetts.

The crisis at the T is also an opportunity for action. It is a chance to position the Commonwealth as a national leader in paying for transportation. We urge our elected officials to take it.

Lessons for Massachusetts from Six Other Major Transit Systems

System	What They Did	Lessons for Massachusetts
New York/MTA	<p>Funded by farebox revenue (38%), toll revenue (12%), state and local subsidies (8%), and dedicated taxes (38%), including mortgage recording tax, corporate franchise tax, district sales tax, franchise tax on transmission companies, and petroleum business tax.</p> <p>May 2009 bailout plan included an increased payroll tax in metro New York counties (\$34 tax for \$10,000), \$0.50 taxi ride surcharge, \$25 motor vehicle registration charge, 25-30% increase to drivers' licenses and learners' permits fees, and 5% increase in the tax on vehicle rentals.</p>	Diverse sources of revenue can insulate transit systems from a downturn in any one source; crossmodal subsidies (toll revenue for transit) are an important option to consider.
Philadelphia/SEPTA	Proposed Transportation Trust Fund to be funded by tolling I-80; resorted to local taxes and 25% local match for transit when federal government denied tolling request.	Federal veto of plan shows political challenges of enacting new revenues; reliance on local funds highlights problem of lacking a strong statewide subsidy for transit. Crossmodal subsidies (tolls for transit) eyed as a potential solution.
Chicago/CTA	Funded by sales tax, state matching funds, real estate transfer tax. Percentage of sales tax dedicated to transit higher in urban core than in suburbs.	Geographic "sliding scale" could be a model for MBTA, where urban core is more heavily served by transit than suburbs.
Portland/Tri-Met	Payroll tax funds 55% of operating budget. Correlation between employment and transit ridership, but in down economy, both fares and payroll tax revenues have declined.	Negative case highlights the need to diversify revenues. Over-reliance on single source can make system vulnerable.
Atlanta/MARTA	Funded by 1% sales tax, but legislature mandates a 50/50 split between operating and capital funding. 2010 reform lifted 50/50 split, but only for 3 years. Also established transportation districts to propose new projects, to be voted on locally in 2012.	Restrictive 50/50 split highlights need for flexibility when devising revenue solutions; regional ballot initiatives are an interesting model to consider for specific transportation infrastructure projects.
Washington, D.C./ WMATA	Public subsidies divided among Maryland, Virginia and D.C. municipalities based on complicated formula: population, density, ridership, number of stations. One state can hold up process – Virginia threatened to hold up purchase of new railroad cars earlier this year.	Fragmented structure reminiscent of funding for Massachusetts RTA's, need local and state approval for service expansion.

ABOUT A BETTER CITY

A Better City (ABC) is a nonprofit membership organization that provides the business and institutional leadership essential for ensuring progress and tangible results on transportation, land development, and public realm infrastructure investments that are vital to sustaining and improving the Boston area's economy and quality of life.

To learn more about membership with A Better City, visit www.abettercity.org.



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