

## Why The MBTA Needs New Revenue

### MBTA Financial Problem

The MBTA's unsustainable finances are caused by:

Huge debt: \$5.2 billion principal, \$8.1 billion with interest

Like the Turnpike Authority, the T suffers from almost \$2 billion worth of Big Dig related debt costs. To comply with the Clean Air Act, the state was required to improve and expand public transportation to offset increased air pollution from more traffic through the Central Artery. Unfortunately the T, and not the state, was forced to finance these projects, which include the Silver Line, Greenbush commuter rail, and Blue Line modernization among many others.

Slow sales tax growth, which has generated \$275 million less than projection since 2004

Ten years ago when the legislature dedicated one cent of the five cent sales tax to the MBTA, it was believed the T could easily afford its operations, pay off old debts, and support ongoing maintenance and expansion projects. At the time, almost everyone agreed that the sales tax, combined with assessments on MBTA communities and the revenues the system itself generated, would be enough.

But a slowing retail economy and the growth in Internet sales not subject to taxes has eroded the T's largest revenue source. Instead of growing at an average of 5% or even a conservative 3%, the average sales tax growth has been around 1%--translating into \$275 million less for the MBTA than was originally anticipated.

### Short Term Problem: FY 2010 Budget Gap

MBTA fares have increased three times since 2000, doubling the price over that period. Today a single subway fare of \$1.70 is on par with other major transit systems. Most recently, MBTA parking was increased by \$2.00 a day, which translates into a \$500 annual increase for some commuters.

Now the MBTA faces a \$165 million budget deficit beginning July 1, half of which is a result of debt service.

To close the \$165 million deficit the MBTA will implement a series of service cuts and fare increases, beginning in September if the MBTA does not receive additional funding. Governor Patrick's transportation bill includes 6 cents of a gas tax for the T, which would

generate approximately \$160 million to help the T pay down its Big Dig debt, and prevent dramatic fare hikes and service cuts.

### **Consequences of Inaction: Fare Hikes and Service Cuts**

Example of 30% fare increase across all modes:

<b>Mode</b>	<b>Current Fare</b>	<b>Increase Amount</b>	<b>Increased Fare</b>
Subway	\$1.70	.50 cents	\$2.20
Bus	\$1.25	.40 cents	\$1.65
Monthly Link Pass	\$59.00	\$18.00	\$77.00
Zone 8 rail	\$7.75	\$2.25	\$10.00
Monthly Zone 8 rail pass	\$250.00	\$75.00	\$325.00

Likely service cuts:

- 50% reduction in bus, subway, and commuter rail on weekends and evenings
- Elimination of 20 bus routes
- Elimination of commuter ferry
- Elimination of para-transit service, the RIDE, in 9 communities

### **Ridership Loss**

Increasing fares by 30% would see a significant rider loss measured in the millions. For example, the last fare increase at the beginning of 2007 resulted in a loss of approximately 37 million unlinked trips (9.5% of total MBTA ridership) for that calendar year.

See Impact Analysis of the 2007 MBTA Fare Increase and Restructuring

[http://www.ctps.org/bostonmpo/4\\_resources/1\\_reports/1\\_studies/3\\_transit/2007\\_fare\\_mix\\_impact.html](http://www.ctps.org/bostonmpo/4_resources/1_reports/1_studies/3_transit/2007_fare_mix_impact.html)

Prior to the 2007 fare increase, the MBTA also analyzed similar service cuts as noted above and their ridership impact. According to the analysis prepared by the Central Transportation Planning Staff on May 10, 2006, the above service cuts would lead to an annual ridership loss of just over 18 million trips.

Many riders that don't take the MBTA are likely making that same trip in an automobile, which means worse traffic congestion, air pollution, global warming emissions, and added deterioration of our roads and bridges in Greater Boston.

### **Economic and Environmental Benefits of MBTA**

- The MBTA fuels the economy of Greater Boston, which in turn generates 50 percent of the state's jobs and 73 percent of the population. The income and

business taxes on this growth are then distributed across the state to fix roads from Pittsfield to Provincetown.

- The auto trips displaced by the MBTA saved consumers from purchasing 154 million gallons of gas in 2006, which translated into \$403 million in savings for Massachusetts consumers.
- Displaced auto trips by MBTA saved 21 million hours of traffic delay for commuters in 2006.
- Displaced auto trips by MBTA reduced carbon emissions by 1.2 million metric tons in 2006, the equivalent of taking 225,000 cars off the road every day.

All data from MASSPIRG report *A Better Way to Go: Meeting America's 21st Century Transportation Challenges with Modern Public Transit*

<http://www.masspirg.org/home/reports/report-archives/transportation-agenda/transportation-agenda2/a-better-way-to-go>

### **MBTA Revenue Needs**

According to the MBTA Advisory Board, to fully address the MBTA's unsustainable finances the T needs an additional \$385 million annually.

#### **Explanation of MBTA Need**

<b>MBTA Financial Problem</b>	<b>Additional Annual Amount Needed For Next 20 Years</b>	<b>Amount of Gas Tax Needed (1 cent = \$30 million)</b>
<b>Big Dig Debt:</b> The T dedicates over 25% of the operating budget to debt. 35% of that debt is associated with Big Dig transit commitments.	\$120 million annually to relieve Big Dig debt	4 cents
<b>Maintenance Backlog:</b> The T has a \$2.7 billion maintenance backlog	\$135 million annually to address maintenance needs	4.5 cents
<b>Less Sales Tax Revenue:</b> While the T has received \$275 million less than projected, operating costs continue to rise.	\$130 million annually to make up for less sales tax	4.5 cents
<b>Total</b>	<b>\$385 million annually</b>	<b>13 cents total</b>

*Analysis from the MBTA Advisory Board*