



# Financial Assistance for the MBTA

### 1. What types of funding does the MBTA receive from the Commonwealth?

The MBTA receives two types of funding from the Commonwealth:

1. **Guaranteed Funding**
2. **Annual, Legislatively Appropriated Funding from the Commonwealth Transportation Fund**

### 2. What is the 'Guaranteed Funding' for the MBTA?

Guaranteed funding is automatically allocated to the MBTA without going through the annual budget appropriations process. Since the implementation of Forward Funding in 2000, the MBTA has received an annual guaranteed minimum allotment from Commonwealth sales tax proceeds and other sources. In FY2016, that allotment will be \$825 million.

In addition, starting in 2009, the Legislature committed to provide an additional \$160 million in assistance to the MBTA each year, also from sales tax revenue and other sources. These funds, which initially required annual legislative appropriation, are now guaranteed to the T and no longer go through the budget process.

Therefore, in FY2016, the MBTA will receive a **guarantee** of \$985 million from the Commonwealth.

### 3. What is the 'Annual Legislatively Appropriated Funding' for the MBTA?

In any given year, the Legislature can opt to allocate even more funding for the MBTA in the form of additional assistance. In each fiscal year since 2014, the Legislature has appropriated an additional amount from the Commonwealth Transportation Fund for the MBTA to cover its annual operating budget deficit:

- FY2014 - \$115 million
- FY2015 - \$135 million
- FY2016 - \$187 million (proposed, based on actual MBTA budget needs)

It is critical to note that this assistance is subject to annual appropriation and is not guaranteed.

### 4. How does H3347 provide funding to the MBTA?

H3347, *An Act for a Reliable, Sustainable Massachusetts Bay Transportation Authority* supports the Governor's budget and protects all of the funding provided by the Commonwealth to the MBTA in FY2016: the \$985 million pledged in sales tax revenue and other assistance for FY2016, as well as an additional annual appropriation of a proposed \$187 million (based on actual MBTA budget needs).

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Submitted by the  
Governor's Special  
Panel to Review the  
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In FY2017, H3347 would continue to preserve all of the guaranteed funding for the MBTA. In addition, to support the efforts of the Fiscal and Management Control Board to balance the MBTA’s operating budget, H3347 anticipates additional appropriation requests based on the following three high-priority MBTA needs:

- Relieving the cost of the ‘legacy’ debt currently carried by the MBTA - value of \$24 million in FY2017.
- Relieving the cost of the debt currently carried by the MBTA from the Central Artery/Tunnel mitigation commitments - estimated value of \$108.6 million in FY2017.
- Funding the costs of transferring MBTA employees from the capital budget to the operating budget, thereby protecting capital funds for capital construction - estimated total value of \$85.9 million, to be phased in over multiple years (as was done for the MassDOT Highway Division).

In this way, H3347 proposes to provide additional annual financial support to the MBTA for clear and strategic purposes – debt relief and the prudent funding of MBTA employee salaries – while also encouraging cost control and responsible stewardship of transportation funds.

**5. How would funding for the MBTA be different under H3347 than under Chapter 46 of the Acts of 2013?**

The table below shows the differences, by year, between the current situation as determined by Chapter 46 of the Acts of 2013 and the changes proposed by H3347.

	2016	2017	2018
<b>Chapter 46 of the Acts of 2013</b>			
Guaranteed Sales Tax	\$825	\$836	\$850
Guaranteed Assistance	\$160	\$160	\$160
General Fund Transfer to CTF*	\$96	\$40	\$40
Additional Operating \$ Anticipated by Chapter 46 of the Acts of 2013**	\$91	\$220^	\$317^
<b>TOTAL</b>	<b>\$1,172</b>	<b>\$1,256</b>	<b>\$1,367</b>
<b>H3347</b>			
Guaranteed Sales Tax	\$825	\$836	\$850
Guaranteed Assistance	\$160	\$160	\$160
General Fund Transfer to CTF*	\$0	\$0	\$0
Additional Operating \$	\$187	\$183#	\$175#
<b>TOTAL</b>	<b>\$1,172</b>	<b>\$1,179</b>	<b>\$1,185</b>

All in millions \$.

\*For general transportation purposes including operating costs at MassDOT and the MBTA; ‘pay-as-you-go’ capital projects; and debt service for bonds that support the Accelerated Bridge Program and MBTA projects (including the extension of the Green Line and the purchase of new Red and Orange Line cars). This funding may be used by MassDot projects other than the MBTA. This payment is anticipated, but not mandatory, under Chapter 46. An annual appropriation is required.

\*\* This payment is anticipated, but not mandatory, under Chapter 46. An annual appropriation is required.

^These figures were developed in 2013 and for FY2016, the numbers are already less than was originally projected

#Includes costs of debt service for ‘legacy’ debt, for debt associated with CA/T mitigation, and the phased costs of transferring employees from the capital to operating budgets.

**6. Does H3347 provide adequate operating funds for the MBTA?**

Yes. H3347 results in less funding for the MBTA if the Legislature allocates the additional operating subsidy, anticipated by, but not required by, Chapter 46. However, H3347 both protects all guaranteed MBTA funding and provides for an appropriate level of ongoing additional annual appropriated funding to the MBTA. Furthermore, H3347 lays out a roadmap for moving the MBTA to a greater level of cost-control and operating budget sustainability.

**7. Does H3347 prohibit the MBTA from requesting additional operating assistance from the Legislature, above what is called for H3347?**

No. H3347 leaves open the possibility that the MBTA may not be able to achieve a balanced operating budget in the short term, and so may need to return to the Legislature for further additional annual appropriations. Should this happen, the T would be in a much stronger position to seek assistance under the stewardship of a Fiscal and Management Control Board, which will be able to assure the public and elected officials that the T budget has been thoroughly and responsibly vetted and that management reforms are underway. In addition, the Commonwealth will have the reassurance of knowing that the needed subsidies won't simply increase, without limit into the future.

**8. What if the Legislature does not accept the funding proposal laid out in H3347? How might the MBTA make use of any additional funds that were appropriated by the Legislature?**

Any additional monies appropriated by the Legislature to the MBTA would be best used to fund pay-as-you-go capital projects, as part of the ongoing effort to reduce the maintenance backlog at the T. The enormous need for capital expenditures is one of the many reasons why it will benefit riders and taxpayers to stabilize the growth in the MBTA operating budget. Additional funding is better used to improve the physical condition of the system than to fund ever-growing operating expenses.