



Blue-Ribbon Summit on Financing the Massachusetts Bay Transportation Authority and Regional Transit Authorities

Meeting Summary

Held on November 1, 2010
in the Egan Research Center, Raytheon Amphitheater
at Northeastern University

By Rafael Mares and Stephanie Pollack



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for Urban and Regional Policy*

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INTRODUCTION

On November 1, 2010, the Conservation Law Foundation (CLF) and the Kitty & Michael Dukakis Center for Urban and Regional Policy at Northeastern University (Dukakis Center), with the generous support of the Barr Foundation, convened a Blue-Ribbon Summit on Financing the Massachusetts Bay Transportation Authority (MBTA) and Regional Transit Authorities (RTAs). While the Commonwealth faces serious challenges funding and financing all modes of transportation, the Summit focused solely on financing public transportation because of transit's critical role throughout Massachusetts.

The transit services provided by the MBTA and RTAs in the majority of the Commonwealth's communities give access to housing, employment, education, health care, and other critical services to everyone, regardless of whether they own or can drive a car. Maintaining and expanding the Commonwealth's transit system is an essential strategy for growing the state's economy, connecting residents to jobs, and achieving important environmental and sustainability goals, including the reduction of greenhouse gas emissions. In order to achieve transit's potential, however, adequate funding needs to be put in place to support and improve existing services, maintain transit vehicles and assets, and expand service frequency and availability to better serve both current and potential transit users statewide.

The full-day event was comprised of facilitated discussions designed to shape a policy framework for addressing the MBTA's and RTAs' financial crises and securing a sustainable revenue stream to support and expand public transportation in Massachusetts. The fifteen members of the Blue-Ribbon Expert Panel represented a carefully selected group of national and Massachusetts experts on transit and transportation finance and spent a full day speaking candidly about transit finance in Massachusetts, free from recordings and media presence.¹ In addition, four experts from Massachusetts-based organizations with extensive

knowledge of local transit and transportation finance issues served as resource people to provide additional data, history, and perspective.² This document, based on extensive notes taken during the day, serves as a summary of the Blue-Ribbon panel discussions. Specific comments and quotations are not attributed in order to maintain the anonymity promised to speakers and participants.

¹ Geoffrey Anderson, President and CEO of Smart Growth America; Timothy Brennan, Executive Director of the Pioneer Valley Planning Commission; Astrid Glynn, Former Commissioner at the New York State Department of Transportation (NYSDOT); Paul Haley, Managing Director at Barclays Capital and former Chairman of the Massachusetts House Ways and Means Committee; JayEtta Hecker, transportation advocate at the Bipartisan Policy Center's Transportation Policy Project; Ray Ledoux, Administrator of Brockton Area Transit Authority (BAT); Jeff Morales, Senior Vice President of Parsons Brinkerhoff, former Director of the California Department of Transportation (CALTRANS) and past Executive Vice President of the Chicago Transit Authority (CTA); Jane O'Hern, member of the MBTA Advisory Board and former Budget Director of the MBTA; Don Pickrell, Chief Economist of the U.S. Department of Transportation's John A. Volpe National Transportation Systems Center; Robert Puentes, Senior Fellow with the Brookings Institution Metropolitan Policy Program and Director of the Program's Metropolitan Infrastructure Initiative; Paul Regan, Executive Director of the MBTA Advisory Board; Martin Wachs, Director of the Transportation, Space and Technology Program at the RAND Corporation; Robert Weinberg, Founder, former President, and a Director of Marketplace Development; Michael Widmer, President of the Massachusetts Taxpayers Foundation; and Robert Yaro, President of the Regional Plan Association.

² Eric Bourassa, Manager of the Metropolitan Area Planning Commission's transportation division; Brian Kane, Budget and Policy Analyst at the MBTA Advisory Board and author of "Born Broke;" Jeannette Orsino, Executive Director of the Massachusetts Association of Regional Transit Authorities (MARTA); and Terry Regan, of the John A. Volpe National Transportation Systems Center.

THE FORMAT OF THE BLUE-RIBBON SUMMIT

The week before the Blue-Ribbon Summit, the panelists, resource people, and participant observers received a background paper and a series of options papers. The ten-page Background Paper on the Finances of the MBTA and Regional Transit Authorities was designed to help panelists, resource people, and participants understand both the evolution of the financial structure of the MBTA and the RTAs and the current and projected size of the transit funding gap in Massachusetts. The set of nine two-page “options papers” summarized the nature, financial implications, advantages, and disadvantages of some of the most frequently mentioned potential policy options for addressing the structural financial crisis facing public transportation in Massachusetts.

The Blue-Ribbon Summit was structured as a series of four “brainstorming sessions” facilitated by Stephanie Pollack, Associate Director of the Dukakis Center. Each of the four panels focused on a specific topic:

- Perspectives from Outside of Massachusetts
- Government Revenue and Cost Savings Ideas
- Private Sector and User Participation Ideas
- Evaluating and Narrowing Options

The discussions were held in the presence of a group of invited participant observers, representing a number of key stakeholders on the issue of public transportation finance in Massachusetts. Participant observers were given the opportunity to submit questions for the panelists, some of which were posed to the Blue-Ribbon panel by the facilitator toward the end of each panel discussion.

The day began with a welcome address by former Massachusetts Governor Michael Dukakis, after which Stephanie Pollack established expectations and ground rules for the event. CLF staff attorney Rafael Mares then provided an overview presentation of the MBTA’s and RTAs’ financial situation. After the first two brainstorming sessions, participant observers and Blue-Ribbon panelists mingled

over lunch and, before the discussions resumed in the afternoon, CLF President John Kassel delivered a brief address.

SESSION I: PERSPECTIVES FROM OUTSIDE MASSACHUSETTS

Panelists agreed that the “dire” financial problems currently faced by Massachusetts RTAs and the MBTA are experienced by transit agencies across the United States, especially those systems in major metropolitan areas. Lack of funding to repair, maintain and operate existing transit systems and limited financial support on the state level are common struggles across the United States. One panelist noted that twenty-one states saw transit budgets cut in 2009 and another twelve experienced cuts in 2010.

Debt and Level of Local Engagement

A number of important themes particular to the Commonwealth emerged during the discussion. First, while the MBTA shares challenges and cost drivers with other U.S. transit systems, the size of MBTA’s debt service burden is unique. Second, because the MBTA is essentially part of the state Department of Transportation, the close relationship shared by the Commonwealth and the MBTA gives the system a particular set of advantages and disadvantages. The advantages of a transit system closely aligned with state agencies include greater access to state financial assistance and better communication between the system and the agencies that manage other modes of transportation. The potential disadvantages to this arrangement include a dearth of local transit leadership. Panelists noted that in Massachusetts, local elected officials and cities and towns are only tangentially involved in supporting the MBTA, while in other states, local government plays a much bigger role, both politically and financially, in supporting transit. Panelists representing regional transit authorities noted that the situation for RTAs in Massachusetts more closely resembles the transit systems in larger cities in other states, with strong local participation.

Need to Improve Performance Through Outcome Measures

Another key theme that emerged during the discussion concerned a growing national awareness of the need for transit operators to address performance through the use of outcome measures. Even where subsidies for transit have been increased, the performance of transit has not increased commensurately. As one panelist explained, “the more thoughtful operators worry not just about where we get more money, but how we effectively target resources to get more bang for the buck, make better decisions, set better priorities—so we can better communicate with the public that we can be trusted with additional funds.” As another panelist noted, “we need to measure outcomes in more public-friendly terms—none of this State of Good Repair, widget-counting metrics.” One panelist suggested that focusing on performance could help advocates “convince politicians not just to cut, but to cut and invest.”

Communicate the Value of Public Transportation

A related theme was the need for transit agencies in Massachusetts and elsewhere to better communicate their purpose and value. As one panelist stated, operators “need to be clearer about their purpose, not merely their financial needs.” Another explained that “we take it for granted that transit is important and we don’t communicate it well. You can’t overstate the importance of messaging—and we in transit historically stink at this.” The audience for such messaging is broad; as one panelist reminded the group, “a person who will never ride transit is a key constituency.” One suggested that the key message was “you can’t have a thriving Boston metropolitan area if you don’t have a thriving transit system. Livability and economic success depend on transit.”

Key Role of Professionally Staffed, Diverse Coalition

Such improved messaging can also make it easier to form and maintain a broad public coalition, comprised of diverse stakeholders with a common interest in transit, which has proven to be inte-

gral to successful transit finance reform in other states. Successful coalitions in other states had designated staff to advance a plan and gathered stakeholders even from opposing viewpoints who all supported at least one part of the plan. Panelists emphasized the importance of “institutionalizing” a broad coalition in support of transit. RTA representatives explained how they have worked with legislatures (the RTA caucus) and local officials and constituents to build ongoing support for local funding in a process similar to that which has been used in places where transit revenues have been repeatedly and successfully put on ballots for voters to approve.

Revenue Sources

Finally, the discussion addressed some of the pros and cons of different types of potential revenue streams. One ongoing debate nationally concerns the relative merits of broadly-based revenue sources (like sales taxes) vs. user fees or other more narrowly-based revenue sources. While there has been a shift all over the country from user-based fees to broad-based fees, one downside to broad-based taxes is that they are particularly vulnerable during periods of economic downturns. Panelists noted, however, that imposing more costs on transit users, without doing the same for drivers, would do more harm than good. One key observation was that revenue policies need to address both “short-term, recession-specific” financial needs as well as “longer-term, structural” financial needs—as one panelist noted, “different solutions are possible.” Another important theme of the conversation was that revenue sources must be diversified to include more types of revenue, not just more revenue.

SESSION II: GOVERNMENT REVENUE AND COST SAVINGS IDEAS

The discussion of cost savings ideas opened with the observation that “there are no more easy places to cut at the T. Any cut will be painful.” Another panelist explained that “the good/bad news is that enormously competent people are running the T,

but now they're down to refinancing the mortgage to pay for the grocery bills." Indeed, one panelist noted that since forward funding removed the MBTA from the legislature's immediate focus, "the MBTA runs well enough that it's not on top of the broken list" that legislators feel they need to address.

Panelists explained that cost savings and operating efficiencies are possible but politically difficult. In the words of one panelist, "the problem isn't that we don't know how to save money, it's that some of the ways to save money are political non-starters." One example cited was rationalizing bus service, i.e., discontinuing poorly subscribed bus routes, which could potentially save money but is very unpopular with riders and elected officials.

Despite these political difficulties, the panelists noted that realizing operating cost efficiencies is important not only for cost savings, but also in order to rebuild public confidence in the MBTA. A panelist from outside Massachusetts noted the importance of addressing the public perception that transit agencies are "fat, lazy agencies run for the benefit of employees." Panelists expressed concern that elected officials and taxpayers "would not trust the MBTA with new revenue unless we're much more disciplined about the cost side" and stated that "for the public to support new financing for the MBTA, you need to have visible cuts and efficiencies first."

Panelists (and participant observers) differed on the importance of cutting MBTA employee benefits in order to both reduce costs and to build more public support for increasing subsidies for transit. (RTA participants noted that they have a very different labor situation because RTAs are privatized and have few employees, benefits, or retiree costs.) One panelist noted that "there is a long history of excessive benefits that have been rubbed in the public's face and have just killed public trust in the MBTA." Benefits cuts have been made in other states in order to address the problem that "it's very hard to build public support for a struggling transit agency when there are sixty people on the bus and the only person with health

care is the driver." Panelists also noted that benefits are issues not only for current employees but also for retirees. This is a point that is particularly pertinent with regard to the MBTA, since it has roughly equal numbers of current employees and retirees. Because the MBTA has historically allowed for early retirement, health care benefits for retirees may continue for twenty years before Medicare becomes applicable.

Other panelists, however, noted that focusing on benefits cuts would pit advocates against transit workers, who could otherwise be key allies in efforts to secure additional funding. As one panelist said, "the fact is any cuts will drive out people from the coalition we need to make changes." Another noted that "T managers simply cannot cut benefits," contending that any impetus for benefits cuts would have to come from the legislature. One practical problem with cutting employee benefits to save money is that MBTA employees can bring contract issues to binding arbitration and may either win back benefits or obtain wage increases to compensate for reduced benefits. Therefore, as one panelist explained, "whatever the legislature saves, the arbitrator may give back."

The disagreements over the value of trying to make cuts in employee and retiree benefits extended into a discussion of how best to raise this issue while accomplishing the messaging/communications and coalition-building objectives discussed during the first brainstorming session. Some argued that "attacking the people who run the T as incompetent makes it harder, not easier, to get the changes you want made at the T." Others stated that "it's OK to criticize the folks who run the transit system," as long as such criticisms are made strategically. One idea raised by panelists was to commission an outside "audit" (one more detailed than the D'Alessandro report) because "outside voices can increase credibility" and the audit could document that the MBTA is well-managed, contrary to lingering public misperceptions.

Panelists identified additional areas to explore in order to cut costs and realize operating efficiencies. First, it was suggested that the MBTA could

focus on modifying work rules, rather than benefits, in order to realize operating cost efficiencies. Second, paratransit service may be assessed for opportunities to reduce costs at the RTAs and MBTA. A suggestion was made to explore whether paratransit operators could collect Medicaid reimbursement for paratransit trips provided in connection with medical appointments for Medicaid recipients. Some RTAs already waive fares for paratransit users who voluntarily disclose that they receive Medicaid and then seek reimbursement from Medicaid for the cost of the trip. This approach could potentially be expanded across all RTAs and the MBTA. Panelists noted that any cost saving measures that the RTAs or MBTA choose to employ should be vetted to ensure that they will not have an undue effect on ridership.

The discussion next turned to the issue of additional revenues. Panelists again noted that broad-based taxes, such as income taxes, are more stable than more narrow taxes, such as a sales tax. New York adopted a payroll tax on employers in and around New York City, rather than an income tax on employees to address its transit finance crisis; Portland, Oregon also uses a similar payroll tax. Many panelists also emphasized the importance of user fees and revenue sources that send users correct cost signals, in addition to generating new revenue. Vehicle registration fees, license renewals, and on-street and off-street parking fees are all potential revenue sources for public transit that provide clear price signals for transit-served drivers. Likewise, municipality-funded transit passes for municipal employees could raise revenue while increasing ridership, thereby securing stable, long-term sources of revenue.

Another revenue topic discussed was local support for transit service, especially for the MBTA. One panelist observed that “cities and towns want service, but they don’t want to pay for it. This is not sustainable.” RTAs, which rely more on local revenue sources than the MBTA, noted that there is also a non-financial benefit to local support because it ensures that “buy in [by the cities and towns] is recalculated every year.” Because transit

can be shown to increase local property tax bases—New York has developed a model to calculate this impact—one suggestion was that localities use a property transfer tax (on home sales) to generate revenue to support transit. Another panelist, however, noted that Proposition 2 ½, which sets a 2.5% annual limit on the increases in property taxes a municipality is permitted, is a major obstacle to increasing local assessments.

In discussing gasoline taxes, panelists noted that gas taxes are efficient to collect and “internalize the cost of gas consumption.” While one panelist noted that the “gas tax is the single most unpopular tax issue I’ve ever worked on . . . There is no political interest in increasing the gas tax,” another cautioned that Massachusetts should not do anything that jeopardizes revenues from the existing gas tax.

Panelists discussed the pros and cons of imposing Vehicle Miles Traveled (VMT) fees as a near- or long-term revenue source in addition to, or instead of, gasoline taxes. VMT fees can be adjusted based on multiple factors, including when, where, and what people are driving and the income of the driver. Issues of concern include the cost and difficulty of implementing a collection system and public concerns about privacy. In the short term, it would be possible to tax Massachusetts drivers based on a flat odometer reading. However, some Summit panelists fear that implementing a simple odometer tax would send the wrong price signals to users because it would not adjust the fees for driving in areas not served by public transit or traveling at off-peak times. One panelist noted that VMT fees in general, and odometer taxes in particular, may be too “opaque,” explaining “the nice thing about the gas tax is we pay it in tiny amounts and no one knows what it is anyway; with a VMT tax people will get one big bill and know damn well it’s VMT.” This reinforces that it may be best to use VMT fees to supplement, rather than to replace, the gas tax completely.

One important theme throughout the discussion was that Massachusetts should not be seeking “a single source or single solution.” Panelists noted

that having multiple revenue sources “decreases the risks” of any one source failing to produce projected revenues. As one panelist explained, Massachusetts needs “a healthy and diverse set of revenue sources, including at least some that are counter-cyclical. The strongest transit agencies are diversifying their funding sources.”

SESSION III: PRIVATE SECTOR AND USER PARTICIPATION

The third brainstorming session focused on revenue sources other than local and state government subsidies. One theme that came up repeatedly is that many public and private organizations benefit from transit but do not help pay for it. Such “non-user beneficiaries” were repeatedly cited as potential sources of new revenue for the MBTA and RTAs.

One panelist, for example, noted that the Massachusetts Port Authority’s Logan Airport “is a tremendous consumer of transit because of where it’s located” and so having Massport cross-subsidize the MBTA more, perhaps through a parking surcharge, would be defensible. Panelists referred back to the earlier discussion of billing health insurers such as Medicare and Medicaid for medical transport as another example of ways that transit systems could increase revenue from non-user beneficiaries.

One topic of discussion was “universal access” programs, in which an employer, university, housing developer or other entity pays the transit costs for all of its employees, students or residents directly to the transit operator. In Massachusetts, this model has been implemented by the Pioneer Valley RTA, which has partnered with the University of Massachusetts at Amherst (UMass) to provide universal access for students to bus transit during the eight months of the year that UMass is in service. Panelists cited the Chicago Transit Authority’s “U-Pass” program as a success both from a revenue perspective and because it “creates the next generation of transit riders.” Under the pro-

gram, the CTA provides unlimited ride passes to all full-time students at forty colleges and universities for a discounted rate, paid for by the universities through student fees on a semester basis. One panelist described such programs through employers and housing developers as being “well developed” in other parts of the country.

Panelists were not as uniformly enthusiastic about public-private partnerships (PPPs). Some panelists highlighted the potential benefits, which include shifting risks to the private sector partner and accelerating capital projects. Another panelist suggested thinking broadly about different models of PPPs, including “joint development” efforts in which the transit agency jointly develops its real estate holdings with a private developer. But another panelist noted that such arrangements are “out of the comfort zone of most transit agencies” and there is a risk that the agencies do not have the resources or expertise to negotiate beneficial arrangements. One suggestion was that Massachusetts proceed cautiously by creating the legislative authority that would enable (but not require) PPPs and by creating a “center of expertise” that could assist transit (and other) agencies who choose to participate in PPPs.

The final topic in this session was transit fares as a source of revenue. Some panelists suggested that riders would be more accepting of moderate, regular fare increases than the historic pattern in Massachusetts in which “all of the fare conversations have been about closing fiscal holes.” As one panelist explained, RTAs (unlike the MBTA) frequently take the approach of making regular, relatively small fare adjustments because “small incremental fare changes are much better than ‘whammo.’” But the panel emphasized, in the words of one member, that “we will never be able to, and ought not, dig ourselves out of our fiscal hole through fare increases.”

Panelists emphasized the importance of focusing on fare structure rather than just raising fares. New York, for example, chose to keep base fares constant but increased pass prices. One panelist noted that distance-based and off-peak fare struc-

tures could increase total revenue in an equitable manner because lower-income riders are more likely to travel at off-peak hours and take shorter trips. As the panelist explains, “we should restructure fares, not raise them, and in so doing cut subsidies and increase equity.” Panelists also noted that higher fares can be offset for lower-income riders in a variety of ways, including sending out loaded Charlie Cards or other fare media to income-qualifying riders when they receive state income tax refunds. Panelists also noted that fare increases should be tied to service improvements in order to garner public support.

SESSION IV: EVALUATING AND NARROWING OPTIONS

The day’s final panel discussion focused on how to move forward on public transportation finance in Massachusetts. The discussion frequently returned to the issue of how to create a powerful message and “vision” for transit in Massachusetts and then build a broad-based coalition in support of that vision. As one panelist stated, “we have all gotten used to seeing transit as a low-cost, low-quality and low-value system. We have to change that and make transit the first choice for travel, the system we’re building for ourselves and not just for ‘other people.’” Another similarly stated that Massachusetts’ goal should be “to have the best transit system in the nation.” Another panelist emphasized that “transit is a mobility system that allows this region to succeed and it is the vehicle to a better future, around which the development and growth of the next generation will be built.”

The pathway to sustainable transit finance, as one panelist explained, is to “articulate a vision, build a coalition around it and be able to say this is what the future should look like.” Massachusetts needs a “sustained coalition that takes ownership of the issue, a civic/business coalition, not just a coalition that comes together to pass a specific bill.” Panelists noted that this coalition must include, among others, labor and elected leaders.

Panelists also discussed the question of which should come first, reform or revenue, with the consensus being that both need to be pursued simultaneously. One panelist emphasized that Massachusetts was not yet ready to declare victory on transportation reform and needed a better strategy for managing costs “first, because we’re never going to get enough money and, second, because we need to build trust.” Another panelist noted that revenue and reform “drive each other” and that Massachusetts “needs to have a package of revenue and reform, with financial incentives that you can use to drive the reform and reform you can use to get the confidence to get the revenue.” Another panelist similarly argued that reforms should be packaged with revenue so that they enable one another, an idea dubbed “cut to invest.” In discussing the need for additional revenue, one panelist reminded the group that “we need a greater level of clarity and honesty about how unsustainable our current path is.”

Finally, panelists re-emphasized the importance of considering a wide range of potential revenue sources that address the needs and contributions of both transit users and non-user beneficiaries when structuring a package of new revenue sources. As one panelist explained, because “the cost of driving is not internalized by users and is artificially low, revenue strategies should better capture the costs of transportation and pass those on.” Another panelist reiterated the importance of tapping non-user beneficiaries, stating that “the way to identify useful and productive mechanisms to fund ongoing operations is to find out who benefits and fund from those sources.” At the same time, another panelist noted that modest but regular fare increases need to be part of the package because “people who use the system should pay their fair share” before we ask others for subsidies. Another panelist reminded the group that debt relief should be part of the policy package so that the MBTA could have a “fresh start.” One panelist’s summary on the issue of future financing strategies was simple: “everyone has to pay.”

WRAP-UP

Facilitator Stephanie Pollack provided a brief “wrap-up” at the conclusion of the day, asking the question, “where do we go from here?” She noted that the day had highlighted that Massachusetts has the foundations in place to succeed at stabilizing transit finances, although success will require lots of patience and persistence. Transit supporters, however, need to craft and communicate a “bold vision,” not only of where transit in Massachusetts can and should go but also a vision for the role of transit in the Commonwealth and broader region as a whole. Transit advocates need to agree on what “the message” is and tell the story well. Perhaps most importantly, Massachusetts needs an institutionalized, broad-based coalition that can secure needed policy and revenue changes.

While transportation policy issues in Massachusetts have been framed as requiring “reform before revenue,” efforts to boost revenue can no longer wait. But there are also additional reforms that must be addressed in order to successfully secure the required level of financial resources for the MBTA and RTAs. The MBTA and RTAs need to manage their dollars well, using metrics and

performance-driven management. One challenge will be figuring out how transit supporters can best convey “friendly criticism” of current operations and cost management without undermining the argument that the transit operators are worthy of greater levels of investment.

Finally, Massachusetts needs a new portfolio of diverse revenue sources that support transit; available revenue options were summarized as including:

- increasing existing and creating new revenue sources from both local and state government;
- maximizing user contributions by restructuring fares, maximizing ridership and implementing future regular, modest fare adjustments; and
- creating new revenue streams that tap “non-user beneficiaries” of transit, who do not necessarily use public transit themselves but nevertheless benefit from its existence in other ways.



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