

Assignment #2: Transit Finance and Budgeting

N.B. This assignment should be done in teams of two. These teams should be different from those in Assignment #1.

Find copies or links to the following documents in SUPPORTING FILES:

1. MBTA FY2001 Budget book
2. The MBTA Authorizing Legislation - (revised) Chapter 161A of the General Laws of The Commonwealth of Massachusetts.
<http://www.state.ma.us/legis/laws/mgl/gl-161A-toc.htm>
(or, search for MBTA within the General Laws)
3. A summary of the re-write of Chapter 161A
4. MBTA Senior Sales Tax Bonds Prospectus
<http://www.mbta.com/insidethet/pdf/MBTASeniorSalesTaxBondsSeriesBOS.pdf>
<http://www.mbta.com/insidethet/pdf/MBTASeniorSalesTaxBonds2003SeriesAOS.pdf>
<http://www.mbta.com/insidethet/investor2.asp> gives many links to information on bonds.

These documents collectively provide a good picture of the current state of the MBTA budget, the major change in governance and funding for the MBTA which became effective July 1, 2000, and the most recent bond prospectuses issued under the new funding mechanism.

With these documents, supplemented by our class discussions, address the following questions:

1. Compare the budgets for FY1996 to FY2001 in terms of income, expenses, debt service, contract assistance and net cost of service. In each category look at the growth of the item as well as (where appropriate) the major components. Comment on the most significant changes. How would you describe the changes in the MBTA's financial position over this period?
2. Comment on the FY2001 Budget Book in terms of the information it provides to outside parties and the picture it provides of the MBTA and its strategy. Critically assess the Program - Activity - FY02 Budget - Measure framework for presenting the budget proposal for four MBTA departments (selected by you).
3. Critically assess from the perspectives of the MBTA, the Commonwealth, the communities within the MBTA district, and the riders of the MBTA, the impacts of the most important changes in financing, funding and governance for the MBTA resulting from the "forward funding" legislation and the re-write of Chapter 161A.