



# Chronic Capital Underspensing

Back on Track: An  
Action Plan to  
Transform the MBTA

Submitted by the  
Governor's Special  
Panel to Review the  
MBTA

### **Did the MBTA really spend only half of its capital funds, as the Panel found?**

Yes. The Panel found a substantial difference between the MBTA's actual capital spending and its planned spending, as its plans have been laid out in publicly-reviewed and Board-approved capital spending plans. **Between 2009 and 2014, the MBTA only spent \$2.3 billion of the \$4.5 billion available to it in capital monies.**

The Panel was interested in the MBTA's capital program in order to understand whether the MBTA currently has the capacity to plan, procure, and oversee an appropriate level of annual capital construction. Spending is one important indication of such capacity. The Panel was very concerned about this apparent pattern of inability to execute the annual capital program at the planned levels and its connection to the growing backlog of MBTA unmet maintenance needs (currently estimated at a minimum of \$6.7 billion).

### **Did the MBTA really have those funds available?**

Yes. In all of the years examined by the Panel, the MBTA had available to it both federal and state funds sufficient to execute the planned capital program, as well as the ability to issue its own revenue bonds to match available federal funding.

### **Are 'obligated' funds the same as 'spent' funds?**

No. 'Obligation' means that funds have been set aside for use on a defined project or effort. Contracts to perform work come months and sometimes years after funds are obligated. So while obligation is a key step in the process of capital construction, it is of relatively minor importance compared to actually spending funds on the materials and labor that are needed to fix the MBTA.

Funds can only be obligated if they are actually available for an agency to use.

### **Did delays in the Green Line Extension project attribute to the high levels of obligated but unspent funds in FY2014?**

No. Due to the uncertainty about the timing of federal funds, the Green Line Extension project was excluded from the obligations calculations for FY2013, FY2014, and FY2015.

### **Was the MBTA not able to spend capital monies because it could not afford to take on additional debt?**

No. While some have suggested that the MBTA underspent because it could not afford to issue revenue bonds, the MBTA has continued to issue roughly \$200 million in bonds every other year (\$200 million is scheduled for 2016) and the MassDOT Board-approved operating budgets contained sufficient funds for debt service on those bonds.

In addition, the MBTA was given access to a portion of the state's bond cap through MassDOT. However, the MBTA was consistently unable to spend much of the bond cap made available to it, and so those funds reverted, un-used, to the Commonwealth. By 'claiming' state bond cap that remains un-used, the MBTA creates a problem of lost opportunity for the rest of the Commonwealth. That bond cap could have been used by any other capital agency, including MassDOT, to complete needed projects.

**Could some of the delays in spending be beyond the control of the MBTA, either because MassDOT controlled spending on a project or there were delays in getting federal matching funds?**

No. The MBTA continues to control procurement, contracting, and spending for large capital projects. When state funds are made available to the MBTA, MassDOT and the MBTA sign agreements to make the funds available to the MBTA for their use, so it is not accurate to state that MassDOT 'controls' such projects.

There is no evidence that MBTA spending was delayed by late receipt of federal matching funds. Since the Panel report was issued, both the MBTA and the regional office of the Federal Transit Administration have confirmed that the MBTA did not leave any federal funds 'on the table.'

The Panel's primary point in the section on chronic underinvestment is that it is premature to make additional capital resources available to the MBTA until the T can demonstrate that it has actually made use of every capital dollar available to it over the course of an entire fiscal year. That did not occur in any of the years that the Panel examined, and contributed to the ongoing growth of the State of Good Repair backlog. The funds were available to the MBTA and went unused—they may not have been 'in a drawer,' but they were most certainly left 'on the table' when they could have been used for needed investments.