



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued December 3, 2014

An Examination of the Commonwealth's Funding Structure for Regional Transit Authorities

For the period July 1, 2011 through June 30, 2013





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Making government work better

December 3, 2014

Beverly A. Scott, PhD, General Manager and Rail and Transit Administrator
Massachusetts Bay Transportation Authority
State Transportation Building
10 Park Plaza, Suite 4160
Boston, MA 02116

Dear Dr. Scott:

I am pleased to provide this performance audit of the Commonwealth's funding structure for regional transit authorities. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2011 through June 30, 2013. My audit staff discussed the contents of this report with management of the agency, and their comments are reflected in this report.

I would also like to express my appreciation to the Rail and Transit Division of the Massachusetts Department of Transportation for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

cc: Francis A. DePaola, Acting Secretary and Chief Executive Officer, Massachusetts Department of Transportation

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EXECUTIVE SUMMARY

The Massachusetts Department of Transportation's (MassDOT's) Rail and Transit Division (RTD) oversees 15 regional transit authorities (RTAs) that function as independent transit operators serving a total of 262 communities throughout the Commonwealth. This audit was undertaken in response to the Office of the State Auditor's report on the Martha's Vineyard Regional Transit Authority (No. 2012-1277-6A) that identified problems with the process the Commonwealth had established to use local assessment (LA) funding¹ received by the communities served by the RTAs to partly reimburse each RTA for its costs of providing transportation services.

The objectives of our audit were to determine (1) whether RTA funding issues identified during our audit of the Martha's Vineyard Regional Transit Authority were prevalent throughout the RTA system; (2) whether MassDOT, through the RTD, was administering the state's funding for RTAs in compliance with Chapter 161B of the Massachusetts General Laws as well as other applicable laws, rules, and regulations; and (3) what effect, if any, the current state funding process for RTAs was having on the financial stability of RTAs.

Summary of Findings

LA reimbursements, which may cover as much as 50% of an RTA's net cost of service, are currently being paid up to 24 months in arrears, rather than in the year that funds are actually needed to fund the RTA's operations. Consequently, while waiting for these reimbursements, RTAs must fund their operations by borrowing money using revenue anticipation notes (RANs),² thereby incurring thousands of dollars in unnecessary interest expenses on these borrowed funds. Further, according to RTAs, the receipt of this funding 24 months in arrears also makes budgeting and implementing new transportation services difficult.

Recommendation

MassDOT should confer with the RTAs to determine the current total amount of unpaid LA funds owed and seek funding from the Legislature for this amount for payment to the RTAs. MassDOT,

¹ Local assessments are money that flows from the state budget to city and town budgets, helping them fund vital local services such as schools, police and fire protection, parks, and public works. Massachusetts uses general local aid as a mechanism for helping offset inequality of local services that would otherwise exist if these cities and towns primarily funded their budgets with local property tax revenue.

² Short-term notes, usually less than one year in term, issued by the RTA and funded through contracted assistance that the RTA anticipates receiving during the coming year.

in collaboration with the RTAs, should seek to change the funding process used by the Commonwealth to provide LA funding to RTAs so that the funding is received by RTAs in a more timely manner.

OVERVIEW OF AUDITED AGENCY

Background

Chapter 25 of the Acts of 2009, An Act Modernizing the Transportation Systems of the Commonwealth of Massachusetts, as amended by Chapter 26 of the Acts of 2009, required the integration of the various state transportation agencies (including the Executive Office of Transportation and Public Works and its divisions; the Massachusetts Turnpike Authority; the Massachusetts Highway Department; the Registry of Motor Vehicles; the Massachusetts Aeronautics Commission; and the Tobin Bridge, currently owned and operated by the Massachusetts Port Authority) into a newly created Massachusetts Department of Transportation (MassDOT).³ A seven-member board of directors with expertise in transportation, finance, and engineering, appointed by the Governor, oversees MassDOT and also serves as the governing body of the Massachusetts Bay Transportation Authority (MBTA). MassDOT is administered by the Secretary of Transportation, appointed by the Governor to serve as its chief executive officer.

In 1973, Chapter 161B of the Massachusetts General Laws established regional transit authorities (RTAs). RTAs are governed by advisory boards composed of the chief elected officials from their member communities. Chapter 161B of the General Laws gives the Commonwealth certain oversight responsibilities and defines the process by which RTAs may be formed or expanded within the Commonwealth, as well as the duties, powers, and limitations of these RTAs. This law also outlines the role and membership of RTA advisory boards and their ability to appoint administrators, approve budgets, and approve significant changes in service fares. Currently there is a network of 15 RTAs (12 urban and 3 rural) operating in the Commonwealth, not including the MBTA. These agencies serve a total of 262 urbanized areas, suburban municipalities, and rural communities outside the greater Boston area and provide over 29 million trips each year using buses and minibuses operated by private transit service companies. RTAs, which are locally controlled, manage their own operations but must hire private operating companies to provide their services in accordance with the provisions of Chapter 161B of the General Laws.

Chapter 6C, Section 53, of the General Laws makes MassDOT's Rail and Transit Division (RTD) "responsible for overseeing, coordinating and planning all transit and rail matters throughout the

³ In addition, the Massachusetts Bay Transportation Authority is subject to oversight by MassDOT, which is now also responsible for many of the bridges and parkways operated by the Department of Conservation and Recreation.

Commonwealth,” including intercity buses, the MBTA, RTAs, and the RTA Council. MassDOT’s RTD is led by an administrator, who is also the assistant to the general manager of the MBTA. The RTD carries out its responsibility of providing and managing financial assistance for RTAs through its Community Transit Program Unit (CTP), which oversees the federal, state, and local programs that financially support the RTAs. CTP’s staff consists of a deputy director, a manager of Transit Programs, a manager of Capital Programs, a coordinator of Capital and Finance, and a coordinator of Statewide Mobility. CTP also manages the Commonwealth’s capital funding programs for all 15 RTAs and provides RTAs with expert technical assistance on transit planning, coordination, and special projects. Additionally, although the RTD is statutorily responsible for all transit and rail matters throughout the Commonwealth, as discussed below, the Office of the State Treasurer (OST) and the Department of Revenue are responsible for the timely billing, collection, and disbursement of local assessment (LA) funds to all RTAs.

For fiscal years 2012 and 2013, MassDOT’s RTD was responsible for administering transportation financial assistance reimbursement payments totaling \$105,270,613 and \$114,379,783, respectively, to the 15 RTAs operating throughout the Commonwealth. This funding is used to develop new transit systems and improve, maintain, and operate existing systems in communities served by RTAs.

RTA Funding

RTAs’ operations are funded through fares from riders and assistance from various federal, state, and local sources. The combined operating cost of the 15 RTAs is more than \$150 million annually. The largest source of funding is state contract assistance (SCA), followed by Federal Transit Administration grants and LA payments.

SCA is the major source of state operating assistance for RTAs and is based on expenses incurred by an RTA during the fiscal year. SCA is provided through the Commonwealth Transportation Fund and the Massachusetts Transportation Trust Fund. According to Chapter 161B, Section 23, of the General Laws, Massachusetts must use SCA to fund at least 50% of each RTA’s net cost of service, which is an amount equal to each RTA’s operating deficit after federal operating assistance, RTA-generated revenues (including fares), and LA payments are deducted. Each RTA has a contract with MassDOT, managed by the RTD, for SCA. This portion of an RTA’s cost of service was funded 12 months in arrears by the Commonwealth until fiscal year 2014, when the funding method changed

in accordance with Chapter 38 of the Acts of 2013. Chapter 38 was passed to forward fund⁴ state operating assistance for RTAs, stating that MassDOT must expend no less than \$80 million to complete the forward funding. During our audit period, it was announced that three RTAs had been successfully forward funded for SCA funding: the Southeastern Regional Transit Authority, the MetroWest Regional Transit Authority, and the Berkshire Regional Transit Authority.

RTAs receive Federal Transit Administration grants that partially fund services under the Americans with Disabilities Act, preventive maintenance programs, and rural operations. These funds are allocated to the state based on population, administered by MassDOT's RTD, and applied for through a Community Transit Grant application. RTAs are reimbursed with federal funds for approved federal transportation activities that occurred in the previous fiscal year.

Under Chapter 161B, Section 9, of the General Laws, annual LA payments are based on the "loss" (operating cost minus revenue) for each specific transit route and the activity and the share of that loss attributable to each town or city. RTA member communities are assessed at least 25%, and not more than 50%, of the net cost of service. The LA funding is capped at a 2.5% increase over the prior year, except when new service is implemented. In order to establish each LA amount, RTAs undergo annual independent audits and are required to submit their audited financial statements to the Massachusetts Department of Revenue's Division of Local Services (DLS) by no later than December 31 after the fiscal year covered by the audit. In these financial statements, the RTAs certify charges to communities for services rendered in the prior year. The LA funding of each RTA is based on these audited reports, which are submitted by the RTAs to DLS before the beginning of the upcoming fiscal year. For example, fiscal year 2009 audited assessments, which were submitted no later than December 31, 2009, were used as the basis for the fiscal year 2011 LA payments. The Local Aid Assessment Sheet for RTA services is then generated by DLS; this is the official notification from the Commissioner of Revenue of the upcoming fiscal year's state aid and assessments to cities, towns, and regional school districts. The assessment is deducted from the LA payment that every community receives from funds generated by the state lottery.

The process for distributing LA funding to the RTAs is initiated by DLS establishing an individual MassDOT agency fund account for each RTA. After these accounts have been funded by DLS,

⁴ Forward funding provides for the current year's expenses to be fully funded during the current year, in contrast to the prior method, under which reimbursement was made 12 to 24 months after expenses were incurred.

MassDOT initiates a transfer of funds from each member community's LA account to each individual RTA fund account. During our audit period, these transactions were performed quarterly in four equal payments, in each fiscal year, on or before September 30, December 31, March 31, and June 30.⁵ At the end of any fiscal year in which a member community does not have sufficient funds in its annual LA account to pay its RTA assessment, DLS directs the community to remit the unpaid funds to OST, which then deposits them into the appropriate MassDOT agency fund account to be forwarded to the RTA. During our audit period, LA amounts established by DLS totaled \$27.9 million and \$29.6 million during fiscal years 2012 and 2013, respectively.

⁵ Effective July 1, 2013, Chapter 165, Section 116, of the Acts of 2012 amended this payment schedule so that LA payments to the RTAs would be made in 12 equal payments, on or before the last day of each month.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Massachusetts Department of Transportation (MassDOT) for the period July 1, 2011 through June 30, 2013. This audit was undertaken in response to OSA's audit of the Martha's Vineyard Regional Transit Authority (No. 2012-1277-6A), in which OSA found that that Authority had to borrow funds to meet its expenses until it received unpaid local assessment (LA) funding, a practice that resulted in increased interest costs to the Authority.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to determine (1) whether regional transit authorities' (RTAs') funding issues identified during our audit of the Martha's Vineyard Regional Transit Authority were prevalent throughout the RTA system; (2) whether MassDOT, through its Rail and Transit Division (RTD), was administering the state's funding for RTAs in compliance with Chapter 161B of the General Laws as well as other applicable laws, rules, and regulations; and (3) what effect, if any, the current state funding process for RTAs was having on the financial stability of RTAs.

To achieve our objectives, we performed the following activities:

- We analyzed MassDOT payment information, and state accounting records in the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS), to identify payments made by the Commonwealth to fund RTAs. The electronic data sources used for this analysis constitute the official procurement and accounting records of the Commonwealth, are widely accepted as accurate, and form the basis for the Commonwealth's audited annual financial statements. Accordingly, our audit did not involve a comprehensive assessment of the reliability of source Commonwealth data.
- We reviewed selected process and system controls and interviewed knowledgeable agency officials to assess the reliability of the data in MMARS, which are maintained by the Office of the State Comptroller. Process controls are an organization's policies and procedures that could affect the accuracy and completeness of data. System controls are the underlying structures and programming of the computer system that could affect the accuracy and completeness of data.

Based on our analysis, we concluded that the data used were of sufficient reliability for the background information, sampling methodology, and other purposes of our report.

- We selected two RTAs (Brockton Area Transit Authority and Lowell Regional Transit Authority) at which to conduct site visits. We selected these RTAs based on the large size of their operations and the amount of LA funding each received. In addition, we provided all 15 of the RTAs that MassDOT oversees with a questionnaire regarding any issues or concerns they had with their funding, including LA assessments.
- We interviewed officials from MassDOT's RTD and Fiscal Department as well as the Massachusetts Department of Revenue's Division of Local Services (DLS). The purpose of these interviews was to obtain an understanding of the control environment that existed during our audit period and the control procedures and processing procedures used by these departments.
- We examined all of the payments made to the 15 RTAs during our audit period to assess the effectiveness of the internal controls that MassDOT's RTD and Fiscal Department had implemented over MassDOT's billing and payment systems. We traced all recorded payments to MassDOT's official accounting system, MMARS, and verified that these payments were made in accordance with grant and contract agreements and approved LA amounts.

Additionally, we gained an understanding of the internal controls we deemed significant to our audit objectives and tested and evaluated them for operating effectiveness. Specifically, we performed procedures such as interviewing personnel, reviewing policies, analyzing records, and examining documentation supporting recorded transactions, including the following:

- We reviewed all RTA capital expenditure invoices submitted for reimbursement to ensure that they were adequately supported by capital grant documentation that MassDOT maintained for those invoices.
- We reviewed applicable laws, regulations, guidelines, and other pronouncements related to the operations of MassDOT's RTD, MassDOT's Fiscal Department, RTAs, and DLS, particularly as they related to the funding mechanism in place for the 15 RTAs throughout the Commonwealth.
- We met with the Massachusetts Association of Regional Transit Authorities to gain an understanding of funding issues related to RTAs.
- We reviewed the issues contained in our audit of the Martha's Vineyard Regional Transit Authority (No. 2012-1277-6A).
- We obtained and reviewed the fiscal year 2012 and 2013 independently audited financial statements for all 15 RTAs.

Our audit indicated that MassDOT, through the RTD, was administering the state's funding for RTAs in compliance with applicable laws and regulations. However, as noted in the Detailed Audit Results and Findings section of this report, the process used to establish and disburse LA funding to RTAs is inefficient.

DETAILED AUDIT RESULTS AND FINDINGS

Delays in the receipt of local assessment funding caused regional transit authorities budgeting problems and thousands of dollars of unnecessary interest expenses each year.

Local assessment (LA) reimbursements, which may cover as much as 50% of a regional transit authority's (RTA's) net cost of service, are currently being paid up to 24 months in arrears, rather than in the year that funds are actually needed to fund the RTA's operations. Consequently, while waiting for these reimbursements, RTAs must fund their operations by borrowing money using revenue anticipation notes (RANs),⁶ thereby incurring thousands of dollars in unnecessary interest expenses on these borrowed funds. Further, according to RTAs, the receipt of this funding 24 months in arrears also makes budgeting and implementing new transportation services difficult.

In addition, since the Legislature passed Chapter 182 of the Acts of 2008, which required RTAs to be reimbursed based on the most recently audited actual assessments rather than on estimated assessments, there is now a further 12-month delay—in addition to the previously existing 12-month delay—before the RTAs receive these reimbursements.

The totals of LA funding due to be reimbursed to all 15 of the RTAs by the Massachusetts Department of Transportation (MassDOT) for fiscal years 2012 and 2013 were approximately \$30.7 million and \$31.9 million, respectively. Examples of these unpaid assessments, as of June 30, 2012, follow:

RTA	Claimed Unpaid Amount
Lowell Regional Transit Authority	\$ 703,477
Worcester Regional Transit Authority	716,433
Merrimack Valley Regional Transit Authority	375,406
Franklin Regional Transit Authority	100,709
Pioneer Valley Regional Transit Authority	560,451
Berkshire Regional Transit Authority	161,488
Nantucket Regional Transit Authority	68,855
MetroWest Regional Transit Authority	153,699
Cape Ann Regional Transit Authority	48,575
Brockton Area Transit Authority	272,801
Total	<u>\$ 3,161,894</u>

* This information was obtained from these RTAs via a survey from the Office of the State Auditor and was not verified.

⁶ Short-term notes, usually less than one year in term, issued by the RTA and funded through contracted assistance that the RTA anticipates receiving during the coming year.

All 15 RTAs must issue RANs to cover any cash flow deficiencies that occur while their LA, state, and federal funds have not yet been received. The RTAs' annual financial reports indicated that for fiscal years 2012 and 2013, the cumulative outstanding amounts of debt (in the form of RANs) were as follows:

As Of	RANs Outstanding	Interest Rate Range
June 30, 2012	\$159.5 Million	1.875–5.5%
June 30, 2013	\$155.7 Million	1.5–5%

The Office of the State Auditor computed the additional interest costs incurred because of the 24-month delay in LA payments for each RTA, using the RTAs' assessments for fiscal years 2012 and 2013 and applying the average interest rate paid on their debt to the unpaid assessments. We determined that as much as \$700,000 in additional interest costs was incurred during this period. The computed additional interest costs follow:

Total Fiscal Year 2012 Unpaid LA Funds	\$30,685,664
Average RAN Interest Rate	1.27%
Estimated Interest Expense	\$389,708
Total Fiscal Year 2013 Unpaid LA Funds	\$31,873,127
Average RAN Interest Rate	0.97%
Estimated Interest Expense	\$309,169

Authoritative Guidance

Chapter 29, Section 3B, of the Massachusetts General Laws states,

The Massachusetts Bay Transportation Authority and the several regional transit authorities shall annually, on or before September 15, submit to the state budget director, the joint committee on transportation, the house and senate committees on ways and means and the Massachusetts Bay Transportation Authority advisory board (1) statements showing planned expenditures for the current fiscal year and the subsequent fiscal year; provided, however, that said statements shall detail planned expenditures according to program and to the expenditure classification plan promulgated by the state comptroller under section 27.

Thus, RTAs are responsible for developing sound operating budgets in order to ensure their effective and efficient operation. Anticipated revenue is a key component of a budget, and if the LA payments cannot reasonably be anticipated, RTAs cannot adequately develop reasonable operating budgets.

Reason for the Funding Problems

Chapter 182 of the Acts of 2008 changed how RTAs are funded, stating that the Commonwealth would make LA payments based upon each RTA's last available audited statements, which in most cases cover the prior two years' activity.

Recommendation

MassDOT should confer with the RTAs to determine the current total amount of unpaid LA funds owed and seek funding from the Legislature for this amount for payment to the RTAs. Further, MassDOT, in collaboration with the RTAs, should seek to change the funding process used by the Commonwealth to provide LA funding to RTAs so that the funding is received by RTAs in a more timely manner.

Auditee's Response

The importance of ensuring an efficient and seamless funding structure for Regional Transit Authorities is of the utmost importance to MassDOT. As indicated . . . in your draft report, MassDOT had forward funded three RTAs when the audit process commenced. I am pleased to update you that, as of July 2014, all fifteen RTAs have been successfully forward funded. The implementation of forward funding has resulted in a significant decrease in the amount of Revenue Anticipation Notes that the Authorities needed to borrow in order to fund operations. This, in turn, has led to direct savings associated with eliminated debt service, while also increasing predictability for the RTAs and imposing fiscal discipline.

As your audit points out, however, local assessments remain paid in arrears and therefore require borrowing. MassDOT agrees that forward funding of local contributions would benefit the RTAs and produce an additional savings. As your report points out, however, implementing such a change is not within the power of MassDOT. A change to legislation would be required along with an additional allocation of funds from either the state or local level. . . .

MassDOT acts efficiently and in full compliance with state law to pass funding through from the Department of Revenue to the RTAs. . . .

Finally, your report addresses the complicated issue of local assessment deficits borne by the RTAs. There appear to be two different issues at work here: actual unpaid local assessments that derive from the situation referenced above and delayed local assessments based on rolling debt from Year One of RTA service and borrowing for current year operations. . . .

Most important, the Auditor's Office cites a total claimed unpaid amount of \$3,161,894. . . . MassDOT understands that level funding the RTA's local assessments for a year cost them a 2.5% annual increase that totaled approximately \$700,000 plus any additional new service requested and funded by a specific municipality. Because neither FY10 nor FY11 local assessment levels indicate significant new service, more information is needed to understand the source of \$3,161,894 in unpaid funds. It is important to note here that, MassDOT, in its role as a pass through, does not have any local assessment funding on hand.

All this being said, I will work with the MassDOT Legal and MassDOT Legislative Affairs Office to begin a dialogue with all appropriate parties to determine the specific legislative fix that would be needed to improve and refine the process of payments of local assessments to the fifteen Regional Transit Authorities.

Auditor's Reply

We believe that the actions taken by MassDOT to successfully complete its forward funding of state assistance for all the RTAs, which resulted in a significant reduction in borrowing costs, were a positive step in addressing the RTA funding problem. However, we again urge MassDOT and the RTAs to work together to change the funding process to enable RTAs' LAs to be received in a more timely manner.

We are aware of MassDOT's limited role in the current LA process and acknowledge that all processing and pass-through payments that we reviewed during our audit were in compliance with existing state law. The \$3.16 million figure in our report is based on survey information we obtained from a sample of RTAs. In addition, we acknowledge that the effects of the reporting requirements of Chapter 182 of the Acts of 2008 caused the delay in the receipt of local assessment funds and the resulting increased borrowing costs to the RTAs. Because Chapter 182 was a legislative decision and not a decision on MassDOT's part, we agree that it will require a legislative solution. Based on MassDOT's response, the agency intends to pursue such a solution with the appropriate parties.

We agree with MassDOT's assertion that there are two types of LA deficits that result from the current reporting requirements: first, unreimbursed expenses for the implementation of new transportation services, and second, the continuing need for short-term borrowing to fund RTAs' operations, caused by the 24-month delay in the receipt of LA funds.

Finally, we believe that it is appropriate for MassDOT's Legal and Legislative Affairs Offices to begin working on developing a legislative remedy to improve the LA funding process.

APPENDIX A

PAYMENTS TO RTAS DURING FISCAL YEARS 2012 AND 2013

Type of Funding	Fiscal Year 2012 Total	Fiscal Year 2013 Total	Grand Total
State Contract Assistance (SCA)	\$ 59,235,055	\$ 67,635,055	\$ 126,870,110
Regional Transit Authority Rolling Stock	6,285,770	4,940,579	11,226,349
Regional Transit Authority Operations and Passenger Facility		734,481	734,481
Section 5316 Job Access and Reverse Commute	1,135,171	2,210,477	3,345,647
Section 5317 New Freedom Operating Segment	325,508	939,889	1,265,397
Section 5310 Special Needs for Elderly Individuals and Individuals with Disabilities Program	4,760	20,415	25,175
Intermodal Transportation	1,030,983	2,785,769	3,816,751
Section 5311 Nonurbanized Area Formula Program	2,836,338	4,484,322	7,320,659
Regional Transit Authority Capital Assistance		412,000	412,000
American Recovery and Reinvestment Act of 2009	6,538,314	640,600	7,178,914
Subtotal	<u>77,391,898*</u>	<u>84,803,586*</u>	<u>162,195,484*</u>
Local Assessments	27,878,715	29,576,197	57,454,912
Grand Total	<u>\$ 105,270,613</u>	<u>\$ 114,379,783</u>	<u>\$ 219,650,396</u>

* The one-dollar difference in this total is the result of rounding.

APPENDIX B

REGIONAL TRANSIT AUTHORITY LEGISLATION

Chapter 161B, Section 9 (Payment of Net Cost of Service by State; Assessment upon Cities and Towns in Territory of Transit Authority)

If in any year the commonwealth shall be called upon to pay any amount on account of the net cost of service of any regional transit authority except the Cape Cod Regional Transit Authority, unless said authority elects not to assess costs as provided in section nine A, the total amount of such net cost of service shall be assessed upon the cities and towns which are members of such authority in the proportion which the loss attributable to each route in each such city or town bears to the loss attributable to all such routes in all such cities and towns. The loss attributable to each such route in each such city or town shall be determined on the basis of the difference between the revenues collected from such route in such city or town and the cost of providing such route therein.

Such determination shall be made by such authority in accordance with sound accounting practice and guidelines developed in consultation with the department. Amounts assessed under this section shall be the most recently audited regional transit authority assessment available on January 1 of each year and shall be used to calculate the upcoming fiscal year's estimated cherry sheet assessments.

Chapter 161B, Section 22 (Federal Assistance)

Each authority is authorized and directed from time to time to take all necessary action to secure any federal assistance which is or may become available to the commonwealth or any of its subdivisions for any of the purposes of this chapter. If any federal law, administrative regulation or practice requires any action relating to such federal assistance to be taken by any department or instrumentality of the commonwealth other than the authority such other department or instrumentality is authorized and directed to take all such action, including without limitation filing applications for assistance, supervising the expenditure of federal grants or loans and making any determinations and certifications necessary or appropriate to the foregoing, and the authority is authorized and directed to take all action necessary to permit such other department or instrumentality to comply with all federal requirements.

Chapter 161B, Section 23 (State Assistance)

The commonwealth, acting by and through the executive office for administration and finance, may enter into contract or contracts with the authorities created pursuant to this chapter providing that fifty per cent of the net cost of service of each authority shall be paid by the commonwealth, and shall not be assessed upon the cities and towns constituting the authorities established by section two and section three. Such amount, not to be so assessed shall be called contract assistance.

Contracts shall provide for payment of debt service by the commonwealth when due except to the extent that the authority shall have previously notified the state treasurer that the revenues of the authority are sufficient for the purpose.