PRELIMINARY REPORT
TO THE MBTA ADVISORY BOARD

MBTA FISCAL YEAR 2005 BUDGET REQUEST

Submitted by the

MBTA Advisory Board Finance Committee

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PREFACE

The MBTA Advisory Board Finance Committee transmits the enclosed report for your consideration.

The committee wishes to thank the MBTA for their efforts in responding to requests for supporting documentation and attending committee meetings.

The committee also acknowledges the work of the Advisory Board staff who has provided invaluable budget analysis for the Committee.

P/L

Budget Overview

The Request

On March 12th 2004, the MBTA presented its FY2005 Budget Request to the Full Advisory Board. CFO and Deputy General Manager Jonathan Davis outlined a budget that projected total revenues of $1,235,019,540.

MBTA FY2005 Revenues

Operating Revenues	$ 384,932,173
Non-Operating Revenues	7,546,210
Assessments	137,732,242
Sales Tax Revenues	704,808,915
Total	**$1,235,019,540**

Projected revenues amount to an increase of $47.5 million over FY2003, and include $25.1m additional revenue associated with the implementation of the January 2004 fare increase. While the operating and non-operating revenue figures are projections, both the Assessments and the Sales Tax Revenue figures have been certified by the State.

The Authority is seeking a net increase of $43,506,052 over last year's total expense budget. $37,036,885 of that increase is in the Operating Budget and $6,469,167 is attributed to Debt Service. The FY2005 Operating Budget increases are in the following areas:

MBTA FY2005 Operating Budget Increase Request

Wages and Payroll Taxes	$13,601,792	37% of the increase
Local Service Expense	8,332,157	22%
Materials, Supplies, Services	7,232,605	20%
Fringe Benefits	6,612,698	18%
Commuter Rail Expense	1,755,737	4%
Casualty and Liability	(498,106)	(1%)
Total	**$37,036,885**	

The Debt Service Budget shows an increase in interest payments offset by a drop in principal.

MBTA FY2005 Debt Service Budget Request

	FY2004	**FY2005**	**Inc/(Dec)**
Interest	$214,873,391	$230,942,122	$ 16,068,731
Principal	115,040,700	104,525,964	(10,514,736)
Leases	15,536,970	16,452,142	915,172
Total	**$345,451,061**	**$351,920,228**	**$ 6,469,167**

The focus of the Authority's presentation was the introduction of Silver Line Phase II (Transitway) service, the fare increase mitigation service improvements, other service quality/reliability improvements and system-wide safety. The request also illustrates the MBTA's continued commitment to cost containment by recognizing improvements in productivity, savings from workforce efficiencies, and savings from their power and electricity contracts. Finally, the request supports the Authority's ongoing contractual and statutory obligations, funds debt service in support of the Capital Investment Program and allows the MBTA to maintain a reasonable level of liquid reserves to meet unforeseen cash shortfalls and for use in the Capital Maintenance Fund.

Note:

The review period for this request coincided with consideration of the FY2004 Transfer/Supplement Request #1, which was approved by the Full Advisory Board on April 16th, 2004. For purposes of this report, all noted variances are based on the FY2004 Approved Transfer/Supplement Budget, not the FY2004 Approved Budget included in the March 12th, 2004 Request. Pertinent line-item data is included by section to illustrate and clarify the FY2004 budget changes and how those changes affect the variances for FY2005.

The Review Process

The Finance Committee met four times to consider the Authority's budget request. Staff of the MBTA, including the CFO, Budget Director and Chief Operating Officer met with the Committee to present their departmental needs and answer questions. As in past years, the Finance Committee was provided all of the requested budget review materials and additional information, and would like to thank the Authority for the timeliness and quality of those items.

The Authority has implemented many cost-saving initiatives over the last several years and has worked closely with the Finance Committee in trying to find new efficiencies, however FY2005 will be another difficult year for the MBTA. Significant increases associated with employee benefits, contractual wage increases, new service and vehicles, and increased costs in The RIDE program will make it challenging to contain the growth in operating expenses. Debt Service also continues to grow. The current Capital Investment Program dedicates 83% of total funding for infrastructure and reinvestment projects that are necessary to maintain and support the State of Good Repair. In addition, the low-interest rate environment that has been enjoyed for the last several years is starting to move upward. Finally, due to two years of flat Sales Tax Revenues and mandated decreases in Local Assessments, the Authority has been unable to fund more capital-related expenses using PAYGO.

Revenue

Total FY2005 Revenues are projected to increase by $47.5 million, or 4% over FY2004. The increase in Operating Revenues, $29.9 million, consists of the following: full year realization of the January 2004 fare increase, $25.1 million; additional revenue in Real Estate Operations, $2.8 million; and fifth year growth of the Authority's advertising contract, $2.0 million. The $1.2 million decrease in Non-Operating Revenues is due to lower than anticipated property sales. The total $18.8 million increase in Dedicated Revenues is comprised of an increase in Sales Tax Revenue of $20.5 million (3%) resulting from an increase in the Base Revenue Amount, offset by a decrease of $1.7 million in Local Assessments in accordance with the Forward Funding legislation.

Net Operating Investment Per Passenger Mile (NOIPPM)

Massachusetts General Law set the net operating investment per passenger mile ratio as a measure of the efficiency of Authority operations by evaluating the proportion of operating expenses covered by system revenues. The goal set by the legislation is a ratio of not more than $.20 for any fiscal year beginning in FY2006 without reducing service levels or raising fares. Since FY2002 however, NOIPPM has been increasing instead of decreasing:

FY2002	$0.239
FY2003	$0.250
FY2004(Estimated)	$0.252
FY2005(Estimated)	$0.260

The increase is primarily due to ridership and fare revenue declines that began in the Fall of 2001. In comparison to FY2003, FY2004 passenger miles (cumulative unlinked trip miles ridden by all passengers on all modes of service) are projected to decrease. Although a slight increase is projected for FY2005, the projection is still below FY2003 levels. In an effort to mitigate these declines and move closer to achieving the goal, the Authority continues to implement measures to increase efficiency: replacing aging fleet vehicles with new and effective vehicle technologies, addressing absenteeism issues, procuring favorable pricing structures in power and electricity contracts, and improving communications and signals systems. Although there are signs that the ridership decline is leveling off, long-term success hinges on finding ways to deliver services at a lower cost.

Operating Expense

Headcount, Wages, Fringe Benefits, Payroll Taxes

The MBTA's headcount request for FY2005 shows an overall increase of 93 positions - 107 in operating, offset by a decrease of (14) in capital. The increase on the operating side is primarily in Bus and Subway Operations. The Bus Operations request is attributed to staffing needs for interim (September 2004) and then full (January 2005) service on the Silver Line Transitway. The Subway Operations request is attributed to staffing needs for the maintenance and operation of the #8 Breda cars. The remainder of the increase is associated with the implementation of additional Bus, Subway and security services agreed to as part of the January 2004 fare increase. The $12.0 million dollar increase in the Wage line item is primarily due to the 3% contracted union increase, $13.0m, offset by other workforce efficiencies (established vacancy rates in operating departments). The approval of this request would bring the T's headcount budget to 6,324.

Of the total $8.2 million increase in Fringe Benefits and Payroll Taxes, $5.0 million is attributed to Healthcare expenses, $2.1 million in Pensions, and $1.1 million in Payroll Taxes associated with the Wage increase, offset by savings in other Fringe Benefit line items.

Healthcare expense is increasing by 14% over the FY2004 original budget and continues to be an area of great concern for the Authority. The Advisory Board has already approved a Supplemental Budget, funded from Net Revenue, in the amount of $4.97 million to cover anticipated overages in this line item for FY2004. In addition to annual rate increases, participation levels continue to rise – currently the split between active employees receiving contribution-based healthcare benefits and retirees receiving 100% healthcare benefits is 50% (retirement rates of union-represented employees fall between 200 and 250 annually). Collective bargaining mandates hold the MBTA at minimum levels for contribution rates and co-pays and precludes them from being included under the Commonwealth's Group Insurance Commission, which sets contribution rates and co-pays for state employees. As the population ages, and prescription drug costs continue to increase, the burden of providing this benefit will not only continue to have a negative affect on the Authority's operating budget, but will hinder their ability to fund the Capital Maintenance Fund as outlined in their Financing Plan.

	FY2004 Budget	FY2005 Request	Variance Incr/(Decr)
Pre-Transfer Wages	$313,924,451	$330,428,856	$16,504,405
FY2004 Approved Transfer	4,522,287	-	(4,522,287)
Post-Transfer Wages	**$318,446,738**	**$330,428,856**	**$11,982,118**
Pre-Supplement Healthcare Expense	$ 69,606,927	$ 79,545,180	$ 9,938,253
FY2004 Approved Supplement	4,970,076	-	(4,970,076)
Post-Supplement Healthcare Expense	**$ 74,577,003**	$ 79,545,180	**$ 4,968,177**
Pre-Supplement Net Revenue	$ 10,746,183	$ 9,806,253	$ (939,930)
FY2004 Approved Supplement	(4,970,076)	-	4,970,076
Post-Supplement Net Revenue	**$ 5,776,107**	**$ 9,806,253**	**$ 4,030,146**

Materials, Supplies, and Services

The bulk of the $7.2 million dollar increase in this line item is the result of the Advisory Board approved FY2004 Transfer Request. This action decreased the original budget by $6.3 million, hence increasing the unfavorable variance for FY2005 by the same amount (see below). The remaining $.9 million increase in this line item is due to the following: $2.0 million for equipment maintenance contracts at the facilities housing the new CNG buses for the operation and maintenance of the fueling stations (Cabot $.9 million, Arborway $.7 million, and Southampton $.4 million); $1.3 million in materials, services and fuel costs associated with the new CNG and electric trolley buses; $.6 million to expand the number of service contracts to include all of the new elevators and escalators located in the new Silver Line stations; and $.6 million in materials to cover the cost of replacement parts for the Subway fleet. These increases are offset by overall savings in gas and diesel, utilities and power, ($3.6 million).

	FY2004 Budget	FY2005 Request	Variance Incr/(Decr)
Pre-Transfer Mat., Supp., Serv. Expense	$119,688,954	$120,618,440	$ 929,486
FY2004 Approved Transfer	(6,303,119)	-	6,303,119
Post-Transfer Mat., Supp., Serv. Expense	**$113,385,835**	**$120,618,440**	**$7,232,605**

Purchased Commuter Rail Expenses

The $1.8 million increase in this line item represents the contracted increase of $2.0 million in Fixed Price, $2.5 million in fuel expense due to MBCR's transition to central fueling, and $2.2 million in FELA claims, offset by other operating savings of $1.3 million, and the result of the Advisory Board approved FY2004 Transfer Request. This action increased the FY2004 budget for this line item by $3.6 million, hence decreasing the unfavorable variance for FY2005 by the same amount (see below). The FY2005 Request includes manpower requirements associated with the possible extension of the Attleboro Line weekend service to Providence and the enhancement of weekday service to Fitchburg, effective February 17, 2004, as agreed to as part of the January 2004 fare increase.

	FY2004 Budget	**FY2005 Request**	**Variance Incr/(Decr)**
Pre-Transfer Commuter Rail Expense	$206,920,278	$212,598,112	$5,677,834
FY2004 Approved Transfer	3,922,097	-	(3,922,097)
Post-Transfer Commuter Rail Expense	**$210,842,375**	**$212,598,112**	**$1,755,737**

MBCR continues to show measurable improvements over Amtrak. On-time performance is the same or better, mechanical reliability is up 18%, and complaints are down 40%. The Authority is still working with staff on issues surrounding fare collection and is expected to perform a Spring/early Summer rider count in the next month or so.

Purchased Local Service Expenses

Local Service Expense is increase by $8.3 million, primarily due to a 14% ridership increase and new service contracts for The RIDE service.

There are several reasons for the increase in The RIDE contract. The RIDE service is experiencing large increases in ridership primarily due to a change in the original ADA language that increases the percentage mandate for fulfillment of trip requests from 75% to 100%. The Authority does its own certification for participants and currently has 62,000 registered, with approximately 14,000 regular users. Secondly, the MBTA went through an industry bid process, which brought in rates that were slightly higher than the previous contract, but still below their peers. These new contracts provide service and program improvements that include required internet access for customers, and required voice recognition technology. On the capital side, the Authority will be entering into purchase/lease agreements for 69 new lift-equipped vans and 174 sedans – both with on-board computer systems (GPS). The sedans will also be modified with larger rear doors.

Debt Service

Total Debt Service is projected to increase by $6.5 million, or 2%, in FY2005. The increase in Principal and Interest payments is the net effect of two actions: 1) a $2.0 million increase in Principal payments and an $.8 million increase in Interest payments is the net result of savings from the refunding of GTS (General Transportation System) bonds, Series 2000 Assessment bonds, and revenue bonds issued to fund the Authority's capital program. Lease payments will increase by $.03 million as a result of the acquisition of new vehicles for both The RIDE and Systemwide Maintenance Improvements; 2) the remaining increase, $3.6 million, is due to line item changes that reduced the Debt Service budget in association with the FY2004 Approved Transfer Request (see below).

	FY2004 Budget	FY2005 Request	Variance Incr/(Decr)
Pre-Transfer Interest Payments	$228,920,283	$230,942,122	$ 2,021,839
FY2004 Approved Transfer	(14,046,892)	-	14,046,892
Post-Transfer Interest Payments	**$214,873,397**	**$230,942,122**	**$16,068,731**
Pre-Transfer Principal Payments	$103,699,161	$104,525,964	$ 826,803
FY2004 Approved Transfer	11,341,539	-	(11,341,539)
Post-Transfer Principal Payments	**$105,040,700**	**$104,525,964**	**($10,514,736)**
Pre-Transfer Lease Payments	$16,424,716	$ 16,452,142	$ 27,426
FY2004 Approved Transfer	(887,746)	-	887,746
Post-Transfer Lease Payments	**$15,536,970**	**$ 16,452,142**	**$ 915,172**
Total Debt Service Payments	**$349,044,160**	**$351,920,228**	**$ 2,876,068**
FY2004 Approved Transfer	**(3,593,099)**	**-**	**3.593.099**
Post-Transfer Debt Service Payments	**$345,451,061**	**$351,920,228**	**$ 6,469,167**

The MBTA's management of its debt service expenses has resulted in year-end savings in recent fiscal years and has also given the Authority the flexibility to refinance high coupon debt at lower rates and pay for some capital-related expenses using cash (PAYGO) in an effort to reduce the total debt load. The reduction in debt service expense is indicative of the Authority's active management of its portfolio in conjunction with the low interest rate environment. However, the economy is changing and interest rates are on the rise – an indication that opportunities for refinancing in the foreseeable future are limited. Even with the successful retirement of some of its debt, and savings the MBTA has seen as a result of refinancing, debt service will continue to consume 30% of the total budget through FY2015. The Authority's plan to eventually replace debt financing of capital expenses with pay-as-you-go funding from net revenue can only occur if revenue growth is robust and debt spending is reduced, but projections indicate that debt will continue to rise. The Authority's current Capital Investment Program earmarks 83% of total funding to reinvestment in the existing infrastructure (including ADA) and their current Financing Plan shows debt service exceeding $400 million in FY2007, with a projected high of $457 million in FY2011. The Authority is under tremendous fiscal stress, but still is under pressure to expand. A December 2003 Mass Taxpayers Foundation report states, "*T cannot afford expansion projects without sacrificing critical improvements to existing system or undermining its finances.*"[1]

Several of the revenue sources that the Authority included in its Financing Plan have not been fully realized, therefore, jeopardizing its ability to fund the necessary increases in its contractual and statutory obligations, reduce its debt load, and realize the funding projections for the Capital Maintenance Fund (PAYGO). First, after several years of regular increases in ridership and fare revenue, the Authority began to see declines in both. Second, the projected annual increases in Sales Tax Revenue from the Commonwealth have not been realized; the Authority had made their projections based on annual 3% increases, but there was no increase in the Base Revenue Amount for FY2004 because of lower than expected state sales tax revenue. This means that the actual FY2004 Sales Tax Revenue budget was $21 million lower than expected – a revenue loss that will have a domino affect on the succeeding years. Third, Forward Funding legislated that Local Assessments would decrease 20% each year until FY2006. For FY2005, the decrease amounts to $1.7 million. As a result of these funding gaps, the Authority implemented a fare increase to not only cover the shortfall for FY2004, but for FY2005 as well. The

[1] Mass Insight Infrastructure Summit, Transportation Finances, December 2003 – Massachusetts Taxpayers Foundation p. 7, www.masstaxpayers.org/whats_happening.html

increase enables them to support expenses, but does not give the Authority the net revenue it really needs to relieve itself of a higher proportion of the debt load that continues to burden it.

More text regarding Debt (CA/T mitigation issues?, etc.)

Absenteeism

The Finance Committee began looking at absenteeism at the Authority during the FY2003 Budget Review Process. It was very disturbing to find that operating personnel per year absences averaged 20 days. This high level of absenteeism had a negative effect on headcount and overtime costs and made for a transit system that was highly inefficient and costly to operate. Furthermore, it would only lead to more absences as those who were coming to work regularly succumbed to fatigue and burnout from covering missed shifts. All of these factors resulted in a drain on both the budget and service quality. In response to these concerns, the Authority planned an audit of absenteeism among its employees. Although the Committee applauded this first step, corrective action needed to begin prior to the conclusion of the audit. The MBTA set out to make the necessary changes by contacting department heads and looking at their own reporting mechanisms.

During the FY2004 Budget Review Process, the issue was revisited and although the Authority was making some progress in improving the reporting mechanism, absences were still having a negative affect on operating costs. There had been a reduction in absences between CY2001 and CY2002, but the trend for CY2003 was showing an increase. In CY2002, 91% of the workforce took 14 days or less of unpaid sick or unauthorized time – the remaining 8%, who were taking in excess of two weeks unpaid, brought the overall average up. This made it all the more important that a case by case review be done to determine the cause and remedies for this problem.

Returning again during the current budget process, the Committee met with T personnel, specifically Judi Burgess, Deputy Director of Labor Relations, for a progress report. The first quarter CY2004 Authority-wide average of 5.02 days translates into an annualized trend of 20.1 days – a 7% decrease from the first quarter CY2003 21.62 days average. The Authority credits this decrease to strong top-down communication of the magnitude of this problem, resulting in stricter and more aggressive enforcement of absence rules, review of employees' absence records, progressive discipline actions, and the creation of the Absence Management Initiative.

The Absence Management Initiative was created in an effort to curtai1 excessive absenteeism and positively impact the Authority's overall goal of reducing costs and improving operational efficiencies. Specifically, an Absence Management Committee comprised of individuals from Labor Relations, Operations, Occupational Health, Legal, and Human Resources, spearheaded this initiative to discharge employees, regardless of reason, who had been absent from the Authority for a period of one (1) year or more.

As a result of the Absence Management Committee's efforts, a total of eighty-nine (89) employees have been impacted by the initiative thus far. A significant number of these individuals had been absent for periods in excess of five and ten years. Thirty-two (32) of the eighty-nine (89) have been discharged from the Authority; eight (8) have returned to work; ten (10) have retired, three (3) resigned; thirty-four (34) have filed applications for disability retirements (ten (10) of which have already been approved); one (1) received an early reduced retirement, and one (1) is awaiting discharge. The Finance Committee was very surprised to find out that many of the long-term absences were attributed to employees who were originally out on Workers' Compensation and had exhausted their benefits – these were people who were still listed as employees, but were not coming to work or being paid.

The Absence Management Committee will continue to eliminate employees who have had long term absences while balancing the Authority's legal obligations pursuant to state and federal laws (e.g., Americans with Disabilities Act, Workers' Compensation, etc.), as well as the collectively bargained rights of employees covered by union contracts. This initiative, continued over time and properly administered and managed, will significantly reduce the rate of long-term absenteeism. The Committee continues to meet weekly to address ongoing problems with excessive absenteeism, as well as other operational issues.

The Finance Committee is very pleased with the Authority's progress thus far and looks forward to continued improvements as we move forward. This problem is in no way solved and the Authority has just begun to scratch the surface. Even with the Authority-wide decrease from first quarter CY2003, the number of employees absent for prolonged periods of time appears to be significantly higher in Bus Operations, Subway Operations, and Revenue than the remainder of the employee population. Of the 6,409 employees who were on the payroll at any time during the first quarter of CY2004 (EE's), these three departments represent 72% or 4,629 of the entire workforce. Absence records provided by the Authority show that overall average sick unpaid absence for this period, 3.12 days, is approximately five times that of overall average paid sick time, .63 days. This is still very troubling.

Department	**EE's**	**Sick Paid**	**Avg Sick Paid**	**Sick Unpaid**	**Avg Sick Unpaid**
Bus Operations	2,479	924.48	.37	8,280.41	3.34
Subway Operations	1,643	1,421.60	1.14	4,331.65	3.61
Revenue	507	579.71	.87	1,828.44	2.64
Total	**4,629**	**2,925.75**	**.63**	**14,440.50**	**3.12**

Change takes time, and only by a change in agency culture will the needed improvements take place. The Finance Committee is confident that the MBTA leadership's commitment to reducing excessive absenteeism will have long-standing positive effects on the budget, operations, service quality, employee morale, and how the agency is perceived by the riding public. The Committee intends to continue its assessment of this issue, and to work with the Authority to achieve its fiscal and operational goals.

Recommendations

The Finance Committee had very in-depth discussions with the Authority about the $43.5m increase for FY2005. Of that increase, $30.0m, or almost 70%, is representative of contractual and statutory obligations. Over the last several years, the MBTA has operated within the fiscal parameters set by the Advisory Board Approved budgets, while continuing the goal of improving efficiency. The Finance Committee wants to help the Authority move forward on this goal, therefore, makes the following recommendations:

1) A moratorium on non-contracted capital projects that don't fall under the State of Good Repair and the Americans with Disabilities Act. As stated earlier, the MBTA's debt load continues to burden the overall budget, and the T will not be able to sustain the affect of this burden as it increases over the next six to seven years. The system is over 100 years old, and the priority must be to keep it operational and accessible to the over one million riders who use it each day, with expansion projects being put off, or funded by sources external to the T.

2) To further support the effort to maintain the State of Good Repair, the Finance Committee also recommends approval of the Authority's headcount request. In past years, the Advisory Board has reduced the MBTA's headcount requests, making the efficient management of its workforce a necessity. Only new service (Night Owl, Silver Line), expansion of current service (introduction of Breda cars into Green Line revenue service) and maintenance-related increases have been approved. This year's request primarily falls into two categories: Silver Line Phase II service and service improvements associated with the January 2003 fare increase. The increase in personnel includes operators as well as maintenance and trades employees.

3) A $_____ cut in the Authority's Healthcare Expense request. These expenses continue to increase at an astonishing rate. The success of the collectively-bargained wage increases in the current contract has been largely overshadowed by unexpected increases in this line item. Without the implementation of real cost-saving measures, the MBTA is looking at exorbitant increases in the years to come. The contribution rates for active union-represented employees (15%) and executives (20%) still fall below the average published contribution rates for the Group Insurance Commission (23.5%), which provides and administers health insurance and other benefits to the Commonwealth's employees and retirees. The MBTA has not only been excluded from being covered under this umbrella, it has been very difficult to raise contribution rates to match those of state employees. The Finance Committee believes that the MBTA can only benefit from joining the GIC and recommends that discussions begin to determine how to achieve this. *In the meantime, the Authority must be forced to keep these costs under control.*

4) A $152,125 reduction in the Authority's Purchased Local Services request. The operating agreements for the Inter-district Bus Program expire on June 30, 2004. At the time of the FY2005 Budget Submission, the MBTA Board of Directors had not yet approved terms for the new contracts. Pending that approval, the Authority submitted budgets for each carrier based on the current contracts in the amount of $1,614,125. During the review period, the Board of Directors voted on a new one-year contract for each of the carriers in the amount of $1,462,000. The reduction is the difference between the two amounts.

Final Comments

The financial assumptions behind forward funding did not predict flat sales tax revenues, declining total assessments and declining fare box revenues all at the same time, yet the Finance Committee does not support tapping the reserve accounts at this time. We believe that the bigger threat to the operating budget and to the long-term fiscal solvency of the Authority is the tremendous debt load that the MBTA currently bears. The Authority needs to continue to search for efficiencies and address significant problems, especially the absenteeism problem, but they also must continue to build their reserve accounts to finally reduce their outstanding debt.

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FY2004 Specific Line Item Reductions

Recommended Headcount Reduction	*55*
Average Salary (based on straight-time only net of Capital Fringe Credit)	*$48,469*
Recommended Wage Reduction	*$2,665,818*
Recommended Healthcare Reduction	*614,409*
Recommended Pension Reduction	*226,584*
Recommended FICA Reduction	*211,908*
Total Wage and Associated Fringe Reduction (1)	***$3,718,719***
Total FY2004 Requested Budget Reduction	***$3,718,719***

Departmental Headcount Reductions:

FY2004 Requested Headcount	*6,286*
Bus Operations-Transitway	*(55)*
FY2004 Recommended Headcount	***6,231***

(1) *Unlike in previous years, there is no wage-associated reduction recommended in the Unemployment line item.*
Some portion of the wage savings attributed to layoffs in FY2003 and the potential for more in FY2004, will be offset by additional expense in unemployment payments.