



Summary of Transportation Bill (H3535)

On June 26, 2013, the House and Senate enacted a compromise transportation bill. The bill raises an average of \$500 million a year in new revenues, dedicates an average of \$600 million a year to transportation over five years, and creates some important new reforms and policies.

Raising Revenue, Investing it in Transportation

The bill raises new revenue both by raising existing taxes and creating new ones. It invests revenue in transportation by shifting the revenue currently raised through the motor vehicle sales tax and the Underground Storage Tank fees from the General Fund to the Commonwealth Transportation Fund. The bill raises the gas tax by 3 cents and indexes it to inflation, and creates “own source” revenue targets for MassDOT and the MBTA to reach, while putting restrictions on the ways to reach those targets.

Increases tax revenues for the General Fund	<ul style="list-style-type: none"> ➤ Increases taxes on cigarettes, cigars and tobacco products (\$150 million/year) ➤ Eliminates the utility tax classification (\$48 million/year) ➤ Creates a tax on computer software and software services (\$160 million/year) ➤ Changes the source of sales for multistate corporations (\$35 million/year) 																				
Dedicates funds to transportation	<ul style="list-style-type: none"> ➤ Raises the gas tax by 3-cents per gallon and index it to inflation (~\$100M+/year) ➤ Transfers 2.5-cents of underground storage tank fees to the Commonwealth Transportation Fund and indexes the fees to inflation (~\$80M+/year) ➤ All revenues from the motor vehicle sales tax will be shifted from the General Fund to the Commonwealth Transportation Fund (\$415 million/year) ➤ Reintroduces tolls at exists 1-6 on the Turnpike (\$15M/year) ➤ Creates transfers from the General Fund to the Commonwealth Transportation Fund for FY15-FY20, and eliminates the Senate proposal that MassDOT meet its own-source targets in part by leasing rights-of-way to utilities, and instead creates a dedicated transfer of funds. 																				
Creates “own source” targets for MassDOT and the MBTA	<p>Requires MassDOT and the MBTA to raise the following percentages of their budgets from tolls, RMV fees, fares, other sources, and savings/efficiencies:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">MassDOT targets</th> <th style="text-align: left;">MBTA targets</th> <th style="text-align: left;">Total new revenue required</th> </tr> </thead> <tbody> <tr> <td>○ FY14: 47%</td> <td>○ FY14: 31.5%</td> <td>○ FY14: \$0</td> </tr> <tr> <td>○ FY15: 48%</td> <td>○ FY15: 33%</td> <td>○ FY15: \$91</td> </tr> <tr> <td>○ FY16: 50%</td> <td>○ FY16: 33.25%</td> <td>○ FY16: \$209</td> </tr> <tr> <td>○ FY17: 51%</td> <td>○ FY17: 32.75%</td> <td>○ FY17: \$186</td> </tr> <tr> <td>○ FY18: 51%</td> <td>○ FY18: 34%</td> <td>○ FY18: \$229</td> </tr> </tbody> </table>			MassDOT targets	MBTA targets	Total new revenue required	○ FY14: 47%	○ FY14: 31.5%	○ FY14: \$0	○ FY15: 48%	○ FY15: 33%	○ FY15: \$91	○ FY16: 50%	○ FY16: 33.25%	○ FY16: \$209	○ FY17: 51%	○ FY17: 32.75%	○ FY17: \$186	○ FY18: 51%	○ FY18: 34%	○ FY18: \$229
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Amount of Funding Dedicated to Transportation in H.3535, in \$ Millions*

FY14	FY15	FY16	FY17	FY18
\$265M	\$504M	\$704M	\$736M	\$805M

*Legislative estimates. These total transportation investments include the MassDOT & MBTA own-source targets

New Transportation Policies

The bill creates several new transportation policies, advisory councils and/or criteria for MassDOT, the MBTA and RTAs. It also requires that the Secretary of Transportation and the General Manager of the MBTA meet bi-annually with the Secretary for Administration and Finance and the Chairs of the House and Senate Committee on Ways and Means to report on the fiscal status of MassDOT and the MBTA, outlining plans to meet their agencies' own-source revenue benchmarks, and identifying fee and fare structure changes necessary to meet them, particularly in FY17 and FY18.

MBTA	<ul style="list-style-type: none"> ➤ Caps fare increases at no more than 5% ➤ Authorizes the MBTA to get sponsors for naming rights on bus and subway stations, and to provide late night service ➤ Requires funds be expended on the Green Line Extension and South Coast Rail
RTAs	<ul style="list-style-type: none"> ➤ Requires the development of a comprehensive regional transit plan ➤ Adds one community rider representative and one disabled rider representative to sit on the advisory board of each RTA
MassDOT	<ul style="list-style-type: none"> ➤ Creates a comprehensive tolling plan and requires a feasibility study of implementing border tolls ➤ Creates a Project Selection Advisory Council to develop project selection criteria ➤ Creates a Transportation Performance and Asset Management Advisory Council to develop a permanent statewide asset management system ➤ Creates a Value Capture Commission to evaluate best practices in other jurisdictions

The Western MA Turnpike Tolls

The Governor has expressed concerns that the \$805 million in new funds for transportation projected by FY18 will not be realized because the tolls on the Western Turnpike will come down in FY17. The Western turnpike tolls generate \$135 million per year.

The transportation reform legislation passed in 2009 allow for the tolls to come down if two conditions are met: (1) all bonds related to the turnpike are paid off; and (2) the turnpike is deemed to be in “good condition and repair to the satisfaction of the [Massachusetts Department of Transportation]”¹. This second condition is subjective, and is not defined in statute or regulation, so a future MassDOT could determine that the turnpike meets the standard of “good condition and repair” and eliminate the tolls.

MassDOT’s plan, *The Way Forward*, assumed that the tolls would remain up beyond 2017, as did both the House and Senate versions of the transportation bill. The revenue projections provided by the House and Senate Committees on Ways and Means rely on the annual \$135 million in toll revenue. The Senate Ways and Means version of the legislation addressed this issue by striking that section of the transportation reform law that allows the tolls to be removed. An amendment was passed on the floor to remove this provision of the Senate bill, and so the language from the 2009 transportation reform bill still stands.

¹ Section 173 of Ch 25 of the Acts of 2009.

Remaining Concerns

The bill raises significant new revenue for transportation, more closely tying transportation funding to transportation-related sources of revenue. The bill increases transparency and accountability, opening communication between MassDOT and the legislature and setting the stage for a continued dialogue on transportation investments.

However, experts estimate that our transportation system requires approximately \$1B per year to meet all of our statewide transportation needs. While the new funding can help close annual budget gaps and move employees off the capital budget, it is insufficient to address all of the well-documented state-of-good repair maintenance projects and support the many important capacity enhancement priorities that would help to spur economic development in the commonwealth.

We also remain concerned that some of the revenue sources are not solid enough and could fall short of \$600 million average annual projections. The “own source” targets in the latter years are high, and could trigger significant MBTA service cuts and high spikes in tolls and fees, or defer needed maintenance. Additionally, the bill does not address the possible end of tolls on the Western Turnpike in 2017.

We see this legislation as a foundation for continued work towards the public transportation, roads, sidewalks and bikeways that will provide mobility and economic opportunity to every resident of the commonwealth.