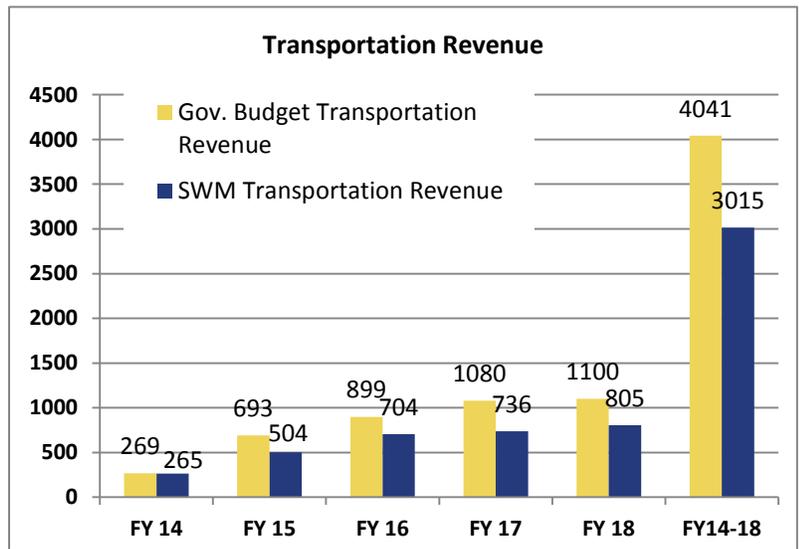


**Comparing Transportation Revenue Packages:
Legislative Proposals vs. Governor’s Budget, FY14-FY18**

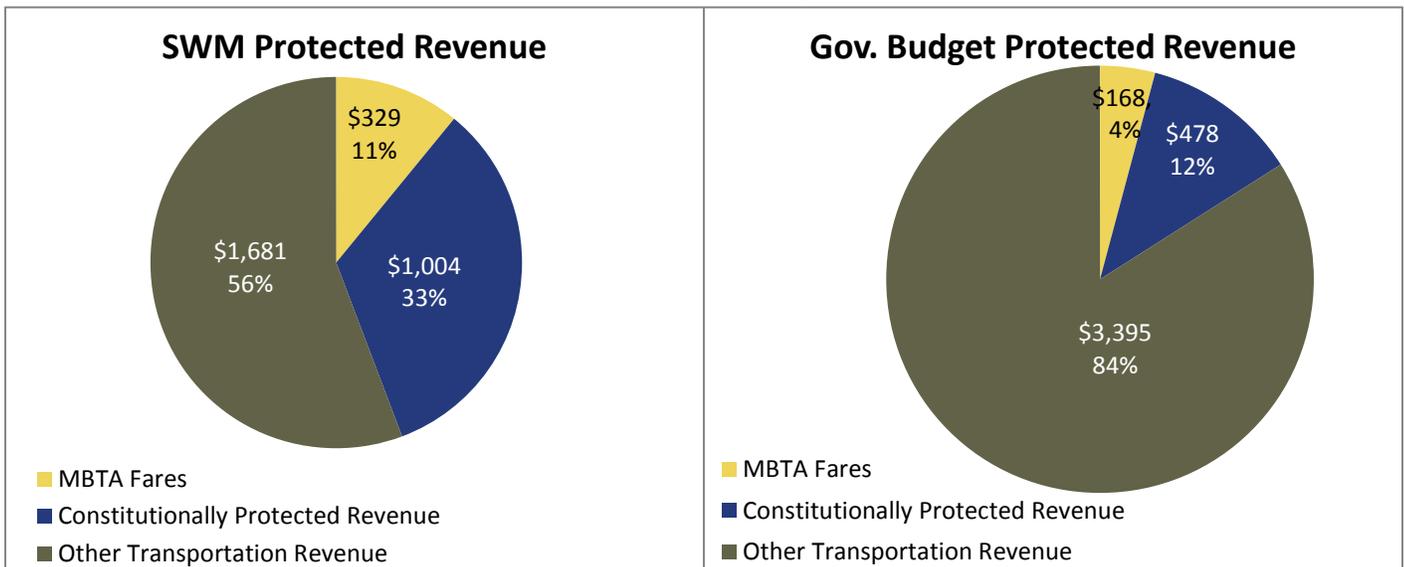
To help inform the current policy debate, the Dukakis Center has prepared this comparison of the first five years of transportation revenue plans under Governor Patrick’s House One proposed budget and the just-released Senate Ways and Means (SWM) Committee’s revisions to the transportation revenue package adopted by the House.

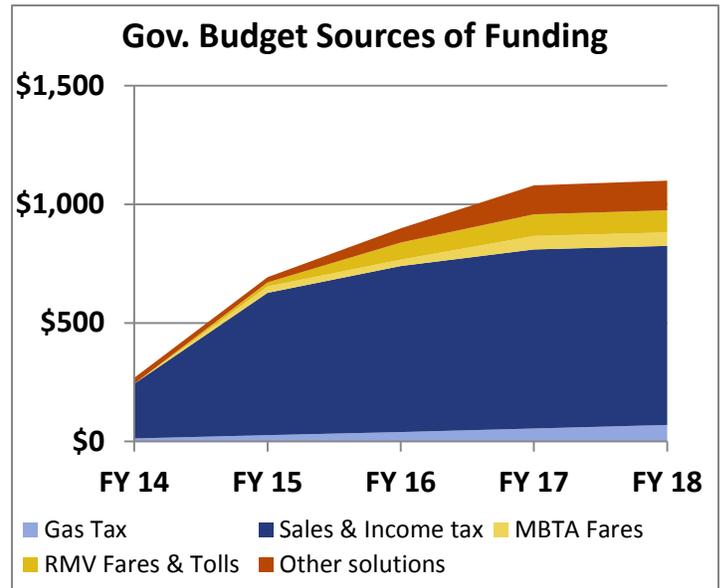
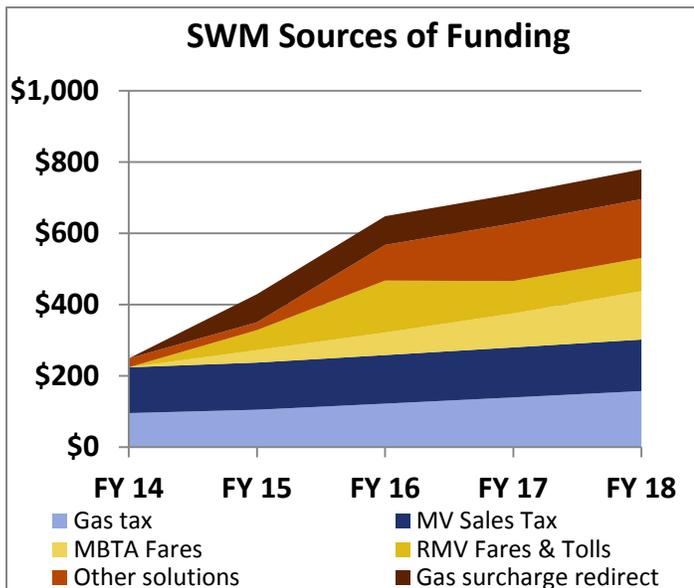
REVENUES ALLOCATED AND DEDICATED TO TRANSPORTATION

- In FY14 the two packages allocate essentially the same amount of revenue to transportation
- Over five years, however, the Governor’s proposed budget allocates \$4 billion (averaging \$800 million/year) to transportation while SWM allocates \$3 billion (averaging \$600 million/year)
- One issue is how much of the revenue is in a “lockbox” for transportation purposes
 - Transportation revenue generated by the gas tax, tolls and Registry fees is constitutionally protected for transportation use and the charts below indicate that the SWM plan includes more such protected revenue



- Another level of protection is directing revenues to the Commonwealth Transportation Fund (rather than the General Fund), which is statutorily dedicated for transportation purposes and has historically provided enough protection to allow revenues therein to be leveraged for revenue bonds
 - The Governor’s plan directs specific portions of the reduced sales tax to the CTF and also directs other revenue to the CTF as necessary to meet the calculated level of need
 - The SWM plan directs the portion of the sales tax associated with motor vehicle sales to the CTF and also directs other revenue to the CTF as necessary to meet the calculated level of need





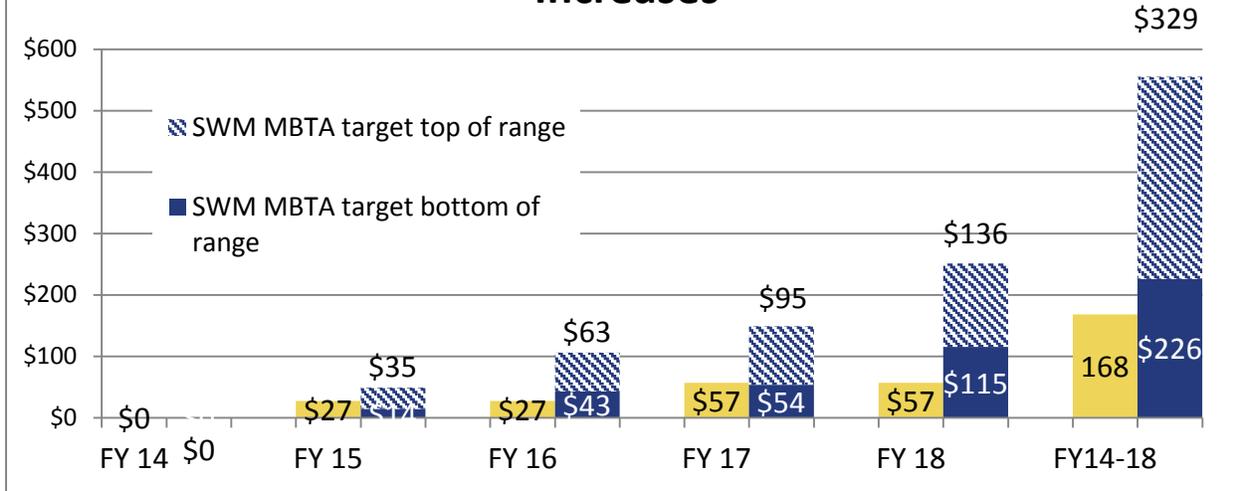
SOURCES OF REVENUES ALLOCATED TO TRANSPORTATION

- Both plans index the gas tax to inflation, beginning in FY14 in the Governor's plan and in FY15 in the SWM plan following a 3 cent increase in FY14
- The SWM plan relies more heavily on increases in MBTA fares, Registry of Motor Vehicles fees and tolls (up to 24% of new transportation revenue generated FY14-18) than the Governor's budget plan (11% of new transportation revenue generated FY14-18)
- The SWM proposal includes two revenue sources not contained in the Governor's plan or House bill
 - Gas tax revenue currently directed to the Underground Storage Tank program (beginning in FY15)
 - \$40 million annually from leasing MBTA and MassDOT rights of way (beginning in FY16)

IMPACT ON REGISTRY FEES, MBTA FARES AND TOLLS

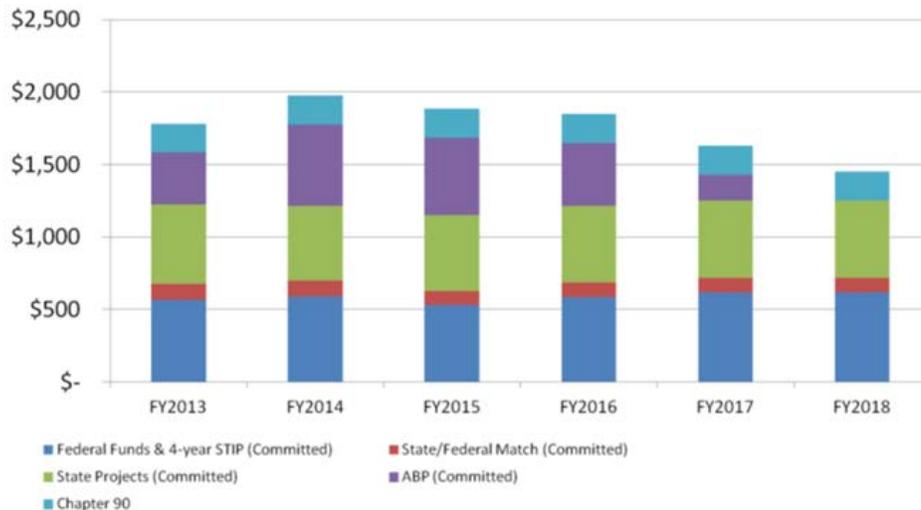
- The Governor's budget plan relies on 5% increases in MBTA fares and tolls and 10% increases in Registry fees every five years beginning in FY15, while the SWM plan requires the MBTA and MassDOT to meet targets for the percentage of total expenses raised through "own source" revenues
 - Neither plan anticipates an increase in MBTA fares, Registry fees or tolls in FY14
 - The statutory targets in the SWM plan can be met by any combination of reductions in MBTA or MassDOT expenses and increases in fares, fees and tolls and are designed to focus MassDOT and the MBTA on performance and controlling expenses
- Because the SWM plan does not specify increases but instead sets targets for the proportion of the budget provided by such "own source" revenues, the magnitude of future fare, toll and fee hikes depends on MassDOT's and the MBTA's ability to control expenses and on ridership growth at the T
 - The SWM plan could result in as much as \$274 million more in fee, toll and fare increases than the Governor's budget plan over the five year period from FY14-18
 - The Dukakis Center analyzed the MBTA's most recent fare data and projections (see chart on next page) and developed "ranges" within which the fare increases needed to meet targets would fall
 - This analysis concluded that fare increases required to meet the SWM target in FY15 could be the same size or smaller than those required by the Governor's plan; however, beginning in FY16 far greater fare hikes would likely be needed under the SWM proposal than under the Governor's plan unless the MBTA can hold increases in expenses to below historic levels

Transportation Revenues from MBTA Fare Increases



MEETING NEEDS FOR OPERATING FUNDS AND MAINTENANCE

- **MassDOT:** Both the Governor’s budget and the SWM plan provide the funds needed to stop MassDOT’s practice of paying for operating expenses from the capital budget, although the Governor’s budget would end this practice by FY15 and the SWM plan by FY16
- **MBTA:** Both the Governor’s Budget and the SWM plan provide additional subsidies to the MBTA to address structural budget deficits, although the SWM plan requires more aggressive action by the MBTA to reduce its expenses and therefore projects smaller MBTA deficits
- **RTAs:** Both the Governor’s budget and the SWM plan provide \$80 million to “forward fund” Regional Transit Authorities, but the Governor’s budget would thereafter increase the annual operating support for RTAs by \$100 million while the SWM plan would only increase the RTA operating subsidy by \$12.4 million (a 20% increase) in FY16 and inflation adjust it thereafter
- **Maintenance:** Both the Governor’s budget and the SWM plan would allow sufficient borrowing to implement both MassDOT’s and the MBTA’s published capital programs (see chart below), which focus on maintaining the current system and working toward a State of Good Repair
- Both the Governor’s Budget and SWM plan provide sufficient funds to cover the debt service associated with increasing Chapter 90 funding from \$200 million to \$300 million annually



MassDOT Projected Expenditures FY14-18 Under Existing Capital Programs (mil. \$)

MAJOR CAPITAL INVESTMENT NEEDS

- Perhaps the biggest difference between the Governor’s Budget and the SWM plan is the amount of revenue available to modernize and strategically expand the current transportation and transit system
 - The Governor’s budget plan is designed to begin implementing a 10 year, \$13.2 billion Accelerated Transportation Plan that includes substantial investments statewide to modernize the system
 - The Joint Ways and Means framework, adopted by the House, generates little or no funding for debt service on bonds issued to pay for major capital improvements for three years, until FY17
- Both the Governor’s budget and JWM framework shift \$243 million in MassDOT operating expenses to the operating budget, freeing more of the state’s bond cap for transportation capital projects
- The SWM bill, like the House bill, is a revenue plan rather than a transportation plan
 - Decisions on how to allocate those funds available for debt service on major capital projects would be made later this year in the transportation bond bill
 - The bill released by SWM includes more transportation revenue available to support debt service for capital projects, at a level of \$79 million in FY15 and \$121 million in FY16
- The chart below presents information on the total cost (over a project’s lifetime) and annual cash flow (borrowing) needs for the next five years for an illustrative set of major capital projects and programs
 - Information is based on project costs and cash flows presented in MassDOT’s *The Way Forward* plan but the chart is not that plan nor is it a different plan: it is a partial list of unmet needs
 - The purpose of this chart is to illustrate how much revenue would be needed to support borrowing costs for any or all of these projects and programs over the next five years
- The final transportation finance package should include sufficient revenue to ensure that MassDOT and the MBTA are not once again forced to spend revenues needed for operations to pay debt service, but how much that requires depends on which capital projects Massachusetts decides to pursue

Illustrative Capital Investment Needs for FY14-FY18

	Total Cost of Project/Program	FY14 (mil \$)	FY15 (mil \$)	FY16 (mil \$)	FY17 (mil \$)	FY18 (mil \$)	FY14-18 Total Need
Highway, Bridge and RMV State of Good Repair Priorities							
Bridge Program	\$1,175	\$0	\$0	\$0	\$36	\$150	\$185
Highway Preservation Facilities & Systems	\$200	\$20	\$20	\$20	\$20	\$20	\$100
Chapter 90	\$1,000	\$100	\$100	\$100	\$100	\$100	\$500
RMV Capital	\$150	\$15	\$15	\$15	\$15	\$15	\$75
Bicycle and Pedestrian Facilities							
Bicycle & Pedestrian Facilities	\$215	\$22	\$22	\$22	\$22	\$22	\$108
Transit State of Good Repair Priorities							
Red & Orange Line Cars	\$1,500	\$50	\$75	\$229	\$229	\$229	\$813
Green Line Cars	\$732	\$50	\$75	\$101	\$101	\$101	\$429
MBTA Buses	\$450	\$113	\$113	\$113	\$113	\$0	\$450
Red Line #3 Overhaul	\$200	\$10	\$10	\$30	\$30	\$30	\$110
MBTA Power, Facilities and Operations	\$300	\$30	\$30	\$30	\$30	\$30	\$150
RTA Vehicles	\$400	\$40	\$40	\$40	\$40	\$40	\$200
Major Road and Rail Projects							
I-91Springfield, I93/95 Woburn & Canton	\$930	\$5	\$5	\$119	\$119	\$182	\$430
South Coast Rail	\$1,792	\$39	\$58	\$128	\$322	\$484	\$1,031
Green Line Extension	\$1,328	\$194	\$201	\$196	\$211	\$211	\$1,013
South Station Expansion	\$850	\$0	\$0	\$170	\$170	\$170	\$510
Inland Route (Springfield)	\$362	\$36	\$36	\$36	\$36	\$36	\$181
Rail to Cape Cod	\$21	\$4	\$4	\$4	\$4	\$4	\$21
Transit Pilots (Bus Rapid Transit, DMUs)	\$200	\$0	\$10	\$20	\$20	\$20	\$70
Total Cash Flow Needs Anticipated	\$8,838	\$728	\$813	\$1,373	\$1,617	\$1,833	\$6,364
Approximate Debt Service Costs		\$55	\$61	\$103	\$121	\$138	

**FOR MORE INFORMATION
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