



Transportation Sourced Revenue Can Help Fix the FY21 Budget Crisis

Fall 2020

C OVID-19 and the resultant economic downturn has left Massachusetts with one of the highest rates of unemployment in the country. Businesses small and large are faltering. This economic upheaval has dire implications for the state budget. The Legislature will need to address a multi-billion-dollar hole in the 2021 fiscal year that started July 1st, 2020.

In addition, the MBTA is predicting a \$300M-\$600M budget deficit that will require state support to close.

If budget cuts are necessary, the Legislature must take special steps not to disproportionately harm the Commonwealth's most vulnerable residents, many of whom have already suffered the most from the twin pandemics of COVID-19 and systemic racism. **Deep state**

budget cuts or MBTA service reductions will worsen the effects of the economic downturn and impede economic recovery. Without additional support, the MBTA faces a death-spiral of higher fares and reduced service that will most harm the low-income communities and communities of color that rely on transit.

Legislators can avoid the worst of the pain by combining

appropriate use of the Rainy Day Fund with reasonable revenue increases. **Transportation-based revenues should play a role in helping.** In addition to raising revenues, these sources also better balance incentives in our transportation system in the midst of this crisis and in the future. These revenues can be paired with programs like the Earned Income Tax Credit to enhance their progressivity.

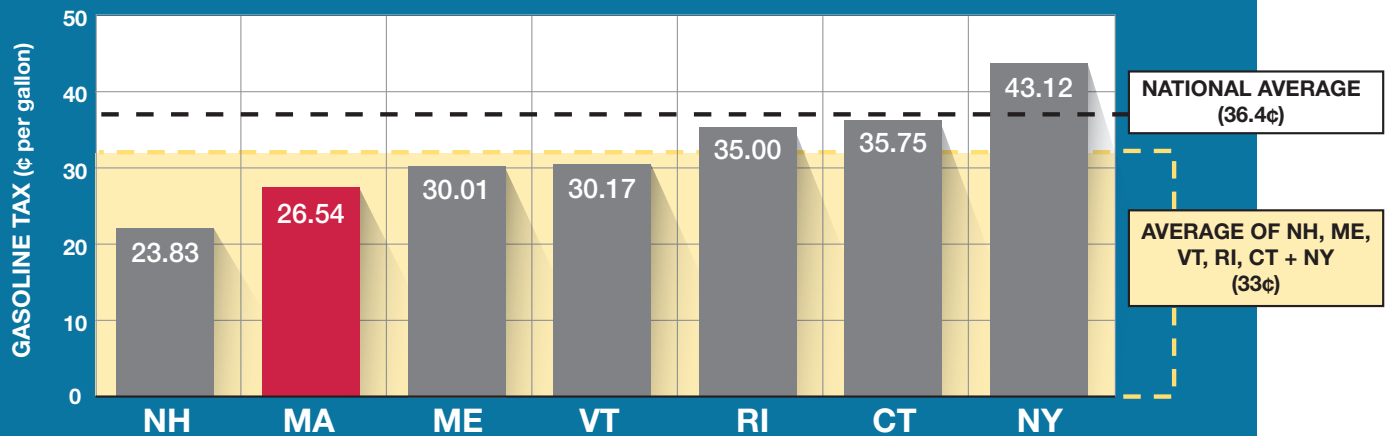
Transportation-Based Revenues to Support the State Budget

| Option | Pre-Covid Revenue Generated (MILLIONS, ANNUAL) | Estimated Current Revenue Generated (MILLIONS, ANNUAL) | Notes |
|---|---|---|--|
| Five cent gasoline tax increase (not diesel) | \$135 | \$113 84% OF PRE-COVID LEVELS | MA gas tax ranks 33rd in the country, and has been raised only once (by three cents) since 1991. Gas prices are about \$0.50/gallon lower statewide compared with Sept. 2019. |
| Nine cent diesel fuel tax increase | \$48 | \$40 84% OF PRE-COVID LEVELS | Twenty states and the federal government tax diesel at a higher rate than gasoline. Massachusetts currently does not. |
| Three cent increase in Underground Storage Tank Fee | \$96 | \$81 84% OF PRE-COVID LEVELS | This fee was last raised by the Legislature in FY2004 to help address a budget crisis. |
| Ten percent increase in all RMV Fees (including registration, license, title) | \$56 | \$56 100% OF PRE-COVID LEVELS | RMV fees were last increased 7/1/2014. MA is at the low-end of peer states for some fees. e.g., MA's \$60 biennial auto is low compared with other states: CT-\$80, ME-\$70, NH-\$86 NY-\$86, RI-\$40, VT \$140. |
| Increase TNC (Uber + Lyft) fees by \$1 per ride | \$90 | \$27 30% OF PRE-COVID LEVELS | Massachusetts' current \$0.20/ride fee is one of the lowest in the country. New Jersey's is \$0.50 per ride. New York state is 4% of the total charge per ride. |

More detail on these estimates is available at: t4ma.org/fy21

Transportation Sourced Revenue Can Help Fix the FY21 Budget Crisis

Gas Tax (incl. fees) of New England and New York States



Source: American Petroleum Institute, July 2020

MBTA Fares vs. Gas Tax % Increase Since 1991

