

The region's transportation system is the backbone of its economic, social, and environmental vitality. Eastern Massachusetts is known for its walkable cities and traditional town centers as well as its extensive public transit and commuter rail system. However, reduced state and federal funding, among other setbacks, has left us with a transportation system desperately in need of new sources of revenue.

Informed by work done by MAPC and the its membership in the Transportation Investment Coalition, a collaboration of organizations representing business, industry, planning, labor, municipal, and environmental interests working together for increased transportation investment in Massachusetts, MetroFuture includes recommendations for specific reforms and revenue options to ensure that the Commonwealth's transportation system is funded at a level appropriate to maintain existing services, while undertaking critical expansions. These revenue recommendations also reflect an increased prioritization of transit over new road and highway construction.

This breakout session will present MetroFuture's *transportation finance* related recommendations, and provide participants with an opportunity to prioritize them with the goal of establishing short-term strategies to advance the recommendations. The draft recommendations to enhance revenues available for transportation system maintenance and expansion are listed below.

### **Strategy 4: Coordinate and Expedite Transportation Alternatives**

#### **4.F Enhance revenues available for system maintenance and expansion**

##### **4.F.22\* Develop mechanisms for local and regional revenue generation**

Local governments and groups of municipalities should be empowered to raise the revenue needed to pay for these projects and any related matches. New sources of local funding should include:

##### **22.a Enable local and regional tax referenda**

Municipalities, both individually and in groups, should be able to hold local referenda to assess additional taxes that would be directed to fund local transportation investment. This item would apply to expansion projects only, not maintenance projects – although the revenues raised could help to defray the operating costs of new projects. This is a major source of revenue for transportation infrastructure in southern and western metropolitan areas of the US, but it is not currently available in Massachusetts. These taxes would be directed

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\* Recommendations are numbered in reference to the larger outline of Implementation Strategies. They can be cross-referenced as follows: (Strategy number).(Sub-Strategy letter).(Recommendation number). For example, this recommendation is from Strategy 4, "Coordinate and Expedite Transportation Alternatives," Sub-Strategy F, "Enhance revenues available for system maintenance and expansion," and is the Strategy's 22<sup>nd</sup> recommendation.

to a specific project or group of projects, and would sunset when those projects are complete.

Under current Massachusetts law, the only taxes municipalities may assess are property taxes. Before municipalities may assess taxes on anything other than property, Section 7 of the Home Rule Amendment [Article 89 of the Massachusetts Constitution] must be amended to delegate the desired taxing power from the legislature to municipalities. Although this item would require a change to the Massachusetts Constitution, it would provide municipalities with the ability to play a more active role in determining and funding priority projects, and would bolster the overall transportation system.

#### **22.b Increase use of value capture tools to fund local improvements**

Municipalities should adopt District Improvement Financing (DIF) and other value capture tools to fund local transportation improvements. DIF programs allow for communities to set aside a portion of the increase in tax revenues within a specified district to be used for improvements within that district. The value captured from these investments could be used to fund local projects like road and sidewalk improvements or to provide a modest local match to larger scale investments like commuter rail stations. This item would apply to expansion projects only, not maintenance projects

#### **22.c Assess impact fees**

The state should establish clear rules for assessing fees to address the impact of developments. These fees should be assessed to address both the local and regional impacts of development on transportation infrastructure. Impact fees should not only help to cover the capital costs of adding or expanding infrastructure, but should also address at least a small portion of the operating costs of transit. While impact fees can help to pay for an occasional small project, or part of a larger project, the Commonwealth should not expect them to become a major and predictable source of transportation funding. The Commonwealth should establish clear guidelines for measuring both local and regional impacts.

### **4.F.23 Increase statewide revenue generation**

The majority of new funding for transportation must continue to come from the state level. Massachusetts needs immediate sources of new revenue that can be used to reduce our maintenance backlog and enable expansion, thereby helping realize the MetroFuture vision. Any revenue stream should be dedicated to transportation, reasonably related to transportation users, and designed to adapt to increases in materials and labor costs.

Potential statewide revenue sources that meet these criteria include:

#### **23.a Increase the gas tax**

An increase in the state gasoline tax by 15 cents per gallon and indexing it to inflation henceforth would bring immediate and much needed new revenue to the transportation system. Indexing the gas tax to inflation is needed in order to match the buying power of the tax that has been lost since it was last raised. An increase in the gas tax would also encourage use of more efficient vehicles, less driving, CO2 reductions, and shifting from private vehicles to public transportation – all goals of MetroFuture

### **23.b Institute open road tolling**

Open road tolling utilizing a transponder is another potential source of statewide transportation revenue, and is a revenue alternative to the gas tax that can be implemented within the next ten years as that tax begins to flatten and decline due to increases in fuel efficiency and the use of alternative fuels. These tolls, equitably distributed on all limited access highways and assessed electronically, would be better than traditional tolls because they are safer, cause less congestion, and can cover a broader number of roads than those currently covered by tolls. Such a system would eliminate the inequitable distribution of tolls that currently exists in the Commonwealth. Massachusetts should dedicate a portion of any new revenues generated for transportation to develop the sophisticated infrastructure needed for open road tolling. Additionally, the state should also consider instituting off-peak pricing for open road tolling (and traditional tolls) to encourage more use of transportation infrastructure. This option can be revenue neutral, or be used to enhance revenue.

### **23.c Carry out toll increases on the Turnpike Extension and Harbor Tunnel**

Tolls are planned to increase on the Turnpike Extension and the Harbor Tunnel at regular intervals to cover increasing debt service on Metropolitan Highway System bonds. These increases must take place to ensure that the debt service is covered, and that necessary maintenance work is undertaken for these portions of the highway system.

### **23.d Vehicle registration fees should be increased and should vary based on vehicle fuel efficiency.**

In addition to raising revenue, this surcharge would recognize the Commonwealth's commitment to more efficient vehicles with lower emissions of greenhouse gases. The fee would vary from \$15 for a motorcycle or hybrid car to \$85 for a heavy truck or bus, and it would be collected on a biannual basis (i.e. once every two years), yielding an estimated value of \$175 million for every two-year cycle.

## **4.F.24 Stabilize and strengthen MBTA finances**

The Commonwealth must assist the MBTA in bringing its costs under control so that it can provide an improved level of service to its ridership. With high debt service and employee health care and pension costs, the MBTA is continually challenged in serving the basic needs of its ridership. Furthermore, its budget difficulties make it almost impossible to finance transit expansions.. Stabilizing the MBTA finances by implementing the recommendations below will allow MBTA to improve existing services, while pursuing critical expansion projects:

### **24.a The Commonwealth should assume a portion of the MBTA's debt**

Due in part to debt assumed from Big Dig mitigation projects, nearly 30% of the MBTA operating budget is dedicated to debt relief, which makes it difficult for the MBTA to provide the high quality of service that its riders demand. The Commonwealth should assume the portion of the MBTA's debt that existed

before forward funding, thereby allowing the agency to maintain a state of good repair, and increasing the quality of service, ridership and fare revenue.

**4.F.25 Stabilize and strengthen finances of Regional Transit Authorities**

Good and effective public transit is important not only in the MBTA's jurisdiction, but in the rest of the region and the state. This can be accomplished with increased support for the state's Regional Transit Authorities (RTAs). Assisting the RTAs in bringing costs under control can enable them to provide an improved level of service to their ridership.

**25.a Forward Fund RTAs**

Forward funding would put RTAs on more solid financial ground by establishing their level of state support before the start of the fiscal year. This item would require the Commonwealth to double-fund RTAs for one year, and to identify a proper funding mechanism for forward-funded dollars. (The MBTA, for example, is forward funded with one penny of the sales tax.)

**25.b Allow RTAs to Borrow with the Full Faith and Credit of the Commonwealth**

Generating \$65 million in savings, this option would reduce borrowing costs without having any impact on the Commonwealth. This bonding authority should only be made available for capital costs consistent with reasonable capital plans, not operating costs, and if the RTA defaults on a bond, that RTA should not be able to continue borrowing with the full faith and credit of the Commonwealth.