

News Release

333 WASHINGTON STREET
BOSTON, MA 02108-5170
617-720-1000
FAX 617-720-0799

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MTF Statement in Support of Legislative Transportation Proposals

The Massachusetts Taxpayers Foundation (MTF) endorses the House and Senate bills that address the shortfall in funding for transportation while continuing to improve the performance of state transportation agencies.

Over the past two decades, the Foundation has issued several reports highlighting the need for additional transportation revenues—for both roads and bridges and public transit—in addition to reforms and improved performance by transportation agencies. In 2007, the Transportation Finance Commission, on which the Foundation played a leading role, documented the large funding gap while also emphasizing the need for reforms.

In 2009 the Legislature passed and the Governor signed a transportation bill that took a first step to address both issues of reform and revenues. A year ago legislation was passed to help the MBTA address a major budget gap for fiscal 2013.

Despite these positive actions, the state still faces a large shortfall in funding for transportation. At the same time, the transportation agencies must intensify their efforts to meet the performance objectives laid out in the 2009 legislation.

Over the past 15 months the administration, principally through the efforts of Transportation Secretary Davey, has educated the public about the need for additional transportation revenues and called for this issue to be a top legislative priority in 2013. In their opening remarks of the 2013 legislative session, both the Senate President and House Speaker said that legislative action on transportation would be a priority in 2013.

The bill passed by the House on Monday, and the slightly modified version unveiled by the Senate yesterday, address the issue in a serious and responsible fashion.

Funding

In mid-March, MTF President Michael J. Widmer testified before the Joint Transportation Committee that the state needs to raise roughly \$800 million by fiscal 2018 to address the operating budget gaps of state transportation agencies and to provide a robust increase in much-needed capital spending.

The breakdown of the Foundation's \$800 million figure includes \$550 million to cover operating shortfalls at transportation agencies:

- moving MassDOT personnel from the capital to the operating budget resulting in \$250 million annually for additional capital spending;
- closing the MBTA structural shortfall; and
- forward funding the financing of regional transit authorities (RTAs) and increasing aid to RTAs by 20 percent.

The remainder of the \$800 million—\$250 million—is devoted to debt service costs to pay for \$1.2 billion in additional capital spending in fiscal 2018 that includes maintenance and improvement of existing infrastructure as well as modest expansion:

- \$400 million for roads and bridges;
- \$100 million in additional Chapter 90 aid to cities and towns;
- \$40 million for regional transit authorities' capital needs;
- \$425 million more for MBTA maintenance and repair; and
- \$250 million, roughly 20 percent of new spending, for expansions.

Mr. Widmer emphasized that the source of funds should be directly tied to transportation to guarantee that revenues would not be diverted for non-transportation uses in later years. Relying on increases in the gas tax, tolls, fares, and fees rather than the income tax assures that funds will be available for future transportation needs.

Both the House and Senate propose to use a three-cent increase in the gas tax on July 1, 2013 and then, similar to the Governor, index it to inflation in the following years. The Foundation would have preferred a somewhat larger but still modest increase in the gas tax, for example, three cents a year for three years. Nevertheless, the legislative proposals come close to the \$800 million target.

It is also troubling that while the Legislature has scaled back the new taxes on businesses proposed by the Governor, the resulting tax increases, especially the sales tax on computer software, place a further burden on employers who must already contend with the highest business costs in the country. Many of the jobs impacted are highly mobile.

According to the Foundation's analysis, the House bill raises \$680 million in fiscal 2018 from transportation-related revenues that would cover the operating gaps for transportation agencies in each of the next five years with \$130 million available for debt service expenditures in 2018.

The Senate proposal increases transportation funding to approximately \$800 million in fiscal 2018. Most of that increase comes from re-directing the 2.5 cents of the gas tax that is currently reserved for fuel storage cleanup, providing a total of \$85 million in additional funds for transportation by 2018.

Unfortunately, the Senate proposal also includes new fees on the rights-of-ways for utilities. With the Senate's estimate of \$40 million beginning in fiscal 2016, these fees would be on top of the tens of millions in tax increases already levied on utilities and telecommunications and cable companies as a result of other changes in the legislation – costs that are likely to be passed on to customers. Even by eliminating the rights-of-way provision, as the Foundation urges the Senate to do, the new revenue comes close to the \$800 million target.

The Senate and House bills both increase transportation spending in fiscal 2014 by \$265 million, virtually identical to the Governor's proposed \$269 million. Based on the Governor's plan, that level of funding provides sufficient revenues to increase Chapter 90 aid to municipalities from \$200 million to \$300 million in fiscal 2014.

Performance

Legislation providing new revenues must also ensure better performance by MassDOT and accountability for how the funding is spent.

The House bill adds a number of important performance requirements, including an integrated asset management system, a performance management database for capital projects, better control over how projects are selected, and greater accountability and transparency of all transportation agencies.

The Senate sets targeted goals for the state's transportation agencies that include a reduction in the number of fatalities and accidents each year, increased farebox recovery ratios, and better on-time performance by transit agencies. In addition, the Senate bill provides MassDOT greater flexibility in reimbursing utilities to speed the delivery of projects that were permitted in the Accelerated Bridge Program but not for MassHighway projects.

Many of these proposed performance changes are recommended in a recent report issued by the Foundation, *Delivering on the Promise: Improving the Performance of Massachusetts Transportation Agencies*. The report calls for MassDOT to develop an integrated asset management system, deliver performance metrics on projects, and substantially improve its transparency and communications with lawmakers and the public.

The Massachusetts Taxpayers Foundation is a nationally recognized, independent, nonprofit research organization whose purpose is to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. Over the past 15 years the Foundation has won 16 national awards for its work on health care access and costs, transportation reform, business costs, capital spending, state finances, MBTA restructuring, state government reform, and municipal health reform.
