



**Massachusetts  
Taxpayers Foundation**

**MTF  
LEGISLATIVE  
SESSION  
PREVIEW**

**2025-2026**



# TRANSPORTATION

During the 2023 – 2024 legislative session, progress was made to stabilize, maintain, and improve the Commonwealth’s transportation system; but long-term operational, modernization, and financing challenges still exist. Positive developments in the recent session include the use of income surtax revenue to support increased investments across the transportation sector, as well as MBTA progress on its workforce development goals leading to service upgrades, the expansion of fare free pilot programs to all 13 Regional Transit Authorities (RTAs), and the successful pursuit of substantial federal commitments in funding for large scale projects like the Cape Cod Bridges and the I-90 Allston Interchange.

Speaking to some of the long-term financing challenges facing the sector, in early 2024, Governor Healey signed an executive order creating a new Transportation Funding Task Force (TFTF). Comprised of transportation policy leaders from the public and private sector, and chaired by the Secretaries for Transportation and Administration and Finance, the TFTF was directed to develop recommendations for a sustainable transportation finance plan. At the time of printing, the final report of the TFTF has not yet been released. MTF will make updates to this preview based on the report and recommendations of the task force, which will be published on our website.

Looking ahead to the 2025 – 2026 legislative session, it will be imperative to maintain the momentum behind important operational improvements, provide financial stability to the MBTA, and prepare for significant uncertainties regarding federal infrastructure funding. To prepare for the next two years, this preview provides the relevant background and policy context, reviews some of the key actions taken last session, and poses several questions for policymakers and the broader stakeholder community to consider.

## Background & Policy Context

### New Revenue Streams for Transportation

As discussed in [MTF’s Legislative Session Preview: General Budget & Fiscal Update](#), Massachusetts voters approved a new four percent income surtax in November 2022. The income surtax, which applies an additional four percent income tax on individuals whose income is \$1 million or more, went into effect in January 2023; and the revenues collected via the surtax are constitutionally obligated towards education and transportation.

The FY 2024 and FY 2025 budgets cumulatively appropriated \$2.3 billion in surtax revenue towards education and transportation initiatives; with \$1 billion (43 percent) specifically targeted for transportation-related programs and projects. Specific investments are detailed below under Key Policy Actions, but at a high-level spending can be organized into four categories: the MBTA, the Department of Transportation (MassDOT), Regional Transit Authorities (RTAs), and Local Projects/Pilot Programs. The MBTA has received the greatest amount of investment, representing nearly 50 percent of all surtax spending for transportation over the last two fiscal years. Both MassDOT and RTAs have received approximately 20 percent of all surtax spending for transportation.

*FY 2024 & FY 2025 Transportation Surtax Spending*

Category of Investment	FY 2024	FY 2025	Total Spending
<i>MBTA</i>	\$206	\$261	\$466
<i>MassDOT</i>	\$75	\$123	\$198
<i>RTAs</i>	\$90	\$110	\$200
<i>Local/Pilot Program</i>	\$106	\$45	\$151
<b>Total</b>	<b>\$477</b>	<b>\$539</b>	<b>\$1,015</b>

*\$ in millions*

Included in this spending total, as well, is a strategic proposal that policymakers adopted as part of the FY 2025 General Appropriations Act (GAA) to permanently dedicate \$250 million in surtax revenue towards the Commonwealth Transportation Fund (CTF). This CTF transfer has a number of benefits, including improving the predictability and reliability of future surtax revenues available for transportation. But it also achieves two important goals: 1) it unlocks at least \$1 billion in potential borrowing capacity for future capital projects; and 2) it provides additional, predictable operational support for MassDOT and the MBTA during the current fiscal year and on an ongoing basis. This creative approach to maximizing the impact of surtax revenues for transportation was supported by MTF throughout the budget development process.

In addition to income surtax revenues, new and enhanced federal infrastructure grant programs have provided the Commonwealth with billions of dollars in support for critical transportation capital projects. As described in MTF’s Session Preview: Capital Spending and Infrastructure, over the last three years, the federal government made unprecedented investments in transportation, climate resiliency, and emerging economic sector infrastructure through three pieces of legislation: the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS). Combined, these three bills included over \$2 trillion in spending, nearly half of which was to be made available to states through competitive grant programs and formula allocations over the following five to ten years.

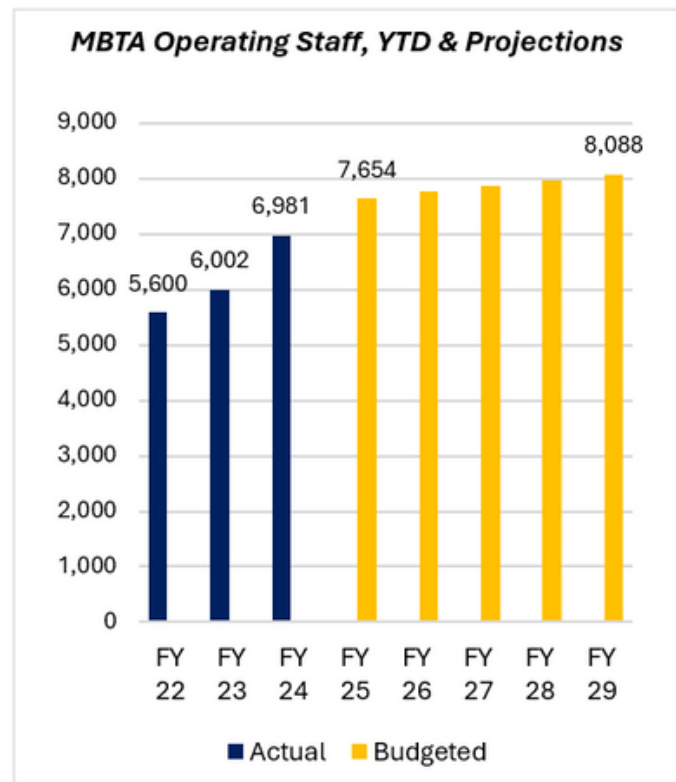
To date, Massachusetts has brought in approximately \$3 billion in federal transportation infrastructure grants made possible through these bills including \$1.7 billion for the replacement of the Cape Cod Bridges, \$472 million for the North Station Draw Bridge, and \$335 million for the I-90 Allston Multimodal project.[1] While securing each of these awards is a major accomplishment, the certainty of this future funding to the Commonwealth under the Trump administration is not guaranteed. There remains a significant amount of uncertainty regarding the future of federal infrastructure funding, and the state must be proactive to obligate and use resources to avoid any potential of federal claw backs.

### Improved Staffing and Service Upgrades

Heading into the 2023 – 2024 legislative session, one of the state’s key transportation policy priorities was responding to a Federal Transit Administration (FTA) report that found that the MBTA needed to expand the size, training, and supervision of its workforce to operate, maintain, and deliver capital projects safely. As MTF reported on extensively, the agency’s workforce was well short of the staffing needs identified in the FTA’s special directives. The MBTA estimated that it needed to increase its personnel by 2,000 by the end of calendar year 2024 to meet its own staffing goals.

To meet staffing needs, the MBTA adopted a series of employment initiatives and financial incentives to increase hires and limit departures; and those initiatives have had an impact. Through June 2024, MBTA operating staff grew by 979; increasing the total at the authority to 6,981. While work remains to reach their long-term staffing goals, this progress appeared to have enabled improvements in service safety and delivery.

The MBTA announced the elimination of all subway slow zones at the end of 2024, a milestone that had not been accomplished in at least 20 years. New Red and Orange line cars are arriving on a revised schedule, and the new automatic fare collection system is operational. Each of these achievements is connected to the authority’s dedication to developing and expanding its workforce.



[1] List of Major Federal Fund Awards to Massachusetts. <https://www.mass.gov/news/list-of-major-federal-funds-awards-to-massachusetts>



Outside of the MBTA, increased funding has also enabled service upgrades at RTAs. In FY 2024 and FY 2025, surtax revenues have been dedicated towards the implementation of fare-free pilot programs. In FY 2024, a \$15 million appropriation supported fare-free RTA service across the state; and in FY 2025, that appropriation was increased to \$30 million to support a full year of fare-free service.

## **Aging Infrastructure and New Services Exceed Available Resources**

Though notable progress was made during the last session to diversify and increase the revenue streams available for transportation, and important service upgrades were implemented, the state's transportation system continues to suffer from decades of underfunding and underinvestment. These underlying financial challenges must be addressed before the state's transportation system can support full economic recoveries in the City of Boston and in cities and towns throughout the state.

The Transportation Finance Task Force (TTF) is expected to release its report on the future of transportation financing in Massachusetts in early 2025, and its work will likely inform future action. Consistent with prior research, and as a member of the task force, MTF has recommended that in the near term the state maximize its utilization of surtax revenues to address multiple years of the MBTA's operating deficit and provide predictable and increased operating and capital support for all aspects of the state's transportation system. In order to do this, MTF has recommended the TTF call for a 50/50 split between education and transportation priorities supported through the surtax. MTF recommended this commitment as a way to provide more funding certainty to the transportation sector and to provide policymakers with a better ability to make long-term funding plans.

## **Key Actions in the 2023-2024 Legislative Session**

Three policy actions – all focused on resources – drove most of the focus on transportation in 2023 and 2024: the collection and distribution of income surtax revenues, the state's ability to compete for federal transportation infrastructure grants, and the ongoing work of the Governor's Transportation Funding Task Force.

**Surtax Spending on Transportation** – The FY 2024 and FY 2025 budgets were the first to include spending supported by income surtax revenue. Income surtax revenues are constitutionally obligated to fund investments in education and transportation; and a combined \$2.3 billion has been appropriated towards both new and existing state programs. As shown above, \$1 billion in surtax funds have been appropriated for transportation; approximately 43 percent of all surtax spending to date. Specific transportation-related investments included:



- In the FY 2024 GAA:
  - \$180 million for capital improvement projects at the MBTA.
  - \$100 million for supplemental Chapter 90 aid for roads and bridges.
  - \$90 million for Regional Transit Authorities; increased to \$110 million in FY 2025.
- In the FY 2025 GAA:
  - \$250 million for a permanent transfer to the Commonwealth Transportation Fund, increasing the state's borrowing capacity by over \$1 billion over the next five years.
  - \$126 million for a variety of MBTA priorities, including capital investments, means-tested fares, a workforce and safety reserve, and the MBTA workforce academy.

Additionally, FY 2024 surtax revenues have been certified at \$2.46 billion, or \$1.46 billion above the surtax spending cap established for the operating budget. This means that approximately \$1 billion will be deposited into the Innovation and Capital Fund for one-time investments in education and transportation. As legislators grapple with an MBTA budget shortfall of as much as \$700 million in FY 2026, they should consider the important role of surtax revenues to address looming fiscal challenges in transportation.

**Federal Funding Update** – To date, Massachusetts has received approximately \$3 billion in federal infrastructure grants for key transportation capital projects; including the Cape Cod Bridges (\$1.7 billion), the North Station Draw One Bridge (\$472 million), and the I-90 Allston Multimodal Project (\$335 million). These grants have also enabled early actions for the West-East Rail project (\$108 million), and improvements to municipal roadway safety (\$77 million).

But winning \$3 billion in grant awards comes with a cost – guaranteed state matching funds of at least \$600 million. Fortunately, in October 2023, policymakers adopted a proposal that leverages interest earned on the Stabilization Fund to support state matching requirements. As discussed earlier in the brief, while the future of federal funding opportunities approved under the Biden administration is now uncertain, policymakers in Massachusetts should maintain the structure established by this legislation. Stabilization Fund interest is a unique resource that can be used in an innovative way to benefit the short and long-term capital spending priorities of the state.

Since the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) may well be the last opportunity to secure significant federal transportation funds for years to come, ongoing success in grant awards will be critically important. In addition to identifying state matching revenues, it is also critical to have 'shovel ready' projects to submit, meaning they have started the design and permitting process.

**Sustainable Resources After the Transportation Funding Task Force's Report** – The Governor established the Transportation Funding Task Force in early 2024 to "examine the state's transportation system and develop recommendations for a long-term, sustainable transportation finance plan that can safely and reliably support road, rail and transit systems throughout our state."

After a year of meetings and deliberations, the task force is expected to release its findings early in 2025. Following that release, lawmakers, policy organizations and advocates should have a clearer idea of what's needed to fix the roads, rails, and transit systems and what various resource options should be considered.

The answers will not come quickly and legislative agreement as to how to fully fund transportation with sustainable resources will take time. In the meantime, building an agreement on transportation needs and priorities, timelines, revenue sources, and reporting metrics should start early in 2025 to maintain the commitment and momentum of the task force. Leadership and endurance will be critical to success.

## Key Policy Questions for the 2025-2026 Legislative Session

### *How will the state address its immediate transportation funding needs?*

Dozens of reports have identified sizeable funding gaps in the state's existing transportation system, and dozens more have proposed transportation service enhancements with no identified funding source. While resource and revenue challenges impact every element of the state's transportation network, these problems are particularly acute for the MBTA.

On the operating side, the MBTA faces an FY 2026 budget shortfall of at least \$700 million, which is projected to grow to nearly \$900 million by FY 2029. Between FY 2020 and FY 2025, operating budget gaps were solved using one-time federal funds and MBTA reserves, but now those resources are nearly exhausted. MTF has put forward two recommendations for addressing the state's immediate transportation funding needs:

1. First, the state should act quickly to finalize MBTA plans to close the operating gaps for at least two years. This multi-year approach should be incorporated in the TTF recommendations and would provide an immediate place for lawmakers to make a difference in the new session.
2. Second, the state should create a 50 percent funding commitment of surtax revenues for transportation. In the near term, this predictable source of revenue will help address operating deficits in areas other than the MBTA and augment progress on the capital budget.

Once the Transportation Funding Task Force has completed its work, it should provide lawmakers with greater clarity of the needs and priorities across the transportation system. While the need for patchwork funding remains – particularly for the MBTA this fiscal year and next – the state must re-think how it pays to maintain and upgrade a transportation network critical to the state’s future.

### ***How will the state confront long-term financial and capacity challenges to meet its transportation goals?***

The state’s ability to repair, upgrade, and expand its transportation system will not only be constrained by limited resources, but also limited staff capacity. Two primary hurdles to completing key infrastructure improvement projects are: 1) constraints on capital spending, and 2) preventing prolonged project delivery, while at the same time minimizing roadway traffic flows and transit service disruptions.

Constraints on capital spending – many of which are intended to serve as responsible fiscal controls – create challenges for the MBTA in addressing its state of good repair backlog. For example, the MBTA has not exceeded \$2 billion in annual capital spending, despite stated goals in several capital investment plans. Yet, maintaining the current system while eliminating a \$24 billion backlog requires annual capital spending well north of \$3 billion annually – a daunting leap.

At the same time, limited staff capacity makes managing multiple infrastructure improvement projects in a timely manner nearly impossible without significant service disruptions. Consider this: the state currently has two concurrent and complex multi-year projects – the Sagamore Bridge replacement and the I-90 Allston Interchange – which will require an incredible amount of financial and staff resources. And recently, MassDOT identified that nearly 94 percent of its bridges are in need of repair. In fact, MassDOT ranks 6th nationally for the percent of structurally deficient bridge deck area (slightly better than its 4th place ranking in 2023). Because of the demands of large scale projects, MassDOT may have to postpone repairs to many of its structurally deficient bridges.

Over the next few years, transit riders and drivers will inevitably encounter significant service disruptions as financial and capacity challenges impact the progress of capital projects; and further MBTA service interruptions and worsening traffic conditions along the MassPike could strain Boston’s economy and vibrancy. As policymakers consider the long-term funding strategies for meeting our infrastructure investment goals, they will also have to balance how to most effectively and efficiently utilize its workforce.



***What do the implications of climate change mean for our transportation system?***

The Commonwealth maintains billions in transportation assets that are critical for our population to travel to work and to live their lives. These assets are all at risk, to some extent, from the increasing likelihood of extreme weather. Reducing those risks and building assets with climate change in mind has to be front and center in transportation capital planning at the MBTA, MassDOT and around the state. Hurricane Helene's recent devastation provides a stark example of the immediate and long-term risks posed to road and transit systems by thousand year weather events that are now occurring much more frequently.

As the state considers both environmental and transportation capital spending bills in the upcoming session, they will need to demonstrate a strategy for dedicating funds to weather resilience and ensuring that new projects are developed in a way that accounts for the impacts of natural disaster.

At the same time, our efforts to meet the Commonwealth's climate goals have direct implications on our transportation financing system. Gas taxes will provide approximately \$730 million towards our roadways in FY 2025, but that number is down from the FY 2019 budget. As drivers increasingly shift to electric vehicles, gas tax revenues will continue to decline, and with them, the largest source of revenue generated by road users. Ultimately, the state will need to replace lost gas tax revenue; the next step is for policymakers to consider which ideas are the most viable, sustainable, and fair.

**Related Research from the Massachusetts Taxpayers Foundation**

- [The Looming Fiscal Fiasco for the MBTA](#)
- [Ticket to Transformation? Evaluating the MBTA's Efforts to Bolster its Workforce](#)
- [Fiscal Year 2025 Budget: Transportation Funding](#)
- [The Path to a Safe Reliable Transit System Just Got a Lot Longer](#)
- [Capitalizing on Federal Funding Opportunities](#)
- [Labor Shortages Raise Doubts About MBTA's Capabilities](#)
- [MTF 2023-2024 Session Preview: The MBTA](#)