



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000  
[www.masstaxpayers.com](http://www.masstaxpayers.com)

## MTF Bulletin

March 27, 2025

### Fiscal Year 2026 Budget: A Closer Look

#### Transportation Funding in the Governor’s Budget Proposals

The Healey-Driscoll administration’s Fiscal Year (FY) 2026 budget proposal tops \$62 billion, increasing spending over the FY 2025 General Appropriations Act (GAA) by \$4.3 billion (7.4 percent) and over the administration’s estimated spending level by \$1.8 billion (2.1 percent). The \$62.07 billion spending plan includes \$1.95 billion of surtax-supported investments obligated to education and transportation.

The administration’s budget includes \$1.62 billion in direct appropriations for transportation, including investments for the Department of Transportation (MassDOT), the MBTA, 15 Regional Transit Authorities (RTAs), municipalities, and the Merit Rating Board. This funding level represents an increase over the FY 2025 GAA of \$310 million (24 percent) and represents 2.6 percent of total line-item spending.

#### Direct Spending on Transportation in the Governor’s Budget

Funding	FY 2025 GAA	FY 2026 - Governor
Base Transportation Funding	\$771.1	\$855.3
Income Surtax Spending (CTF Fund)	\$250.5	\$765.0
Other Surtax Spending	\$288.5	\$0.0
<b>Total Direct Transportation Spending</b>	<b>\$1,310.1</b>	<b>\$1,620.3</b>
<b>% of Total Budget Spending</b>	<b>2.3%</b>	<b>2.6%</b>

*\$ in millions*

Additionally, on the same day that their operating budget proposal was released, the administration filed a supplemental budget bill appropriating \$1.32 billion in surplus surtax revenues currently held in the Education and Transportation Innovation and Capital Fund; of which \$857 million is dedicated to transportation needs.

To provide a complete analysis of the funding proposals for transportation put forward by the Healey-Driscoll administration, this brief will review the spending included in the Governor’s operating budget and the supplemental surtax spending bill. It will assess how recommended funding levels align with the state’s long-term transportation financing strategy; and finally, it will highlight several

key takeaways for the Legislature, including the potential impacts of federal action on planned transportation investments.

## **Background**

Over the last several years, MTF has extensively documented the immense challenges that the state's transportation system has navigated as it dealt with the reverberating impacts of the COVID-19 pandemic and the long-term underinvestment in operations, workforce, and infrastructure.

More recently, new and increasing sources of revenue have presented policymakers with an opportunity to rethink transportation funding priorities and develop a long-term plan for achieving a financially sustainable system.

In January, the Healey administration released its comprehensive transportation finance strategy, which was informed by the recommendations of the Transportation Finance Task Force and outlined a plan to increase state transportation investment by up to \$8 billion over the next ten years.

The Governor's two spending bills, including her operating budget proposal and the fair share supplemental budget, reflect these major themes.

### *Lost Revenues & Increasing Costs*

The pandemic had a number of direct impacts on the funding available for the state's transportation system, which were acutely felt by the MBTA. At the same time, required safety improvements and workforce recruitment efforts have increased personnel costs exponentially; and the combination of these factors has led to increasing operating deficits.

- **Fare revenues are down \$400 million compared to pre-pandemic projections:** Prior to the pandemic (FY 2014 – FY 2019), MBTA fare revenues increased at 3.0 percent annually. At that rate, fare revenues would have grown from \$671 million in FY 2019 to an estimated \$800 million in FY 2025. Instead, as transit agencies continue to operate at lower levels of ridership, the MBTA expects fare revenues of \$400 million, or half that amount; and given changing work patterns<sup>1</sup>, these trends may well continue.
- **One-time resources of \$2.5 billion are exhausted:** To close operating budget gaps, in-part driven by the loss of fare revenues, the MBTA relied on \$2.5 billion in one-time assistance from FY 2021 – FY 2025; including \$2 billion in federal COVID-relief funds. These resources are now nearly exhausted, but the costs that they were used to cover remain.
- **Personnel expenses have increased by \$450 million or more:** After years of cost-cutting and personnel reductions to balance budgets, the Federal Transit Administration intervened due to numerous safety issues and demanded the MBTA increase its operating headcount by approximately 2,000. After generous collective bargaining agreements to recruit and retain

---

<sup>1</sup> See [The Future of Downtown Boston & Commercial Real Estate: Post-Covid Changes in Work-Life Patterns](#), EBP for the Massachusetts Taxpayers Foundation, February 2025.

employees and an aggressive hiring campaign, MBTA wages, benefits, and taxes are more than \$450 million higher in FY 2025 than in FY 2019.

The combination of these factors resulted in the MBTA estimating an operating deficit of approximately \$700 million in FY 2026, which they project to increase in future years. The scale of that shortfall and the operational implications of major transit cuts created a spur for policy action over the past year.

#### *New Revenues for Transportation*

Fortunately, increased sales tax revenue collections, the introduction of the income surtax, and federal infrastructure investments have presented unique opportunities to direct additional funding towards transportation. While new funding streams alone will not solve the state's transportation challenges, adopting a long-term strategic plan to use them effectively is critical.

- **Sales tax revenues increase significantly:** The MBTA receives a dedicated share of sales tax revenue collections in the state, equal to one cent of every dollar spent on taxable goods or services. Between FY 2021 and FY 2025, sales tax revenues are projected to increase by 35 percent, providing nearly \$1.5 billion in resources for the MBTA.
- **Income surtax revenues exceed projections:** Revenues generated by the income surtax have now been available to support education and transportation investments in two operating budgets. Across the FY 2024 and FY 2025 GAAs, more than \$1 billion has been appropriated for MassDOT, the MBTA, RTAs, and local transportation projects. Additionally, above-cap surtax revenues collected in FY 2023 and FY 2024, totaling \$1.32 billion and currently held in the Education and Transportation Innovation and Capital Fund, are available for the first time this year to support additional one-time and capital-related investments.
- **Federal infrastructure investments are awarded, but uncertainties remain:** As described in earlier MTF reports on [capital spending](#) and [transportation](#), over the last three years, the federal government made unprecedented investments in transportation, climate resiliency, and emerging economic sector infrastructure through the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS). To date, Massachusetts has secured commitments for approximately \$3 billion in federal transportation infrastructure grants, but there remains a significant amount of uncertainty regarding awarded and future federal funds. The threat of claw backs from the US Department of Transportation and other federal funding reductions may harm the state's infrastructure more so than current operating budget challenges.

#### *Transportation Finance Task Force*

In her 2024 State of the Commonwealth address, Governor Healey announced the creation of a Transportation Finance Task Force to develop recommendations to address immediate transportation finance challenges and make recommendations for long-term funding improvements.

In early 2025, Governor Healey announced her administration's transportation finance strategy, which was guided by the recommendations of the Transportation Finance Task Force. The plan is

intended to address years of underinvestment and underfunding, and present a path towards a more sustainable, safe, and efficient transportation system.

A core tenet of the plan is effectively utilizing the resources currently available for transportation, particularly new revenues from the income surtax. As the following sections demonstrate, the Governor’s transportation spending proposals for FY 2026 reflect this priority; particularly in their efforts to use surtax revenues to both increase operating investments and expand the state’s capital spending capacity.

Furthermore, when the investments in the Governor’s operating budget proposal are considered alongside the fair share supplemental budget, proposed surtax spending in FY 2026 is evenly divided between the transportation and education sectors. Maintaining this equal distribution of fair share revenues over time is important – as called for in the administration’s transportation finance strategy – not only because it provides stability and predictability for each area, but also because it can prevent operational costs for education from overshadowing critical transportation needs.

*Income Surtax Investments in the Governor’s Budget & Supplemental Surtax Bill*

	<b>FY 2026 Governor</b>	<b>Surplus Surtax</b>	<b>Total Funding</b>	<b>% of Spending</b>
Education	\$1,185	\$463	\$1,648	50.4%
Transportation	\$765	\$858	\$1,623	49.6%
<b>Total Investments</b>	<b>\$1,950</b>	<b>\$1,320</b>	<b>\$3,270</b>	

*\$ in millions*

**The Governor’s Proposed Transportation Investments in FY 2026**

In FY 2026, total state investment in transportation (excluding capital spending) is likely to reach \$5.5 billion; including a pre-budget transfer of sales tax revenue to the MBTA, the payment of debt service costs by revenues collected in the Commonwealth Transportation Fund (CTF), and direct appropriations through the operating budget and fair share supplemental spending bill.

*Operating Spending for Transportation in FY 2026*

<b>All Transportation Spending</b>	<b>FY 2026</b>
<b>FY 2026 Governor's Budget Proposal</b>	
Sales Tax Revenues - Pre-budget Transfer to MBTA	\$1,426.0
Debt Service Payments	\$1,605.0
Base Transfers to MassDOT, MBTA, RTA's, etc.	\$855.3
Income Surtax Spending	\$765.0
<b>Fair Share Supplemental Budget Proposal</b>	
Surplus Surtax Spending for Transportation	\$857.5
<b>Total Transportation Spending</b>	<b>\$5,508.8</b>

*\$ in millions*

While the majority of this total, approximately \$3 billion, is for non-discretionary transfers and debt service payments (Appendix B)<sup>2</sup>; the focus of this brief will be the \$1.62 billion in direct funding included in the operating budget and the \$857.5 million in supplemental surtax spending. This spending represents two pillars of the administration’s transportation finance strategy. These proposals, which would make major changes to the state’s approach to funding transportation operations and capital investment are now part of the House and Senate budget deliberations.

Operating Budget Spending

The \$1.62 billion of direct transportation spending in the Governor’s budget is comprised of \$855.3 million in base funding and \$765 million in income surtax spending, resulting in a total increase of \$310.2 million (24 percent) over the FY 2025 GAA.

*Transportation Spending in the Governor’s Budget*

<b>Transportation</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>\$ vs FY 2025 GAA</b>
<b>Base Transfer Total</b>	<b>\$771.1</b>	<b>\$855.3</b>	<b>\$84.2</b>
<i>Base Transfer to MassDOT</i>	\$478.6	\$562.6	\$84.0
<i>Base Transfer to MBTA</i>	\$186.8	\$187.0	\$0.2
<i>Base Transfer to RTAs</i>	\$94.0	\$94.0	\$0.0
<i>Other Non-Surtax Transportation</i>	\$11.7	\$11.7	\$0.0
<b>Income Surtax Spending (CTF Fund)</b>	<b>\$250.5</b>	<b>\$765.0</b>	<b>\$514.5</b>
<i>Supplemental Transfer to MassDOT</i>	\$60.0	\$55.0	(\$5.0)
<i>Supplemental Transfer to MBTA</i>	\$127.5	\$500.0	\$372.5
<i>Supplemental Transfer to RTAs</i>	\$0.0	\$110.0	\$110.0
<i>CTF Debt Service</i>	\$63.0	\$100.0	\$37.0
<b>Other Surtax Spending</b>	<b>\$288.5</b>	<b>\$0.0</b>	<b>(\$288.5)</b>
<b>Total Surtax Spending</b>	<b>\$539.0</b>	<b>\$765.0</b>	<b>\$226.0</b>
<b>Total</b>	<b>\$1,310.1</b>	<b>\$1,620.3</b>	<b>\$310.2</b>

*\$ in millions*

Notably, building on a proposal that was adopted as part of the FY 2025 GAA, the administration directs the entirety of its surtax allotment for transportation in the operating budget (\$765 million) to the Commonwealth Transportation Fund (CTF). Once this revenue is deposited into the CTF, it can be immediately used to increase operating support for the MBTA, MassDOT, and RTAs; and the automatic transfer mechanism improves the debt coverage ratio of the fund, allowing the state to increase its borrowing capacity by up to \$5 billion over the next ten years. The administration has announced its intent to use that additional capacity to support an enhanced Chapter 90 program,

<sup>2</sup> See Appendix B – Transportation Debt Service Costs

address infrastructure needs at MassDOT and the MBTA, and begin a new statewide culvert and small bridge repair program.

The utilization of surtax revenues in this way is a direct reflection of the recommendations of the Transportation Finance Task Force and the Governor’s strategy. It maximizes the impact of a new revenue source and allows for a diverse array of investments across the state’s transportation system.

### Fair Share Supplemental Budget<sup>3</sup>

The investments in the Governor’s operating budget proposal are enhanced by the administration’s supplemental spending bill that appropriates \$1.32 billion currently held in the Education and Transportation Innovation and Capital Fund; of which \$857.5 million is dedicated to transportation. Language in the bill makes these funds available through June 30, 2028.

#### *Supplemental Surtax Spending for Transportation*

<b>Proposed Surtax Investments</b>	<b>Funding</b>
<b>MBTA</b>	<b>\$780.00</b>
<i>FTA Workforce &amp; Safety Reserves</i>	<i>\$400.00</i>
<i>Replenish MBTA Budget Reserves</i>	<i>\$300.00</i>
<i>Low-income Fare Implementation Reserve</i>	<i>\$67.00</i>
<i>Sumner Tunnel Mitigation Repayment</i>	<i>\$13.00</i>
<b>MassDOT</b>	<b>\$52.50</b>
<i>Winter Resilience Assistance Program</i>	<i>\$25.00</i>
<i>Workforce &amp; Project Delivery Reserve</i>	<i>\$17.50</i>
<i>Micro-transit and Last Mile Grants</i>	<i>\$10.00</i>
<b>RTAs</b>	<b>\$25.00</b>
<i>Workforce/Recruitment and Retention Reserve</i>	<i>\$25.00</i>
<b>Total</b>	<b>\$857.50</b>

*\$ in millions*

As MTF detailed in the [FY 2026 Budget Deep Dive on Surtax Spending](#), resources in the Innovation and Capital Fund are intended to support one-time and capital-related expenditures for education and transportation. The reasons for limiting their use are two-fold: 1) it creates a clear process for using surtax collections for critical infrastructure needs; and 2) the amount of excess surtax revenues collected in a given year may fluctuate significantly, and using these resources for ongoing operating costs may create short-term funding cliffs for the programs they support and long-term structural budget challenges.

---

<sup>3</sup> To learn more about current surtax spending proposals, see MTF’s recent report, [Fiscal Year 2026 Budget: Surtax Spending](#), February 19, 2025.

Of the supplemental surtax spending dedicated to transportation, approximately \$67 million is for operating expenses and \$790.5 million is for one-time initiatives. In the sections that follow, this brief will assess the specific investments in the Governor’s proposal alongside her funding recommendations for FY 2026.

**Agency Funding Breakdown**

MassDOT

Across Governor Healey’s FY 2026 budget proposal and the fair share supplemental budget, the administration recommends total funding of \$670.1 million for MassDOT; comprised of \$617.6 million in base funding and \$52.5 million in supplemental spending.

*Proposed Spending for MassDOT, FY 2026 Budget and Fair Share Supplemental Budget*

<b>MassDOT</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>\$ vs FY 2025 GAA</b>
<b>Transfer to MassDOT</b>	<b>\$538.6</b>	<b>\$617.6</b>	<b>\$79.0</b>
<i>Massachusetts Transportation Trust Fund</i>	<i>\$478.6</i>	<i>\$562.6</i>	<i>\$84.0</i>
<i>Supplemental CTF Transfer</i>	<i>\$60.0</i>	<i>\$55.0</i>	<i>-\$5.0</i>
<b>Fair Share Supplemental Spending</b>		<b>\$52.5</b>	<b>\$52.5</b>
<b>Total</b>	<b>\$538.6</b>	<b>\$670.1</b>	<b>\$131.5</b>

*\$ in millions*

The \$84 million increase in the base transfer for MassDOT is largely intended to restore funding for snow and ice removal, which had been excluded from the FY 2025 GAA. The \$55 million of income surtax revenues, transferred to MassDOT through the CTF, would be used for operational improvements, including workforce investments and enhanced capital project delivery.

The \$52.5 million in surplus surtax investments would be used to support a range of one-time programs, including:

- Winter Resiliency Program (\$25 million) – This program would distribute additional assistance to cities and towns across the state, according to a miles-based formula.
- Workforce and Project Delivery Reserve (\$17.5 million) – This reserve would support additional hiring efforts at DOT, to ensure project delivery remains on time.
- Micro-transit initiatives and Last mile Transportation Solutions (\$10 million).

MBTA

Excluding the automatic transfer of sales tax revenues and debt service payments, the administration has proposed a total of \$1.47 billion in funding for the MBTA; including \$687 million through the FY 2026 operating budget and \$780 million in the fair share supplemental budget. Compared to the resources available for the authority in FY 2025, this represents an increase of \$1



billion; however, spending in the supplemental budget is intended to be available over the course of three fiscal years (FY 2026 – FY 2028).

*Proposed Spending for the MBTA, FY 2026 Budget and Fair Share Supplemental Budget*

<b>MBTA</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>\$ vs FY 2025 GAA</b>
<b>Transfer to the MBTA</b>	<b>\$314.3</b>	<b>\$687.0</b>	<b>\$372.7</b>
<i>Commonwealth Transportation Fund</i>	\$186.8	\$187.0	\$0.2
<i>Supplemental CTF Transfer</i>	\$127.5	\$500.0	\$372.5
<i>Other Surtax Spending</i>	\$133.5	\$0.0	-\$133.5
<b>Proposed Surplus Surtax Investments</b>	<b>\$0.0</b>	<b>\$780.0</b>	<b>\$780.0</b>
<b>Total</b>	<b>\$447.8</b>	<b>\$1,467.0</b>	<b>\$1,019.2</b>

*\$ in millions*

A major goal of the administration’s transportation finance strategy is to stabilize the MBTA’s operating budget using predictable streams of state support. The investments included in the Governor’s operating and supplemental budget proposals seek to provide that support by:

- Permanently increasing the state’s operating transfer to the MBTA to \$687 million;
- Dedicating \$300 million of surplus surtax revenues towards replenishing MTBA reserves that have been drained to close past budget gaps; and
- Retiring the MBTA’s legacy debt to generate additional savings.

While projected MBTA budget gaps have historically fluctuated throughout the year, at the time that the Governor’s funding recommendations were filed, the combination of these solves was projected to close 90 percent of the MBTA’s operating deficits over the following three fiscal years, while the authority would be required to close the remaining 10 percent.

Additional supplemental surtax spending proposals for the MBTA include:

- \$400 million for Federal Transit Authority (FTA) workforce and safety reserves; which are used to support hiring and safety initiatives to ensure compliance with FTA guidance.
- \$67 million to offset lost revenues from low-income fare programs as program participation grows.
- \$13 million to repay the MBTA for Sumner Tunnel Mitigation costs.

*Supplemental Surtax Spending for Transportation*

<b>Investments</b>	<b>Proposed Funding</b>
<b>MBTA</b>	<b>\$780.0</b>
<i>FTA Workforce &amp; Safety Reserves</i>	\$400.0
<i>Replenish MBTA Budget Reserves</i>	\$300.0
<i>Low-income Fare Implementation Reserve</i>	\$67.0
<i>Sumner Tunnel Mitigation Repayment</i>	\$13.0

*\$ in millions*



## Regional Transit Authorities (RTAs)

In total, RTAs would receive \$229 million in funding through Governor Healey’s FY 2026 budget proposal and the fair share supplemental budget; including \$204 million in base transfers and \$25 million in additional surtax spending. This represents a \$25 million increase over the funding provided in the FY 2025 GAA.

### *Proposed Spending for RTAs, FY 2026 Budget and Fair Share Supplemental Budget*

<b>Regional Transit Authorities</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>\$ vs FY 2025 GAA</b>
<b>Operating Budget Spending</b>	<b>\$204.0</b>	<b>\$204.0</b>	<b>\$0.0</b>
Commonwealth Transportation Fund	\$94.0	\$94.0	\$0.0
<i>Supplemental CTF Transfer</i>	\$0.0	\$110.0	\$110.0
<i>Other Surtax Spending</i>	\$110.0	\$0.0	-\$110.0
<b>Fair Share Supplemental Spending</b>	<b>\$0.0</b>	<b>\$25.0</b>	<b>\$25.0</b>
<b>Total</b>	<b>\$204.0</b>	<b>\$229.0</b>	<b>\$25.0</b>

*\$ in millions*

The funding recommendation for RTAs in the Governor’s budget closely mirrors what was adopted in FY 2025, including:

- \$94 million in standard formula-based funding, which would be allocated according to a distribution schedule agreed to between each RTA and the DOT;
- \$66 million to support operational enhancements and improvements, including expanded service hours, weekend services, and route expansions;
- \$30 million for thirteen RTAs to provide year-round, fare-free regional transit transportation;
- \$10 million for connectivity projects; and
- \$4 million for the Community Transit Grant Program to expand mobility options.

The \$25 million in surplus surtax spending for RTAs is intended to support workforce and hiring efforts, including financial assistance for obtaining Commercial Drivers Licenses.

### **Federal Actions Create Uncertainties for Transportation Policy Goals**

While the Governor’s FY 2026 budget proposal and the fair share supplemental budget reflect the strategic use of state resources to ensure the long-term sustainability of the state’s transportation system, federal policy actions may undermine plans for key transportation infrastructure projects.

The incoming administration’s transportation policy shift is clear – and it is also clear that Massachusetts cannot rely on growing or even maintained federal support. Rather, the federal Department of Transportation (USDOT) will reclaim awards made during the previous administration while placing stricter guidelines on future funding decisions.

While there have been no announcements related to recent major awards in Massachusetts, the Trump administration has demonstrated a willingness to halt funding for major projects around the country. For example, they have announced their intention to terminate funding for major initiatives

including the Gateway Tunnel Project for transit between New Jersey and New York City and California's High Speed Rail connecting Los Angeles with San Francisco. The President is also seeking to stop NYC's congestion pricing program even though it has existing federal approval and is based on a core tenet – utilizing user fees to solve local transportation needs.

Last month USDOT ordered several changes that reflect recommendations from Project 2025 which called for eliminating funding for ferry terminals, hiking trails, bicycle lanes and more while also calling for an end of federal support for government run transit systems.<sup>4</sup>

US DOT Secretary Sean Duffy's Charts this New Course<sup>5</sup>:

In a January 29<sup>th</sup> memo, Secretary Duffy directed USDOT to make several policy shifts altering which projects receive federal financial support. The memo addresses:

- Obligated funds – FHWA will revoke any and all funding agreements that reference climate change, greenhouse gas (GHG) emissions, racial equity, gender identity, DEI goals, or environmental justice.
- New funding – All USDOT grants and loans will be based on a positive cost-benefit analyses rather than social or environmental considerations and USDOT will prioritize projects utilizing user-pay models. Further, all communities receiving federal funding must comply with federal immigration and enforcement efforts.

The exact impacts of the Trump administration's actions on Massachusetts will depend on the details and the extent to which the courts or Congress allow major changes to proceed; however, the potential loss of federal funding increases the importance of maximizing available state revenues to increase the state's capital spending capacity.

### **Key Takeaways for the House and Senate**

As the FY 2026 budget and fair share supplemental budget now move to the House and Senate for their consideration, there are several important questions that policymakers must answer:

- ***Will the Healey-Driscoll administration's transportation financing strategy and the recommendations of the Transportation Finance Task Force gain traction in the Legislature?***

The recommendations of the Transportation Finance Task Force (TTF) and the administration's transportation finance strategy lay out a multi-pronged approach to stabilize and improve the Commonwealth's transportation system through enhanced operating and capital investments. In particular, it reflects a "surtax-first" approach that focuses on effectively appropriating and maximizing the resources newly available for transportation spending. As policymakers consider

---

<sup>4</sup> "The variety of infrastructure projects now eligible for funding through the FHWA include ferryboat terminals, hiking trails, bicycle lanes, and local sidewalks. In many cases, such projects should be the sole responsibility of local or state governments, not dependent on FHWA funding."

"With the federal government facing mounting debt, the best course of action would be to remove federal subsidies for transit spending, allowing states and localities to decide whether mass transit is a good investment for them." [Mandate for Leadership: The Conservative Promise](#), pp. 629 and 635-636.

<sup>5</sup> [U.S. Transportation Secretary Sean Duffy Takes Action to Rescind "Woke" DEI Policies and Advance President Trump's Economic Agenda](#), January 29, 2025.

potential action from the federal government, and how it could impact planned transportation projects in the state, the importance of establishing a clear plan for the investment of state resources is clear.

Policymakers in the House and Senate will now have an opportunity to effectuate the Governor's plan through their own FY 2026 and fair share supplemental budget proposals. As they consider action, and contemplate their own unique approaches, there are several elements of the administration's strategy that should be maintained:

- Achieving a 50/50 split of surtax resources between education and transportation through the combination of operating budget and supplemental budget investments.
- Maximizing a dedicated stream of surtax revenues towards transportation to expand the state's borrowing capacity for increased capital spending.
- Closing projected operating budget deficits at the MBTA for a period of multiple years.

As the Governor considers how best to follow up on the TTF's work on long-term sustainable sources, lawmakers should also agree on a target of new resources the state seeks to raise to meet the transportation challenges ahead.

- ***How should the Legislature address projected MBTA operating deficits, acknowledging that estimated budget gaps may fluctuate over time?***

The Healey administration's transportation finance strategy reflects a plan that was originally intended to close 90 percent of the MBTA's projected operating deficit in FY 2026 through FY 2028, with the expectation that the authority would close the remaining 10 percent. Since the Governor's plan has been released, the MBTA has updated its budget gap estimates and the proposed funding levels in the operating budget and the fair share supplemental budget are no longer anticipated to close as large a portion of their operating deficits.

State agencies regularly update their budget projections throughout the year, and despite this new information from the MBTA, the Legislature should take action on the Governor's proposal. Permanently increasing the state's operating transfer to the MBTA and replenishing reserve balances using surplus surtax resources will improve the long-term sustainability of the authority's operating budget.

- ***How can policymakers prepare for potential changes to federal spending plans and policies, and what are the risks for Massachusetts?***

While the risks to states are real, it's too early to quantify losses with any confidence. These changes will take time to play out. USDOT will terminate awards, states will appeal or sue, and court decisions will take time to resolve.

Regardless, the amount of lost funding will become evident during calendar year 2025.

Transportation for America provided an analysis of obligated funds at risk as a consequence of Secretary Duffy's January 29 edict (the "woke rescission" memo). As shown in the table below, according to preliminary analysis by national transportation advocacy groups, Massachusetts ranks 4<sup>th</sup> with an estimated \$1.4 billion in potential obligated funding losses (2<sup>nd</sup> at \$197.6 per capita behind Alaska's \$273.6). Even though these losses are preliminary estimates, it's obvious that Massachusetts will experience sizable clawbacks in federal transportation funding.

Disbursements at risk from USDOT "Woke Rescission" Memo, per capita by state<sup>6</sup>

Rank	National Total	Obligated funding at risk	Funding per capita
1	CALIFORNIA	\$4,341,637,080	110.1
2	NEW YORK	\$2,617,998,921	131.8
3	ILLINOIS	\$1,575,668,833	124.0
<b>4</b>	<b>MASSACHUSETTS</b>	<b>\$1,410,372,513</b>	<b>197.6</b>
5	OHIO	\$752,066,137	63.3
6	PENNSYLVANIA	\$637,913,522	48.8
7	FLORIDA	\$626,548,213	26.8
8	MINNESOTA	\$570,677,818	98.5
9	MICHIGAN	\$498,051,827	49.1
10	MISSOURI	\$436,329,208	69.9
11	TEXAS	\$389,512,433	12.4
12	WASHINGTON	\$356,584,420	44.8
13	GEORGIA	\$355,179,010	31.8
14	COLORADO	\$297,963,633	50.0
15	NEW JERSEY	\$270,658,182	28.5

As the impacts of federal policy changes play out, lawmakers and policymakers should seek updated analyses from MassDOT and the MBTA along with any proposed adjustments in spending plans as the availability of federal resources becomes more certain.

---

<sup>6</sup> Transportation for America's [analysis](#) of funding at risk based on policy outlined in the USDOT's newly introduced "[Woke Rescission](#)" memo from Secretary Duffy's [first day](#), T4America, February 5, 2025. See Transportation for America's methodology for this state-by-state and Congressional District analysis [here](#).

## Appendix A – Transportation Revenue Sources

Transportation Revenues	FY 2026 - Governor
Sales Tax Revenues	\$1,426.0
Commonwealth Transportation Fund	\$2,295.0
<i>Motor Fuel Taxes</i>	\$741.2
<i>Motor Vehicle Sales</i>	\$779.2
<i>Department Revenues (RMV)</i>	\$695.5
<i>Consolidated Transfers</i>	\$79.1
Massachusetts Transportation Trust Fund	\$703.0
Tolls	\$405.9
Grants, Leases, and Other	\$248.4
Income Surtax - FY 2026	\$765.0
Surplus Surtax from FY 2024	\$857.0
<b>Total</b>	<b>\$6,046.0</b>

The FY 2026 budget proposal combined with the surplus surtax bill yields approximately \$6 billion in resources made available for transportation. Currently, the \$6 billion is evenly split between transportation user fees including fuel taxes, RMV fees, and tolls and dedicated sources unrelated to transportation such as sales and income tax revenues.

Since the start of COVID, increases in revenue sources have come almost exclusively from the latter that included COVID-related federal funds to cover operating gaps.

Unfortunately, losses in federal funds throughout the state’s operating and capital budgets will place enormous strains on vital services including health care, education, child care, transportation and more – all essential to our quality of life and economic competitiveness.

Going forward, a greater reliance on user fees may be necessary to help close growing budget gaps, a policy recommended by the Transportation Finance Committee back in 2007.<sup>7</sup>

---

<sup>7</sup> In its [second report](#), the Transportation Finance Commission concluded that “*Transportation should be paid for primarily by users. Unlike other public goods such as police and fire protection, transportation is a utility, and it is reasonable for users to pay for the use and benefit they derive from the system.*”

## Appendix B – Transportation Debt Service Spending

<b>CTF Debt Service Payments</b>	<b>FY 2026 - Governor</b>
Accelerated Bridge and Rail Enhancement Programs	\$270.6
Consolidated Long-term Debt Service	\$1,132.0
Central Artery-Third Harbor Tunnel	\$82.4
Massachusetts Turnpike Authority	\$125.0
<b>Total</b>	<b>\$1,610.0</b>

## Appendix C – \$5 Billion in Capital Investments Over 10 Years

The FY 2025 budget dedicated \$250 million from income surtax revenues to the CTF seeking to expand borrowing capacity by approximately \$1 billion. In the FY 2026 budget, the state builds on that investment by transferring \$765 million to the CTF to expand borrowing capacity to \$5 billion. The Governor’s proposal would provide capital funds for the following initiatives.

- \$1.5 billion for Chapter 90 Reform
- \$1.5 billion for Bridge and Pavement Lifecycle Asset Management Program
- \$1.4 billion for the MBTA Rail Reliability Program
- \$615 million as the state share for the Allston I-90 Multimodal Project
- \$200 million for Culverts & Small Bridges Statewide Strategy