EXECUTIVE SUMMARY

Difficult economic times have created a host of challenges for Massachusetts. Among them, the financial shortfalls of the state’s transportation agencies place high on the list. The MBTA is considering fare hikes and service cuts; even with these actions, real questions remain about how the agency will close gaps and keep the aging system operating in the future. The state’s 15 regional transportation agencies are also struggling. They have gone years without an increase in state funding. Most have already raised fares and cut the modest service upon which many of the state’s most economically disadvantaged residents depend.

At this crossroads, Massachusetts faces a choice. The state can continue on the current course, applying fresh financial bandages, or Massachusetts can depart boldly from the status quo by giving regions across the Commonwealth tools to invest in public transportation at levels consistent with their needs and aspirations for economic growth. Moving Forward with Funding charts this second route, presenting the economic rationale for a bolder approach and demonstrating how new strategies would help Massachusetts make optimal investments in public transportation. The report advances four key themes:

1. The rationale for investing in public transit as a regional economic development strategy is exceptionally strong. Supporting evidence can be found in a large body of rigorous economic research. It is also visible in the investment patterns of private developers and the increasing number of regions focused on keeping efforts to upgrade their public transportation infrastructure moving even during these difficult economic times: New development totaling more than $7 billion in investment is planned for transit-connected areas in Greater Boston’s urban core. Regions around the country have proposals for more than 600 transit projects, representing over $230 billion in new public transportation infrastructure.

2. The state’s current practice of paying for transit with taxes collected statewide weakens support for efforts to increase spending on this vital infrastructure. Allocating resources among the state’s many regions equitably is inherently difficult. Analysis suggests the MBTA has captured a disproportionate share of revenue, but like the RTAs, it has not been able to generate adequate resources to meet its needs.

   • Among major US transit agencies, the MBTA receives the highest share of funding from statewide sources. This comes at a cost to regional transit agencies in Massachusetts. State assistance to RTAs amounts to just 13 percent of the money RTA communities send to the MBTA through the sales tax. On average, RTAs receive only one-third of their budget through state assistance, whereas the MBTA receives 57 percent of its budget through state funds. And while the MBTA has actually seen a 16 percent increase in state support since the fiscal crisis began in FY09, the RTAs have faced a 5 percent decrease in state funds.

   • This uneven balance has eroded support for additional investment. The RTA systems are not able to provide adequate service, which reduces ridership and causes many to overlook their role in regional economies and their ability to contribute to future economic growth. At the same time, communities outside of the MBTA service area are keenly aware of the outsized investments that have been made in Greater Boston. Only 40 percent of the state’s House districts include a municipality within the
MBTA’s core service area. So while the MBTA clearly requires additional resources to support its operations and failing infrastructure, many Legislators have been unwilling to provide the necessary funds.

3. This analysis shows regional financing has the potential to produce the resources needed to support robust transit systems across the state. Evidence nationally suggests that states with regional transportation financing are investing more in this vital infrastructure. This paper examines two regional revenue streams: A payroll tax and a tax on vehicles per mile traveled. These taxes can be collected at varying rates within discrete geographic areas and they have the potential to generate significant resources at a relatively low cost to the average taxpayer.

- For instance, a 0.16 percent payroll tax would provide revenue in the range needed to close the MBTA’s annual operating deficit ($140 million to $207 million depending on how the tax is levied in overlapping RTA districts). This 0.16 percent payroll tax would cost the median full-time worker in the MBTA service area just $1.77 per week. In RTA service districts, a payroll tax at this rate would generate nearly $100 million in revenue (more than one and a half times what RTAs currently receive from the state) at a cost of approximately $1.50 per week to the median full-time worker in RTA districts.

- Alternatively, RTAs could generate a similar revenue stream with a 0.5¢/mile tax on vehicle travel at a cost of $1.53 per week per registered vehicle. The MBTA shortfall could be closed with a tax ranging from 0.5¢/mile to 0.75¢/mile (depending on how the tax is levied in overlapping RTA districts). This would cost between $1.03 and $1.54 per week per registered vehicle in the MBTA service area.

4. To make regional financing work, Massachusetts must first develop a sound framework for establishing the geography of transit districts and supporting these districts as they plan, build, and operate this critical infrastructure. A bill authorizing regional financing would need to carefully negotiate how regions establish districts to support regional transportation assets, and how revenue should be allocated to build, operate, and maintain transportation infrastructure over the long term. The state would also need capacity to support regions as they develop plans for transportation investments and undertake the technical aspects of this complex work...

Moving Forward with Funding outlines a vision for investment in public transportation infrastructure that regions all across the state can endorse. The report identifies revenue mechanisms that provide a foundation for stronger regional transit systems, while closing the large gaps in the MBTA operating budget. By adopting this strategy, the T can move forward with projects essential to Greater Boston’s future growth and prosperity. At the same time, the state’s RTAs can better support regional economic development. This balanced approach better serves Massachusetts.