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MAPC
METROPOLITAN AREA PLANNING COUNCIL

Smart Growth & Regional Collaboration

Talking Points: MBTA Fare Increase and Service Cuts

Impacts

The MBTA faces a structural fiscal crisis, the immediate symptom of which is a $161 million gap in the Fiscal 2013 budget. Despite exhaustive efforts to reduce its operating budget, the MBTA is left with only two tools to resolve the crisis: fare increases and service cuts.

In response to next year's shortfall, the MBTA has proposed two scenarios that, if implemented, will have negative repercussions for many years. Both scenarios include elimination of many bus routes, all ferries, and commuter rail service after 10 pm and on weekends. Scenario 1 would raise fares by 43%, while Scenario 2 combines a somewhat smaller fare increase (35%) with drastic cuts to bus service. Neither scenario is acceptable.

These proposed service cuts and fare increases will financially burden today's commuters, worsen traffic congestion, damage the environment, and impede economic growth for years to come. They will disproportionately harm households that depend on public transit as their major or sole means of transportation: the young, the old, people with disabilities, and families of modest means.

- **Fare increases and service cuts will cause ridership to decline.** The scenarios result in an annual ridership loss of up to 16% (64 million trips per year), as transit riders switch to other modes because of increased costs or loss of service. This will reverse the recent positive trend of record high levels of ridership, and will result in less-efficient service and less revenue for the MBTA.

- **Declining transit ridership will increase traffic congestion.** Total daily auto miles traveled will increase by 431,000 miles under Scenario 1 and 626,000 miles under Scenario 2 – the equivalent of 55,000 and 92,000[i] more cars on the road each day, respectively. That means more congestion, lost productivity for workers sitting in traffic, less time spent with families, and reduced access to jobs. Cuts to suburban bus service, commuter rail, and ferries will have a particularly severe impact on traffic congestion along I-93, I-90, Route 1, Route 3, and Route 2 as many commuters shift from the train, suburban bus, and express bus services to the single occupancy vehicle.

- **Service cuts will hurt our struggling economy.** Under both scenarios, many businesses that currently have access to transit will lose MBTA service. Under Scenario 1, 4,400 businesses and 78,000 workers will lose all MBTA service; under Scenario 2, a staggering 340,000 workers will lose transit access to jobs at 27,000 businesses.[ii] Businesses will suffer as their workers' commutes become more difficult, expensive, and unpredictable. Elimination of evening and weekend commuter rail will particularly impact some of our region's major employers and attractions, such as hospitals, museums, theaters, and restaurants.

- **Service cuts will drive up the cost of living.** Transit commuters will find it harder (or impossible) to get to work, forcing them to spend more money (if they have it) on car commuting, or else lose their job. Under Scenario 1, 108,000 people (and an estimated 7,100 transit commuters) will lose transit access; under Scenario 2, nearly half a million people (including 44,000 transit commuters) will no longer be served by the MBTA.[iii]

- **Declining ridership will increase air pollution and greenhouse gas emissions.** Carbon dioxide emissions alone, the leading cause of global warming, will increase by approximately 50,000 tons per year, [iv] which is the equivalent of the carbon dioxide emitted annually by a small oil burning power plant.

- **Service cuts may discourage new development projects near transit.** There are currently more than 250 private-sector developments planned or proposed near subway and commuter rail stations, which collectively would create 36,000 housing units and space for 92,000 permanent jobs, not to mention thousands of construction jobs. Uncertainty about the access of these projects to transit may discourage developers, banks, and companies from investing in these job-creating projects.[v]

Solutions

The challenges facing the MBTA are real, and they require transformative solutions that will help to make the region more prosperous, more livable, and healthier.

- **The entire transportation system needs adequate, sustainable funding.** The MassDOT reform legislation enacted three years ago is saving significant taxpayer dollars. However, it was known at the time that the transportation network would need new revenue. The mantra when that bill was passed was "reform before revenue." We have accomplished major, cost-saving reforms; now is the time for revenue. Governor Patrick and the Legislature should continue the work they started three years ago, providing adequate resources not only for the MBTA, but also for Regional Transit Authorities throughout the state, as well as roadways, bike paths, sidewalks and all aspects of our transportation system.

- **The T needs a long-term solution that addresses its $5.5 billion debt.** A quarter of the MBTA's operating budget every year goes to debt service payments – an amount nearly equivalent to what the T collects in fares. The MBTA's debt load is higher than that of any other transit system in the nation.[vi] Failure to solve this structural problem will force even more draconian fare increases and service cuts in the years ahead as debt payments rise. If the MBTA balances its budget for Fiscal 2013but no structural solution is found, we will be in the very same predicament a year from now, with a predicted Fiscal 2014 budget deficit of at least $40 million caused by ever-increasing debt service costs.

- **When the Fiscal 2013 state budget is adopted this spring, the Legislature and Governor Patrick need to help plug part of the MBTA's structural deficit.** MAPC supports a range of strategies to provide adequate revenue for the MBTA and the entire transportation system, which include direct support from the state budget, expanding tolls on limited-access highways, introducing "vehicle miles traveled" fees that charge drivers based on how many miles they drive annually, raising the state's gas tax (which last saw in increase more than 20 years ago), or increasing vehicle registration fees among others. We don't have to take all these steps, but we need to take enough to plug the growing gap in the state's transportation budget. http://mapc.org/sites/default/files/MAPC_Transportation_Finance_Recommendations.pdf

- **Massport should help support transit services that bring customers to Logan Airport.** Part of the MBTA costs for operating the ferries and Silver Line services to Logan Airport should be supported by Massport.

- **T riders will certainly have to pay more, but the proposed fare increases and service cuts are too deep.** Regular, modest fare hikes every few years are more sensible than the large fare hikes that have been proposed.

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[i] Central Transportation Planning Staff analysis of MBTA Fare Increase and Service Cut Proposals.
[ii] 2010 Census and American Community Survey data.
[iii] Ibid.
[iv] Ibid.
[v] MAPC's Development Database and Survey of 101 Municipalities in Greater Boston.
[vi] MBTA Advisory Board report *Born Broke: How the MBTA found itself with too much debt, the corrosive effects of this debt, and a comparison of the T's deficit to its peers.* http://www.mbtaadvisoryboard.org/reports/other-reports/

MAPC
METROPOLITAN AREA PLANNING COUNCIL

Smart Growth & Regional Collaboration

Transportation Finance Recommendations

Adopted by MAPC Executive Committee 11/16/11

Introduction

Transportation is crucial to every aspect of life in Massachusetts, connecting workers to jobs, businesses to markets, students to schools, and residents and visitors to the state's cultural and recreational resources. Yet decades of over-borrowing and underinvestment have left the Commonwealth's transportation system buried in debt and facing an overwhelming maintenance backlog. Action is needed now to put our transportation system on a sound financial footing and build the 21st century transportation system that will enable us to meet our economic and environmental goals.

The Metropolitan Area Planning Council, the regional planning agency serving the people who live and work in 101 cities and towns in Metro Boston, has prepared the following recommendations to address the current crisis in transportation financing. The proposals outlined below are not an exhaustive list of the actions that MAPC would support, nor does an item's absence from the list indicate that it is opposed by MAPC. These recommendations are intended as a "menu of options" from which more than one will be needed to solve this financial crisis.

The recommendations are drawn from the 28 reform and revenue proposals generated by the Transportation Finance Commission (TFC), from the TEDRA legislation filed by Transportation for Massachusetts (T4MA), from other reports and pieces of legislation, and from ideas generated by MAPC staff based on feedback from officers, committee members, Council members, and allies. A previous version of these recommendations was released in April 2009. Revisions have been made in response to a variety of changes in circumstances and the economy, and also in response to passage of the Transportation Reform Legislation enacted in Massachusetts in late 2009.

In 2007, the TFC conservatively estimated the deficit facing transportation in Massachusetts at between $15 and $19 billion over a period of 20 years – a deficit in the funds needed merely to maintain our current system in a "state of good repair". In September 2011, the Finance Subcommittee of MassDOT Transportation Advisory Committee updated the TFC's findings, concluding that despite successful reforms and additional investments, the gap had increased. This is due to a number of factors, including better asset management (we know better the state of the system); the failure to adopt toll and fare increases that were anticipated by the original TFC report; and a more rapid than expected deterioration of certain assets.

The MBTA's backlog of needed maintenance has increased from $3 billion to $4.5 billion; the numbers are even greater for highways and bridges. Forty-five cents of every dollar spent on transportation in the Commonwealth is going to service debt, while MassDOT is funding $145 million in operating expenses from new debt. Without a new source of revenue, debt payments will consume an increasing share of transportation spending, crowding out funds for needed repairs and expansion.

The conversation around the future of transportation finance in the Commonwealth is unavoidably complex. The current issues have been the subject of various discussions for years and these discussions could conceivably go on forever. Yet action is required now. Ideally, this action should include a comprehensive and long-term set of solutions. Substantial progress was made with the transportation reforms passed in 2009, but there are still areas where reform is needed, and revenues will also be required – likely, quite a lot of revenue. We urge the Legislature and the Patrick Administration to "fix it once, and fix it right."

Principles

MAPC developed the recommendations contained in this document based on a number of principles:

- **Reform and revenues are both important.** Reform has been essential to ensure that the process of selecting and implementing transportation maintenance and expansion projects is fair, efficient, and transparent. Reform is also critical to achieve public buy-in and confidence. The stewards of the public transportation system must constantly assess and adjust service delivery to ensure that it is done in a cost-efficient manner. While recent reforms have been successful in creating operational and cost efficiencies, the savings generated are only a small percentage of what is needed to develop and maintain a transportation system that is safe, high-quality, and competitive with other regions in the nation and the world. Substantial new revenues – mainly in the form of taxes, tolls, and fees – are unavoidable.
- **We believe in "fix it first," but not "fix it only."** Our transportation challenges cannot be solved by fixing potholes alone. Capital improvements and expansions are essential to our competitive advantage and quality of life.
- **The burden of paying for our transportation system must be shared equitably.** This means:
  - Special attention must be paid to the needs of low and moderate-income residents and Environmental Justice populations.
  - No one region of the Commonwealth should pay an unfair share.
  - The users of roads, bridges, transit, and other forms of transportation should all contribute reasonably. No one mode should be exempt.
  - Each particular type of toll or fee for roadway use can benefit or penalize certain segments of the population. For example, mileage-based tolls may not take into account the size of the vehicle (which affects the level of wear and tear on the roads), or its fuel-efficiency (and the resulting pollution and greenhouse gas emissions); the gas tax can encourage people who live or work near state boundaries to buy gas in other states; highway tolls are not paid by people who use mainly local roads; annual fees applied at inspection are not paid by people who commute in from other states. Since each of these techniques has pros and cons, a fair transportation finance system will include a variety of methods to raise funds. Therefore, we recommend a series of roadway usage fees, each set at a relatively low level, to encourage an equitable sharing of the burden.
- **Funds raised via the transportation system should pay for the transportation system.** They should not go into the General Fund. In addition, MassDOT should have the flexibility to use revenues at its discretion, rather than restricting the use of revenue to the asset on which it was collected.
- **Local government should also receive new revenues** to cover the costs of local transportation projects, since local systems face many of the same stresses as state and regional systems. These funds should be available for local or regional transit projects, local roads, and bike and pedestrian improvements.

Recommendations

Since the initial publication of this document, the Legislature enacted and the Governor signed an important set of transportation reforms and new revenues from an increase in the sales tax. These steps have been important, for realizing cost savings, improving public confidence in transportation spending, and addressing immediate shortfalls. But they are not sufficient. Additional actions are needed to create a sustainable transportation system. A range of options recommended by MAPC are outlined below. MAPC is not suggesting the simultaneous adoption of all of the revenue enhancing recommendations that follow; rather, the list below is a menu of options to choose from to achieve the same goal – adequate funding for transportation.

Revenue Recommendations

As deficits continue to increase, additional sources of revenue need to be considered that will increase funding to support our transportation system and decrease the need to utilize borrowed money.

1. **The gas tax should be raised to reflect the increase in inflation over the past 20 years and it should then be indexed to inflation.** The gas tax in Massachusetts has not been raised since 1991. It now represents 6% of the cost of a gallon of gas, compared to the 19% it did in 1991.

   The gas tax is the most effective way to finance our transportation system, at least in the short term. The gas tax should also be indexed to inflation so that it can keep pace with the growing needs for transportation funding over time. In this way, the tax could be adjusted by administrative rather than legislative action, perhaps every two or three years. Alternatively, if the gas tax were based on a percentage of the total cost (like the sales tax), rather than a fixed amount per gallon, the gas tax would not need to be raised repeatedly.

2. **Fares should remain a meaningful source of revenue for the MBTA and RTAs through regular and predictable fare increases.** MBTA fare revenues cover approximately 50% of operating expenses. By having regular fare increases of approximately 10% every three years, fares would keep pace with inflation and the MBTA would be able to maintain this 50% fare recovery ratio. MBTA fares have not been raised since 2007, and current fares are the lowest of any major US transit system. In addition, the monthly Link Pass offers a very steep discount (21% off already-discounted CharlieCard rates if used for commute trips only), and should be raised to be more in line with regular fares. Commuter rail fares should be raised along with bus and subway fares, as commuter rail passes also offer a very steep discount that should be brought more in line with regular fares.

   In addition, the MBTA should move to an electronic system of fare collection, including parking lot fares and commuter rail fares, to cut costs and reduce fare evasion. Currently, MBTA parking lots heavily rely on cash-based transactions. Switching to an electronic system of fare collection in parking lots would prevent most revenue leakage due to cash-based transactions. There are also a number of parking lots that utilize staff members to collect fares. A switch to an electronic fare collection would decrease the need for staff members to collect fares, reducing the overall operating expenses of the MBTA.

Switching to an electronic fare collection system could also generate revenue for commuter rail fare collection. Currently, commuter rail fare collection utilizes a paper-based ticketing system. Switching to an electronic card system such as the Charlie Card would save money and create a stricter fare collection system, minimizing the revenue leakage due to the current ticket-based system.

3. **Drivers should be charged a per-mile usage fee at the time of their annual vehicle inspection, and municipalities should receive a portion of that fee.** Charging drivers a per-mile fee at their annual vehicle inspection would allow the Commonwealth to begin generating mileage-based revenue without having to make a significant investment in new tolling infrastructure. This system could either charge drivers for every mile driven, or for every mile driven above a base number of miles. An additional possibility is to charge a differential fee based on the fuel efficiency of the vehicle. Furthermore, municipalities should receive a share of these fees, as they are responsible for maintaining the local roads that bear a significant portion of the state's vehicular traffic. This strategy could be implemented with minimal investment in new technology, and is an equitable way of charging drivers based on total miles driven rather than placing the entire burden on users of limited-access highways.

4. **Vehicle registration fees should be indexed to inflation, and should vary based on vehicle fuel efficiency.** Vehicle registration fees were raised in 2009. While this was a positive step, registration fees are an important component of transportation financing and should be indexed to inflation in order to keep pace with the growing cost of providing a safe and reliable transportation system for the Commonwealth. In addition, vehicle registration fees should be calculated based on vehicle fuel efficiency, ranging from the lowest fees for motorcycles, hybrid cars and electric vehicles, up to the steepest fees for heavy trucks and buses. This would provide a modest incentive for residents to choose more efficient vehicles and would recognize the Commonwealth's commitment to lowering emissions of greenhouse gases.

5. **Revenue from the Underground Storage Tank program should be dedicated to transportation.** Approximately $75 million per year is collected from the Underground Storage Tank program through a 2.5 cents per gallon tax levied upon motor fuel wholesalers, and an annual $250 fee per tank paid by the owners of underground storage tanks. This revenue currently goes to the General Fund, and the funds for administering the UST program are subsequently allocated from the General Fund. The Department of Revenue estimates that while the program collects approximately $75million each year, the UST program would be fully funded at a level of $30-35 million per year. MAPC proposes legislative language that would require UST program revenue to be directed to the Transportation Trust Fund or to a dedicated UST fund, and require that any monies collected through the UST program in excess of expenses be dedicated to transportation funding.

6. **Fees based on transportation impacts from development should be used to provide revenues for transportation.** The state should establish clear rules for assessing impact fees, and 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, and identifying who should measure these impacts and assess the fees. The state can also help by sanctioning the establishment of a "mitigation bank" to collect and expend impact fees from a variety of development projects along a specific corridor.

7. **Fund a modest portion of transportation expansion costs through District Improvement Financing.** Municipalities should be encouraged to adopt District Improvement Financing (DIF) and pledge a portion of incremental property tax collections to cover debt service costs for major capital projects favored by the municipality, or even to cover a portion of the operating or maintenance costs of this new improvement. Municipalities should not be overly burdened by such contributions, but a modest local match may be reasonable, especially if it can come from new revenues derived from development around the project.

8. **Allow municipalities or regions to raise funds for specific projects or lists of projects.** Allow single municipalities or regional groups of municipalities to hold votes to raise funds for specific projects or lists of projects, through increases in the property tax, sales tax, parking fees, real estate transfer tax, or other sources. This is a major source of revenue for transportation infrastructure in metropolitan areas in the southern and western US, but it is not currently available in Massachusetts. The Center for Transportation Excellence reports that voters supported 87% of transportation funding referenda nationwide in 2011, raising more than $1 billion specifically for transportation projects in 16 states. More than half of the referenda raised funds through property tax increases, with sales tax and vehicle fee increases each accounting for 14% and bonds accounting for 10% of the measures. Support for transportation funding referenda is widespread across party lines, as voters recognize the importance of investment in transportation infrastructure.

   This option has the strong support of the Massachusetts Association of Regional Planning Agencies (MARPA). However, this proposal might require an amendment to the state constitution in order to be implemented. These funds could be used for expansion projects, major capital improvements, restoring or expanding transportation services, or supplementing existing resources for operations and maintenance.

9. **Increase Chapter 90 funding to $300,000,000.** Chapter 90 funding, established in 1973, provides full reimbursement of documented expenditures related to the maintenance, improvement, and repair of approved roadways and pedestrian and bicycle infrastructure. Allocations for this program had been stagnant at $150 million since the mid-1990s, while need around the Commonwealth continued to increase. In response, Chapter 90 funding was increased to $200 million starting in FY2011. This was a much needed step, but it did not go far enough. The State should increase annual allocation amounts to $300 million, as the Massachusetts Municipal Association recommends, to ensure that cities and towns have the means to adequately maintain and repair our local transportation infrastructure.

10. **Create a new funding allocation in the transportation bond bill for Complete Streets activities on local roads.** Creation and implementation of Complete Streets guidelines is an important tool for municipalities to ensure that the public right of way is routinely designed, constructed and operated in a way that provides safe access for all users. The Commonwealth should provide dedicated funding to incentivize communities and regions to adopt Complete Streets policies, which ensure that transportation planners and engineers consistently design and operate the entire roadway with all users in mind, including bicyclists, public transit vehicles and riders, and pedestrians of all ages and abilities.

11. **Devote a portion of a broad-based tax toward transportation.** Because an effective transportation system is essential to economic development and quality of life for all residents of the Commonwealth, whether or not they are direct users of each mode, revenue from non-transportation sources should contribute to building and maintaining the transportation system that Massachusetts needs.

In 2000, the Legislature increased the sales tax and earmarked twenty percent of sales tax revenue to go toward the MBTA. Starting in FY 2010, the Legislature also devoted $180 million in revenue from another sales tax increase to transit ($160 million in additional support for the MBTA, and $20 million in resources for the RTAs). Similar, additional measures could be taken with the sales tax or other broad-based, statewide taxes (e.g. a real estate transfer tax or payroll tax) to dedicate funds to transportation. Tax revenue that increases along with the tax base and/or inflation are preferred, but other sources would also be welcome.

12. **On the Massachusetts Turnpike, reinstate tolls between exits 1-6 for passenger vehicles and retain all tolls past 2017.** The Commonwealth should not forfeit these revenues, but instead use them to pursue a balanced operating budget for the Western Turnpike. The tolls from exits 1-6 would generate significant revenue with relatively little capital expenditure since the old toll booths have been maintained for trucks. MAPC advocates a balanced tolling system with the burden shared more equitably across regions (see item #3 under "Issues to Study"), but in the meantime it is crucial not to forfeit revenue for our already-underfunded transportation system.

Reform Recommendations

The Transportation Reform enacted in 2009 made positive steps toward reforming our transportation system. Achievements of the bill that MAPC supported include: establishing a consolidated state transportation agency, MassDOT; establishing a Transportation Trust Fund to centralize transportation-related revenues and expenditures; establishing a Regional Mobility Assistance Program; and requiring that MBTA employees and retirees be transferred to the state Group Insurance Commission.

However, MAPC supports additional measures to reform our transportation system. These changes will allow the greatest efficiency of process and will provide methods of significant long-term cost-savings for the Commonwealth.

1. **The Commonwealth should cease to utilize bond funds to pay for annual operating expenses.** The annual appropriation to MassDOT should be sufficient for it to discharge its operational duties – without borrowing and thus burdening future generations.

2. **The Commonwealth should assume a significant portion of the debt of all transit agencies.** The MBTA needs to fully fund its state of good repair program. With an estimated $4.5 billion backlog of capital projects needed to maintain a state of good repair, the MBTA will have difficulty reaching its full ridership potential, even though high gas prices have contributed to record levels of ridership in 2011. Maintaining a state of good repair will help the MBTA to retain that increased ridership and generate higher fare revenue over time. However, the MBTA will be unable to maintain a state of good repair if its debt burden is not eased. Twenty-five percent of the MBTA's operating budget in FY2011 was devoted to servicing the debt burden of $5.5 billion—actually $8.5 billion when interest is included—much of it from transit commitments required to offset air pollution related to the Central Artery/Tunnel Project. The Commonwealth should assume a large portion of the MBTA's debt, easing the burden it places on the MBTA's budget and allowing the agency to maintain a state of good repair, thereby increasing both ridership and fare revenue.

3. **The Commonwealth should pay for all MBTA capital expansions that are consistent with reasonable capital plans and/or required by court settlements or agreements with federal agencies.** The Commonwealth should assume the cost for any future expansions, consistent with reasonable capital plans, court settlements, or agreements with federal agencies, so that the MBTA can concentrate on maintaining a state of good repair. All reasonable efforts to acquire federal funds to pay for a portion of the costs of such expansions should be exhausted. Before committing to a project, there should be a reasonable expectation that the MBTA has adequate revenues in place to operate and maintain the expansions. Additionally, planning for capital expansion should analyze on a 20-year time horizon whether the MBTA can reasonably expect to have the resources to operate and maintain any expansions, with the goal of ensuring that new service does not divert funds from maintenance and operations.

4. **Pursue public/private partnerships to leverage public investment in transportation.** Within the current system, there is a limited availability of public funding for transportation projects. Certain transportation projects, as well as being important to the public, may also provide valuable benefits to private entities (a new transit stop near a commercial or residential development, for example). In certain cases private companies are willing to contribute to the cost of a transportation project that will benefit their business, and this should be encouraged by seeking out opportunities for public/private partnerships, and prioritizing projects that leverage private funds. However, MAPC does not support the sale or long-term lease of major transportation assets. Sale or lease of truly surplus assets can be beneficial, but long-term revenue or service provision must not be compromised in favor of short-term financial gains. In all cases an analysis of risks and rewards should take place that aims to maximize the public benefit of any public assets, so that privatization occurs only when it will increase the long-term value to the public of the assets being considered for sale or lease.

5. **Establish a Massachusetts Transportation Infrastructure Bank.** An Infrastructure Bank would leverage public resources and private investment to provide loans, grants, and other financial assistance to cities, towns, and transit authorities for qualified transportation projects. The Infrastructure Bank would be required to be fiscally responsible, and would be self-sustaining after an initial investment of public funds. It would operate independently, allowing priorities to be set and projects to be selected based on merit. When the bank lends funds to eligible projects, loan repayments would be collected by the bank and lent to subsequent projects, creating a revolving loan program that would increase the overall number of transportation projects to receive funding. There are currently 33 states with infrastructure banks, while in Massachusetts legislation to create a Transportation Infrastructure Bank has been repeatedly filed, but no action has been taken.

6. **RTAs should be forward funded.** The MBTA is already forward funded, but the state's RTAs must ask for their costs to be reimbursed at the end of each fiscal year. The TFC recommended forward funding for all RTAs in order to establish state support levels before the start of each fiscal year. This item would require the Commonwealth to double-fund RTAs for one year. This recommendation was included in the 2009 Transportation Reform legislation, which mandated forward funding to begin in FY2012. However, the FY2012 budget postpones forward funding until FY2014. We believe that all efforts should be made to prevent forward funding of the RTAs from being postponed further.

7. **MassDOT should have the flexibility to use all revenues at its discretion.** For example, the 2009 Transportation Reform law restricted the use of toll revenues to the maintenance and operations of the assets on which a given toll was collected. This statute should be changed to allow MassDOT the flexibility to use revenue raised from a particular asset on a different asset or even a different mode, as long as the monies raised are in excess of what is needed to operate and maintain the originating asset in a state of good repair. (Using MassPort revenue to support the MBTA would be one example.)

Issues to Study

Finally, below are some significant issues that should be studied. These issues have the potential to increase efficiency of the system, but more research is needed to determine proper structure and implementation details.

1. **Study the implementation of congestion pricing.** Congestion pricing or surrogate strategies like variable-priced parking, could generate additional funds, or it could be a revenue neutral policy that results in a more efficient use of transportation infrastructure by providing incentives and disincentives to use roads at certain times, resulting in more evenly distributed trips. However, real transit alternatives must be available to those who might wish to travel by car less often. Additionally, some alternatives may be needed to ensure that low income communities are not unfairly burdened by this system (possibly through tax credits or congestion surcharge reductions).

2. **Study location efficient mortgages.** Location efficient mortgages promote a reduction of vehicular miles traveled. Such mortgages are available in other cities around the country and allow people to buy more expensive houses in locations where they do not need to rely on automobiles from transportation. A study is needed in order to determine how best to create and promote such a plan.

3. **Study the implementation of a broad system of direct road user fees on limited access highways.** This item could generate significant revenues on interstate and limited access highways by levying a per-mile charge via "open road tolling" technology. These fees, 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 apply tolls broadly across the state, which would be much more equitable than the current system that collects tolls only from people using the Mass Pike, the harbor tunnels, and the Tobin Bridge. Tolls that are applied across the state could be much lower than tolls currently assessed only on one road and a small number of harbor crossings. However, a wider distribution of tolls must be studied in order to ensure that new tolls do not simply displace traffic to nearby local roads.

   In the meantime, steps should be taken to mitigate the inequity of the current tolling system. Commuters who use a monthly transit pass, as well as FastLane users, currently qualify for a state income tax deduction for their commuting expenses. Unfortunately, filing for this deduction can be administratively difficult, so MAPC recommends that the process be simplified so more residents can receive this deduction. Eventually, when tolls are distributed more evenly across the state, the deduction could be revisited.

4. **Implement a pilot program to assess the feasibility of VMT charges to replace or supplement traditional tolling.** A VMT fee system has been piloted or studied in several US states. Under such a system, fees are assessed based on the number of miles driven, and can be assessed at different rates according to the type of road, the time of day, and/or the type and fuel efficiency of the vehicle.

   A transponder installed in the vehicle tracks the miles traveled, and fees are usually collected at gas stations. Tracking VMT through odometer readings collected at annual vehicle inspections is an alternate method of implementation. Unlike traditional tolling, revenue is collected for use of all roadways, and could be allocated to help municipalities maintain local roads. VMT fees have the advantage of equitably charging all drivers for their road usage, instead of penalizing users of certain roads.

VMT fees create an incentive to minimize total miles driven, and based on the structure could also incentivize driving on certain roads, driving at off-peak times, and/or purchasing fuel-efficient vehicles. In addition to raising revenue in a rational and equitable manner, such a system could have significant positive effects on congestion and greenhouse gas emissions. A pilot study should be implemented to determine the technical feasibility of a VMT fee system, and to develop a proposed pricing structure for statewide implementation.

5. **Study the introduction of "HOT lanes."** HOT (high occupancy/toll) lanes are lanes that operate alongside existing highway lanes to provide users with a faster and more predictable travel option. While HOV (high occupancy vehicles), buses, and emergency vehicles would have free access to these lanes, drivers with too few passengers to qualify as an HOV could pay a toll for access. These tolls could vary depending on congestion and/or time of day. A study should be conducted, taking into account feasibility and equity.

6. **The MBTA should study peak/off-peak pricing.** Peak pricing can raise additional revenue, while encouraging more efficient use of transit infrastructure and increased ridership during off-peak hours. For example, the Washington DC Metro has a 20 cent rush hour surcharge, which has raised significant additional revenue without negatively impacting ridership; in fact, weekday riders were even less sensitive to price effects than expected.

7. **The MBTA should study the implementation of a University Pass Program.** Creating a University Pass Program could generate dedicated revenue for the MBTA and RTAs while increasing ridership among students. Such a program could create an opportunity to generate revenue without increasing taxes on the general public or utilizing state/federal funds. Universities within one mile of MBTA or RTA services could participate by paying a discounted annual fare per full-time undergraduate or graduate student directly to the MBTA or nearest RTA. Students would be able to use their pass for unlimited rides on buses and trains operated by the nearest transit service. The feasibility of including faculty and staff should also be considered. A similar program has been successfully implemented in other major cities, including Chicago.