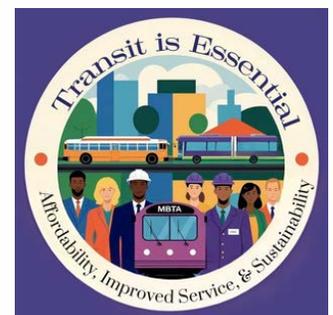


# *Taking Stock of Transportation Funding:*

*A year after the Transportation Funding Task  
Force, how much progress has been made?*

*January 2026*



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# Introduction

Access to safe and reliable transportation options plays an important role in the daily lives of every resident in the Commonwealth. Whether to get to work, school, healthcare appointments, or just to socialize with friends and family, getting to your destination in a timely manner on public transportation, driving, or walking or biking is important to how residents plan their daily lives. To that end, the Massachusetts Legislature and Governor, with the help of revenue generated by the surtax on higher earners or what is commonly referred to as “Fair Share” revenue, have invested significant funds in our transportation system over the past year.

Fair Share out-performed initial estimates with collections reaching \$5.465 billion over the last two years, enabling many important investments. Among them, additional infusion to Chapter 90 funds for municipal roads and bridges (particularly in rural communities), and increased investments for the 15 Regional Transit Authorities who have been able to provide fare-free service to all riders and expand their reach. Most notably, Fair Share funds also prevented the Massachusetts Bay Transportation Authority (MBTA) from falling into yet another fiscal cliff with crippling service cutbacks.

The Governor’s Transportation Funding Task Force’s Report in January 2025 relies heavily on Fair Share revenue to “stabilize” the MBTA operational funding shortfall. In October 2025, the MBTA received \$850 million<sup>1</sup> from the Fair Share proceeds to increase the transit authority’s bonding capacity which in turn will fund capital repairs, upgrades and infrastructure projects. While offering critical underwriting, an over-reliance on Fair Share would not be prudent. Granted that it has only been three years since its beginning, Fair Share has delivered. But pretending that Fair Share is sufficient to meet all of our transportation needs is unrealistic and counterproductive

The need is larger than is evident. For instance, while the MBTA’s current Capital Investment Plan (CIP)<sup>2</sup> details vetted proposals for funding capital projects costing \$9.8 billion over five years, it also shows how \$12.4 billion in vital work, including needed traction power and accessibility projects, remain unfunded.



Fair Share has delivered. But pretending that Fair Share is sufficient to meet all of our transportation needs is unrealistic and counterproductive.

Transportation needs extend across the Commonwealth beyond the MBTA. Today, for example, connectivity between Regional Transit Authorities are funded only through limited competitive grants which, while helpful, are unable to encourage a long-range program for inter-agency connectivity. The Cape, Central and Western Massachusetts still lack transit connectivity that facilitates their travels for important medical appointments to Boston. Rural areas continue to be underserved by transit, leaving many of their transportation needs on the shoulders of community-based organizations that provide them transportation access despite being financially strapped.

Currently, federal funding uncertainty has exacerbated the situation. The Administration in Washington and Congress have stripped federal funds for healthcare, education, and transportation that Massachusetts will have to make up from other sources. How this impacts transportation investments moving forward is something that we as a state will have to reckon with.

In the following pages, we take a closer look at Fair Share projections and collections, and the state of federal funding for Massachusetts. We face significant challenges ahead when it comes to the MBTA operating budget, public transit maintenance backlogs to reach a state of good repair, structurally deficient bridges across the Commonwealth, and major projects like the Allston I-90 project and the Cape Cod bridges.

We hope that you will find this paper informative about the current and future landscape of transportation funding, and that this inspires candid conversations on concrete actions we should be taking as a state.



Viviana M Abreau-Hernandez  
President  
Massachusetts Budget and  
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Reggie B. Ramos  
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Transportation for Massachusetts

# The Funding Predicament

The needs and opportunities for important transportation investment greatly exceed the Massachusetts resources available for transportation in the years ahead. As Massachusetts has sometimes learned the hard way, our public investments in transportation must both ensure reliable operations today and also invest in the future.

Amplify funding present-day operations means closing deficits such as the nearly \$700 million gap the Massachusetts Bay Transportation Authority (MBTA) faced last year before a temporary solution was delivered by the state budget. The Boston region’s transit authority’s operations for 25 years have remained dependent for its largest funding source on a portion of the sales tax that continues to provide less revenue than planned.<sup>3</sup> Likewise, transportation funding relies on a gas tax that has lost more than a quarter of its value since being raised in 2013 and is a declining source of revenue as electrification proceeds.<sup>4</sup>

Investing in the future requires capital funding for structural repairs and improvements that make buses, rail travel, roads and ferries more reliable – as well as investments that extend transportation networks to address state needs for housing, climate and commerce. The need for capital investments remains at a different scale than future resources.

For instance, the MBTA identified in its 2023 Capital Needs Assessment and Inventory<sup>5</sup> that \$24.5 billion was required to restore existing assets into a state of good repair. Many billions more are required to make transportation infrastructure across the state resilient to the effects of climate change. Promising plans to build out electrified rail to rapidly serve Gateway Cities remain stuck on the drawing board alongside many other forestalled improvements. Meanwhile, Massachusetts has some of the oldest bridges<sup>6</sup> of any state in the nation, with hundreds<sup>7</sup> already structurally deficient and in need of expensive repair.



In January 2024, Governor Healey issued an executive order <sup>8</sup> to create a Massachusetts Transportation Funding Task Force charged with “making recommendations for a long-term, sustainable transportation finance plan.” The order proclaimed, “there is a well-documented need for major investments by the state in roadways, bridges, capital assets of the MBTA, safety improvements, technology, and climate resiliency measures to protect existing transportation infrastructure and to provide for the transportation infrastructure of the future.” <sup>9</sup>



The Transportation Funding Task Force report <sup>10</sup> released a year ago declared the need to “right size our revenue sources,” but did not recommend specific revenue increases. Unable to come to consensus around a new source of funding, the Task Force focused on the existing Fair Share surtax on incomes over \$1 million, which has been collecting far more revenue than budget writers had previously anticipated. In addition to the annual revenue generated by the Fair Share tax, the Task Force recommended that the state continue to issue bonds to leverage Fair Share revenue to finance future capital investments. The Task Force also pinned its hopes on securing large new sums of federal investment.

# New Long-Term Funding Solutions?

How well do these two strategies – of looking to Fair Share and federal funds – address the Commonwealth’s transportation funding problems?

## Fair Share Funding

- ➡ The “Fair Share” surtax, a 4 percent tax on annual personal income over \$1 million that voters approved in November 2022, has been highly successful. The new revenue source, which may only be spent on transportation and education, has raised far more than officially projected. It was used to prevent disastrous cuts to public transportation that would have otherwise occurred when federal pandemic aid expired.

The legislature has overwhelmingly been faithful about using the money to supplement transportation and education spending rather than merely substituting it to backfill prior existing funds. It has been the source of major investment,<sup>11</sup> including annual deposits into the Commonwealth Transportation Fund that enable increased bonding for long-term capital investments. Massachusetts would be a less prosperous place – less competitive, affordable, or equitable – without these public investments.



But there’s only so much that Fair Share revenue can do in the face of major operating needs and the massive needs to fix and modernize our infrastructure. This is true in part because education also faces major needs that require significant investments in both infrastructure and student services. Moreover, the timing of the launch of Fair Share delayed the availability of some of its revenue such that the budget benefits were multiplied at the beginning of 2025 in a way that will not reoccur long term.

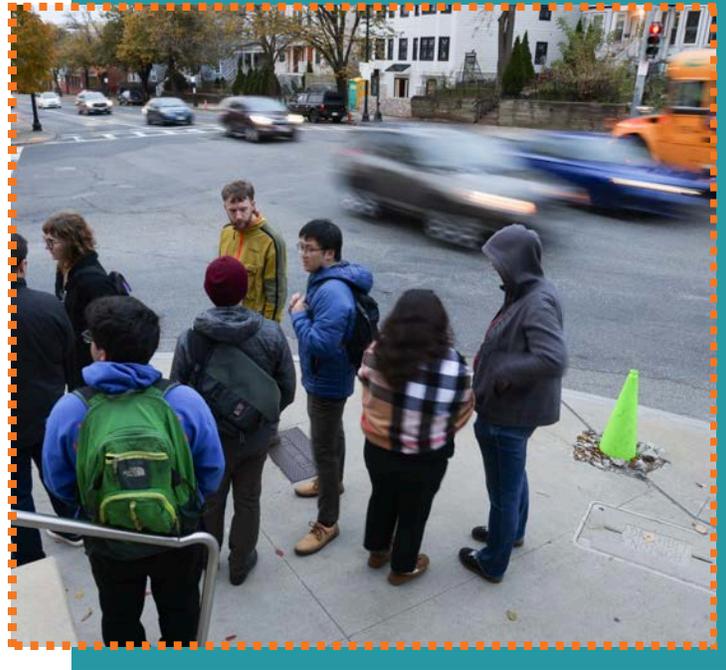
Fiscal Year 2024 was the first full year of revenue collection. As the deadline loomed for the Transportation Funding Task Force to issue recommendations at the end of 2025, the good news was emerging that Fair Share had been generating a lot more revenue than officially projected (see accompanying box below on the timing of Fair Share revenue).

Instead of just \$1.3 billion in Fair Share revenue that lawmakers projected in the FY 2025 budget process, actual collections exceeded \$3 billion.<sup>10</sup> This gave budget writers the confidence to count on \$2.4 billion in Fair Share revenue in enacting their FY 2026 budget and to set a \$2.7 billion spending threshold for the FY 2027 budget.

What's more, as a result of budget writers having greatly underestimated how much the Fair Share surtax would generate previously, an additional sum of \$1.31 billion in unspent Fair Share revenue from FY 2024 and FY 2023 was newly available.

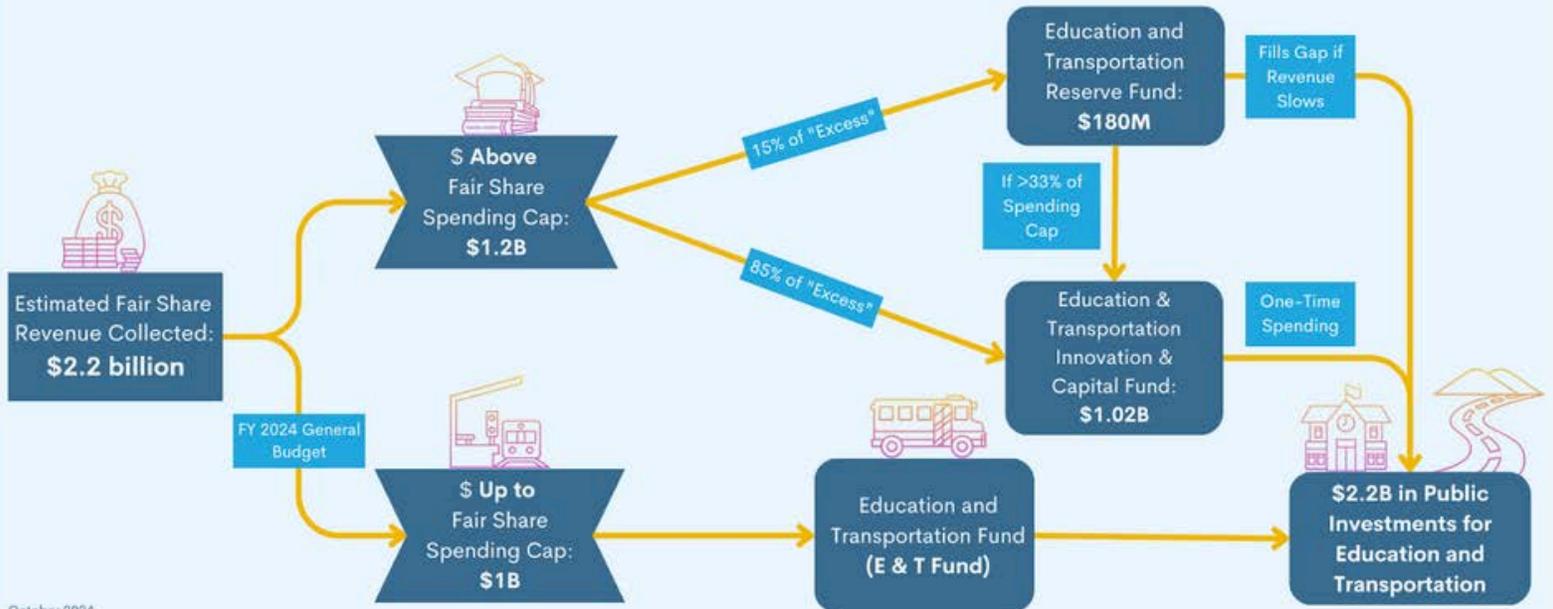
Moreover, \$173 million newly identified and certified as FY 2025 Fair Share funds were made available and carried into FY 2026. Between these three sources of Fair Share revenue, collected in various years, budget writers could effectively allocate \$3.88 billion in Fair Share revenue for transportation and education.<sup>12</sup>

The supplemental Fair Share budget<sup>13</sup> must be spent on one-time spending items,<sup>14</sup> a stipulation which may favor transportation since it is generally capital intensive. The Fair Share supplemental budget was spent mostly on transportation (58 percent) as opposed to education, whereas the opposite was true (30 percent) for Fair Share transportation spending in the regular FY 2026 budget.



The high level of Fair Share spending available in FY 2026, which is the result of unspent previously collected funds from prior years that exceeded projections, is highly unlikely to be fully sustained in FY 2028 and thereafter.

## Tracking the Flow of Fair Share Amendment Dollars

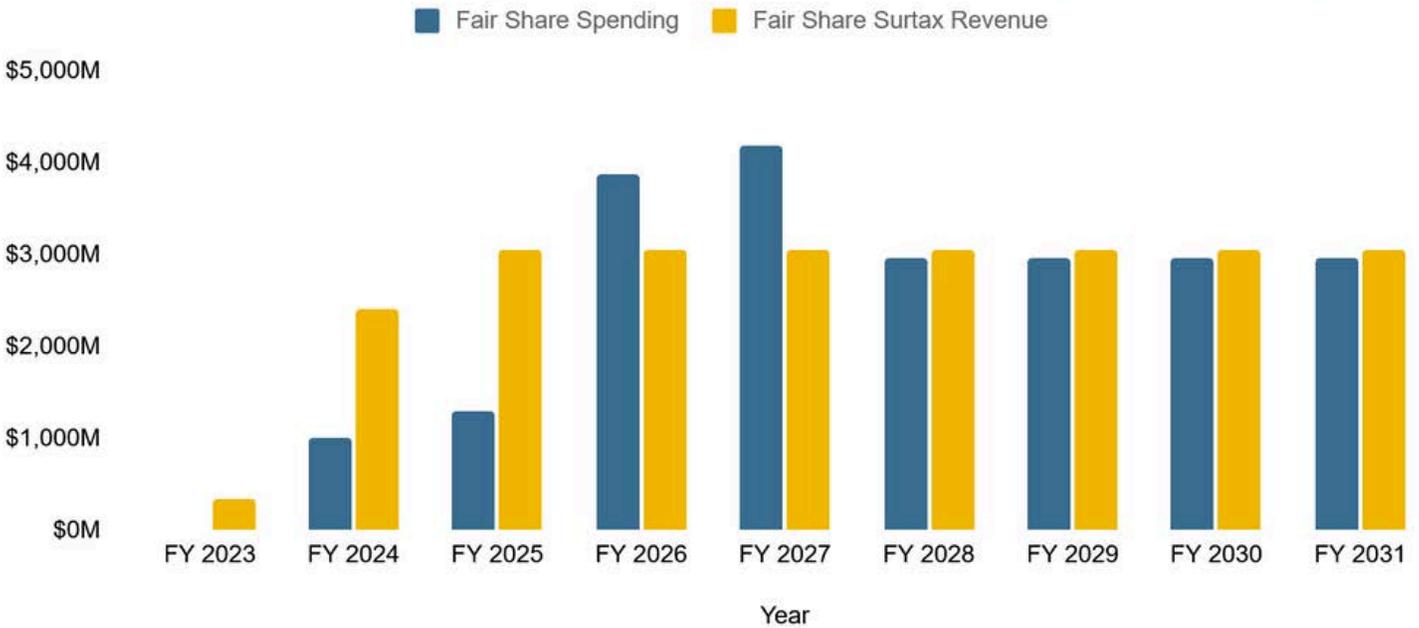


According to current law, 15 percent of the overage will go to the Education and Transportation Reserve Fund, which acts as a “rany day” fund for Fair Share spending. The other 85 percent of the overage is transferred to the Education and Transportation Innovation and Capital Fund, which can be used for one-time investments. The Legislature is likely to budget these one-time investment funds from revenue collected in a supplemental budget. This presents an opportunity to invest in important education and transportation programs that were left unfunded or underfunded in the annual budget.

The high level of Fair Share spending available in FY 2026, which is the result of unspent previously collected funds from prior years that exceeded projections, is highly unlikely to be fully sustained in FY 2028 and thereafter. The FY 2027 budget will include \$2.7 billion in Fair Share spending and will likely be accompanied by about \$1.5 billion in supplemental Fair Share funds because FY 2025 Fair Share surtax revenue reached almost \$3.05 billion in its near-final certification, greatly exceeding its \$1.3 billion spending cap.<sup>15</sup>

But as budget writers recognized the success of Fair Share, they increased the FY 2026 spending cap to \$2.4 billion, meaning that if another \$3 billion is collected in surtax revenue in FY 2026, there will be far less overage redirected toward future spending. **Over the longer term, Fair Share spending cannot exceed the annual revenue collected by Fair Share.**

### Fair Share Investment Likely to Level Off as Past Years' Unspent Funds Depleted



**Notes:** FY 2026 includes a \$2.4 billion spending threshold, plus Fair Share funds in FY 2025 Fair Share supplemental budget and closeout budget enacted at end of FY 2025, which thereafter were moved forward to FY 2026. Figures assume continuation of the most recent year (FY 2025) surtax revenue amounts of \$3.049 billion in future years. The analysis uses the FY 2027 spending threshold determined consensus revenue estimate announced January 14, 2025. It assumes continuation of this Fair Share FY 2027 spending threshold (\$2.7 billion) in future years.

It is also assumed that FY 2027 and future years will continue existing practice of spending surtax collections overage above spending cap once fully certified, after redirecting the statutorily mandated 15 percent of overage deposited into the Education and Transportation Stabilization Fund.

The analysis assumes continuation of the current practice of appropriating these overage funds in the subsequent year's Fair Share supplemental budget at the end of that year and moving these funds forward to the following year's spending. Amounts are not inflation adjusted. No adjustments are made for interest earned by the Education and Transportation Innovation and Capital Fund holdings before they are spent in the subsequent Fair Share supplemental budget.



There is no shortage of solutions. The issue is more of political will.

If last year's strong financial market returns persist and Fair Share continues to collect around \$3 billion per year, then this will more or less be the amount that can be invested. The amount is more than the \$2.4 billion spending cap in the FY 2026 budget, but substantially less than the \$3.88 billion made available this year through unspent previous years' collections.<sup>16</sup>

A major way that the Fair Share surtax has boosted transportation finances is by providing a steady source of revenue that the state can borrow against by issuing bonds backed by future surtax contributions to the Commonwealth Transportation Fund (CTF). The FY 2026 budget included a transfer of \$550 million to the CTF that can be used toward bond payments. Without such additional sources of dedicated funding, the amount the state can borrow to finance capital expenditures is strictly limited by the state's annual bond cap and competes with housing, energy and environment, economic development, and other areas that all seek investment under the Commonwealth's limited bonding capacity.<sup>17</sup>



Transparency for Fair Share spending is important for the public to be able to track and monitor investments in transportation to ensure that funding is being allocated for new investments, rather than a substitute to backfill other existing transportation related accounts.

Given the complex and often indirect mechanics of transportation finance, it is welcome that the FY 2026 Budget requires the Massachusetts Department of Transportation (MassDOT) to build a public website to document Fair Share spending on transportation. The budget requires "...that the Massachusetts Department of Transportation shall maintain a public website to track and monitor spending and progress on projects funded as a result of the increase in capacity to issue special obligation bonds or notes from the transportation income surtax revenue...".

Transparency for Fair Share spending is important for the public to be able to track and monitor investments in transportation to ensure that funding is being allocated for new investments, rather than a substitute to backfill other existing transportation related accounts.

### **Why did it take so long for unanticipated Fair Share revenue to become available?**

The Massachusetts Department of Revenue keeps an up-to-date tally of how much personal income tax it receives each month. Much of these funds are payroll deductions or estimated quarterly contributions. The Department of Revenue doesn't know how much of its received income tax collections will be designated as Fair Share surtax until it receives the end-of-the-year filings from taxpayers. For each tax year the due date to file personal income taxes is April the following year. Taxpayers can also apply for a no-questions-asked extension until October, a practice that is particularly prevalent among higher income taxpayers.

The process for designating and investing Fair Share revenue specifically was not created until the FY 2024 budget legislation in August 2023. Once received, the Department of Revenue processes the returns and conveys the results to the state Comptroller for certification each quarter, including a final tally in mid November. Thus, the full amount of Fair Share surtax collected in Fiscal Year 2024, along with the Fair Share funds that had been collected in the second half of FY 2023 were not fully evident and certified to be available for investment until the end of calendar year 2024. A Fair Share supplemental budget bill was then put forward in January 2025 along with the Governor's FY 2026 proposal. Both budget bills were finalized just in time for FY 2026.

### **Federal Funding to the Rescue?**

The Transportation Funding Task Force, in addition to utilizing Fair Share to stabilize funding, recommended as its other major "revenue opportunity" to "aggressively pursue federal funds" and "work with other states and cities to advocate for federal reauthorization, including support for transit, rail, and road priorities."<sup>18</sup> The solution leaned heavily on the hopes for the federal Bipartisan Infrastructure Law. Also known as the Infrastructure Investment and Jobs Act, this law signed by President Biden in November 2021 renewed the nation's formula-based funding to states and metropolitan areas.<sup>19</sup> The law also committed to spend over \$200 billion in competitive grants to states and metropolitan areas across the country.<sup>20</sup> The federal transportation funding system will need to be reauthorized or extended before it expires in September 2026.

Massachusetts already relies heavily on federal support for its durable capital investments in transportation.<sup>21</sup> The Massachusetts Department of Transportation (MassDOT) annually publishes a five-year Capital Investment Plan (CIP) and how it will be financed. Based in no small part on increased anticipated revenue from the Fair Share Amendment, the CIP for the period from FY 2026 to FY 2030 anticipates the Commonwealth spending \$18.5 billion in durable capital investments for transportation.

This is almost a quarter more than the five-year plan three years earlier. The current plan, however, relies on \$8.3 billion in federal funds, almost 45 percent of the total. Likewise, the MBTA has its own Capital Investment Plan which depends on federal funding for 41 percent of its total, over \$4.0 billion for the next five years (FY 2026 to FY 2030).



Unfortunately, the current federal administration has allowed many of these grant programs to expire before providing funds and has actively cancelled grant commitments or paused them indefinitely. For instance, \$327 million<sup>22</sup> for the Allston highway interchange was taken back by Congress,<sup>23</sup> as was \$20 million that had been pledged<sup>24</sup> by the U.S. Department of Transportation in 2022 for street improvements in Roxbury. Also in doubt are the secured and pending federal grants for the \$4.5 billion dollar replacement of bridges over the Cape Cod Canal.<sup>25</sup>

The White House has claimed without further explanation that terminated grant programs did not align with their priorities. Between unprecedented executive branch changes to Congressional spending and Congress unexpectedly rescinding its previous spending decisions, Massachusetts can't count on future federal grant programs to fill gaps for long-term investments.



What are the prospects of Congress taking strong action to increase transportation funding and encourage the kind of equity and climate programs where Massachusetts has often been a leader?

This Congress and administration does not seem inclined in that direction, and have been relatively silent about the administration's cancellation of previously enacted transportation programs. In terms of future directions, one of the few indications comes from a US Department of Transportation Director memo,<sup>26</sup> stating that the Department, "shall prioritize projects and goals that... give preference to communities with marriage and birth rates higher than the national average." In addition, funding may be made contingent on cooperation with federal immigration policies or other Presidential goals.

These various criteria do not appear to favor Massachusetts. For instance, the Commonwealth has one of the lowest fertility rates<sup>27</sup> in the country. Similarly, the U.S. House Chair of the Transportation and Infrastructure Committee has stated his intention to return funding towards its traditional focus on highways and freight travel as opposed to the equity and public transportation investments where Massachusetts has been a relative leader.<sup>28</sup>



Between unprecedented executive branch changes to Congressional spending and Congress unexpectedly rescinding its previous spending decisions, Massachusetts can't count on future federal grant programs to fill gaps for long-term investments.

# Ongoing Need for Long-Term Revenue Solutions

Massachusetts's transportation system needs sufficient long-term revenue to avert serious problems and achieve its potential. Robust transportation investments can ensure people have the freedom and convenience that comes with mobility. Transportation is essential for connecting people to opportunity, for enabling commerce, and helping the Commonwealth contend with challenges such as access to housing and resilience in the face of climate change.

The Commonwealth will not be able to count on stepped up federal support and we are not dedicating sufficient resources to meet the transportation challenges ahead. Even in past decades when Massachusetts enjoyed federal support, the Commonwealth was short on transportation funding.



Massachusetts's transportation system needs sufficient long-term revenue to avert serious problems and achieve its potential.

Transportation dollars are needed to improve our bus and train service, make our roads and bridges safe, provide connectivity where there is none, and to ensure that our transportation infrastructure does not negatively impact public health and the environment. Enacting revenue raisers is critical to the state now and will remain so when federal funds start flowing again.

There is no shortage of solutions. The issue is more of political will. As our earlier *Funding Our Future*<sup>29</sup> report detailed, there are many ways lawmakers can raise dedicated transportation resources. Even without legislative action, the Healey Administration has the authority to raise fees for services across the entire Executive Branch, including the Registry of Motor Vehicles (RMV) and highway and tunnel tolls. Tolls and RMV fees have not been adjusted for over a decade and tend to be below the fees of comparable states studied by the Transportation Funding Task Force.<sup>30</sup>



Making the investments necessary for world-class transportation will make the Commonwealth more competitive, equitable and affordable – but only with the revenue to make it happen.

For instance, the Central Transportation Planning Staff (CTPS) of the Boston Region Metropolitan Planning Organization report on potential dedicated MBTA funding estimates that an increase in tolls on existing tolled highways around the Boston area could raise \$22 million to \$80 million.<sup>31</sup> Greater revenue would be possible with additional locations. CTPS also estimated congestion pricing could raise \$220 million to \$440 million a year or, in a recent conceptual study, that a Boston congestion pricing cordon on weekdays could raise \$410 million to \$585 million a year.<sup>32</sup>

Targeted pricing and other mechanisms should ensure that these funding solutions would not disproportionately burden low-income populations, something that will require careful implementation and could decrease or increase revenues. The Metropolitan Area Planning Council (MAPC) in a 2024 study of revenue options estimates that an increase in registration fees, combined with the higher vehicle excise tax option proposed by the administration in its 2024 Municipal Empowerment Act could raise up to \$570 million annually across Massachusetts.<sup>33</sup>

Currently, several bills pending in the Legislature would also increase funding for transportation. These include bills to increase single ride fees on Uber and Lyft services (which according to the MAPC can yield up to \$140 million if fees increased to 6.25 percent).<sup>34</sup> Other possibilities include allowing cities and towns to raise revenue for local projects through Regional Ballot Initiatives, allowing municipalities to levy parking fees on public parking garages for local investments, implementing congestion pricing (which is currently on track in New York City to raise \$500 million this calendar year.)<sup>35</sup>

Similarly, adding delivery fees of 20 cents to one dollar to third party delivery services like Uber Eats, DoorDash, and others could, according to MAPC estimates, raise \$24 million to \$151 million annually.<sup>36</sup>

Careful planning would be required to ensure these fees are not passed onto riders, residents, and consumers in a way that would disproportionately burden low-income households. One example of a clearly progressive way to add revenue would be to eliminate special sales tax exemptions for aircraft and aircraft fuel, subsidies which encourage the most climate-destructive form of transportation and disproportionately rewards affluent households and corporations, especially with private jets.<sup>37</sup>



Every household and business immensely benefits from strong transportation systems

Lawmakers should look toward a wide variety of revenue options, including those that are not directly derived from transportation sources. Enacting our own revenue-raising measures allows the state to achieve a level of independence and resilience from changing federal temperaments. Steady, reliable and sustainable state revenue sources would also enable long-range transportation planning to serve many generations of Massachusetts residents.



Every household and business immensely benefits from strong transportation systems. The most promising revenue solutions will be those that require proportionally greater contributions from people with higher incomes and from the largest, most profitable corporations. We are not lacking in options, just action. Policy- and decision-makers need to make the bold move of implementing these fundraisers today. Making the investments necessary for world-class transportation will make the Commonwealth more competitive, equitable and affordable – but only with the revenue to make it happen.

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## Follow Us



## Contact



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