

Transportation Budget in Plain English

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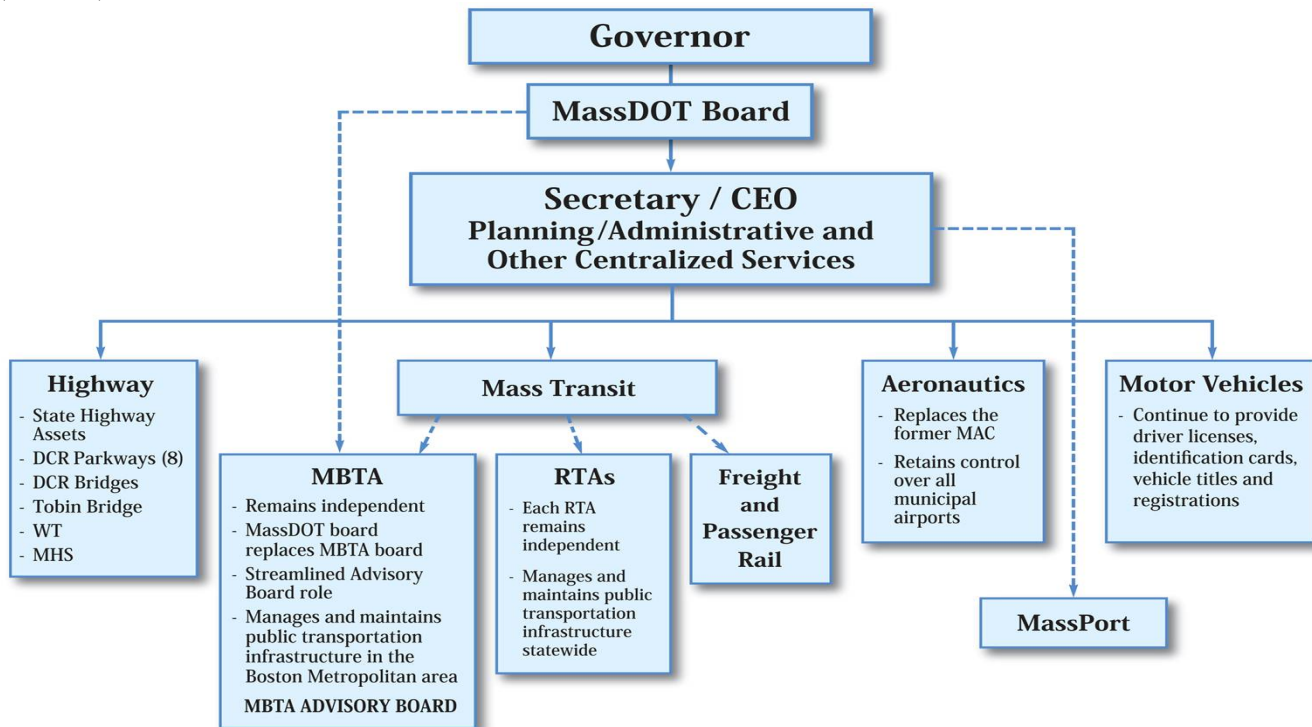
Overview of the Transportation Reform Act

In June 2009, Governor Deval Patrick signed Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth of Massachusetts,” (as amended by Chapter 26 of the “Act.”).

The fiscal year 2011 transportation budget represents the merger of over 4,000 employees from over five transportation agencies into one unified organization, achieving numerous administrative and operational efficiencies. This budget reflects the efforts of over 300 employees from the former agencies and authorities to simplify and streamline the transportation system while making it more accountable and accessible. The following narrative provides the first open dialogue on the sources of transportation revenues and how those dollars are spent within MassDOT. While reflected in this budget through reinvestment in core services and maintenance, reform and consolidations have changed the way transportation is financed and the way transportation service is delivered with an expected savings of at least \$100 million a year.

The transportation reform legislation required that on November 1, 2009 the Commonwealth integrate the state’s former transportation agencies and authorities into the new Massachusetts Department of Transportation (MassDOT). As an independent authority and component organization of the Commonwealth, MassDOT has an appointed board and is organized as a body politic but is also governed by state laws, rules and policies. The organization now oversees four new divisions: Highway, Rail and Transit, Aeronautics and the Registry of Motor Vehicles (RMV), in addition to an Office of Planning and Programming. MassDOT is administered by a Secretary of Transportation, appointed by the Governor to serve as Chief Executive Officer. A five-member Board of Directors appointed by the Governor with expertise in transportation, finance and engineering oversee the organization, while

serving as the governing body of both MassDOT and the Massachusetts Bay Transportation Authority (MBTA).



Secretary Jeffrey Mullan’s vision for MassDOT is one transportation agency dedicated to safety and excellence in customer service with the goal to lead the nation in transportation excellence. The authority’s mission is to deliver excellent customer service to the people who travel in the Commonwealth and to provide our nation’s safest and most reliable transportation system in a way that strengthens our economy and quality of life.

- The **Highway Division** is responsible for managing the state highway system. The Division was created by merging the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Tobin Bridge (formerly owned by the Massachusetts Port Authority), and certain defined transportation assets previously owned by the Department of Conservation and Recreation (all motor vehicle bridges and eight named parkways).
- The **Rail & Transit Division** is responsible for the development and implementation of statewide rail policies and programs consistent with Massachusetts General Law (MGL) Chapter 161C and other applicable statutory mandates and for overseeing the Commonwealth’s fifteen Regional Transit Authorities (RTAs) and the Massachusetts Bay Transportation Authority (MBTA). The MBTA and RTAs maintain their status as independent authorities. By statute, the MassDOT Board of Directors functions as the MBTA Board of Directors and, by practice, the Rail and Transit Administrator serves as the MBTA General Manager.
- The **Aeronautics Division** is responsible for coordinating aviation policy in the Commonwealth and overseeing the state’s public use general aviation airports, private use landing areas, and seaplane

bases. The Division also certifies airports and heliports, licenses airport managers, and conducts annual airport inspections.

- Under MassDOT, the Registry of Motor Vehicles has transitioned to the **Registry of Motor Vehicles Division**. The Division continues to be responsible for vehicle operator licensing, vehicle and aircraft registration, and for overseeing commercial and non-commercial vehicle inspection stations.

In addition to the operating divisions, MassDOT has a central office, referred to in the Act as the Office of Planning and Programming or, more commonly as MassDOT, that will house the Finance, Human Resources, Legal, Administrative Services, Real Estate, Information Technology and Performance Management divisions of the organization, including a planning office to be known as the Office of Transportation Planning.

How Funding Decisions Are Made

Prior to the reform act, transportation policy, planning and financing were segregated into separate silos of quasi-independent authorities and state agencies. One primary goal of the reform act was to better coordinate our transportation efforts while finding economies of scale and best practices to reduce costs and manage a world class transportation network. Within the new streamlined MassDOT, jurisdiction over the operations and maintenance of the transportation system is shared among state, regional transit agencies and local governments.

The annual operating and capital budgets for transportation are developed through a collaborative process that encompasses many different organizations and individuals. These include:

- **Governor:** Establishes overall policies and spending priorities for MassDOT, including recommending the amount of funds that should be transferred to the authority within the annual operating budget. The Governor also determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer issues bonds to borrow funds for authorized and budgeted capital projects at MassDOT.
- **Legislature:** Appropriates funds through the annual budget consistent with state statutes (notably Chapter 35 of the Acts of 2009) for transportation programs and projects. The Legislature also authorizes bond bills, or statutory authorizations to borrow money, to fund the capital budget. The Legislature does not authorize bonds for the MBTA, which is a separate legal entity from the Commonwealth and MassDOT. MBTA capital projects are financed using sales tax revenues legally dedicated to the agency, revenues collected by the agency and federal transit funds.
- **Massachusetts Department of Transportation:** In consultation with his senior leadership team, the Secretary of Transportation develops an annual operating and five year capital budget for the department. MassDOT forecasts, plans and monitors financing for capital improvement projects on the state highway system, coordinates with the MBTA and RTAs on bus and rail funding and works with the Metropolitan Planning Organizations to finance local road projects.

- **MassDOT Board of Directors:** The five member MassDOT board, appointed by the Governor, reviews and adopts the annual operating and capital budgets for the department and MBTA. The Board further recommends policy and funding priorities to the Secretary, the Governor and Legislature.
- **Metropolitan Planning Organizations (MPO) & Regional Transit Authorities (RTA):** MPOs and RTAs are responsible for planning, coordinating and, in the case of RTAs, operating regional transportation systems. In the Commonwealth, the thirteen MPOs develop transit plans which identify projects for funding in the State Transportation Improvement Program (STIP) which is explained in more detail in the MassDOT Federal Capital Funding Section

MassDOT Budget

MassDOT's annual budget is a declaration of the department's priorities — a statement on how to allocate the limited collective resources that exists. The operating budget enables the day-to-day functioning of MassDOT by paying for recurring expenditures for programs and services, employee salaries, rents, utilities, supplies, insurance and equipment repairs.

Within the budget are multiple funds. These include:

- *Capital Projects Funds* account for financial resources used to acquire or construct major capital assets, fund operating expenses of the department and to finance local capital projects. These resources are derived from proceeds of Commonwealth bonds and other federal funds, which are generally received after related expenditures have been incurred, as well as transfers of cash authorized by the Legislature and federal reimbursements. Deficit balances in the Capital Projects Funds represent amounts to be financed.
- *Fiduciary Funds* account for assets held by MassDOT in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units and/or other funds.
 - *Expendable Trust Funds* account for trusts whose principal and investment income may be expended for a designated purpose. For example, in 2007 the Wampanoag Tribe of Gay Head Aquinnah donated nearly \$800,000 to the former Massachusetts Highway Department for a bridge construction project on Martha's Vineyard. This is one example of funds held by the department in an expendable trust for a specific purpose.
 - *Agency Funds* account for assets the Commonwealth holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations. Examples include prepaid tolls paid to the Commonwealth, but used on other tolled roads such as the New Jersey Turnpike or New York Thruway.
- The *Commonwealth Transportation Fund* accounts for road and highway use revenues, including the gas tax, aviation gas taxes, registry fees and 0.385% of the sales tax. The fund is used to pay debt service associated with transportation maintenance and construction projects, debt service assistance for the I-90 Turnpike, Route 3 North debt service and provides funding for the operation of the

independent MassDOT. Established as part of the historic transportation reforms implemented in fiscal year 2010, the fund is new for fiscal year 2011 and replaces the former *Highway Fund*.

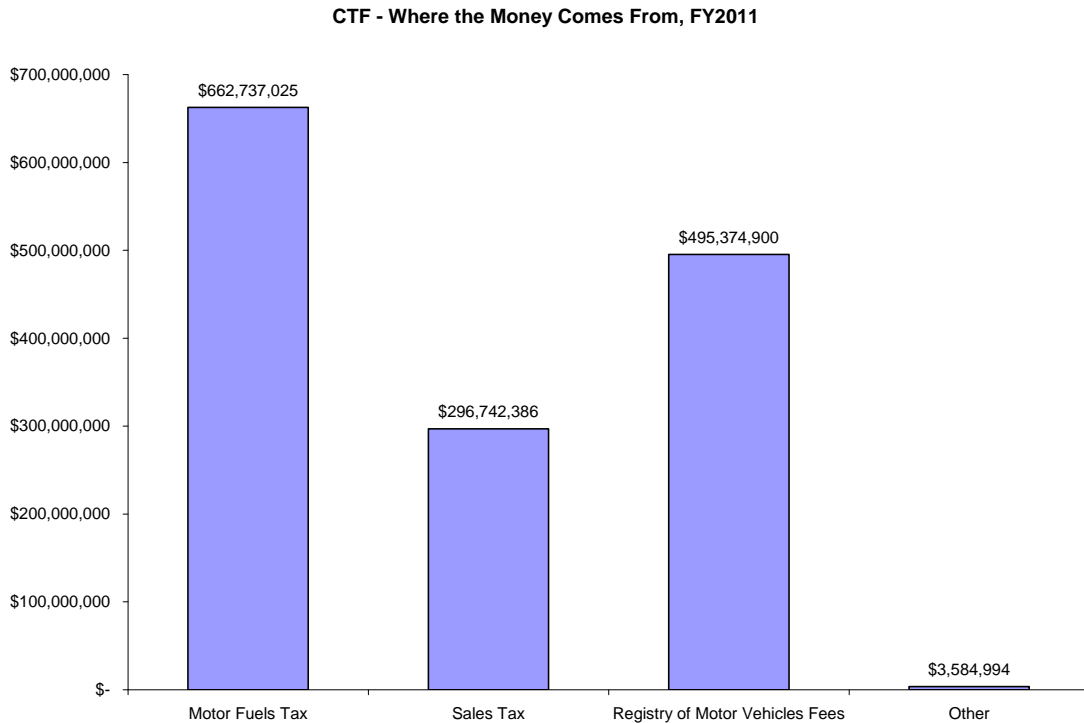
- The *Massachusetts Transportation Trust Fund (MTTF)* is the primary governmental fund for MassDOT. It receives an annual subsidy from the Commonwealth, tolls and other fee based revenue collected by MassDOT. All the department's activities, not specifically directed to another fund such as Capital Project Funds, are accounted for in the MTTF. As a result, most of MassDOT's operating budget expenditures are paid from this Fund.
- *Motor Vehicle Safety Inspection Trust Fund (MSVI)* is a minor budgetary fund established for the joint Registry of Motor Vehicles and Department of Environmental Management Motor Vehicle Safety and Emissions Inspection program. The \$29 annual motor vehicle inspection fee is paid to the fund and supports contracted payments to inspection stations, the inspection equipment operator and motor vehicle inspection and emissions programs at RMV and the Department of Environmental Protection (DEP).
- *Transportation Infrastructure Fund (TIF)* was established in MGL Chapter 10, Section 63 to fund costs associated with the Central Artery Project and the former Mass Highway Statewide Road and Bridge Program. The fund was repealed in the reform law, Chapter 25 Acts of 2009, but reconstituted in Chapter 120 Acts of 2009. The funds continue to be used on the Central Artery Project and to fund some payroll and administrative costs formerly paid out of the capital program. The fund receives appropriations from the Legislature and carries a balance from RMV fees that were deposited prior to 2010.
- *Central Artery Tunnel Project Repair and Maintenance Fund* was established in MGL Chapter 10, Section 63A for the purpose of paying the costs of, or reimbursing the Commonwealth or MassDOT for costs incurred in connection with, repairs and maintenance of the Central Artery and the Ted Williams Tunnel if the repairs and maintenance are from construction defects, not by ordinary or routine wear and tear. The trust is funded through legal settlements with CA/T contractors and vendors.

Commonwealth Transportation Fund

The Commonwealth Transportation Fund (CTF) retains revenue from the motor fuels tax, a dedicated 0.385% of the state sales tax and motor vehicle fees. The fund is used to pay debt service associated with highway maintenance and construction projects and provides funding for the operation of MassDOT. It also receives federal reimbursement generated by the Commonwealth's expenditures on transportation construction projects. Revenues allocated to this fund include:

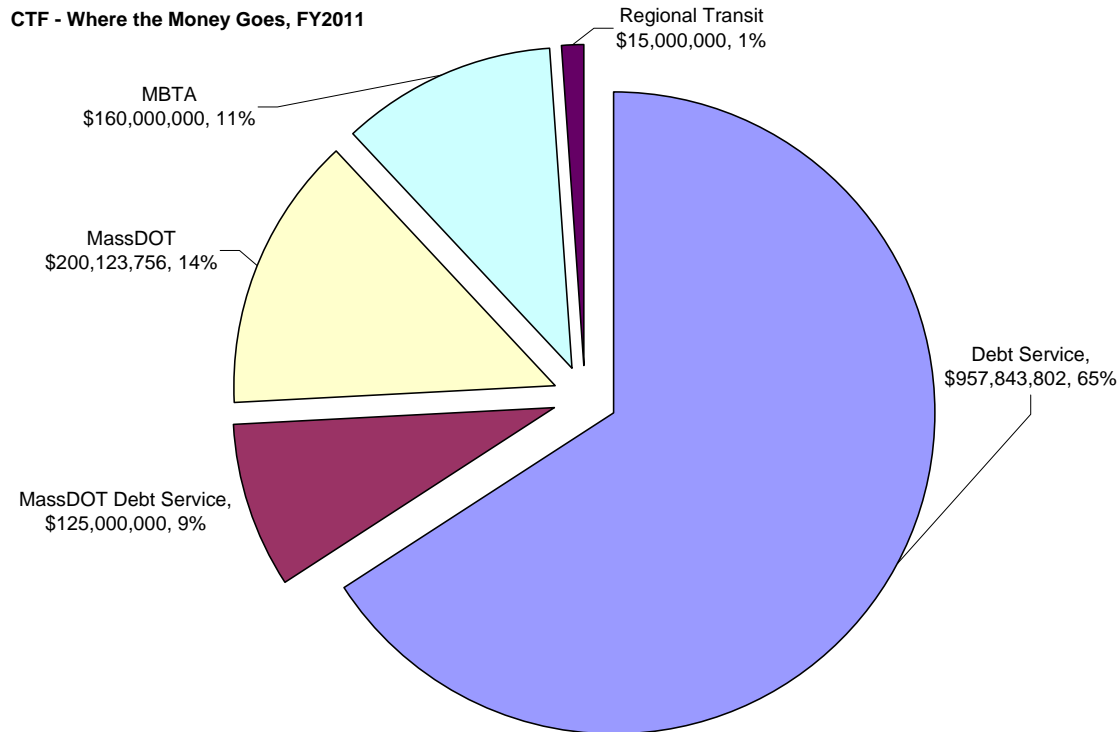
- **State Motor Fuels Tax:** The Commonwealth collects 21-cents per gallon excise tax on gasoline and diesel fuel, estimated at \$663.6 million in fiscal year 2011. Of the amount, 20.96 cents (99.85%) is credited to the Commonwealth Transportation Fund for transportation related purposes, including the special obligation (gas tax) bonds. One hundredth of one cent (.15%) is credited to the Inland Fish and Game Fund, a non-MassDOT fund.

- **Sales Tax:** .385% of the state sales tax, estimated at \$296.7 million in fiscal year 2011, is dedicated to the CTF.
- **Motor Vehicle Fees:** The Commonwealth also collects vehicle license, registration and drivers license fees, estimated at \$495.3 million in fiscal year 2011.



Expenditures from the Commonwealth Transportation Fund include payments for principal and interest on bonds issued by the Commonwealth for transportation construction and capital projects. This includes bonds secured by the 11-cents of the 21-cent state gas tax, the so called “special obligation” bonds and general obligation bonds funded from the sales tax and registry fees. Once debt service has been paid, the fund provides an operating subsidy to MassDOT through an annual appropriation by the Legislature. For fiscal year 2011, the Legislature is expected to appropriate from the fund:

- \$160 million for the MBTA,
- \$125 million for MassDOT MHS debt service payments and maintenance of the tolled road,
- \$200 million for MassDOT operating expenses and
- \$15 million for RTA operating expenses.



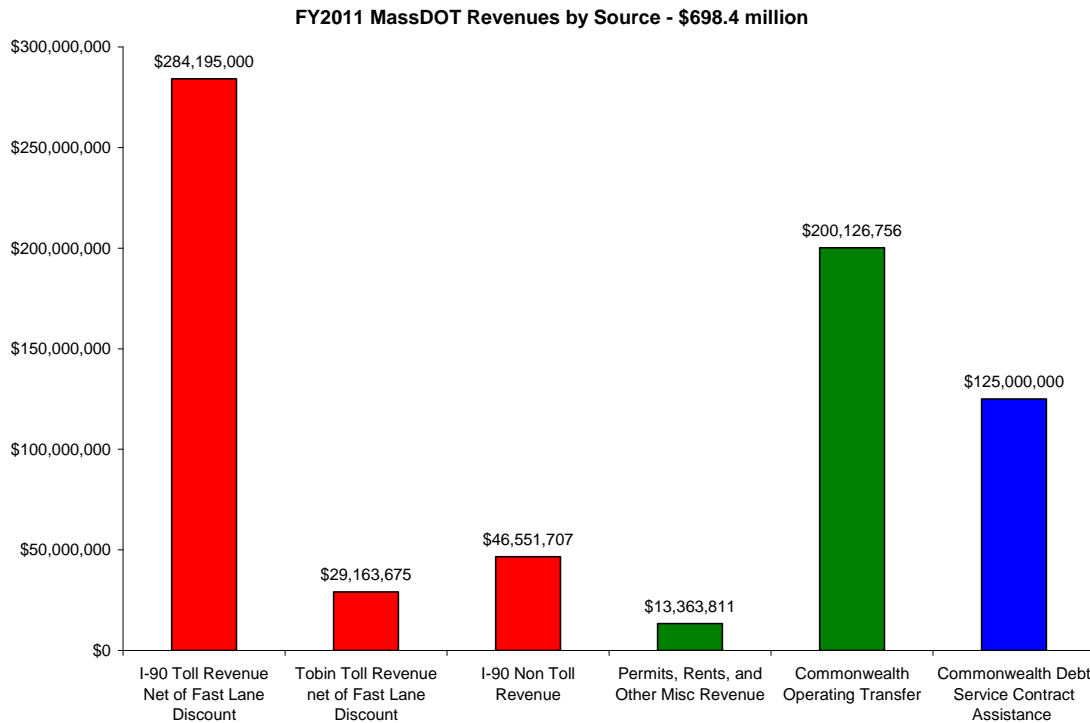
Massachusetts Transportation Trust Fund

The Massachusetts Transportation Trust Fund is the primary governmental fund for MassDOT. It receives an annual subsidy from the Commonwealth and includes tolls and other fee based revenue collected by the department. All MassDOT activities, not specifically directed to other accounts such as the Capital Project Funds, are accounted for in this fund. As a result, most of MassDOT’s operating budget expenditures are paid for from this fund.

The following revenues are credited to this fund:

- Commonwealth Subsidy from State Revenue Sources:** The Commonwealth’s annual operating budget will include a transfer of funds from the Commonwealth Transportation Fund to the Massachusetts Transportation Trust Fund for the operation of MassDOT.
- Toll Revenue:** The Transportation Reform Act that revenues collected on the “Western Turnpike” (I-90 west of Route 128), the Metropolitan Highway System and Tobin Bridge must be spent only on the tolled system from where the revenue was collected. These toll revenues fund the operation and maintenance of the Metropolitan Highway System (including the Tobin Bridge) and the Western Turnpike as well as debt service associated with the former Massachusetts Turnpike Authority, including debt incurred in the construction of the Central Artery/Tunnel Project.
- Permits and Fees:** MassDOT collects revenues from permits and fees for the use of state highways, facilities and other sites owned by the department. These are unrestricted revenues available to support all divisions within the department.

The following chart illustrates the sources and projected amounts of revenue for MassDOT’s operating budget in fiscal year 2011.



An outcome of the Reform Act is a requirement that the \$360 million generated by tolls and non-toll revenue on the Turnpike and Tobin Bridge (red columns) is only spent on tolled assets. In addition, the \$125 million in Commonwealth contract assistance (blue column) may only be spent on debt service and maintenance of the MHS portion of the Turnpike. Green columns represent revenues that can be used for all divisions and programs within MassDOT. As the graph shows, the Reform Act created a slightly skewed funding structure where 69% of all revenues received by the department are pledged for tolled roads and bridges. Only the remaining 31% can be used to support the Registry of Motor Vehicles Division, Aeronautics, MassDOT and non-tolled operations of the Highway Division. This places a particular burden on the department with regard to budgeting since surplus funds generated by tolls cannot be used to support critical programs at the RMV or other operating divisions.

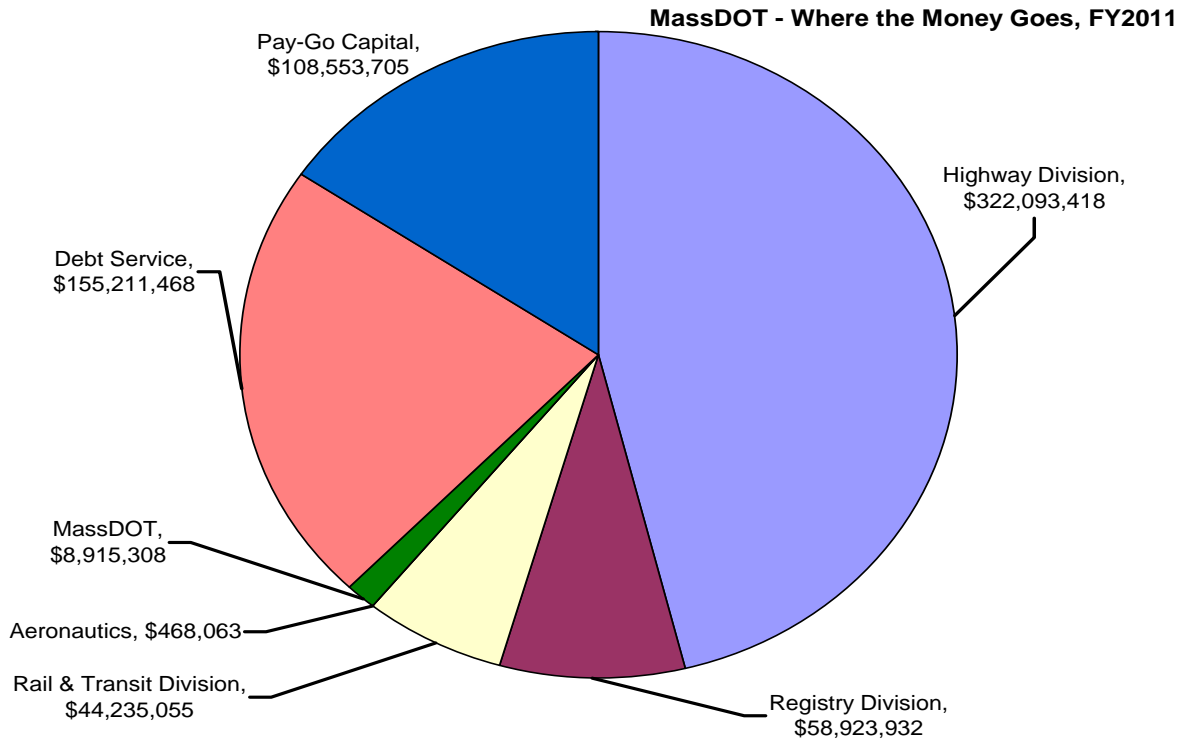
Federal agencies such as the Federal Highway Administration (FHWA) provide funding for other types of projects such as Intelligent Transportation Systems designed to provide information to travelers. These funds are often restricted to specific projects.

Operating Budget by Division

The FY11 MassDOT operating budget allocates funding to each division of the department. In developing the fiscal year 2011 budget, spending growth was assumed for a limited number of programs in the budget. These included enhancements to branch operations at the RMV and contributions for the department’s employee health care costs. Also, as mentioned previously, the restricted nature of the majority of the department’s revenue provides a limited number of opportunities to fund expansion programs outside of the Highway Division. The FY11 recommendations provide for a real, but modest

2.5% decrease from FY10 spending levels and reinvests savings derived from debt restructuring and other initiatives to capital improvements and program enhancements.

MassDOT's Chief Financial Officer worked with each division and department to ensure that the assumed spending growth was as accurate as possible, and solicited recommendations from agencies and groups outside state government about short-term and long-term solutions for addressing spending growth. In addition, the Secretary of Transportation continues to implement measures that generate savings and are then reinvested into the department, programs and statewide roads, facilities and airports.



The following sections provide additional detail on the amount allocated to each division along with key performance objectives that will be implemented in fiscal year 2011. Each division is completing performance measures along with strategic plans that demonstrate their commitment to achieving a focus on performance. Over the next year, information will be shared on how these goals give structure to MassDOT focusing its efforts, identifying policy opportunities and improving *results*. The goals were developed collaboratively through teams involving all divisions and dozens of managers. The goals are not just words: these strategic goals are being put into action by establishing the framework to set priorities, inform policies and align services for residents of Massachusetts.

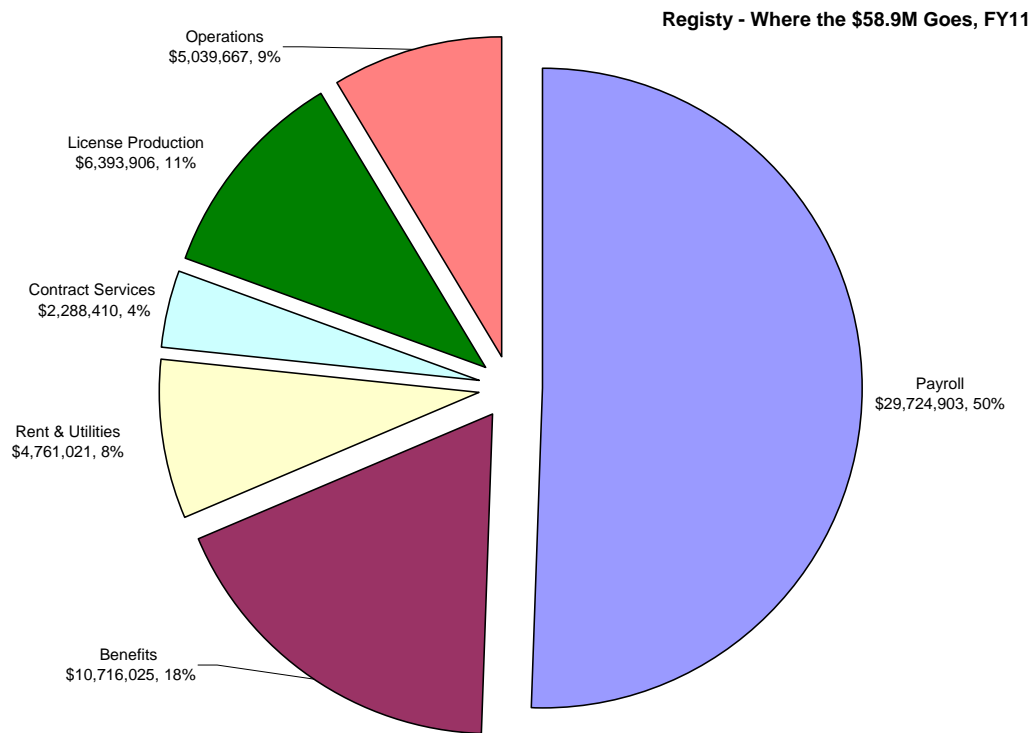
Registry of Motor Vehicles (RMV)

The RMV Division is responsible for vehicle operator licensing and vehicle and aircraft registration, available online and at over forty branch offices across the Commonwealth. RMV is responsible for licensing 4.68 million drivers and registering 5.82 million vehicles and the inspection of 9,000 school buses three times a year. It oversees more than 1,600 commercial and non-commercial inspection stations, which conduct safety and emission checks on over 4.4 million vehicles a year. The division

certifies more than 403 driving schools and 1,785 driving instructors. The RMV also handles more than 1.5 million transactions a year through the Internet and more than 3.9 million transactions at its branches with a staff of 804.

The fiscal year 2011 budget focuses on smart and consumer-friendly policy reform, including enhancements to the RMV’s website, 42 Customer Service Representatives to reduce wait times in branches and telephone center and expansion of the successful partnership with AAA to provide a limited number of services at AAA branch offices. In addition, this budget continues to fund critical public safety services provided by the RMV that includes enforcement of the 2008 Junior Operators’ Law. Legislative action to enhance its oversight of driving schools, higher penalties for unsafe driving and an intensive enforcement and education campaign by the RMV on teenage driving has reduced youth operator fatalities by 25%.

The fiscal year 2011 budget of \$58.9 million represents an 11% increase over the current year budget. The budget increase is the result of an increase in the benefits rate charged by the Commonwealth for health and welfare benefits, so called “fringe,” and the addition of 42 Customer Service Representatives.



In FY11, the RMV will:

- Improve and reduce customer service wait times in the branches and Call Center, particularly through the hiring of 42 new Customer Service Representatives.
- Introduce self-serve kiosks at RMV Branches and other locations.
- Improve website for user friendliness, ease of access and ability of the public to access online services.
- Continue Junior Operator Committee to increase education and improve teen driver safety.
- Partner with MassDOT Highway and Planning Divisions to use RMV data to improve transportation safety.

- Expand use of third party providers as an alternative to branch offices and website for transactions.
- Open new Falmouth and Southbridge Branches. The Southbridge branch will replace the Charlton branch. The Falmouth branch replaces a privately leased branch in that community that was closed in FY11.

In addition to the operating funds, the RMV anticipates expending \$8 million in federal grants and \$22 million from the Motor Safety Inspection Trust Fund.

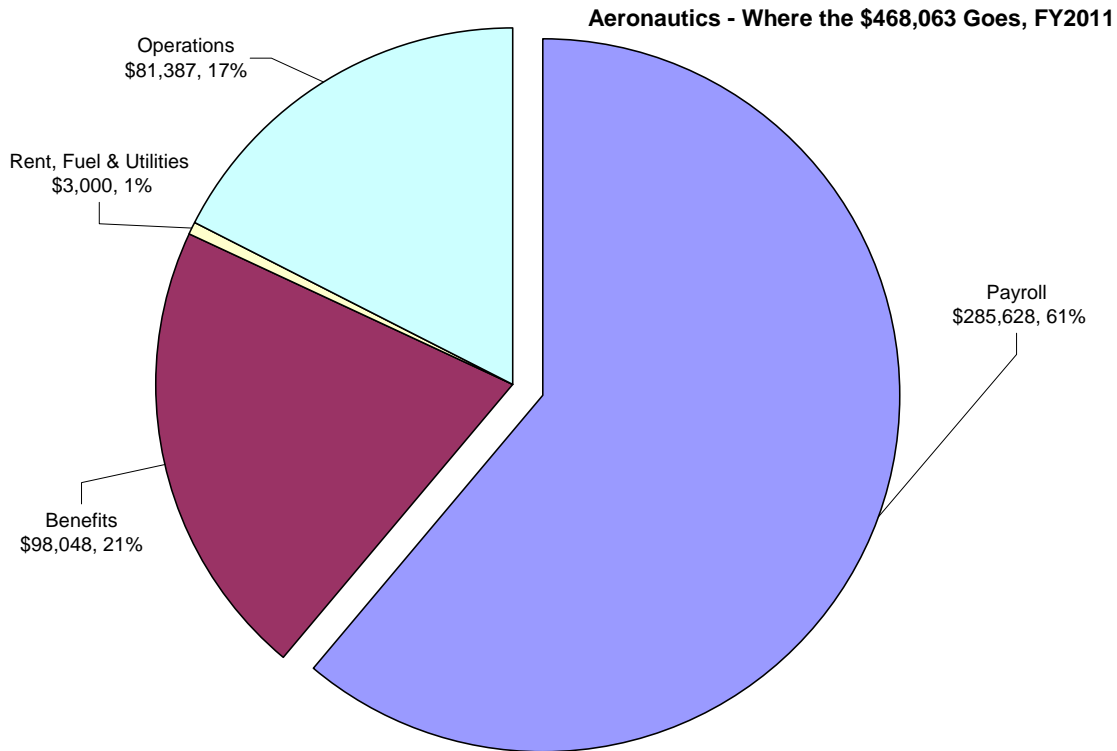
Aeronautics Division

MassDOT's Aeronautics Division has jurisdiction over the Commonwealth's 37 public use airports of which 24 are publicly owned and 13 privately owned, and 2 seaplane bases and 184 private use landing areas. It is responsible for airport development and improvements, aviation safety, aircraft accident investigation, navigational aids, and statewide aviation planning. The Aeronautics Division certifies airports and heliports, licenses airport managers, conducts annual airport inspections and enforces safety and security regulations. The Aeronautics Division will maintain its regulatory responsibilities and continue to fulfill a mission to promote aviation while establishing and maintaining a safe, efficient, airport system to meet the current and future air transportation and economic needs of the Commonwealth. With eight employees, the division oversees the investment of approximately \$60 million per year. This is accomplished through leveraging Federal Aviation Administration (FAA) grant money and the MassDOT Airport Capital Projects program and Airport sponsors.

The fiscal year 2011 budget of \$468,063 represents a 7% increase over the current year budget. The primary reason for the budget increase in FY11 is to support the new benefits rate.

In fiscal year FY11, the Aeronautics Division will:

- Establish a goal and work with airport operators to ensure all primary runways at system airports will be classified in "good" pavement condition.
- Assist airports in development of Storm Water Pollution Prevention Plans compliance program.
- Coordinate efforts with the Department of Environmental Protection to establish recycling programs at all airports.
- Initiate an outreach program with the Department of Environmental Protection and Natural Heritage and Endangered Species Program to discuss airport construction projects with potential environmental concerns.
- Identify funding for and begin a Statewide Economic Impact Report for the 38 public use-general aviation airports in the Commonwealth.



In addition to the operating funds, the Aeronautics Division anticipates expending \$400,000 in federal grants on the Statewide Economic Impact Report.

Rail and Transit Division

The Rail Division is responsible for development and implementation of statewide rail policies and programs, consistent with Chapter 161C and other applicable statutory mandates. These activities include the acquisition, management and transfer of interests in rail properties, oversight of the Commonwealth’s statutory right of first refusal to acquire railroad property (Chapter 161C, §7) and management of permitting requirements relating to construction on former railroad properties (Chapter 40, §54A). The Division is also responsible for providing for the development, promotion, preservation and improvement of an adequate, safe, efficient and convenient rail system for the movement of passengers and freight in the Commonwealth. The current freight rail program as well as the South Coast Rail Project and the CSX acquisition are funded with capital funds provided by transportation bond bills which are explained in more detail in the MassDOT State Capital Funding Section.

The FY11 operating budget for the Transit Division includes operating assistance of \$44.2 million to the 15 statewide RTAs. In addition to the \$44.2 million to be allocated by MassDOT, the Commonwealth will contribute an additional \$15 million dollars to the RTAs. This funding to the RTAs is to reimburse up to 75% of the net operating cost of service delivered in the previous fiscal year. Outside of the MBTA service area, these 15-independent authorities, governed by local advisory boards, provide bus and Para-transit services to millions of Commonwealth residents and visitors.

In FY11, the Rail and Transit Division will:

- Increase the use of rail to move goods, services and people in the Commonwealth.
- Improve customer service, safety and on time performance.
- Increase coordination between the MBTA and RTAs.
- Support RTA programs and initiatives that would result in increased ridership.
- With funding provided by a variety of sources, oversee the implementation of the following Rail projects:
 - Knowledge Corridor Project
 - Wachusett Commuter Rail Extension
 - New Bedford Bridge Projects
 - South Station Expansion Project
 - Continue to advance the CSX acquisition and relocation

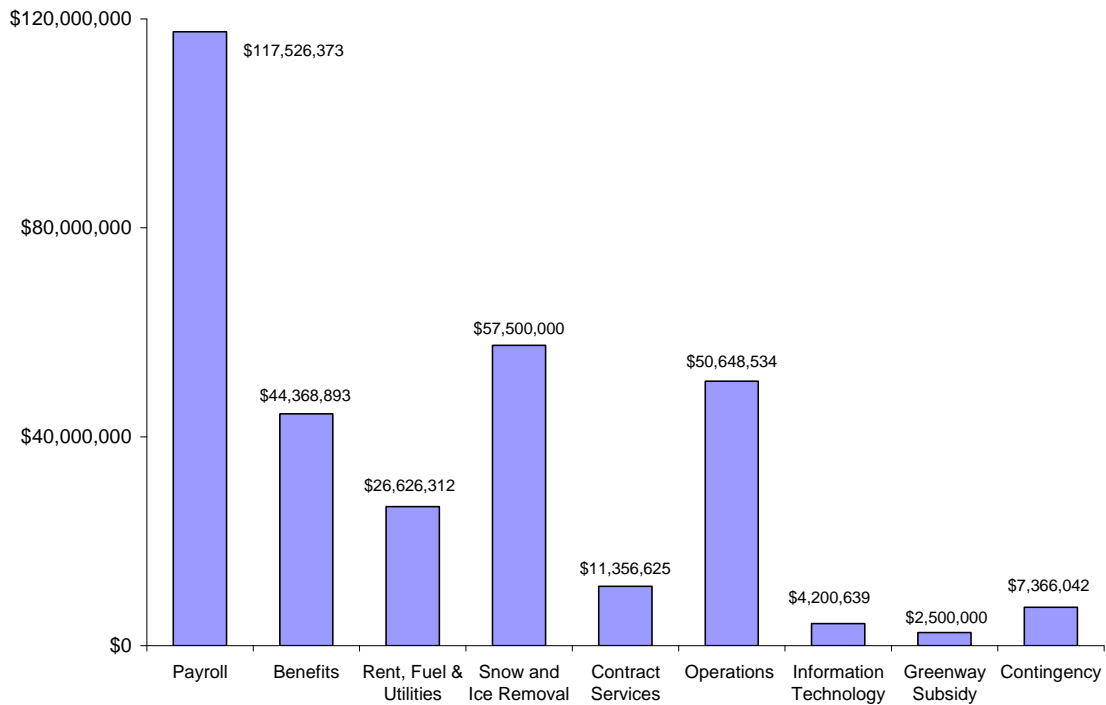
Highway Division

The new Highway Division is responsible for 9,517 lane miles of roadway, representing 3,009 linear miles. The division includes 133 maintenance depots, 65 fueling sites, and 214 salt sheds using 662,022 tons of salt each year. The division monitors approximately 1,000 traffic and facility security cameras and post information on 374 message boards and signs to the driving public. With nearly 3,300 employees the division is responsible for managing nearly \$1.7 billion in projected capital investments and projects in 2011.

The Highway Division's operating budget for 2011 is \$322 million. Unlike the other divisions of MassDOT, the Highway Division is funded from toll revenues restricted for use on the I-90 Turnpike (MHS and Western Turnpike) and Tobin Bridge as well as general operating funds available for use on non-tolled assets. MassDOT's budget has been designed to ensure that legislative and contractual mandates to only spend toll revenues on tolled facilities are complied with. The restricted revenues total \$221 million. The balance of \$101 million comes from the transfer of funds from the CTF and departmental revenues.

The Highway Division budget of \$322 million includes \$58 million for snow and ice removal operations on state owned roads, highways and toll roads. Funding for snow and ice removal is historically underfunded with MassDOT relying on supplemental funds from the Commonwealth in prior fiscal years when budgets were exceeded. The five year average of spending for snow and ice removal (not including overtime) is \$76.2 million with FY10 expenditures of \$65.7 million. The Highway Division is actively pursuing options to reduce costs for snow and ice removal.

Highway - Where the \$322M Goes, FY11

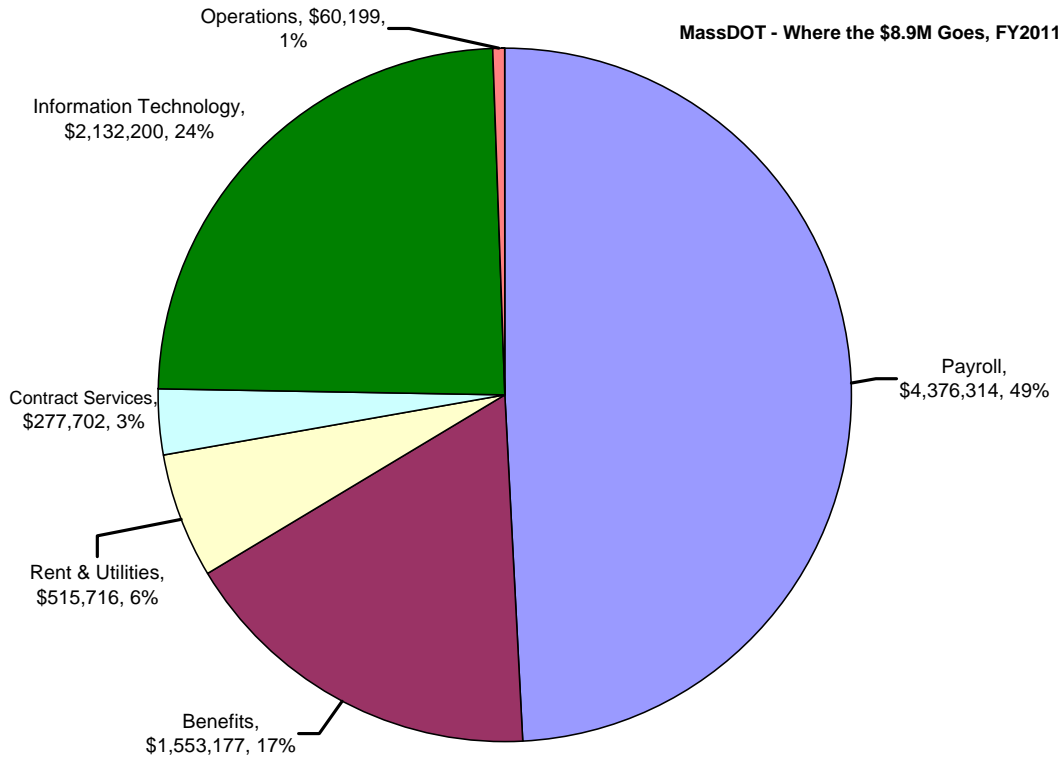


With this \$322 million in funding, the Division proposes to:

- Reestablish statewide approach to managing highway safety, in cooperation with regional planning agencies.
- Launch a Management-Union Employee Safety Committee to address MassDOT Highway safety issues.
- Set and communicate the following safety standards:
 - Zero fatalities,
 - 20% reduction in injuries,
 - 20% reduction in lost work time due to injuries.
- Build in life-cycle costs into current and future capital projects, and propose budget allocations consistent with life-cycle maintenance needs.
- Update Design Guide to include current sustainability and GreenDOT emissions and pollution reduction targets.
- Improve customer service by providing mandatory training in “Courteous Service” for all staff direct communication with the public.

Massachusetts Department of Transportation

Under the reform law, the centralized administrative, fiscal, planning, legal and executive services of the Authority were consolidated into one Office of Planning and Programming, commonly called MassDOT. The fiscal year 2011 budget allocates \$8.9 million to this office for oversight, administrative and other shared services provided to the operating divisions of MassDOT.



The \$8.9 million in funding will allow for the following;

- Develop and implement a MassDOT shared services model to provide efficiencies and cost savings throughout all MassDOT Divisions including the MBTA and RTAs.
- Fiscal will provide financial management, policy development, reporting, federal aid billing and revenue management.
- Legal will provide services to MassDOT Divisions in the areas of litigation and claims, procurement and contracting, employment, civil rights and general MassDOT operations.
- Administrative Services will provide Human Resources, Labor Relations, Civil Rights and Facility functions.
- The Information Technology Division supports all IT, communication equipment and related services.

MassDOT Capital Budget

The 5-year capital budget developed by MassDOT is a long term fiscal management tool designed to forecast and fund reinvestment and capital projects across the state. This budget provides multi-year expenditures for construction, building and maintenance activities on state roads, airports and reinvestment in major enterprise systems such as the statewide Automatic Licensing and Renewal System (ALARS) used by the RMV. The capital budget is funded from three sources – Commonwealth bond proceeds, FHWA and Federal Transit Administration (FTA) funds and Pay-Go derived from excess revenues.

As shown in the following chart, MassDOT’s capital budget is developed on a five year basis. This means that for a particular fiscal year, the actual year’s spending is based on project costs, completion schedules and funding from both the Commonwealth and Federal governments.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Uses:						
Aeronautics Division	19,718,522	15,996,056	9,307,231	9,386,065	5,883,049	60,290,922
Rail & Transit Division	206,576,364	297,612,564	207,419,587	188,000,000	170,625,000	1,070,233,515
Highway Division	1,650,993,786	1,748,413,654	1,876,209,018	1,725,019,169	1,617,569,907	8,618,205,533
Office of Planning & Programming	72,087,822	74,135,310	75,784,854	76,718,931	77,689,331	376,416,248
Central Artery Tunnel	71,000,000	100,000,000	29,000,000	0	0	200,000,000
Total Uses	2,020,376,494	2,236,157,584	2,197,720,690	1,999,124,165	1,871,767,287	10,325,146,219
Sources:						
GO Debt	759,099,123	845,723,329	768,542,131	771,416,610	766,913,923	3,911,695,115
Special Obligation Debt	266,083,319	492,964,575	604,857,305	491,559,650	352,240,840	2,207,705,689
FHWA Reimbursement	799,554,052	682,469,680	680,321,254	621,147,905	637,612,524	3,421,105,415
FTA Reimbursement	99,640,000	100,000,000	100,000,000	100,000,000	100,000,000	499,640,000
Transportation Infrastructure Fund	96,000,000	115,000,000	44,000,000	15,000,000	15,000,000	285,000,000
Total Sources	2,020,376,494	2,236,157,584	2,197,720,690	1,999,124,165	1,871,767,287	10,325,146,219
Surplus/Deficit	0	0	0	0	0	0

The following sections provide an overview of the sources, uses and process by which capital budgets are formulated.

MassDOT Federal Capital Funding

The Internal Revenue Service (IRS) collects the federal fuels excise tax (18.4 cents per gallon and 24.4 cents per gallon diesel fuel) which are deposited in the Federal Highway Trust Fund. These funds are allocated by FHWA as matching funds for projects on the State Highway System and by FTA to fund capital projects for the MBTA and RTAs. FHWA funds are allocated directly to the Commonwealth and expended by MassDOT for road, bridge and other transportation improvements. FTA funds are allocated directly to the MBTA and twelve RTAs for rail, bus purchases and other transit projects.

Federal law requires the development of the Statewide Transportation Improvement Program (STIP), a short-range capital program for federal transportation funding. The STIP covers a period of four federal fiscal years (October 1st through September 30th) and inclusion in the STIP is a prerequisite for a project to receive federal funding. The STIP allocates funding for federal aid projects and for non – federal-aid projects that add capacity to the existing transportation network.

The STIP is a compilation of the Transportation Improvement Programs (TIPs) of the various Metropolitan Planning Organizations (MPOs) throughout the state. The current STIP covers federal fiscal years 2010 through 2013, and details how the annual allocation of the Commonwealth’s federal surface transportation funding is to be used. It is a fiscally constrained document and, exclusive of the Accelerated Bridge Program, represents approximately 80% of the resources available to Massachusetts for highway and bridge commitments in any given year. While, due to amendments, it is constantly undergoing review, the MPOs generally update their TIPs annually in the Summer/Fall. MassDOT then compiles the TIPs into the STIP and seeks federal approval of the STIP in September/October.

Given this TIP/STIP development schedule, the first three years of this investment plan reflect decisions made in mid-late 2009, and reflect the priorities of the MPOs and the Commonwealth based upon information related to need, readiness and available financial resources at that time. The STIP, like any

planning document, is a snapshot in time and subject to change. Consequently, programs and projects included in this Capital Investment Plan may themselves change as a result of the new FFY 2011-2014 STIP to be finalized by October 1, 2010. In addition to the programs and projects from the existing 2010 STIP for FFYs 2011 through 2013, this capital investment plan also includes programmatic federal funding assumptions for FFYs 2014 and 2015. These years have not yet been programmed through the state and MPO processes and, as such, less specificity about project selection is available.

This capital investment plan also includes a description of the Highway Division's Non Federal-Aid Program. Funds under this program are used for scheduled and emergency bridge repairs, spot resurfacing, safety projects (guardrails, signs, markings, and lighting, etc.), and other miscellaneous maintenance work (catch basin cleaning, drainage improvements, and facilities, etc.) On average, MassDOT advertises approximately \$100 million a year for non-federal aid projects.

MassDOT State Capital Funding

The Commonwealth's capital budget is a detailed spending plan for the construction and maintenance of public assets for which the Commonwealth is responsible. This includes capital assets of all types, not only transportation-related. The capital budget is developed and managed by the Executive Office of Administration and Finance (A&F) and is funded through a variety of sources, including the proceeds from the sale of Commonwealth bonds, federal funds, third-party payments (including from other governmental entities and private entities) and other available Commonwealth funds. Bond proceeds represent more than two-thirds of the Commonwealth's capital funding sources.

Since the capital program is funded primarily through bond proceeds, the total size of the capital program is determined to a large extent by the overall amount of debt the Commonwealth can afford to issue. Since fiscal year 1991, A&F has imposed a "bond cap" to limit annual bond issuance in support of the capital program to supportable levels. A&F engages in a rigorous debt affordability analysis of the Commonwealth's outstanding debt obligations and capacity to issue additional debt within sustainable levels. The individual caps on the different secretariats – those that manage capital projects such as MassDOT – are based on requested expenditure levels, modified to fit within the financial framework deemed necessary to maintain a positive bond rating for the Commonwealth.

Transportation has historically represented the largest share of the Commonwealth's capital spending, accounting for between one-half and two-thirds of the total capital budget over the last five years. Non-federal aid (NFA) is provided through authorizations contained in State Transportation Bond Bills and is generally used for two major categories within MassDOT - to provide the state match for federally-aided projects (generally 10-20% of total project cost) and to fund the NFA Maintenance Program. This program funds scheduled and emergency bridge maintenance activities.

In addition to these ongoing efforts, in 2008 the Patrick-Murray Administration authored legislation creating the Accelerated Bridge Program. The Accelerated Bridge Program represents a historic investment in Massachusetts bridges. Over the eight years of the program, nearly \$3 billion in funding will be "accelerated" to improve the condition of bridges in every corner of the Commonwealth. Thanks in part to this program MassDOT is reducing the number of structurally deficient bridges in the state system, while creating thousands of construction jobs on bridge projects. To complete this program MassDOT is relying on the use of innovative and accelerated project development and construction

techniques. As a result, projects will be completed on-time, on budget and with minimum disruption to people and to commerce. To date, the MassDOT Accelerated Bridge Program has advertised 82 construction projects with a combined construction budget valued at \$581.3 million and has reduced the number of structurally deficient bridges in the Commonwealth by 10%

For a number of years personnel and other goods (paper, utilities, etc.) at MassDOT have been charged to capital accounts – resulting in millions of additional dollars in interest payments while reducing the amount of money available for statewide construction projects. The practice of shifting operating costs to the capital budget was born years ago during tough economic times. Over the past two years, capital improvement initiatives at MassDOT for roads, bridges and other improvements required adding additional staff on the capital budget to complete projects. A&F and MassDOT monitor expenditures and additional employees assigned to the capital budget to ensure their appropriateness. Furthermore, over the past two fiscal years A&F and MassDOT has sought to reduce operating expenditures on the capital budget by closely monitoring capital expenditures, transferring costs to the operating budget and seeking additional appropriations to fund those obligations and proposing zero cost transfers to move capital type expenditures (equipment, furniture, construction materials) from operating budgets to the capital budgets.

MassDOT Pay-Go Capital Funding

MassDOT owns and maintains all of the assets formerly within the control of the Massachusetts Turnpike Authority, including: Interstate 90 (the Massachusetts Turnpike), which extends 138 miles from Logan Airport in East Boston to the New York border; the Central Artery, the depressed section of I-93 through the City of Boston; and the three Harbor Tunnels (the Sumner, Callahan and Ted Williams). In 1997, the assets of the Massachusetts Turnpike Authority were divided into two pieces, each its own cost-center. The eastern portion — known as the Metropolitan Highway System — includes the infrastructure associated with the Central Artery/Tunnel project, the Sumner and Callahan Tunnels and the section of I-90 located east of Route 128. The western portion includes the section of I-90 that runs west from Route 128 to the New York border.

The Tobin Memorial Bridge was erected in 1948-49 and opened to traffic in 1950. It connects the Charlestown section of Boston with Chelsea. The bridge provides three travel lanes northbound on its lower level and three lanes southbound on the upper level. Tolls are collected from southbound cars only. On January 1, 2010, the Massachusetts Port Authority (Massport) transferred ownership of the Tobin Bridge to MassDOT and it officially became part of the Metropolitan Highway System.

The Transportation Reform Act requires that revenues collected on the Western Turnpike and Metropolitan Highway System must be spent only on the tolled system from where the revenue was collected. These tolled revenues fund the operations and maintenance of the MHS and the Western Turnpike, as well as debt service associated with the former Massachusetts Turnpike Authority, including debt incurred during the construction of the Central Artery/Tunnel Project. Revenues in excess of operating needs are pledged toward maintenance activities, such as joint repairs, deck repairs, and substructure repairs; resurfacing projects to address specific areas of distress on relatively short sections of state-owned roadways, including cold plane and overlay work; routine safety projects, such as pavement markings, sign replacements, traffic signal upgrades, guardrail installation, and lighting and

electrical upgrades; and miscellaneous maintenance activities, such as catch basin cleaning, drainage system repairs, fence repairs, crack sealing, and facility maintenance and upkeep.

Massachusetts Bay Transportation Authority and Regional Transit Authorities

Under the Reform Act, MBTA remains a separate legal entity, but is subject to greater levels of oversight by and coordination with MassDOT. The MassDOT and MBTA Boards of Directors have the same five members, allowing for improved communication, coordination and planning among the MBTA, MassDOT and the Commonwealth. As a separate entity, MBTA maintains its own financial systems, reporting and debt service obligations. The authority is required to budget and operate within its revenue sources while providing for both operating and capital expenses from available revenues.

Funding for the MBTA include

- State sources including dedicated 1% of the 6.25% state sales tax and \$160 million,
- Assessments from the 175 cities and towns in the MBTA service district,
- Fares, Non-fare revenues (e.g. advertising, permits and other).

Prior to 2000, the MBTA received an unlimited “net cost of service” payment from the Commonwealth to offset costs incurred in the previous fiscal year for providing bus and rail service within the metropolitan Boston region. The “forward funding” reform of 2000 provides the authority with a current year dedicated 1% of the sales tax. However, since 2000 the dedicated sales tax growth has been much slower than overall historic and projected trends. During this period, operating expenses have continued to grow based on the rising cost of health care, energy, transit services and collective bargaining agreements. For this reason, in fiscal year 2011 Governor Patrick and the Legislature agreed to provide the authority with an additional \$160 million in supplemental funding to ensure safe, cost effective services expected by riders of the “T.”

The RTAs, similar to the MBTA, remain separate legal entities and are governed by a local advisory board made of the representative member communities. The Commonwealth reimburses the RTAs up to 75% of the net operating cost of service delivered in the previous fiscal year. The RTAs borrow revenue anticipation notes (RANS) and rely on fares, local assessments levied on cities and towns within their service district and federal funds.