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March 6, 2015

Secretary Kristen Lepore  
Executive Office for Administration and Finance  
State House, Room 373  
Boston, MA 02133

Secretary Stephanie Pollack  
Massachusetts Department of Transportation  
10 Park Plaza, Room 3170  
Boston, MA 02116

RE: March 2015 Certification of MBTA Base Sales Tax Revenues and Dedicated Sales Tax Revenues for FY2016

Dear Secretary Lepore and Secretary Pollack:

Pursuant to Massachusetts General Laws Chapter 10, Section 35T, this letter certifies for FY2016 the following amounts: 1) MBTA Base Sales Tax Revenue; and 2) MBTA Dedicated Sales Tax Revenue. This certification was done in consultation with the Department of Revenue. The details of the two calculations are shown on the accompanying attachment.

1) Base Sales Tax Revenue Amount: The base revenue amount for fiscal 2016 is calculated by comparing the change in the calendar year 2014 consumer price index for all urban consumers for the Boston metropolitan area as determined by the Bureau of Labor Statistics of the United States Department of Labor to the per cent increase in gross sales tax revenues received pursuant to Massachusetts General Laws chapters 64H and 64I for the same period. The calendar year 2014 "gross sales tax revenues" is defined as sales tax receipts by taxpayers from nonexempt sales, less amounts abated, refunded, or reimbursed. Attachment A presents calculation of the base revenue amount. The percentage increase in base sales tax revenue is the lower of the percent increase in gross sales tax revenues or the inflation rate.

I certify to you that the base revenue amount for **fiscal 2016 increased by an amount of \$15,636,965 compared to the FY 2015 figure of \$970,637,174 due to the inflation rate of 1.611%. The base revenue amount for FY 2016 is \$986,274,139.**

2) Dedicated Sales Tax Revenues (projected): The projected dedicated sales tax revenue is the amount of “monies received by the Commonwealth equal to one percent of the gross receipts of a sale as defined by the provisions of MGL chapter 64H and one percent of the sales price of a purchase as defined by the provisions of chapter 64I from that portion of the taxes imposed under the provisions of said chapters 64H and 64I as excises upon the sale and use at retail of tangible property or of services, and upon the storage, use or other consumption of tangible property or of services, including interest thereon or penalties plus commencing in fiscal year 2015, the amount of \$160,000,000 in each fiscal year thereafter but not including any portion of such taxes imposed on the sale of meals as defined in paragraph (h) of section 6 of chapter 64H”. Based on the most recent FY2016 consensus revenue estimate of \$25.479 billion, the dedicated sales tax revenue amount for fiscal 2016 is projected to be \$963,851,812, as calculated in Attachment B.

Any shortfall between dedicated sales tax revenue and the base revenue certified on March 1, 2015 will be made up by quarterly transfers from the General and Highway Funds, pursuant to the MOU and Chapter 10, Section 35T(b). Based on the attached calculations, the shortfall between FY 2016 dedicated and base tax revenues is estimated to be \$22,422,327.

Should you have any questions on the calculation of this amount, please feel free to call me or Howard Merkowitz, Deputy Comptroller.

Sincerely yours,

Martin J. Benison  
Comptroller

Attachment (calculations)

Cc: Senator Karen E. Spilka, Chair Senate Ways and Means  
Representative Brian S. Dempsey, Chair House Ways and Means  
Deborah B. Goldberg, Treasurer and Receiver – General, TRE  
Amy Pitter, Commissioner of Revenue  
Rachel Madden, Undersecretary, ANF  
Adriana Campos, Senate Ways and Means Budget Director  
Kathryn Kendall, House Ways and Means Budget Director  
James MacDonald, First Deputy Treasurer, Treasurer’s Office  
Howard Merkowitz, Deputy Comptroller, Office of the Comptroller  
BJ Trivedi, FRAB Director, Office of the Comptroller  
Julia Burns, GAB Director, Office of the Comptroller

## FISCAL YEAR 2016 MBTA BASE AND DEDICATED REVENUE CALCULATIONS

### Calculation 1: Base Revenue

The base revenue amount was calculated as follows:

|  |                             |
|--|-----------------------------|
| Change in inflation index for the Boston metropolitan area for calendar 2014 (annualized, non-seasonally adjusted) | 1.611%                      |
| Growth in <b>gross sales tax revenues</b> , from calendar 2014   | 5.594%                      |
| Allowable base revenue growth (lesser of sales tax growth or inflation, but not greater than 3%)                   | 1.611%                      |
| <b>Current year's base revenue (FY 2015)</b>   | <b>\$970,637,174</b>        |
| <b>Growth Factor</b>   | 1.611%                      |
| <b>Upcoming year's base revenue (FY 2016)</b>  | <b><u>\$986,274,139</u></b> |

### Calculation 2: Dedicated Revenue

The projected dedicated sales tax amount was calculated as follows:

|  |  |
|--|--|
|  | Fiscal Year 2016<br><u>March 6, 2015 Certification</u> |
| Projected Sales and Use Tax Collections,<br>Exclusive of Meals Tax | \$5,024,074  |
| Percentage due to the MBTA(*)                                      | <u>× 16%</u>   |
| <b>FY 2016 Projected Dedicated Sales Tax Revenue</b>               | <b><u>\$963,851,812</u></b>                            |
| <b>FY 2016 Base Tax Revenue</b>                                    | <b><u>\$986,274,139</u></b>                            |
| <b>Difference, FY2016 Dedicated Minus Base Revenue</b>             | <b>-\$22,422,327</b>                                   |

(\*) As of August 1, 2009 the sales tax rate was increased from 5% to 6.25% for both regular sales and motor vehicle sales. Based on this new sales tax rate, the MBTA dedication percentage is now 16.00% (1 cent of 6.25 cents per dollar) as compared to the prior dedicated percentage of 20% (1 cent of 5 cents per dollar).