

The State of Transportation in Massachusetts

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Or whatever happened to the Transportation Finance Commission recommendations? Two path-breaking reports from the Transportation Finance Commission, a legislative commission established by Ch. 196 of the Acts of 2004 to analyze the state's long-term transportation capital and operating needs and recommend ways to close the funding gap, seem to have been lost in the casino din. The multi-year work of this independent commission briefly hit the screen and disappeared. The commission's work is the most cogent argument for a dramatic and immediate change in the way transportation is financed in Massachusetts. Download and read the reports (58 pages and 37 pages) http://www.eot.state.ma.us/downloads/tfc/TFC_Findings.pdf and http://www.eot.state.ma.us/downloads/tfc/TFC_Recommendations.pdf. Or read the summary below. Then call your state legislator.

Volume I: "An Unsustainable System"

The Commission's basic finding was that every agency is running structural deficits forcing quick fixes that do not address the real problems. The systems are a wreck and the \$15 billion to \$19 billion funding gap is real.

MBTA and Regional Transit Authorities

- Operating costs are not controlled, and the MBTA has not come close to meeting the 2000 Finance Plan goal of limiting growth of operating costs to 2.5% per year. Actual growth has been 5% per year. The main culprits? MBTA retirement benefits (pensions and health care). Retirees account for about one-half of the MBTA's health care costs, and two-thirds of the retirees are under 65 (not eligible for Medicare).
- Sales tax revenue is inadequate: the 2000 Finance Plan assumed a conservative growth in sales tax—3% per year—but this has not happened. Since 20% of sales tax revenue goes to the MBTA, this lack of growth is a problem.
- Debt burden is 25% of MBTA expenses. At \$328 million (FY06), this is more than the MBTA took in in fares in 2006.
- State of Good Repair—defined as capital assets functioning at intended capacity within their design life—cannot be achieved because the MBTA has not generated a surplus (est. \$67 million in FY07) to fund improvements.
- The 15 Regional Transit Authorities routinely borrow to pay operating expenses.

MassHighway

- Staffing is inadequate, down from 3,000 to 1,740. The Federal Highway Administration declared this "well below the minimum needed to fulfill the necessary construction...functions."
- 82% of staff and 65% of MassHighway operations are paid from the capital, not operating, budget (2006).
- 44% of Massachusetts' highway funds go to paying debt service, the highest in the nation.
- 25% of money expected from the Federal government for highway spending between FY07–09 will go to repay notes issued for the Central Artery/Tunnel project (CA/T).

MassPike

- MassPike's problems started when the state went to MassPike to cover a big part of the CA/T. MassPike is paying \$1.8 billion of CA/T cost, about \$1.4 billion funded through debt.
- The state committed existing funding—a portion of license and Registry fees—but no new sources.
- The CA/T operating and maintenance costs over time will exceed the \$25 million per year given to MassPike by the state.
- Toll discounts exacerbate MassPike's problems. FAST LANE alone costs \$12 million per year.

Volume 2: "Building a Sustainable Transportation Financing System"

The Commission established two principles for establishing a new way of doing business in the state: Reform and Revitalization. Twenty-two reform recommendations are followed by six for revitalization.

#1: **Advance road projects based on rational and transparent criteria**

#2: **The Executive Office of Transportation and Public Works (EOTPW) should utilize alternative procurement methods and public-private partnerships.** Antiquated procurement processes are stifling competition and flexibility in procurement. Pursue design-build

#3: **Use private flagmen** instead of police details to save \$100 million over 20 years for MassHighway alone.

#4: **Transfer responsibility, personnel and funding of Dept. of Conservation and Recreation parkways and bridges to MassHighway.**

#5: **Transfer maintenance of I-395, I-84 and I-291 to MassPike.**

#6: **EOTPW should establish the position on Private Project Ombudsman.** Create this position to oversee and expedite private development project, which connect to the state highway system.

#7: **Stop using bonds to pay operating expenses** to save up to \$825 million over 20 years.

#8: **Improve the predictability of highway funding** and coordination of projects funded by multiple entities.

#9: **Control MBTA benefits**—move employees to HMOs; phase in requirement that employees contribute to health insurance; and establish 55 as minimum retirement age after 23 work years to start getting pension and health benefits. Potential savings: \$1.1 billion in 20 years.

#10: **Restore Management Rights** so the MBTA can manage its workforce.

#11: **Fund MBTA State of Good Repair**; the State should assume the MBTA's debt from CA/T transit commitments.

#12: **The State should pay for all MBTA expansions**, and the MBTA must show adequate funds to operate and maintain any expansion.

#13: **Forward-fund the Regional Transit Authorities (RTAs).** Doing so would put RTAs on more solid footing and make them less dependent on the uncertainties of the legislative process.

#14: **Eliminate the RTAs' 2.5% per year cap on operating cost growth.**

#15: **RTAs should be allowed to borrow with the full faith and credit of the Commonwealth.**

#16: **The Secretary of Transportation should exercise a stronger coordinating role with respect to RTAs.**

#17: **The Secretary of Transportation should have the authority to coordinate all aspects of transportation in the Commonwealth.** The Secretary should be made the chair of the Massport Board, consistent with other roles as chair of MBTA and MassPike boards.

#18: **The CEO of each of Massachusetts transportation agency should institute a rigorous performance evaluation process.** Terminate non-performing employees. "It would be surprising if, at a minimum, just 1 percent (100 people) are not needed..." A reduction of this size could save about \$7.5 million per year. Each 1% reduction saves almost \$200 million over 20 years.

#19: **All Mass. transportation agencies should have the same \$100,000 tort liability limit as municipalities.**

#20: **The vast majority of our funds for the near future should be devoted to maintenance and rehabilitation.**

#21: **Transfer Tobin Bridge** from Massport to the metro Boston area's single cost center, the Metropolitan Highway System.

#22: **Dedicate all transportation revenues** to transportation purposes.

#23: **Increase gas tax by 11.5 cents** indexed to inflation. The 21-cent portion that goes to transportation has lost one-third of its value since 1991. The increase would raise \$345 million per year.

#24: **Balance the operating budget** for the Western Turnpike by reinstating tolls at exits 1–6 and raising tolls at other Western Turnpike exits. Without this there will be a \$1.2 billion deficit over 20 years.

#25: **Establish target MBTA fare recovery ratio** of 50% from fares (2006 ratio was 27%; 2007 ratio after the fare increase was about 50%) and raise fares 10% every three years.

#26: **Toll increases on the Turnpike Extension and Harbor Tunnels must be carried out.** Go ahead with planned toll increases in 2008, 2014 and 2020.

#27: **Move to direct road user fees** whereby roads and bridges would be treated like utilities with everyone paying based on on usage. Consider road user fee of 5 cents per mile.

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