



Transportation Finance Plan Position Paper

February 2009

A BETTER CITY - Transportation Finance Plan

A safe, well maintained, sufficiently operated transportation system is a critical underpinning of Massachusetts' present and future economy. Our transportation infrastructure enables the movement of goods and services, the access of employees to work and contributes to our quality of life that makes the state an attractive place to live, work and play. We must adequately operate and maintain our current transportation system in order to preserve our economic well-being – and invest in strategic enhancements and expansions that lay the groundwork for future growth. Transportation is an economic imperative.

The current system to operate and maintain our road, bridge and transit services cannot be sustained based upon the revenue and expense structure currently in place. Some of the monies needed can be achieved through greater efficiencies and other cost saving measures. Reform and cost savings can and should be implemented. Moreover, revamping the organizational structure of our transportation network can produce some efficiencies and improve service delivery, thereby enhancing effectiveness and producing important public relations benefits which should not be overlooked. However, it is not possible to cure this situation through actions on the expense side of the equation alone. New revenues must be introduced. A comprehensive strategy is needed that incorporates reforms, governance changes and new revenue.

It should be noted that while an economic stimulus bill is being debated in Washington, any package passed will be inadequate in addressing the long term structural needs of the state's transportation system.

ABC's priorities in solving the state's transportation finance crisis are as follows:

1. Statewide road and bridge safety
2. Metropolitan Highway System and the Stem to Stern action items
3. Unfunded transit needs (MBTA and RTAs)
4. Transit enhancements and expansion projects
5. Develop and implement an asset based management and maintenance program for the statewide highway system
6. Surface road enhancement and expansion program

It is estimated that in 2009 dollars, approximately \$1 billion/a year more than has been budgeted needs to be saved/raised over each of the next 20 years to maintain our existing and needed transportation network. The following presents an outline of the cost saving and revenue enhancing measures that we support which will close the identified gap.

Reform

- End the practice of using bond funds for MHD operating personnel and expenses.
- Remove the unnecessary constraints on MBTA management's ability to oversee their employees. This includes the restoration of so-called "Management Rights" and the amendment of current restrictions on procuring services thereby allowing the MBTA to more easily conduct "make or buy" decisions.
- Reorganization of MassHighway Department (MHD), MassTurnpike Authority (MTA) including the Metropolitan Highway System and Department of Conservation and Recreation (DCR) parkways and bridges and the Tobin Bridge into one unified surface transportation agency.
- Amend the MBTA's pensioner healthcare benefits so that current employees and retirees receive benefits in line with those received by state employees.
- Establish age 55 as the minimum age at which an MBTA retiree can begin to collect their benefits.
- Extend the same \$100K tort liability limit that cities and towns have to the MBTA, Massport, the MassTurnpike Authority and all 15 RTA's.
- Institute a rigorous construction reform process that takes a look at our public bidding statutes to assess what changes can be made to produce greater savings without sacrificing the integrity of protecting public funds. It should also be determined if it is desirable to insert a step in the large capital project delivery process to require an independent review and assessment of costs to help prevent the cost of projects from growing unnecessarily from the time of initial approval to delivery.
- Utilize Public Private Partnerships to enhance project delivery or service delivery performance through the benefits that may be obtained through competition and innovation. However, the state should be very cautious about concessionization or the long term leasing of public assets.
- Utilize the service delivery processes that are in place to eliminate transit routes which fail to meet agreed upon service delivery standards.

Finance

Four important steps will achieve a financially sustainable transportation network:

1. Our existing revenue sources must be raised to make up for past inflation, keep pace with anticipated future inflation and raised to match the actual life cycle costs of operating and maintaining our system. They should also be made available to support future expansion and enhancement projects in our system.
2. The crushing CA/T debt loads of the MBTA and the Masspike, largely imposed upon them by decisions of the Commonwealth, needed to be transferred to the Commonwealth so that they can be shared more broadly and hence fairly by all of the Commonwealth's residents.

3. User fee equity needs to be included in our decision making process. For example, equity can be achieved in the future by introducing a system of broad based open road tolling or developing Vehicle Miles Traveled (VMT) charges. The goal being that all users contribute equally to the maintenance, operation and expansion of our transportation system. User fees also need to be considered in shaping policy and influencing mode behavior, such as congestion pricing and/or pricing preference for high occupancy vehicles and transit. Finally, pricing needs to be sensitive to questions of affordability and access, such as consideration of those users who are transit dependent.
4. Cross-subsidization of revenues received should be formalized to the extent necessary to allow transportation based revenues to support a broad range of transportation services.

The specific steps which will achieve these goals are:

1. Implement the \$3 billion Accelerated Bridge Program within the 8 year period.
2. Provided that the reform measures are approved, raise the gas tax by twenty-five cents in 2009 and require, by statute, that it be adjusted for inflation each year thereafter. These new revenues would be distributed as follows:
 - 4 cents to Masspike to assume CA/T debt and to limit MHS toll increases between now and 2026 to those levels proposed in 2004.
 - 10 cents to the MBTA to reduce the debt associated with Central Artery/Tunnel commitments, reduce MBTA debt service and support future growth.
 - 2 cents to Forward Fund RTAs and to maintain service levels.
 - 8 cents to road and bridge system. Monies should be dedicated to reduce backlog of maintenance projects; insuring that there is a regional distribution of this money throughout the Commonwealth.
 - Devote 1 cent of new gas tax revenue, and 2 cents of the 2.5 cents currently earmarked as part of the gas tax for the underground storage tank fund, to MHD in order to stop the practice of using bond funds for operational expenses.
3. Maintain western tolls and institute the toll increases for the MHS system established by the Masspike in 2004. This calls for increases in 2008, 2014, and 2020 and 2026. The tolls in 2008 were to be raised 25% (0.75) – this increase should be realized in 2009. The increases in the other years are slated at 20%.
4. Continue to increase MBTA fares every three years (the next increase is due in 2010) to keep pace with inflation.
5. Forward Fund all Regional Transit Authorities.
6. Develop a sustainable system for long term financing - either an open road tolling system for all of our highways and/or a vehicle mileage tax payable annually.
7. Additional revenue strategies can be implemented that either substitute or add to the above as defined in ABC's study entitled "Shoring Up Massachusetts' Economy through Transportation Investment."