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Analyst warns of cash shortfall for Mass. roads

State roads face cash shortfall

By Mac Daniel and Raja Mishra, Globe Staff

Page A1

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The Massachusetts transportation system is in deep distress, with nearly every agency facing operating deficits and unable to properly maintain or expand roads, bridges, or transit systems, a problem that cannot be solved without new revenues, a prominent budget analyst warned city and state officials yesterday.

Michael J. Widmer, president of the Massachusetts Taxpayers Foundation, said he was startled by how bleak the outlook is for the state's transportation budget.

“We are seriously disinvesting in our transportation infrastructure at really an alarming rate,” Widmer told a forum sponsored by the taxpayers' foundation and A Better City, a business group.

As the state has focused on the Big Dig, local highways and bridges have suffered. A recent report said that on the Massachusetts Turnpike, 12 of the 489 bridges are rated as structurally deficient. Though not dangerous to motorists now, roads and bridges could eventually become hazardous if not maintained, state transportation officials said.

The more immediate concern, Widmer and other speakers at the forum warned, is that without transportation improvements, fewer businesses will come to Massachusetts and commuters will spend more time stuck in traffic.

A spokesman for Governor Mitt Romney later defended his administration's record, saying that it has increased construction and maintenance spending on transportation projects other than the Big Dig, from \$612 million when it took office in 2001 to \$909 million this year. In March 2005, Romney issued a preliminary \$31 billion transportation to-do list for the next 20 years, including repairing 600 of the state's bridges and fixing congested interchanges and dangerous roads. But Romney has not issued a final plan.

Widmer said the state needs billions of dollars to cover the shortfall and to fund major renovation and expansion projects. He said the state should consider raising its annual borrowing limit from \$1.25 billion to \$1.5 billion. The limit was last raised in 2000, but the Romney administration has resisted increasing it “to maintain control over borrowing,” a spokesman said yesterday.

Other speakers at the forum, held at the Federal Reserve Bank of Boston, suggested more tolls, private-public partnerships, or even privatizing some roads.

Illinois and Indiana, for example, have approved private operation of existing toll roads. Companies offered the states billions of dollars up front in return for long-term leases to maintain the roads and collect tolls from motorists.

That idea is before the Transportation Finance Commission, established by the Legislature two years ago, which is also considering politically unpopular recommendations such as increases in gas taxes and tolls. It does not plan to issue its blueprint until after next month's election, putting the issues in the next governor's lap.

Widmer -- who is on the commission, but said he was speaking solely in his role with the taxpayers' foundation -- outlined the financial challenges:

The Massachusetts Turnpike Authority is operating at a deficit and will continue to do so in 2008, when a major toll increase is required to pay the debt on the \$14.6 billion Big Dig. Widmer said the authority is not adequately maintaining its tunnels and roads. Those maintenance costs are in addition to any safety repairs required after the July 10 fatal ceiling collapse in the Interstate 90 connector tunnel, he said.

The Massachusetts Highway Department has a backlog of crucial highway and bridge projects, partly because of money spent on the Big Dig. Staffing is also significantly less than it was a decade ago, and large numbers of employees are paid out of the department's construction budget, further hindering maintenance and roadwork, Widmer said.

The Department of Conservation and Recreation needs between \$500 million and \$1 billion to repair neglected bridges and roads. The Storrow Drive tunnel project and repairs to the Longfellow Bridge are expected to cost a total of \$250 million. A department spokeswoman said it does not have an operating deficit.

The Massachusetts Bay Transportation Authority is hindered by expensive pension and healthcare costs, combined with drops in ridership and sales tax revenue that funds a large portion of the T's budget. The T spends 27 percent of its operating budget to pay interest on \$8.1 billion in debt. T officials and others fear that a proposed fare increase in January will further erode ridership.

In addition, Widmer said \$1.5 billion in federal aid would be needed over the next decade to pay back bonds issued to help fund the Big Dig. Because of a miscalculation by federal transportation officials, the state is getting \$107 million less in federal money this year and could get about \$60 million less than expected next year.

Kristina Egan -- director of the Massachusetts Smart Growth Alliance, a coalition of groups working to promote development that encourages public transit -- said Widmer's assessment was important for the public to know, especially during the campaign to elect the next governor. ``We have to find a way to fix our roads, bridges, and public

transportation," she said. "With no additional resources, we can't maintain what we have, and we certainly can't expand, even modestly."

A spokeswoman for Lieutenant Governor Kerry Healey, the Republican nominee for governor, referred calls to Romney spokesman Eric Fehrstrom, who said that "there is no period in state history where we are spending as much as we are today" and who touted the "Fix It First" program to maintain roads and bridges.

Libby DeVecchi, spokeswoman for Democratic nominee Deval L. Patrick, said Patrick will conduct "a thorough review of the various agencies," and pointed to his call for postponing income tax cuts and investing the money in transportation and other needs.

Other states are also having financial problems in transportation, and 16 are considering toll increases and seven are considering implementing tolls for the first time, transportation specialists said. Some states are contemplating "demand based" tolls that charge more during rush hour or for bigger vehicles.

But a less common and more controversial approach is privatization: Leasing existing roadways or bridges to private companies in exchange for huge lump-sum payments up front. The companies set and collect tolls during the lease period.

In 2004, the city of Chicago cut the country's first such deal, leasing the Chicago Skyway for 99 years to a Spanish-Australian consortium in exchange for \$1.8 billion, which the city used in part to fund transportation projects. The toll for the skyway, which links Chicago's South Side to a major Indiana interstate, has long been \$2, but the deal allows the private consortium to raise it to \$5 by 2017. The state of Illinois is also studying whether to lease its section of Interstate 90, a toll highway, for an estimated \$415 billion.

In April, the state of Indiana agreed to the largest roadway privatization deal, leasing its 157-mile Indiana Toll Road for 75 years to the same consortium that signed the Chicago deal, getting \$3.8 billion in return.

Joseph M. Giglio, a business professor at Northeastern University who also sits on the Transportation Finance Commission and who spoke at yesterday's forum, said he was skeptical of such deals. While they generate quick cash, they don't address long-term funding or systemwide maintenance.

Instead of looking for a privatization windfall, Giglio said state transportation agencies should consider shelving costly plans to expand and focus on maintaining what has been built.

"You have to be very selective about how you're going to expand," he said.