

STATE HOUSE NEWS SERVICE

POLICY POINTS: FINANCING TRANSPORTATION AND THE FUTURE OF MOBILITY IN MASS.

By STATE HOUSE NEWS SERVICE

BOSTON, NOV. 19, 2008.....With preliminary approval of big toll hikes and gas tax hikes under active consideration, the MBTA in grave fiscal condition and plans being rolled out again to wipe out the Mass Turnpike Authority, public transportation reform and financing are shaping up as key issues for the next legislative session.

An independent Transportation Finance Commission has estimated the state's public transportation infrastructure funding gap at roughly a billion dollars a year and despite the passage of \$9 billion in transportation-related bond bills, discussion continues, despite tough economic times, about drawing more revenue from residents.

At a forum Nov. 12, sponsored by the coalition Our Transportation Future, which supports new revenue sources for investments in transportation, several transportation insiders said they believe more revenues are needed to repair transportation infrastructure and launch new projects, but also discussed the continuing need for efficiency-minded reforms and the political challenges of raising new revenues. The following is a detailed and accurate summary, not a verbatim transcript, of the forum held at the Boston law offices of Edwards Angell Palmer and Dodge.

DAN WILSON, MOVE MASSACHUSETTS: Good evening. I am executive director of Move Massachusetts. We are pleased to have a great panel and to work with Our Transportation Future. It's 22 non-profit organizations working on infrastructure investment for a competitive Commonwealth. Our subject is financing transportation in turbulent times and we hope to exchange ideas. That is a hallmark of our discussions. You can write questions on index cards. Hand those in and make sure our moderator Tom Palmer gets those. I want to thank my board at Move Massachusetts for their support in pulling this off and everyone at Our Transportation Future. This is larger than our regular meeting and we needed the help. We must thank Edwards Angell Palmer & Dodge and Boston Foundation for their sponsorship and making the room available.

BOB CURRY, EDWARD ANGELL PALMER & DODGE: We are delighted to have you here and sponsor this. Edwards Angell Palmer and Dodge has worked a long time in transportation development and finance. There's an enormous amount of talent and experience sitting in this room. There is enormous reason for hope and optimism when you see this kind of talent. We will be there to support Congressman Capuano when he tries to put the rubber to the road on the hill.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Thank you Dan and thanks for the service you provide. I stopped covering transportation for the Globe seven years ago but still come to your monthly meetings. It may say something about how much of a wonk I am but it says something about Move Massachusetts. Our Transportation Future includes just about everybody in the state. We are here to talk about getting from here to there and how we do it and pay for it. It's going to be mostly audience participation. We have an engaged and informed and opinionated group. The index cards were passed out downstairs. I will ask one semi-provocative question of each panelist and hold them to an answer of about three minutes. A few facts and a little history. People have different theories of government and how big and small it should be and how much it should spend. I was at the Globe for 30 years and was in the closet all that time – I am a conservative. How I survived on the same pages as all of those editorials I haven't figure out yet. Conservative or liberal, most agree that if you make a promise you should keep it and if you buy something you should take care of it. It's not terribly controversial that once we build roads and streets and highways and railways and train stations and docks and terminals we should make them last and

take care of them. We haven't done that. Whether it's because democracies only tend to focus only on issues when they become critical or the political seesawing of the democratic process or just because of human tendency to put off until tomorrow what's best done today, we really have let things go. The Transportation Finance Commission report of March 2007 was proof of that. We decided to buy a big Cadillac, the Big Dig, and we neglected to paint the house and it's beginning to rot. You have heard the figure 19 billion or 20 billion as what's needed to fix what we have. The subtotal for roads and bridges is about \$11 billion. For transit it was a range of 4 to 6 billion. The total expected shortfall for the next 19 years now is estimated to be 17 billion more or less, just a little over what the Big Dig cost us. This is a little obvious but the three paths to solution are cut expenses, raise revenues or borrow money. There are not a lot of solutions. We can't just abandon our infrastructure because that would just bring the economy down. On the cutting expenses front, some progress may be underway in the effort to consolidate MassHighway, the pike and Massport. The pike is about 100 million short of what it needs annually. On the revenue front, there are several options, some more politically possible or less excruciating than others. Our gas tax has not been raised since early 1990s and is not the lowest or highest in New England. The two states with lower taxes are more rural states. New York is almost double ours. On the taking out loans front, Massachusetts does lead the way largely because of the Big Dig. The state owes by far more than any other state in debt service as a percentage of all highway spending. The state doesn't pay off the Big Dig until almost 2020 and that does not include the bonds at the turnpike. So where do we go? EOT has had a record year with more than 5 billion in bonding and a 3 billion in accelerated bridge programs and reforms are talked about and perhaps we are closer than ever to dissolving the turnpike and police details are out there but there is no guarantee of those being effective right now. Is that enough? Let's go to the panel.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): I will start with Congressman Capuano. He is a Democratic representative from Massachusetts. Is there any other kind? He is a top lieutenant of House Speaker Pelosi. Where is reauthorization process in Congress and where does Massachusetts stand and how will it fare?

US REP. MICHAEL CAPUANO (D-SOMERVILLE): Reauthorization is due for next year. The last time it took us two extra years and I fully expect that we will probably have a similar situation now. I don't know if it will be a year or two years. I just don't know. I can't imagine we would be able to get it done next year for the simple reason of the normal difficulties - a new administration trying to figure out exactly what they want to do on all these issues, an economic crisis that no one has seen since the 1930s. Our highway fund is in a difficult situation, drying up because all of you stopped driving Humvees and you're all driving electric cars. They don't pay gas taxes. Our numbers are going down. The best thing you can do to help yourselves out is to go out and buy a Humvee and drive it a lot. Can we get it done? Sure we can. Are we likely to? In my estimation the answer is no. It's going to take us some time to figure exactly where we want to go. There will be a lot of internal arguments about a lot of different things. I am very interested in the transit aspect. Every year that goes by there is another state that wants a piece of the transit pie. We will have that argument again. I think you should expect that we will probably come up with some sort of extension. It may not happen until the end. There's no guarantees obviously. We are trying to get a stimulus package done. Most of us believe there is support in the House. We did it once before in the House. We couldn't get it by the Senate. We just don't know. I was in Washington today. The main reason I went is to figure things out if there was anything I could figure out. There was nothing I can figure out. There are not enough people back in Washington. People have not come off the election high yet. They are all paying attention to other things. We will be back to Washington as a group next week. We hope to get a stimulus package through the House. If the Senate chooses not to do it, so be it. That will be on them. The arguments from Washington every time we have had a stimulus has been we will do a stimulus only with tax cuts and we will not spend a nickel. Many of us disagree with that and you either vote for something or nothing. I will not vote for another stimulus that does not have a significant jobs component. The only way to get a real significant jobs component is in transportation. That will be for projects that are ready to go. A lot of those are difficult to assess. I don't want to have this program and find out six months later that the commonwealth could not access the money because they weren't ready to go on anything. As far as the new administration goes, obviously we

don't know. We are all on the high side of expectations next year. But let's be serious. President-elect Obama started out on election night rightfully so starting to tone everybody down, on back down to earth. We have a major economic problem and the Democratic Party, yes we theoretically control Washington, but for any of you that have ever paid any attention to politics whatsoever, you should know by now that the Democrats are the least cohesive group of people in the history of the universe. We go a thousand different directions with only a hundred people in the room. So for us to be able to all come together and move in one direction is a feat in and of itself. Transportation is not the issue on the tips of everyone's minds. Right now the issue is the economy. Transportation almost never creeps in to the discussion on the national level. It's health care, it's education. It is not the issue that gets people elected. Except in Massachusetts it can get you unelected. That's a different issue. I will stop there.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Secretary Cohen, the state of transportation infrastructure is a big issue. The administration has been focused for quite a while and properly so perhaps on reform and saving money and looking for areas of waste? How long does this go on before we actually start moving toward new revenue sources? What kind of perfection are we looking for?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: We had a lot of work cut out for us when we came in. I don't think that people in the transportation community in Massachusetts paid a lot of attention to this issue of reform for a long time. From an internal agency reform perspective, I just think it's been business as usual for a long time and as we looked at what those opportunities were inside our organization, we realized there was a lot we could do that really hadn't been pursued. We have been helped with the bond legislation, which has added to some of the reform requirements. The governor has felt very strongly that we need to reestablish our credibility as the stewards of the system and the stewards of the dollars to make sure that at whatever point in time we were looking at new resources, we had the ability to say we have really mined these organizations for savings and had been smart about working together, looking for efficiencies. We have a pretty decent track record to show for that. At the turnpike authority the executive director has taken 15 million in annual costs out of his program. That may not sound like a lot but it's involved staff reductions, big cuts in overtime, less reliance on outside consultants etcetera etcetera. At MassHighway we have looked ways of reducing the amount of time it takes to do projects. The average amount of time for a six-million dollar project is ten years. We took that whole process apart piece by piece, almost did an autopsy on the whole process from cradle to grave, and looked at ways to take time out of the process by being smarter about how we do things, reorganizing ways we do business. We have reduced that to about six years, or in 60 percent of the amount of time it used to take. We did the flagging. We did something that I think nobody thought we were going to do, which was to end the monopoly that police departments had had on traffic management around construction projects. That was a huge lift and I think a big success in the sense of convincing people and sending the message that we are serious. We have raised with the help of the Legislature over 9 billion dollars in new funding for transportation, including the 3 billion celebrated in the bridge bill. We have a lot of new resources now in front of us and our big challenge is going to be how to make sure that we get that money out into projects and get it into jobs in as effective and as expeditious a way as possible. We are working on one other reform, which you mentioned, which is reorganizing one of our major transportation agencies. So I don't think the job is done in terms of need. There's still a major backlog of transportation investment we need to make. We just need to see where we go from here in terms of this issue.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): How long does it take before we move to second phase of this, which is acknowledging that probably as much has been saved as can be before new money is raised? When you spoke to Move Mass early on in the administration's tenure, I remember you said people have to really stand up, groups like this, and say what they want. It's going to take somebody stepping out front and leading and saying now it's time we have to do this, there's no other way. Is that this year, next year?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: It is going to be partnership

between those of us in who are in either elected or appointed positions and have responsibility for the stewardship of our systems but it's also going to I think require voices from outside to indicate what your concerns are about the condition of the infrastructure and about what the public is willing to tolerate in terms of those new resources. I haven't heard a lot about that other than The Boston Globe which has editorialized on a regular basis. I know there are a lot of people out there who believe deeply that we need new resources beyond the prodigious amounts of funding that we have already raised through the bond bills. But I think that it's going to be important for all of us to hear from people about what they are willing to tolerate in terms of new resources. That's a dialogue that I expect will probably happen over the next year.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Senator Baddour, do you see a time when people traveling on interstate highways other than the Mass pike going 60 miles an hour in will be charged for the privilege? Does it fit into your category of everything on the table, which is something you said should be a guiding principle?

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: Right now people in all parts of the state are being charged to drive on our highways. People talk about a toll on I-93 or paying a share of what it costs to ride on our highways. I do believe that everything should be on the table. Having said that, that does not mean we can't take things off the table as we move forward. One of the issues of tolling on I-93 in Methuen, from an operational standpoint, it doesn't make sense. There are too many ways around. There is an agreement that it would be very difficult to do that. Having said that, one issue we face with the turnpike issue is do we toll more roads or do we take tolls down? How do we fund this in the long term? I looked at the first slide on options of revenues, cuts or bonding. There is a fourth – I joked with the Congressman - and that is the federal government. It did not take a year or two to get in the mess we are in today. It was decades of neglect and decades of sort of putting off the problem until tomorrow. I'm hopeful with a new administration and a focus on transportation and fixing our transportation system that we'll have more revenues coming into the Commonwealth. We are not going to fix a 20-billion dollar problem overnight. We need to begin the communication. We've done that with Construction Industries of Massachusetts and so many other groups have come forward and we're beginning that dialogue. At some point we have to pull the trigger. I don't know when that will be. But we need to look at ways of making the system run better. There are a lot of different ways we can do that without raising revenues in the short term. I just came back from a conference on governing. Governing magazine put on a conference of selling public assets. One of the things we need to look at is whether or not we should be privatizing or selling off parts of the turnpike authority. There's clearly an interest, even in today's climate, to do that. I think all we're really doing right now by transferring, or at least the discussion of transferring the issue to Massport, is we're just transferring the problem and the debt over to Massport and my hope or my concern is that we're not creating the next generation's or my successor's turnpike authority. So we have to be very careful in how we move forward. No one, trust me, is more opposed to or no one likes to look at the issue of revenues. I ran as a conservative Democrat and someone who would much rather be looking at alternatives in terms of reforming the system. But at some point even the public understands that if we reform the system and people have faith in it, people are willing to pay for a good product. Unfortunately right now, we don't have a good product to sell. That is where the secretary and governor are going in terms of changing opinions of how we deliver our transportation system.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): No matter what bridge or tunnel you take to get into New York City, you have to pay. You don't think there will be tolls on 93 at any time in the future?

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: I don't think so. No I don't Tom. There are a whole host of federal regulations. I got a call from the Boston Herald on my way in today regarding Federal Highway's conversation with EOT on potential tolling on I-93. I don't think that will happen or is part of the long-term solution. We need a comprehensive plan that gets way beyond just looking at the turnpike authority or Massport or gas taxes and tolls. We need to have a real conversation. We need to bring everyone to the table, put

everything on the table and have an honest discussion. From what I am told from folks who understand how the process works about a tolling I-93 in Methuen, you can't do it so why waste the time having that conversation when we could be talking about other things?

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Only if you put a toll on Rte 3 and Rte. 9 too?

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: The Legislature before my time prohibited tolls on Rte. 3. As we go forward if we do any new roadways, any new projects, we should be tolling. Let's make no mistake about it. You need a way to pay for it. I am not sure the way to pay for it is to look at other areas to toll or taking down tolls. That is a conversation we need to have.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Marc Draisen, you take a regional view of problems, transportation included. Are the right questions being asked here about raising money to fix what we have or is there a structure you might have in mind that would keep us from asking these questions and facing these crises every decade or two?

MARC DRAISEN, METRO AREA PLANNING COUNCIL EXECUTIVE DIRECTOR: The structure matters but it doesn't matter as much as the money. The most astounding chart in the presentation is the one about debt. We are not just ahead. We are not just leading, we're like way above everyone else in terms of borrowing. There were some wonderful bond bills. We needed to quickly deal with the bridge issue. I am glad it passed. In the cold reality of this evening we have to still recognize that all of that money is borrowing against future resources, it's borrowing against the gas tax and borrowing against future federal transportation dollars. At some point you add up all that debt and you have to find a way to pay your bills. The fundamental structural problem around transportation is not too many agencies or that they are in the wrong place or are weaker or poorer, the fundamental problems are that we borrow for too much. At some point if we want a world class system and world class maintenance and if we want expansion and improvement to be world class, we have to pay for it. MAPC believes it's at least in part by an increase in revenues. Those revenues can be through tolls, taxes, fees, there are a lot of ideas on the table. Maybe twenty critical ideas on the table. Some are good and some are bad and some are in the middle. But pick three, four or five of them and move ahead with them. I would suggest that if this vote is going to happen it should happen relatively soon before we get into election season again which will happen sooner than people realize. And it should be big enough to make a difference. So that we don't have to force our political leaders to sort of push that green button again and again and again every time we need a little more money. I was reading recently the results of referenda held throughout the country on Nov. 4. In Michigan, Utah, California, Ohio, New Mexico – I have a list in my pocket - voters going to the polling place and increasing property or sales taxes for the purpose of infrastructure payments – highways, transit, a combination of both. At least 50 or 60 percent of them passed. That is not something we are able to do here. In other parts of the country we see voters do care about transportation and mobility and they know it affects their economic competitiveness and many of them are willing to pay. At some point, I hope sooner than later, I hope we recognize we need to pay some of those bills.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Salem was reported to have launched a \$1.5 million program to fix its streets. Are local communities being hit with bigger share of roadwork expenses because the state has not raised more money?

KIMBERLEY DRISCOLL, SALEM MAYOR: You are correct. We have launched a paving program. We are fortunate that the state is able through Chapter 90 to provide roadway improvement dollars. Most of the program came from that revenue source. The struggle for us as a small community is the cost of paving has gone up exponentially, as much as road salt if not more. So you are getting less roads down. The source of Chapter 90 is those gas tax revenues that are not as available. We have a system built for horse and buggy in Salem. It never seems like there's enough dollars to take into account the infrastructure improvements. We try to coordinate road and sewer improvements and coordinate utilities so we don't rip up a road a year later. It just means that it adds to the cost, the

design and engineering and the timeframe and work undertaken and there are less and less dollars available. We had an engineering consultant inventory our streets, look at the conditions and the costs of repaving all the states that need to be repaved. It would be in excess of \$15 million to do the job and we get about half a million a year roughly in Chapter 90 dollars. Even if you had the money, \$15 million in today's dollars is going to multiply going forward. We know when we defer maintenance, and you unfortunately have to, if the choice is laying off teachers or having less public safety officials or a roadway improvement project, normally you preserve public education and public safety before you look at transportation improvement projects. As we defer, the cost goes up. That \$15 million is going to grow and multiply. The source of revenues available to us is going to diminish. That is the struggle. As much reform as possible is wonderful and we advocate that but at some point there needs to be a new revenue discussion. Cities and towns are somewhat handicapped in our ability to raise revenues. It's really hard given the local aid challenges. Salem is a \$120 million budget. We are right in the middle. It's a struggle. I don't know where the resources are coming from. I do know it makes a difference in quality of life and it's a huge economic development gain. The commuter rail improvement and water transportation improvements we've made have changed the quality of life. Commuter rail improvements and water transportation improvements have enhanced the quality of life and provided a place for people to live downtown so they don't need their cars all the time. We have tried to stretch our dollar but at the end of the day it's still a resource allocation. And it certainly is an additional pressure if we're not able to get it from the state and they don't have it – they have tried to hold the line on local aid and that don't have the money to give us and that is the struggle we're up against.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Rick Dimino, the ABC helped produce the chaos that the \$15 billion project had on the city and the organization has turned to other issues. What needs to happen and who does the ABC need to have on its team to make the Urban Ring happen?

RICHARD DIMINO, A BETTER CITY PRESIDENT AND CEO: I am here to represent the business community. The most common thing declared is I am from the business community and I need a bailout. I am not suggesting that relative to transportation. As a representative of the business community, what I'd like to say is I am looking for is a transportation investment. Massachusetts has a long history of seeing the return on investment and if we do the necessary reform and identify opportunities to shape and create revenues and invest them properly, we can see a substantial return. I know that we can see evidence on returned investment throughout Massachusetts. We spent billions of dollars on our mass transit in the 70s and 80s. We spent substantial dollars building that system and making it something that frankly was the envy of this country. We created economic centers throughout the commonwealth, creating opportunities for employment. ASHTO (American Association of State of Highway Transportation Officials) recently announced that a billion dollars of transportation investment equals 30,000 jobs. Recent statistics show a dollar of transportation investment equals the same amount in employment income. We are not seeing the dollar fettered way but jobs created. We are talking about construction jobs and long-term full-time employment opportunities. We have a ten percent unemployment rate in the construction industry. What an economic stimulus it would be to create transportation investments that contribute to a state of good repair but position the Commonwealth to be ready to go with investments that can position the Commonwealth going forward. The numbers on the screen, I don't see those as problems as much as opportunities. We have to solve these problems. They are not just going to go away on their own. We can't wait too much longer. With all due respect to the folks who are looking to maybe find a reform approach to this problem, it really can't wait. We need to figure out a comprehensive strategy to govern, to manage and to implement our transportation system but also to pay for it and to pay for it wisely and prudently. We have to be able to come to the table with good questions and then talk about it and act. We can't continue to talk about this. If we waste the first six months of next calendar year, the MBTA potentially faces bankruptcy going into its next fiscal year. If we wait, the opportunities associated with being able to operate and maintain the new highway system we just built will immediately start facing the same level of disrepair as our highway system. We can't allow that. It's not stakeholders, it's people. The organizations here tonight, within them are people and I want us to be able to tell our elected officials that we care about this and we're willing to take the risk

and share some of the political burden of moving forward on these questions because if we don't it will be impossible for them to do what the right thing is. It takes a lot of courage to do tough things relative to taxes, relative to funding new revenues. It's not easy being a politician relative to those types of questions. If we are not there for them frankly, then it's our fault. We have to be able to encourage them to do the right thing. Congressman Capuano needs our help. I guess it's a rally cry to get more people involved.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): My question was who, who do you need on your team? We know the need and ABC's position on it.

RICHARD DIMINO, A BETTER CITY PRESIDENT AND CEO: Well, we have to partner and most importantly we have to partner with our elected officials because at the end of the day those folks are the policy makers. And without them, we are not going to move the ball forward. But they can't work and shouldn't work in a vacuum. They need our help. Frankly at the end of the day if people are willing to lead and make tough decisions, they should be reelected. That means that all of us have to make sure that that happens and guess what, most people don't understand the tax decision, don't understand the toll decision. We are certainly weighing in. There are a number of us across the business community that are certainly willing to look at the revenue question and put our political support behind it. We support reform as well. That is why we are pleased that both the secretary and Sen. Baddour worked on a series of reform matters in the last legislative session. We certainly want dollars to be spent wisely but there is no way to solve the problem of the state of good repair and build our future without some additional revenues. One point relative to building our future, right now is the time to be engineering projects. It would be stupid for us not to do that. When construction dollars become available we want to make sure we are ready to go. The Congressman suggested that when those dollars are there, if we are not ready to go, he will be frustrated and I will share his frustration. We can't put ourselves in that situation.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Dick Doyle, the Federal Transit Administration Region 1 Administrator, we have had an emphasis on the cost of maintaining roads the bridges. It's the hand we dealt ourselves after World War II when we opted for rubber tires. Do you think with current and future conditions, more density and higher energy prices, there will be some shift to rail and public transit for the foreseeable future?

RICHARD DOYLE, FEDERAL TRANSIT ADMINISTRATION REGIONAL ADMINISTRATOR: Rick wants me on his team because he is always seeing me all over town. I think right now in the country there is growing interest in public transit with the energy increases, the cost of gasoline, we have seen lots and lots of people turning to transit. Ridership is up all over the country. That is a very positive thing. We do have this reauthorization coming up. It's going to deal with both the highway and transit programs. In the past it's kind of been some tinkering, no major changes. But I think one thing that will be dealt in the future authorization is the nature of our transportation systems. Do we want more of an interest in public transit, in smart growth? Both ASHTO (American Association of State of Highway Transportation Officials) and APTA (American Public Transportation Association) are recommending significant increases. Everybody is in agreement on significant infrastructure renewal both on the highway and transit side. There is a realization that the existing financing mechanism that we've been using and Congress has been talking about this, the gas tax, really isn't working anymore. It is just not bring in the revenues. In fact, about eighty percent of the transit money comes from the gas tax. So it clearly hasn't made much sense in the past to be encouraging people to drive more so that we could get more money for transit. We need some restructuring. There are about 102 separate federal transportation programs. It needs some streamlining and consolidation, perhaps more flexibility for state and local officials. So I am positive about the future of transit in this country but it's going to come down to money and are we going to be able to make some of those funds available both on the federal and state level. One final thing, as we do contemplate new transit systems, we are always looking at what is the state of the existing transit system in an area. Is it being well supported? That is a key factor for us before we'll make any commitment for new transportation systems. The state of good repair is very important.

AUDIENCE QUESTION: Related to the question you just answered, this is more for the secretary. It's on balanced multi-modal freight transport. The funding gap might be reduced by moving from trucks to rail and coastal shipping. What can be done to reduce over 93 percent reliance on trucks to move freight?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: It's a good question and something we are actually actively studying. We have a comprehensive statewide freight study that we have had underway for three or four months. It's part of a long-range strategic transportation planning effort that we've got underway statewide. I hope you had an opportunity to attend meetings we've had all over Massachusetts. We have had for better or worse our transportation eras defined for us over the last 25 to 30 years by a whole variety of sort of signature events, the decision not to build the highways through Boston and the conversion of that money to allow us to expand public transportation, whether it was the Big Dig/Central Artery projects, we have had a couple of signature events that have dominated the landscape. The Central Artery project, although it has a very long tail in terms of closeout, is essentially done from a construction point of view. One of the questions we had is, where do we go in terms of defining the transportation system for the 21st century? We have had a very actively public engagement process. That is going to lead to a document that we will have ready in the early part of next year that will be informed by a lot of people around the state in terms of their concerns about transportation. The goal here is to say what sort of transportation system do we want to have in place for the 21st Century, how will it support the way Massachusetts is growing economically and how will it support environmental goals of reducing greenhouse gases, and you know where do we want to be 20 years from now in terms of setting the stage for the future. So the freight piece is extremely important, how we move goods through Massachusetts. It's a big piece of our transportation challenge. I am hoping that very soon, as a result of the study work, that we will have a whole series of options to try to improve goods management in Massachusetts.

AUDIENCE QUESTION: Congressman Capuano, do you support the concept of Sen. Kerry as the next Secretary of State?

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Is that a transportation question? We all know Sen. Kerry and we all know his talents and I think his talents should be used to the fullest. I think that if that's what works out, good for all of us. It would be good for the country. Other than that, I would make a great transportation segue but I can't think of one.

AUDIENCE QUESTION: Back on transportation, what is the administration planning to do to fund the MBTA?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: We're sort of one problem child at a time in a way. As I came in I heard reference to the fact that we are looking at a grave situation at Massachusetts Turnpike Authority. It is an agency burdened with financial obligations that it has run out of the ability to pay for. We almost have an emergency situation on our hands at this point. We can't afford to take another downgrade in the credit rating of the agency. So we are working very hard at a rescue plan not for the agency so much but for the asset which is at risk in the event that we have a further downgrade of the turnpike bond rating. We are well aware of the situation that the MBTA is in. But it's also the regional transit agencies. If we are going to fix public transportation from a finance point of view, it can't be just the T. It's really got to be all the regional transit authorities around the state that people depend on just as much as they depend on the MBTA. The MBTA certainly is a unique situation, burdened by an incredible debt that is going to grow exponentially. It doesn't put a penny into capital except through borrowing and that borrowing is going to continue to grow. I don't have an answer today in terms of what the solution is going to be but I can tell you that we are all well aware of the problem. We are working with the MBTA – I see John Davis here and he would tell you we are actively engaged in trying to see what we can do to address the issue. The T cannot solve this problem on its own and it's going to take additional resources to fix this. It is something that we've got front and center.

AUDIENCE QUESTION: I am part of a coalition of 50 rail trail groups. My question is as I see it we

need more revenue. How many other people think we need to have more revenue now?

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): I'll ask for a show of hands. How many people think we need more revenue right now?

Most raise their hands. The moderator said well over half, and then said well over two thirds.

AUDIENCE QUESTION: The state has limited funding for transportation investments. What are the opportunities for the state to coordinate transportation investments with local land use decisions in a home rule arena?

MARC DRAISEN, METRO AREA PLANNING COUNCIL EXECUTIVE DIRECTOR: The question is correct. We have to do a better job coordinating transportation decisions and land use decisions. For the most part it should be driven by what we want in land use, not the other way around. Historically it's been transportation decisions made first and they decide how we use the land, where people and jobs are going to be. We need to start turning that around. There have been some initial successes under this administration and to some degree the last administration to try and bind transportation and land use together under a series of sustainable development principles that look at the two together. Increasingly people look at the decisions locally and at the state level from both perspectives. There are still a lot of folks in individual funding agencies who make decisions based on the rules of their own program. I was told recently by the director of a large water agency – I will not say which one - that land use is just not part of their legislation so they don't look at that issue when they make decisions about water use. We know water has a tremendous impact about how land gets used. We have to find a way to comprehensively bind these decisions together.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Why don't we have a mandatory multi-passenger requirement for major arteries during rush hour?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: I'm not sure exactly what that is referring to. We do have HOV lanes in the I-93 corridor both north and south that require two or more people in the vehicle. That is one example where we have that multi-ride requirement.

AUDIENCE QUESTION: I am from Beverly. I direct this to Sen. Baddour. We heard tonight how important transportation is to everyone. We just raised hands and realized that we need to generate more revenue. We've talked about ways to increase revenues. Bonding to me is just maxing out the credit card. We realize that transportation investment equals return on investment and economic benefits. Why have we not addressed the gas tax as a mechanism for reinvestment? I have to address that as dedicated gas tax, not General Fund gas tax. If we are reinvesting we create all these economic benefits. We have seen gas in the last month, you can sit outside a station and watch the thing change. Five cents on the gas tax I presume would generate a tremendous amount of money and it would also be equitable for everybody who uses transportation infrastructure not just those on interstate highways.

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: I have been at lots of events in my district. Newburyport, Salisbury, Merrimac, Haverhill, Methuen, North Andover. Not one time has anyone said to me, Steve, please raise the gas tax. We don't hear that in part because people don't have a good sense that we are spending the money wisely. They see all the problems at the turnpike and at MassHighway in terms of police details and the reforms that we are in desperate need of doing. In the 1990s, a lot of organizations on this board led an effort to raise the gas tax. They went on an aggressive campaign to educate the people of this state on the need to raise the gas tax. It's not that we are afraid to take a tough vote. If you think raising the gas tax is a tough vote, try taking on the police in reining in police details. That was not an easy vote. Trust me. I have been driving 55 ever since. What we need to do is begin that campaign. It's great to be in a room like this where everyone to a certain degree is involved in the transportation delivery system. But if you go talk to an average citizen struggling to pay their bills, they can't afford it. Granted gas prices are all over the place. They are spiking. They are lower. We can't control that.

We have not done a campaign to educate people about where their money is going and how it is being spent and we haven't done a good enough job telling the people of Massachusetts that we are spending their money wisely. I guarantee you if you ask any average person if they think their gas tax or money is spent wisely in transportation, the answer is going to be no.

TOM PALMER, COMMUNICATIONS CONSULTANT (MODERATOR): Who is we? Who has to do that?

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: The business organizations - the same organizations that educated the public in the 90s. It took us decades to get here. It's not as if someone turned on the switch last year. This has been a long time coming. We have prolonged and put off a lot of decisions and as we go forward cooperating with the administration and other people, we are beginning to tackle issues no one ever thought we would tackle. I was shocked when Barbara Anderson said that she would be willing to talk about a gas tax if we take off police details. We have to rally the public as to the need, reform the system and then begin that dialogue. We are not there yet. We're not there yet in part because the organizations here haven't done, the folks that are part of it, haven't done your job. This is the first time I've had this conversation. I have spoke to a lot of transportation organizations, saying you need to get out there and educate the public about where the transportation dollars go and why there is a need to do more but at the same time you have to reform the system. It's not just lingo. You have to reform the system. There is no really why we should be spending good money into bad systems. It doesn't make sense in the long run. It's why we need to do a better job spending the dollars we have today. It's incumbent upon the organizations to help educate the public as to the need and to where we need to go in terms of where every dollar is spent. We need to do a better job and we have not done that in the last five to ten years.

AUDIENCE QUESTION: For any panelist who wants to take it, to what extent is it advantageous to put new projects into a political effort to build support for revenue increases and to what extent do those need to be taken out to show people the system is in good shape? There are some major projects on the drawing board.

RICHARD DIMINO, A BETTER CITY PRESIDENT AND CEO: It's an interesting question. What we see in the country is when transportation investments are brought to the ballot and the good work like Sen. Baddour suggested occurs and voters are educated and asked to make the decision, across the country this last election citizens have voted in favor of moving forward on transportation investments and those increases in responsibilities relative to dollars associated with their own families. I think, done correctly, those types of questions can really yield good citizen involvement and good citizen decisions. At the same time, it's important to not forget that while the economy fluctuates, dollars available for construction in this industry also fluctuate. What is important is this notion of setting aside a project until the sun comes out is really basically calling for a rainy day approach because we then fight against inflation. These projects, a moderate to major sized project, take time and take permitting time, engineering time and they need to build constituencies. There are complex issues that need to be solved. If we sit on our hands and don't take proactive time in getting the permits in place, getting the engineering done and making decisions with communities where the projects are going to be built, then when the time comes when the construction dollars are available, we will have lost an opportunity to build the infrastructure. That is why I used the word stupid earlier. We would be wasting important permitting, engineering and planning dollars.

MARC DRAISEN, METRO AREA PLANNING COUNCIL EXECUTIVE DIRECTOR: Most of the referenda are in the south and the west, the so-called red states, the places we like to think of as being anti-tax, where lots of folks are moving and which to some degree are eating our lunch economically. We shouldn't really laugh at those folks all that much. They go to the ballot box and vote to increase taxes and they vote not just to expand roadways, they are all building public transit systems at this point in time and when they go to Dick and his colleagues they can show a tremendous increase in ridership by starting at zero so they qualify for lots of federal funds. And the political clout is moving in that direction as well. So we do need to begin to move on it somehow. If

we are conservative about this and focus only on maintenance and we're doing just fine and that we will come back in five or ten years for design, we will have lost decades in the process. The senator and I may disagree about who has done more and whether or not the work should be done by the legislators or by us. That is, for any of you shaking your head about what the senator said, a false dichotomy. It is our job at Our Transportation Future and the job of everyone in this room to assume the senator is right in what he says. It is easy for me to stand here, I used to serve in the Legislature, and say we should have this vote in three months or six months. The point is we have to have it as soon as we can have it. Generating the educated understanding and that political will is what we all have to work on. If we can leave not just with those 20 organizations but those 20 organizations backed by 200 or 300 people – you and all your friends and colleagues and the people you work with in cities and towns – then we can help House and Senate members and the leaders in the administration to get closer to a point where it does become possible to consider some of these revenue issues more seriously.

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: When you build something you have an obligation to maintain it. That is just almost a moral obligation. We haven't done such a good job of that in Massachusetts. It's not very different around the country. Look at the deferred maintenance numbers nationally. If you want your state to grow and you want to support economic development and get back to a return on investment, you need to look at smart and strategic ways to expand your capacity whether it's highway or transit. We have not adopted the quote fix it first philosophy of the prior administration, which said until we have brought all of our existing infrastructure to a state of good repair we are not looking at system expansion. You never have enough money to completely maintain the infrastructure that you have built and you always make choices about maintaining what you have with the need to grow economically. One thing we have done is we have moved expansion projects forward in a very aggressive way, the transit expansion projects and the other expansion projects, knowing we don't yet have the money in place to build all of these things but also knowing if we don't do the state work now to get these projects to the point of where they are ready for construction, we are going to kill off our chances of growing in appropriate and energy efficient ways. So I would say I would fall on the line of saying that having these growth projects does expand the constituency for transportation resources. You don't want to go so far that you are sacrificing your existing infrastructure. You need both voices at the table, the voice that says fix what you've got but you can build this and we have an opportunity to grow.

RICHARD DOYLE, FEDERAL TRANSIT ADMINISTRATION REGIONAL ADMINISTRATOR: As we look at new expansion projects around the country, we first take a look at the condition of the existing system. We do a financial assessment every year of those properties that want to expand. So having sufficient support, maintaining those systems is very important as we look at some of these new systems that come before us. The other thing is even though our program has been growing and we fund new projects under the New Start category, technically we can fund at 80 federal and 20 local, there is so much demand for that money that usually we require an overmatch. A lot of properties come in just requesting 60 percent federal money. So if you really are going to compete you've got to have sufficient monies to match the federal money and also be supporting what you already have.

AUDIENCE QUESTION: Is there anyone on the panel willing to agree with me that the car should no longer be king when the state goes about designing highway reconstruction projects in cities and towns? To be specific, when MassHighway redesigns a major arterial in a city or town it faces decisions about whether to maximize auto traffic and also try to maximize bicycle use and walking use. Do you think the time has passed where the automobile should be designed to be maximum even at the expense of bicycle or walking use? Or do we have a moral obligation in the future to redesign major arterials in a way that truly is multi-modal and tries to literally maximize bicycle and walking, not just auto?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: I think it's the latter. My answer is yes, we are not going to do away with the automobile but we have definitely seen a rebalancing of the modes in terms of new projects and there is much greater recognition today that walking and bicycling are important ways that people travel and important ways to get to work and other

destinations. When you are designing a roadway project you can't do it in isolation from the other modes. There are a new set of design guidelines that were adopted a year ago. The proof will be in the pudding in terms of the implementation of the guidelines. I believe these guidelines are national leaders in terms of recognizing the need to design choices into roadway projects. I will tell you that I hear as I go around the state, I hear this probably more than any other single issue that comes up for me, which is what are we doing, how much are we paying attention to these other modes when we're designing these projects. These design guidelines, if implemented correctly, will do exactly what you're talking about.

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: I agree with the concept that we need to do more. But that is a great philosophical discussion and debate in these types of rooms. But at the end of the day, let's not forget we are talking about people and people need to get to work. Folks in Methuen can't jump on a bike path and go to Andover to work. We need to ensure we provide opportunities to people to be able to get to work. The RTA's, as much as we want and expect them to do more, can't do it all. Not all parts of the Commonwealth have great MBTA service or bus service. There are ways we need to do a better job of that. The secretary is right, the commissioner of MassHighway is doing a great job with the design manual and incorporating walking and biking. But we can't lose sight of the fact that working families still need to get to work. We can't just sort of ignore that fact and close our eyes and bang our heels and hope that the cars go away. They're not.

AUDIENCE QUESTION: I worked in Philadelphia years ago. I went to graduate school there. I proposed a system of financing for linear corridors called value capture where you develop the airspace above the facility, rent it and use the revenue to provide money for additional bonding or for operations. I was trying to sell that idea to the port authority. They didn't want the idea. I said you could put doctor's offices and brokerage offices in these buildings. They said no, no, no. I go back there now and I see cluster development now, not owned by the authority. Have we considered that at all in the financing mix?

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: I would point to a project that we have going on on the South Coast called South Coast rail looking to extend commuter rail down to Fall River and New Bedford. I would say that that may turn out to be the best example we have of the kind of thing you're talking about, which is looking at ways in which we can not start with the transportation piece, but really start with land use and economic development and see how we can organize that in a way that can create value and support the rail extension and will eventually we hope provide a funding source for the project. It won't pay for the project but it is, it is I would say the best example we have right now of looking at the nexus of land use, economic development, finance and transportation.

AUDIENCE QUESTION: There is a lot of talk about efficiencies and flaggers and restructuring, but at the end of the day the efficiencies only get us so far. Police details save us about \$5 million. The question I have is we need new revenues. Sen. Baddour, what if any proposals would you support whether it be gas tax or others?

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: Right now none. Because I don't think right now we've done a good enough job in reforming the system and going far enough in those areas in terms of reforming how we deliver our systems. I don't think the Legislature today, tomorrow, beginning of next year will vote for any increase in revenues until we take the hard lessons learned and really begin to sort of drill down and reforming and changing the way we do business here in Massachusetts.

AUDIENCE RESPONSE: Those reforms are not going to get ten percent of the way to meet even our existing need.

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: You can't get to 100 percent if the folks we represent don't want us to get there.

AUDIENCE RESPONSE: You need to exert more leadership.

AUDIENCE STATEMENT: On the issue of air rights, the turnpike goes to the New York state border. Could we not put out some development rights to do some projects where the state could make money from the air rights? There should be some revenue streams.

AUDIENCE QUESTION: It seems clear that we need to raise revenue and why not take advantage of this experiment we just had with the price of gas just shooting up. The gas tax can modify behavior. If gas prices stay high then everyone figures out a way to manage that.

BERNARD COHEN, STATE TRANSPORTATION SECRETARY: There is an issue with the gas tax in the sense that we are seeing a lot less VMT, vehicle miles traveled today than we have seen. For the first time it's actually going down. So that's point number one. Point number two is we are looking to develop a new generation of vehicles that are going to be more efficient, consume less gas, maybe move to another source. So I am not saying that the gas tax is a terrible idea. I'm not supporting it either. I am saying that the question can be raised about whether or not that's the best way to raise revenue if you are looking to continue to reduce VMT and to continue to deploy more fuel efficient cars.

AUDIENCE QUESTION: While you were talking I was doing some math. I assumed a guy driving 25,000 miles a year at ten miles a gallon, that's 2,500 gallons of gas they would buy. If you charge one penny per gallon, that is \$25. Most people in the state would be willing to fork over 25 bucks to fix the bridges. You could do that on their registration or anything. It doesn't seem like that would end western civilization.

SEN. STEVEN BADDOUR (D-METHUEN), TRANSPORTATION COMMITTEE CO-CHAIRMAN: It wouldn't end western civilization. The problem is people don't have faith in government right now. They don't believe that we're spending their money wisely. So we go there and say we want to do more and there's this uprising and an uproar and we don't hear quite frankly from constituents . . . I can tell you this, I have not heard from one – at any meeting I go to - no one stands up and says raise the gas tax. They say go further on police details. They say go further on the reforms. They don't talk about raising the gas tax.

END
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