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**3 BETS ON TRANSPORTATION INFRASTRUCTURE:
FUNDING OPPORTUNITIES TO BUILD
MASSACHUSETTS' TRANSPORTATION FUTURE**

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A Better City is a diverse group of business leaders united around a common goal—to enhance Boston and the region’s economic health, competitiveness, vibrancy, sustainability and quality of life. By amplifying the voice of the business community through collaboration and consensus across a broad range of stakeholders, A Better City develops solutions and influences policy in three critical areas central to the Boston region’s economic competitiveness and growth: transportation and infrastructure, land use and development, and energy and environment.

3 BETS ON TRANSPORTATION INFRASTRUCTURE:

FUNDING OPPORTUNITIES TO BUILD MASSACHUSETTS' TRANSPORTATION FUTURE

As the Commonwealth works to contain the COVID-19 pandemic in Massachusetts, state leaders must simultaneously identify any opportunity to rebuild our damaged economy. Public health and safety will continue to be the top priorities of Massachusetts government, but we also need a new economic recovery plan that helps the Commonwealth grow out of this recession as quickly as possible. While we wait for the federal government to act, there is already one path forward for launching a robust capital spending plan that focuses on transportation infrastructure.

At this juncture, Massachusetts must start mobilizing now to be ready for future federal infrastructure funds. Sitting back and waiting is the wrong approach— the time to act is now. If we fail to seize this moment, the Commonwealth could miss out on millions and potentially billions of dollars in future transportation investments and aid to our economy.

A Better City recommends that Massachusetts develop a transportation infrastructure action plan based on three assumptions, or “smart bets.” Acting boldly on these bets will create a powerful transportation investment strategy that delivers major economic and social benefits to the Commonwealth for decades to come. These bets present some risk, but also some gigantic rewards:

- 1** Bet the federal government delivers on major federal infrastructure funding bills.
- 2** Bet this federal bill is our best hope for a transformational infrastructure project before 2030.
- 3** Bet the federal government gives the MBTA another round of COVID-funding support.

By making all three of these calculated bets, the Commonwealth can deliver some of the major infrastructure improvements essential to our future prosperity and become a national leader for strategic vision during this pandemic.

More specifically, this strategy would enable the MassDOT and the MBTA to establish a “Transformational Moonshot Program” that accelerates design and engineering of transformational transit projects that could be funded by future federal infrastructure funds. By allocating just 10-20% of the funding already received from the federal CARES Act, the MBTA could begin this work now, positioning Massachusetts to get a head start on a dynamic and serious strategy for transportation investments and economic growth. Then, the next round of federal funding for transit agencies would be dedicated to addressing the operating budget challenges at the MBTA in the first half of 2021.

WITH LIMITED OPTIONS, WE MUST BE CREATIVE AND BOLD

The Transportation Bond Bill that is moving through the legislature will not have a substantive impact on our transportation spending, due to the lack of new revenue. The transportation bond bill that becomes law could have some important elements, but a bond bill of any size cannot adequately address our structurally deficient roads, bridges, tunnels, state of good repair needs at the MBTA, and the future capacity enchantment projects without new revenue to support increased levels of borrowing.

Speaker DeLeo and the House of Representatives showed great leadership by passing a transportation finance plan that would raise potentially \$600 million annually for transportation needs. Governor Baker also proposed new revenue for the MBTA through increases surcharges on Uber and Lyft rides. Since the Senate did not act on new revenue, unless the legislative session is extended or the transportation revenue plans are added to the final version of the bond bill, the infrastructure spending plans at MassDOT, and to some extent the MBTA, will continue to be restricted by the current limits of the Commonwealth's capital infrastructure budget. Unfortunately, the latest capital plan appears to be taking a step backwards.

Massachusetts state government is cutting back on capital infrastructure spending goals, according to the latest statewide capital plan, released on June 17th. The Baker Administration declared the state would be "pausing now on making new commitments, as the Commonwealth fights the public health crisis"¹ Instead, infrastructure spending will "focus on maintaining existing investments rather than pursuing new programs or funding sources." The total spending planned next year is still significant, but this is largely a result of ongoing projects that began before 2015 reaching their peak spending years, such as the purchase of new Orange and Red Line vehicles at the MBTA and the Green Line Extension project. New projects that are necessary for our transportation needs will either wait or will never happen, even if they are included in the bond bill.

Massachusetts should be doing more than just "pausing" on new construction projects during a recession that could last several years. This current economic downturn, highest unemployment rate in the nation, and a dramatic decline in state tax revenue will require difficult decisions for all public services, but with transportation infrastructure, our historically under-funded system will now face additional stress. MassDOT recently pointed out that "toll and other transportation revenues [are] down sharply,"ⁱ which means the Commonwealth will struggle on maintenance and state of good repair efforts for roadways in the next few years.

Even though our options are limited at the state level, the biggest opportunity for increased capital investment is through a federal government that finally delivers on a new infrastructure funding. While we have heard rumors for almost four years, there is now enough evidence to believe that a major federal infrastructure plan will actually happen.

In fact, we should bet on it.

1. Governor's Message to the FY21 Capital Spending Plan <https://budget.digital.mass.gov/capital/fy21/static/fy21capitalplanma-3123545b7f82c-9fa1844956298746ea0.pdf>

BET ON A FEDERAL INFRASTRUCTURE BILL

ASSUME A MAJOR FEDERAL INFRASTRUCTURE BILL WILL HAPPEN AND START TO GET READY FOR IT NOW

Based on recent media coverage, we know the next federal infrastructure bill won't happen before the November elections, but it is a wise bet to assume Congress will ultimately act within the next 18 months. President Trump often talks about doing a large infrastructure plan, even tweeting his goal of a \$2 trillion proposal.² This month, Former Vice-President Biden increased this infrastructure plans to now include a \$2 trillion climate and transportation infrastructure plan.ⁱⁱ Last month, the House of Representatives unveiled an infrastructure plan totaling \$1.5 trillion for highways, transit systems, broadband, clean water, and many other programs, so there are many detailed plans under development.

To understand the scale of these infrastructure funding numbers, President Obama's federal infrastructure bill from 2009—the American Recovery and Reinvestment Act (ARRA) — funded \$147 billion for true infrastructure spending programs.³ So these current proposals from Trump, Biden, and Congress are each roughly ten times the size of the infrastructure spending made available in the 2009 stimulus bill.

WITH THIS LEVEL OF POTENTIAL INFRASTRUCTURE FUNDING, WE NEED TO START PLANNING NOW

If there is potentially ten times the amount of infrastructure funding soon to be available, it would be wise for Massachusetts state government to begin working, even before the bill is official.

MassDOT and the MBTA should internally be identifying the top priorities from unfunded capital projects that we want the federal government to support in the next stimulus bill. This is perhaps the most exciting and important step MassDOT can initiate right now. It also can be done without great fanfare, because MassDOT does not need to start a new process to identify new projects. They can simply aim to fund the major, unfunded initiatives recommended by the Governor's [Commission On The Future of Transportation](#). High-priority recommendations include new investments to maintain and expand our mass transit system, making transportation infrastructure resilient to climate impacts, developing reinvented commuter rail system, and building infrastructure to support electrified vehicles.

The straightforward goal of this internal MassDOT effort would be to identify the best unfunded projects that should move forward, based on public, social, and environmental benefits. Then MassDOT and the MBTA can initiate the design and engineering work on some of these new projects using CARES Act funding. MassDOT should prioritize the most meaningful transportation improvements, specifically with enhancements to our rail, bus, and transit system, instead of the projects that are the easiest or fastest to complete.

MassDOT has already done the studies on some transformational transit projects, but these big capital projects are not designed, engineered, or ready to move toward construction. The aspirational transportation projects like regional rail and bus electrification. are identified in the long-term planning studies like [Focus40](#) and the Commuter Rail Vision⁴ but there is essentially no

2. <https://twitter.com/realDonaldTrump/status/1245000074167541761?s=20>

3. <https://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one>

4. <https://www.wbur.org/bostonmix/2019/11/21/commuter-rail-transportation-funding-massachusetts>

funding available to advance them beyond the initial study phase. This is the time to move them forward.

We should bet if we design these projects, then the federal government can fund construction.

BET ON THE FEDERAL GOVERNMENT AND SET THE STAGE FOR TRANSFORMATIONAL CHANGE

Many of the transformational projects identified in Focus40 and the Governor's Commission on the Future of Transportation report have widespread support, but lack funding. Therefore, it is time for the Commonwealth to launch a Transformational Moonshot Program, to complete design and engineering for select projects over the next two years, in order to prepare for a federal infrastructure bill that will provide funding to complete the projects. A clarity of purpose will also send a helpful signal to our federal delegation that there is an opportunity to work together on a big project. It could also improve communications with the general public and stakeholders who support these projects.

In the last year, public meetings of the MBTA Fiscal and Management Control Board suggested that dramatic transit infrastructure projects are in the pipeline, such as [The Red Blue Connector](#),ⁱⁱⁱ the electrified regional commuter rail system, all-electric bus fleet and maintenance facilities. These projects generate flashy headlines, but they are not funded in the capital spending plans in a way that would complete these projects in the next decade.

MassDOT and the MBTA can show initiative by putting design funds toward select transformational transit projects with the understanding that these projects can only advance to construction with federal infrastructure funds.

Electrification of the commuter rail system and phase 1 of the regional rail initiative are prime examples of projects that would meet the criteria of the moonshot strategy. We have studied these projects, there is overwhelming support, but the state and MBTA simply do not have the financial resources to pay for them at any time in the near future. Let's design parts of these major investments, and at least give the Commonwealth a chance to see these projects completed in the next decade.

HISTORY IS OUR GUIDE: THE FEDERAL GOVERNMENT IS OUR BEST HOPE

The biggest infrastructure projects in Massachusetts over the last forty years would almost certainly not have occurred without federal funding. The Central Artery Tunnel Project and the Cleanup of Boston Harbor^{iv} both started the economic prosperity of the metropolitan Boston region.

TRANSPORTATION PROJECTS THAT ADVANCED BECAUSE OF FEDERAL FUNDING

Central Artery/Tunnel Project
Boston Harbor Cleanup
Green Line Extension
Assembly Row Orange Line MBTA
Transit Station

We would not have the Rose Kennedy Greenway Parks, the South Boston Waterfront, or the success of Logan Airport without billions of federal infrastructure dollars. Another recent example is with the Green Line Extension project. This project likely avoided cancellation by the MBTA and the Baker Administration because the [federal government approved \\$1 Billion for it in 2014](#)^v.

We need the next chapter of major infrastructure projects now—and MassDOT should take a bold step forward and try to maximize a partnership with the federal government and our very influential federal delegation.

We could make funding available now to start these design plans, by betting the federal government is close to giving another round of unrestricted funding to the MBTA.

BET ANOTHER ROUND OF TRANSIT FUNDS WILL ARRIVE FOR THE MBTA

So how do we fund design plans and costs of the Transformational Moonshot Program, when we are in a serious recession and fiscal crisis? Funds are available at one of the places we least expect: The MBTA.

As a result of the federal CARES Act, the MBTA received approximately \$830 million to support transit systems during this pandemic. This amount is actually a larger than the transportation infrastructure funds Massachusetts received in the 2009 ARRA bill. In May, the MBTA's Fiscal and Management Control Board approved a budget plan to spend this CARES Act money gradually, over 15 months, to supplement their operating budget.

It is fair to ask if the MBTA operating budget is this the best and highest use for all of this unexpected windfall of federal aid? Perhaps some of this money can be used to support a larger goal of economic recovery and long-term fundamental change for the transit system in Massachusetts.

In fact, Massachusetts should reallocate a portion of this money to fund the Transformational Moonshot Program and also stimulate the economy by spending this money faster than currently planned.

TREAT THIS AS A WINNING LOTTERY TICKET

To make progress toward reducing carbon emissions from our transportation sector and anticipating our future statewide transit needs, the MBTA needs updated infrastructure in the rail and bus network. It is legally possible to use this funding for design and engineering costs, as the CARES Act specifically says this money to transit agencies can be used how the MBTA sees fit. Therefore, a portion of this funding should be used for advancing the big structural changes are required in our transit system.

Of course, there is an argument against using any of the CARES Act for capital projects. The MBTA needs significant new funding to support their operating budget. The agency was "[Born Broke](#)" and was expected to face a future operating deficit before the pandemic. Last year, A Better City

predicted the MBTA would run an annual structural deficit every year through 2030, which would grow close to \$300 million a year. Now, the Massachusetts Taxpayers Foundation predicts the MBTA will experience a \$400 million annual deficit in FY2022.

Nothing from the CARES Act funding alters this future reality for the MBTA. It will eventually need additional reoccurring revenue to support operations. The House under Speaker DeLeo acted through their transportation finance legislation, but without any resolution on new revenue, the larger debate on the MBTA's operating budget will still need to be resolved in the near future.

Instead, the use of this federal funding should be reexamined. This is a rare, unexpected gift and should not be treated entirely as an MBTA rainy day fund, to be spent over 15 months on the current system. Instead, some of it should be set aside for special purposes that help deliver real changes.

After the CARES Act funds run out, the MBTA will still face a large operating deficit, but will be no closer to building the infrastructure the MBTA requires to become a 21st Century system. Therefore, why not utilize some of the CARES Act money to advance transformational capital projects?

Under this alternative approach the MBTA potentially uses it up two months faster, but in doing so, this reallocation helps to put Phase 1 of the Regional Rail Vision in place to receive federal infrastructure funds. Alternatively, imagine using some of their rainy day funds to purchase the Post Office Building next to South Station to create a new all-electric bus maintenance facility that serves the region. A majority of the CARES Act funding would still be used to support the MBTA operating budget, but instead of this occurring for 15 months, it does so only for 13 months.

This more ambitious approach is worth considering. Using 10-20% of this unrestricted funding to accelerate the design of new MBTA transit projects that reduce carbon emissions and improve energy efficiency throughout the system is the answer for getting projects ready for the next federal stimulus bill.

Two years from now, which path will look better in hindsight?

REALLOCATING OF CURRENT CARES ACT FUNDS AT THE MBTA COULD ALLOW FOR

- Starting the Design Work For Phase 1 of Regional Rail Vision
- Purchasing the Post Office Building attached to South Station as an All-Electric Bus Maintenance Facility
- Building MBTA Battery
- Electric Bus Infrastructure
- Electrification of Part of the Commuter Rail Grid In
- Targeted Areas / Environmental Justice Communities

ADDITIONAL FEDERAL TRANSIT FUNDS ARE LIKELY TO ARRIVE

We may not even need to reallocate this money. We should bet another round of federal funds for transit is coming in the near future. The House of Representatives has already passed the HEROES Act that includes additional funding for transit agencies. The House bill if adopted, it would result in an additional \$500 million for the MBTA. Details on a Senate recovery bill are currently underway, and while the initial version of a Senate Republican bill did not include transit funding, a coalition in the US Senate is seeking to double the House's amount for transit agencies. The negotiations to develop a compromise plan are expected to be resolved before September 2020.

Additional federal transit funding already has broad national support, and the situation in New York is a prime driver for the federal government to act. The New York Metropolitan Transportation Authority (MTA) expected to deplete their CARES Act funding in July 2020,^{vi} Compare this to the MBTA, where our transit agency will spend their award through June 2021.

If the MBTA is in line to receive an additional \$ 500 million or possibly even \$1 billion, the money should not be reserved as a rainy day fund to address the operating budget over twelve months from now. We should be more strategic with this money. Some of this federal money, either the current CARES Act funds that are sitting at the MBTA or the potential new funding, is the missing link to igniting a transportation investment plan that can advance the unfunded projects. Hopefully the recently extended MBTA Control Board will be willing to take see the opportunity for a better long-term use of this funding. This is a winning lottery ticket and part of it should be used to catalyze long-term benefits that last longer than two years.

CONCLUSION: IT IS TIME TO BET BIG WITH THIS PLAN

The economic recovery in Massachusetts will require many different strategies and difficult choices for state government and our elected officials. There are tradeoffs and some risk behind most public policy debates. Right now, Massachusetts needs to take some calculated risks with our transportation infrastructure and the expectations for future federal funds. Building a stronger Commonwealth will require dramatic changes in our transportation system, but this is not possible without some strategic thinking, development of some ready-to-go projects, and ambitious goals. The transportation bond bill alone is certainly not enough.

By betting on a federal infrastructure bill, betting that bill is our best hope for a major new project, and betting additional federal funds will soon be provided to the MBTA, we can piece together a once-in-a-generation investment plan. Of course, these bets also work in the inverse order: If another round of transit funding supplies the MBTA with additional money, some or even all of it can be dedicated to advancing design work of bus, rail, or climate infrastructure projects. Either way, the Commonwealth ends up in the same place.

Acting on these assumptions and reallocating federal funding at the MBTA to create a Transformational Moonshot Program is our best chance to create a Commonwealth with accessible, resilient transportation system we need and all deserve. And betting on the future of the Commonwealth is a risk we can't afford to *not* take.

SOURCES

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