



THE COMMONWEALTH OF MASSACHUSETTS
**SENATE COMMITTEE ON WAYS &
MEANS**
HOUSE COMMITTEE ON WAYS & MEANS
STATE HOUSE # BOSTON , MA 02133

SENATOR STEPHEN M. BREWER

REPRESENTATIVE BRIAN S. DEMPSEY

April 5, 2013

Dear Colleagues,

As the House anticipates debate on the Joint Transportation Finance package and the Senate prepares for consideration soon thereafter, we would like to take this opportunity to offer further clarity regarding our recently announced Joint Transportation Finance package. The Senate and House have worked together to establish a basic framework for targeted statewide investment in our transportation infrastructure and programs. Given the complexity of the issue, we want to help our members communicate the main goals of our proposal – accountability, oversight, and investment – and how it differs from the plan offered in House 1.

First and foremost, the Joint Transportation Finance package prioritizes sharing the responsibilities and benefits of our transportation and infrastructure systems. They are vital components of our statewide economy, not simply a benefit for certain areas and a burden for others. While the Legislature agrees that we must address infrastructure improvements and the long-term sustainability of our transportation system, we are not ready to ask the Commonwealth's taxpayers to take as big of a risk as House 1 entails. We have a responsibility to our citizens, particularly in difficult economic times, to ensure that our tax dollars are being used as efficiently as possible. Our transportation agreement reviews vital transportation programs and asks the difficult questions – are we focusing our resources the best we can? And are we providing the highest quality of services to help our citizens achieve a higher quality of life that they can sustain even when times are tough?

Our plan funds MassDOT's and the MBTA's existing long-term capital plans. These plans include the Green Line extension and new Red and Orange line subway cars. House 1 would implement a major expansion of the transportation system without first addressing current unsound fiscal practices. Our plan stops the MBTA from using their operating budget to pay for the debt service on their capital maintenance plan, and moves MassDOT employees off their capital spending plan. This will eliminate the MBTA's chronic deficit and end MassDOT's 20 year practice of paying operating expenses with the state's credit card, at the expense of investing in roads and bridges. House 1 does not include any substantive cost efficiencies.

We also set annual benchmarks for the MBTA and MassDOT that require them to fund a certain percentage of their annual costs by harnessing their own available resources. The first things most people think of is fare or toll hikes; but that is only one of many options the MBTA and MassDOT have at their disposal. In fact, MassDOT commissioned a recent report to investigate options for own source revenue outside of fare and toll hikes. Since capital projects comprise 70% of MassDOT's funding responsibilities, capital efficiencies should be a top priority when it comes to controlling wasteful spending. To accomplish this, we have to deal with current

projects first – streamlining efficiencies and increasing accountability – before expanding into new projects.

By establishing requirements for annual own sourcing, the Senate and House transportation package holds the MBTA and MassDOT to this goal. We do not prohibit fare or toll hikes explicitly because doing so would harm the agencies’ bond ratings, limiting long-term capital investments and causing more harm than good. Our intent is to improve available revenues by requiring the agencies to enhance efficiency and transparency. Before we fund new projects, we must be sure that our current system is as efficient and effective as possible.

As a result, the Joint Transportation Finance package funds more but taxes less. The 5 year plan proposed by the Legislature will still result in transportation expansion, but over a timeframe that allows us to make smart, short-term and long-term investments. This way, unlike House 1, consumers will not bear the brunt of immediate investment when most of the investments are not yet shovel-ready. Most of the “state of good repair” investments, including the Green Line extension, are included currently in the MBTA’s capital budget. We already have to pay for these projects. The Senate and House plan finances them responsibly. Under our plan, within three years MassDOT will have \$234M of new capital capacity, plus natural cap growth. In addition, MassDOT has projected \$2.5B of natural bond cap growth over the next 10 years, which will address the large funding needs of big projects as they ramp up their construction.

Our proposal achieves the savings needed to avoid fare and toll hikes in the near term. Under current law, MassDOT may increase fares at any time to assist with operating the MBTA. The Senate and House plan does not prohibit fare hikes; it only assumes the possibility of increases identical to those assumed in House 1. The difference is that we firmly believe there are savings to be achieved *before* considering fare hikes. Our proposal provides options to achieve those savings and avoid the hikes. The Legislature’s plan closes MassDOT’s operating gap and empowers them to identify those efficiencies that will avoid forcing riders or drivers to shoulder the cost burden.

The Governor’s plan asks the taxpayer to carry the risk of his vision. Our proposal addresses critical infrastructure needs without over burdening taxpayers, who are still struggling to meet their financial needs as we slowly exit the recession. We increase funding to transportation by almost the same amount of new cash as House 1 authorizes in the first year. This will fund next year’s transportation budget gap. But it is short-sighted to consider only next year’s new spending as an indication of what a multi-year plan accomplishes. This is a better plan for empowering MassDOT and the MBTA to support important, strategic transportation projects.

This transportation finance package is not the end; rather, it is the beginning of a new legislative session of priorities. With the debate of this Joint Transportation Finance package, we initiate a conversation that will span a number of issues focused on strengthening our current investments and achieving targeted goals that will help the Commonwealth continue to strengthen an already rebounding economy.

Sincerely,



Senator Stephen M. Brewer
Senate Chair



Representative Brian S. Dempsey
House Chair