Massachusetts Taxpayers Foundation

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Committee on Bonding, Capital Expenditures and State Assets
Governor's Bridge Program
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Good afternoon, my name is Michael Widmer, President of the Massachusetts Taxpayers Foundation. I am here today to testify on House 4743, the Governor's $3 billion program to fix structurally deficient bridges.

Our bridges are rapidly deteriorating and we lack sufficient funds to repair them. This fact, reinforced by officials at the Federal Highway Administration when they rejected the state's transportation improvement plan last December, is a substantial problem.

Fixing more bridges sooner is a good idea. It's important for public safety, it's important to federal highway officials who control federal transportation funding, and it will save money by preserving bridges before they deteriorate further and end up costing more in expensive repairs.

The plan before you is a significant improvement over the original $3.8 billion proposal funded by general obligations bonds. This revised proposal has been scaled back by $800 million by removing the MBTA and Turnpike bridges. It uses grant anticipation notes (or GANs) and gas tax bonds rather than general obligation bonds, placing a hard ceiling on the amount borrowed and at a lower cost than in the original plan. The revised financial structure reduces total interest expenses by $1.5 billion. And by using GANs we invite federal government participation in the financial structure and bridge selection. These are important and significant improvements to the bill.

At the same time, the Foundation has some overriding concerns with this proposal.

The main point to emphasize is that this proposal produces no new revenues to address the $20 billion shortfall in transportation funding identified by the Transportation Finance Commission. Instead, it simply accelerates $3 billion in future spending, as shown in Table 1 in this testimony. That enhanced spending on bridges will take place between 2009 and 2014, creating a large hole between 2015 and 2030 that would average a $300 million a year shortfall between 2017 and 2021. Avoiding tough decisions about revenues today and borrowing funds from future spending simply passes our problems to the next generation of transportation leaders while stripping them of vital resources.

Table 1
Capital Spending on Transportation

	Capital Spending with Bridge Program	Capital Spending without Bridge Program	**Difference** in millions
2008	1,121	1,121	**0**
2009	1,250	1,075	**175**
2010	1,426	1,079	**347**
2011	1,750	1,164	**586**
2012	1,956	1,283	**673**
2013	1,814	1,303	**511**
2014	1,654	1,343	**311**
2015	1,333	1,384	**(51)**
2016	1,283	1,425	**(142)**
2017	1,190	1,487	**(297)**
2018	1,207	1,509	**(302)**
2019	1,224	1,552	**(327)**
2020	1,242	1,595	**(352)**
2021	1,342	1,639	**(297)**
2022	1,519	1,683	**(164)**
2023	1,584	1,728	**(145)**
2024	1,649	1,774	**(125)**
2025	1,714	1,820	**(106)**
2026	1,780	1,857	**(77)**
2027	1,847	1,915	**(68)**
2028	1,915	1,963	**(48)**
2029	1,963	2,012	**(49)**
2030	2,053	2,062	**(10)**
2031	2,087	2,087	**0**

This proposal continues the practice of borrowing against future federal highway aid begun a decade ago to help pay for the Central Artery. In 1998 policy makers began borrowing $1.5 billion in federal highway funds with a repayment schedule from 2006 to 2015 (see Table 2). Had we raised revenues then, we would have $1.5 billion in additional funds today to launch a bridge program without borrowing. Instead, we're adopting the same tactic: avoid raising new revenues, borrow from the future, and let future policy makers fix the problems we left unaddressed.

The administration's proposal, under the best case, would reduce the number of structurally deficient bridges from 543 today to 450 in eight years, a 17% reduction. However, after 2015, the state would have limited resources to address the 450 remaining structurally deficient bridges and the continued decline of thousands more throughout the state.

At the same time, because more funds are being spent on bridges the road program will suffer. As funds are shifted from roads to bridges and from future to present, resources for our roads will be sharply reduced from 2013 through 2030, precipitating an even faster decline in our roadways.

Table 2
Grant Anticipation Notes Borrowed Against Future Federal Highway Aid

	Existing GANs		**New GANs**	
	principal	interest	principal	interest
state FY	in millions			
2006	118	94		
2007	124	88		
2008	130	88		
2009	137	81		7
2010	143	74		33
2011	151	60		35
2012	159	45		35
2013	166	30		35
2014	177	20		35
2015	184	13		35
2016			150	35
2017			150	27
2018			150	27
2019			150	27
2020			150	21
2021			150	13
2022			114	6

It is striking that the program anticipates spending only $1 billion of the $3 billion through 2011. In other words, limiting this initiative to $1 billion would result in the same number of bridges being repaired over the next three years. Why authorize the state to borrow $3 billion when $2 billion wouldnąt be spent until 2012 through 2016?

The administration proposes to spend only $1 billion under this program though 2011 because the state is unable to manage a larger program. This is a significant warning sign. The administration needs to develop a centralized bridge management plan to oversee MHD and DCR, as well as a staffing plan balancing public sector hiring with private contractors to ensure sufficient expertise. It is not responsible to trust a transportation bureaucracy that has failed to deliver projects on time and on budget over the past 15 years with a new $3 billion, eight-year program without close oversight by the Legislature.

To enhance the likelihood of success and prevent wasteful spending, the Foundation makes two broad recommendations:

1. Scale the bridge program back to $1 billion over three years. There is no justifiable reason to include an additional $2 billion in authorization now for 2012 through 2016. In 2011 the Legislature can evaluate the wisdom of borrowing the additional $2 billion based on the performance of the administration to date and the specific transportation priorities and economic climate of that period.

2. The Legislature should insist on annual oversight of the bridge program to ensure the proposal achieves its stated goals. The Legislature should review a centralized management structure and staffing plan before funds are released to determine whether the administration has sufficient controls and expertise to manage this program efficiently. At the conclusion of each year, the Legislature should review the performance of the program comparing the number of bridges planned for the year against the number completed on time and on budget. The Legislature should consider adjustments to the management and staffing plans before next year's funds are released. As part of its oversight, the Legislature should also monitor implementation of recently passed reforms in the transportation bond bill which are designed to encourage speedier and less costly construction of highway and bridge projects.

In sum, we urge a restrained approach to this program to make sure that the state can manage it successfully. At this juncture the Commonwealth can ill afford to waste any taxpayer dollars.