



Massachusetts Taxpayers Foundation



Business Community's Transportation Reform and Finance Plan

Endorse all the reform recommendations in the Transportation Finance Commission's report *Building a Sustainable Transportation Financing System* and highlight the following issues:

Management Changes

1. Performance Management

- a. Put in place a strong management team that can effectively deliver a comprehensive design and construction program for the Commonwealth to manage the expanded responsibilities stemming from the accelerated bridge bill, the federal stimulus package, and new gas tax revenues.
- b. Based on an annual transportation project management plan, at least 90 percent of the milestones for each project should be achieved on time and on budget
- c. Demonstrate compliance with performance measures incorporated in the Transportation Bond Bill (Chap. 86 of the Acts of 2008, § 5), including:
 - number of projects completed, the percentage of projects completed early or on time, the percentage of projects completed under budget or on-budget, the number of projects in construction phase, and the percentage of projects advertised early or on time
 - usage information, measurements of congestion, on-time performance, incidents that have caused delays or closures
 - assessment of maintenance performance by asset class, mode and region which includes a breakdown of the condition of highways, bridges, and tracks and explanation of current and future maintenance expenditures
- d. Reporting and Accountability
 - Publish in-depth reports on agency and transportation system performance similar to the "Gray Notebook" prepared by the Washington State Department of Transportation (WSDOT) to keep agencies and authorities accountable

- e. FHWA's rejection of the State Transportation Improvement Plan (STIP) in December of 2007 coupled with no re-submission by EOT over the past year endangers future federal funding. EOT should re-submit the STIP for federal approval as soon as possible

2. Streamline the Process; Increase Competition

- Change legislation to encourage alternative procurement contracts including Design-Build-Operate-Maintain and Design-Build-Finance-Operate-Maintain. Amend state law to permit public-private partnerships and alternative procurement contracts
- Use Qualifications Based Selection (QBS) when procuring engineering and related services based on the qualifications of the firm
- Simplify and accelerate interim design review submittals to allow projects to move to construction much more rapidly than has historically occurred. Currently MassHighway requires multiple design submittals at 25%, 75%, 90% and 100% adding considerable costs and delays to projects
- Impose a single, annual audit and consistent overhead rates for vendors. When available, use the federal Defense Contract Audit Agency's audit results to establish a firm's reimbursable overhead rate and eliminate artificially low hourly rate caps on private sector firms
- Projects expected to be completed within a construction season should be released only when funding is available
- Encourage municipalities to follow state guidelines on the use of civilian flaggers at public construction sites

3. MBTA

1. Restore full management rights as set forth in the 1980 legislation:
 - To allow management to determine levels of service, terminate employees, determine levels of staffing, assign overtime, and hire part-time employees
2. Save between \$1 and \$2 billion over the next 20 years through reforms to the T's benefit structure. Recommended changes would likely include:
 - Eliminate reimbursement for retirees' share of Medicare Part B premiums
 - Make employees responsible for the cost difference between the authority's HMO plan and the more expensive PPO plan
 - Eliminate '23 and out' for current employees and make the T's annual retirement age consistent with the state's pension plan

4. Tort Liability

- Establish \$100,000 tort liability limit for all transportation authorities to be consistent with state agencies
- Eliminate punitive damage liabilities to bring the authorities into alignment with existing law for public agencies. This proposal would not change current law on punitive damages for non-tort matters including discrimination.

- Reduce pre-judgment interest rates paid by authorities to the rate set by the Commonwealth

Structural Changes

Create a unified, independent surface transportation agency incorporating the MassHighway Department (MHD), MassTurnpike Authority (MTA) including the Western Turnpike and Metropolitan Highway System, the Department of Conservation and Recreation (DCR) parkways and bridges, and the Tobin Bridge.

However, the highest priority of the administration should be to expand the state's capacity to manage an increase in transportation projects from the accelerated bridge bill, the federal stimulus package, and revenues from an increase in the gas tax. Any effort to consolidate agencies and authorities at this time would dramatically exacerbate an already over extended transportation system. Thus, consolidation proposals should be phased in over a number of years so as not to interfere with the repair and maintenance of the state's transportation infrastructure.

Revenues

As noted in the TFC's report, *Building a Sustainable Transportation Financing System*, both reforms and significant new revenues are essential to maintain our current transportation infrastructure. Falling short of the appropriate level of new revenues will lead to continued deterioration of the Commonwealth's transportation infrastructure.

1. Use 2 cents of the 2.5 cents in gas tax revenues collected for the underground storage tank fund in order to transfer MHD personnel and operations from the capital to the operating budget
2. Raise the gas tax 25 cents
 - indexed to inflation
 - dedicated to transportation
3. The new gas tax revenues should be distributed to:
 - MBTA – to reduce the debt associated with Central Artery/Tunnel mitigation commitments, provide debt relief and place the T on stronger financial footing
 - MHS – to replace the proposed \$100 million toll hike
 - Western Turnpike – to support annual capital expenditures in excess of \$50 million
 - RTAs – to forward fund, ensuring all RTAs in Massachusetts are on a stronger financial footing and better able to serve customer needs in every region throughout the Commonwealth
 - MHD – to reduce backlog of maintenance projects, ensuring that there is a regional distribution of this money throughout the Commonwealth
4. With the Western Turnpike running operating deficits in excess of \$50 million in FY 2010 and 2011, current tolls must be maintained

5. Strongly suggest investigating a sustainable system for long term financing (e.g. open road tolling system, annual vehicle mileage tax)
 - FHWA has requested the state to participate in its program to convert high-occupancy vehicle (HOV) lanes to high-occupancy toll (HOT) lanes. EOT should take advantage of the federal pilot program and convert I-93 HOV lanes to HOT lanes. HOV lanes would remain free; single-occupied vehicles would pay a toll to use the lane which could be either static (same rate at all times) or dynamic (rate varies based on level of congestion)