



# TRANSPORTATION

Where We've Been, Where We Are,  
and Why It Matters

By RICHARD A. DIMINO

**T**ransportation is a hot topic on Beacon Hill this session. Even before the governor singled out transportation, along with education, as the linchpins of his budget proposal, legislative leaders had come to grips with the fact that something needed to be done about the crisis in both the physical and financial condition of the Commonwealth's transportation network.

The seeds for the current conversation about paying for transportation were sown last summer, when the Legislature took action to help balance the books of the Massachusetts Bay Transportation Authority. The MBTA

raised fares by an average of 23 percent and cut some services, but to stave off even more drastic measures, the Legislature granted the agency permission to tap a \$50 million surplus of vehicle inspection fees.

There was a catch, however. In order to head off another MBTA budget crisis the following year, law makers instructed the board of the Massachusetts Department of Transportation to deliver a comprehensive plan assessing the needs of the transportation system and recommendations for how to pay for it. That report, which called for an investment of more than \$13 billion over ten years, with the vast majority of the funds going to maintain and repair our existing system, was delivered to the Legislature in January, just before Governor Deval Patrick's State of the Commonwealth address, in which he called for major changes to the state's tax code to raise nearly \$2 billion a year for education and transportation investments.

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The debate continues over the details—what to fund and how to pay for it. But there is general consensus about the very real challenges facing our transportation system, and the economic cost of failing to confront those challenges once and for all.

## Déjà vu All Over Again

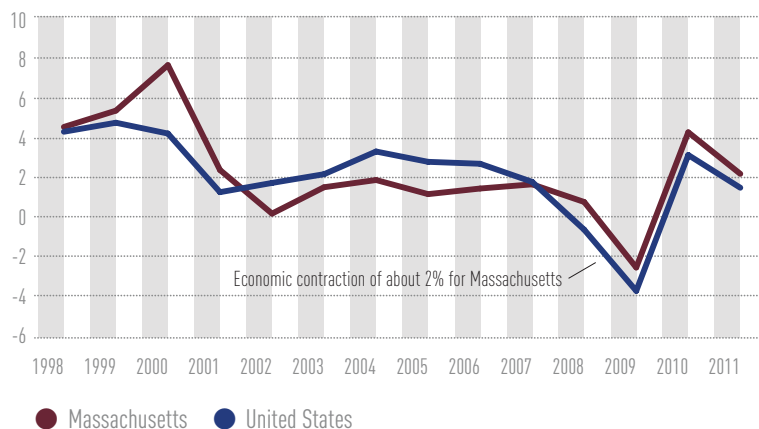
Casual observers can be forgiven for asking, “Transportation? Didn’t we fix that already?” Indeed, it was only four years ago when the governor and the Legislature passed a landmark transportation reform bill, which consolidated the state’s disparate (and not always cooperative) transportation agencies as MassDOT and mandated other efficiencies and cost savings. The mantra in 2009 was “reform before revenue”: Let’s fix the transportation bureaucracy before we give it much more money to spend.

To be fair, transportation did receive some additional funding in the deal. The Legislature balked at the governor’s proposal to raise the gas tax by 19 cents, despite the fact that the tax hadn’t been touched since 1991 and despite support among business groups, A Better City included, for an even larger hike. Instead, lawmakers raised the state’s sales tax from 5 percent to 6.25 percent and dedicated \$275 million of that amount annually to transportation. That’s a substantial sum, to be sure, but small compared to the \$15 billion to \$19 billion, twenty-year gap in transportation funding identified by the Transportation Finance Commission in 2007.

Four years later, there are positive signs that transportation reform is taking hold. MassDOT, first under Secretary Jeff Mullan and now under Richard Davey, has delivered meaningful reforms and customer service improvements. To take one example, the Fast 14 project—the replacement of fourteen structurally deficient bridges on Interstate 93 in Medford over the course of just a dozen weekends—became a national model for innovation and project delivery. As is the case with any large organization, there will be more to do to streamline operations and improve the customer experience, but the past four years demonstrate real progress. The conversation can no longer be about “reform before revenue,” but rather reform *and* revenue. Otherwise, we’ll be back here again in another four years, grappling with the same funding shortfalls.

## Massachusetts Economic Expansion vs. U.S.

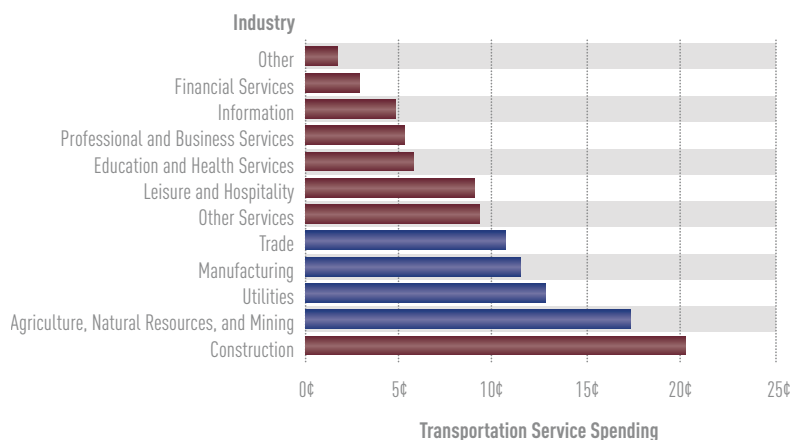
Change in Real GDP (in Percent)



Source: Bureau of Economic Analysis

## Penalty of Poorly Maintained System Felt Throughout the Economy But Hard to See

Transportation services purchased to produce an additional \$1 in the industry shown.



Source: US Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Transportation Satellite Accounts: A Look at Transportation’s Role in the Economy, Washington, DC: 2011, page 35.

## The Fix We’re in For

So what is the scope of the problem? Broadly speaking, the Commonwealth’s transportation problems stem from years of underinvestment and overreliance on debt. Those two problems, combined with the natural deterioration of our infrastructure after decades of use, manifest themselves both in the physical condition of our roads, bridges and transit assets, and in mounting red ink on the financial ledger.

**MBTA:** The T is the most prominent example of the physical and financial challenges facing the Commonwealth. One-third of Red Line cars date back to 1969, and the entire Orange Line fleet came online in the late ’70s or early ’80s. Power and signal systems on all the lines need to be upgraded so that trains can be run more frequently or, in the case of the Green Line, with

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additional cars to alleviate overcrowding. The total price tag for these needed improvements is well north of \$3 billion, a nearly insurmountable number made worse by the T's staggering debt load: \$5.2 billion in principal, \$8.6 billion with interest. Payments on the T's debt are roughly equal to the agency's payroll, and to the amount of revenue it brings in from fares.

**Regional Transit Authorities:** The T is only one of the state's sixteen regional transit authorities. The other fifteen, serving "gateway" cities like Springfield, Worcester, Pittsfield, Lowell, Brockton, and their environs, do not have the massive debt problems the T faces, but they struggle to provide sufficient service on meager budgets. Most RTAs do not provide late night or weekend service, hampering the economic prospects for those without access to an automobile. The RTAs also face a capital shortfall; the average RTA bus is older than the T's fleet.

**Highway Division:** Even if they have been less publicized, the funding gaps on the highway side of the ledger are even larger than those at the T. Whereas the T must balance its books, the Highway Department, which is part of MassDOT, has resorted to paying for basic operations and salaries out of its capital funds—essentially, using its credit card to mow median strips and pay workers. In the current fiscal year, MassDOT is capitalizing more than \$200 million worth of operational expenses, costing taxpayers far more in the long run due to interest charges. To its credit, MassDOT has been aggressive about using its bond money and one-time federal stimulus funds to address its backlog of road projects. The most prominent example is the Accelerated Bridge Program, which has reduced the backlog of structurally deficient bridges in the state by one-fifth. Hundreds of bridges will remain untouched, however, with more bridges aging into potentially dangerous condition every year.

### State Business Cost Comparison for Massachusetts and Its Neighbors

	Cost of Doing Business		Unit Labor Cost		Energy Cost		State & Local Tax Burden	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Massachusetts	124	1	117	1	169	3	99	19
Connecticut	113	4	99	24	183	2	111	8
New Hampshire	111	7	104	7	162	4	80	45
New York	110	9	97	29	146	8	142	1
Vermont	110	10	104	5	130	11	111	7
Rhode Island	102	14	92	39	150	6	109	9

Source: Moody's Analytics

Note: An index value of 100 means a state's costs are equal to the U.S. average. States are ranked out of 51 (50 states plus the District of Columbia). A rank of 1 is the highest cost; a rank of 51 is the lowest.





MassDOT has shown that \$1 billion per year is needed for the Metropolitan Highway Capital Maintenance Program, but only \$400 million is currently programmed annually.

**Local Roads:** MassDOT maintains only a small percentage of the road miles in the Commonwealth. The vast majority are controlled by cities and towns, which receive funding from the state through the Chapter 90 program. The MMA has been a leader on the Chapter 90 issue, and its recent survey of its members identified a \$362 million gap between municipal needs and the current funding level. (See story, page 21.)

Fixing the system in the near term can help Massachusetts avoid far higher costs in the future. Ten years from now, we can expect construction costs to be nearly 40 percent higher than they are today.

## Why It Matters

A recent report by the Boston Foundation and the Massachusetts Competitive Partnership, prepared with assistance from A Better City, quantifies the cost of failing to act on this issue at between \$17.7 billion and \$26 billion. (See story, page 14.) In the long term, the total cost of deferred maintenance and lost productivity dwarfs the upfront investment needed to maintain the system.

Massachusetts is already beginning to feel the effects. The Texas Transportation Institute ranked traffic congestion in the Boston metro region fifth worst in the nation. In 2001, traffic congestion cost the average Boston driver more than \$1,000 in lost time and fuel. By 2030, these travel time losses are expected to cost the Massachusetts economy between \$11 billion and \$14 billion annually.

On the flip side, the state's robust transit systems can help the Commonwealth capitalize on the national trend back toward urban living, but only if our transit systems can keep up with demand. A 2012 report cosponsored by the Urban Land Institute and A Better City found that real estate development in the urban core and around transit stations will increase demand for transit at the same time that key parts of our central subway system are already nearing capacity.

Improving transportation can also help the Commonwealth overcome one of its other competitive disadvantages: the high cost of housing. Better transportation options can reduce travel times and expand job regions. Connecting our Gateway Cities to Boston via commuter rail, for example, could make them a more feasible option for residents looking for the benefits of city living at a lower cost.

Ultimately, transportation impacts the Commonwealth's ability to compete with other states, as well as internationally, for jobs and companies. From 2011 to 2012, Massachusetts dropped from sixth to twenty-eighth in CNBC's rankings of top states for business. Why? Our ranking for infrastructure plummeted from twenty-ninth to forty-fifth.

Other American cities are choosing to invest in their transportation infrastructure to attract companies and workers. Charlotte, North Carolina, built a light rail system, as did Denver, Colorado, which is also building a commuter rail system through a public-private partnership. Even car-centric Los Angeles is betting on transit; in 2008, residents voted to tax themselves to fund a massive expansion of the subway system there.

Massachusetts has a head start on many of these communities, but unless we continue to invest in our aging infrastructure, we risk falling behind. 🌟