

Some of the Boston Region's Most Critical Roads and Bridges Are the Responsibility of the Department of Conservation and Recreation (DCR), Which Does Not Have the Resources to Properly Manage Its Transportation Assets

The main priority of DCR is parks, not parkways. The result is that DCR roads and bridges are in seriously poor condition. This is critical because DCR's roadways carry high volumes on some of the Boston region's most critical links – Storrow Drive, Soldiers Field Road, the Longfellow Bridge, to name a few.

DCR oversees a transportation network that includes 275 centerline miles of urban parkways and 187 bridges, including all Charles River crossings within Boston, Watertown, Cambridge, and Somerville. Unlike other agencies with transportation oversight, DCR has little technical expertise related to managing these transportation assets. In fact, in 2000 \$50 million of MassHighway bond funds were allocated to DCR for use on DCR's bridges. But, as of 2007, only \$19 million has been spent.

In recognition of this problem, DCR has transferred responsibility to repair seven bridges to MassHighway, which has the expertise to carry it out. However, MassHighway took on these new responsibilities without the dollars needed to actually do the projects, putting the DCR bridges in direct competition for funds with MassHighway bridges. In addition, these major projects are just a fraction of DCR's transportation portfolio and today DCR retains responsibility for numerous critical links in our transportation web.

The Massachusetts Turnpike Operates at a Deficit

A series of decisions regarding the funding of the CA/T project, combined with the Turnpike Authority's deficit-masking financing techniques and the Commonwealth's toll discount mandates, have established a precarious financial profile for the Massachusetts Turnpike.

The Western Turnpike (I-90 between the New York border and Route 128) and the Metropolitan Highway System (I-90 east of Route 128 along with the Sumner/Callahan/Ted Williams Tunnels and Central Artery facilities) are run as separate financial entities, and as such have different issues and concerns. They are discussed separately below.

Metropolitan Highway System (MHS) Burdened by Payments to CA/T Project

When additional funding was required to pay for the escalating cost of the CA/T project⁵ starting in 1999, the state turned to the Turnpike Authority to cover a significant share of the shortfall. In addition, the Commonwealth committed existing funding, including a portion of license and registry fees, but chose not to raise new revenue. Massport, which is a major beneficiary of the CA/T project, was asked to make a limited contribution (\$365 million). In total, the Turnpike Authority is paying \$1.8 billion of the CA/T project cost, with about \$1.4 billion of this funded through debt. In addition, the Authority has been legislatively mandated to operate and maintain the CA/T project facilities upon their completion – at a projected cost of over \$35 million per year (plus annual inflation).

MHS tolls will be used to pay off the \$1.4 billion in CA/T-related debt over the next 30 years, as well as the annual operations and maintenance expenses and future capital reinvestment needs.

State Contract Assistance for the MHS is Not Sufficient

When the Turnpike Authority borrowed additional funds in 1999 to finance its share of the CA/T project, two steps were taken to delay and minimize toll increases in the early years. First, the debt was structured in a way that it increased over time, in line with scheduled MHS toll increases in 2002, 2008, 2014, 2020, and 2026. The Authority also pledged to bondholders a future stream of annual “contract assistance” payments from the state. The Commonwealth agreed to pay up to \$25 million per year for the operation and maintenance (O&M) of the nontolled Central Artery (I-93) and Central Artery North Area (CANA) tunnel. The Authority, in turn, pledged these annual contract assistance payments to the bondholders to help fund a portion of the annual debt service cost.

There are two primary concerns with this contract assistance agreement. First, the operating and maintenance cost reimbursement from the state is legislatively capped at \$25 million per year – although the projected cost to operate and maintain the Central Artery and CANA is expected to far exceed this amount over time. Second, because the contract assistance payments are used to pay debt service on prior borrowings for the CA/T project, MHS tolls are effectively paying for all operating and maintenance costs associated with the nontolled Central Artery. As a result future MHS toll increases need to assume the growing cost of Central Artery operating and maintenance costs above the \$25 million cap. This leaves fewer toll dollars available for maintenance and capital reinvestment of the tolled highway and tunnel system over time.

⁵ This report does not take into account any potential cash flow issues that may arise in connection with the completion of the Central Artery Tunnel project, nor does it take into account additional financial exposure to the Turnpike Authority or the Commonwealth arising from the July 2006 incident in the I-90 Connector tunnel, and the subsequent stem to stern engineering reviews of the MHS. As of the publication of this report, Phase 2 of the stem to stern review has not been completed.