



# Facing the Future



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A Texas BBQ in  
Boston?

No, people are stupid...





... especially in snow.

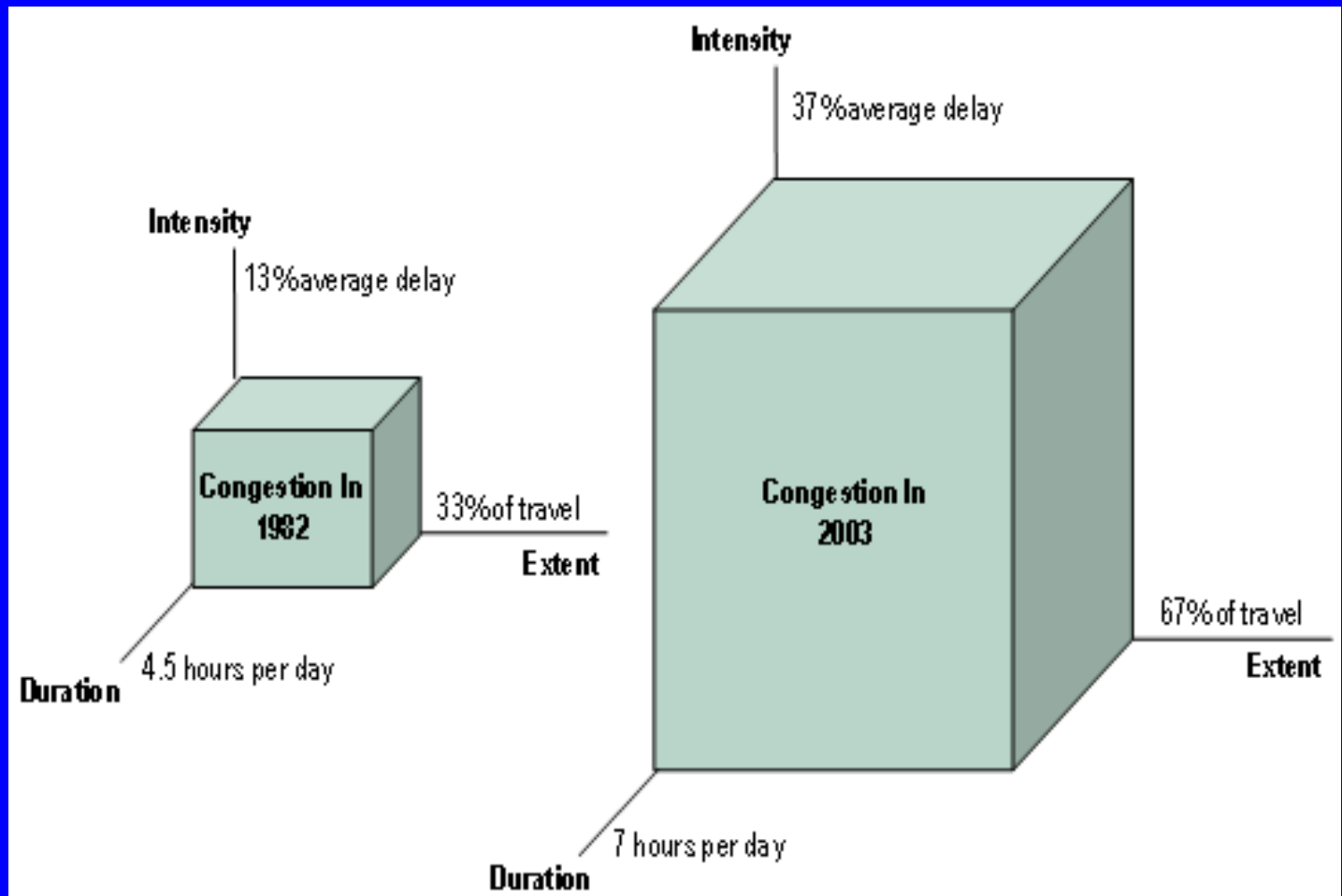
And especially about transportation.



# Growing Congestion

Increasing demand + limited new capacity = congestion

**Growth in  
weekday  
peak-period  
congestion  
in largest  
cities**

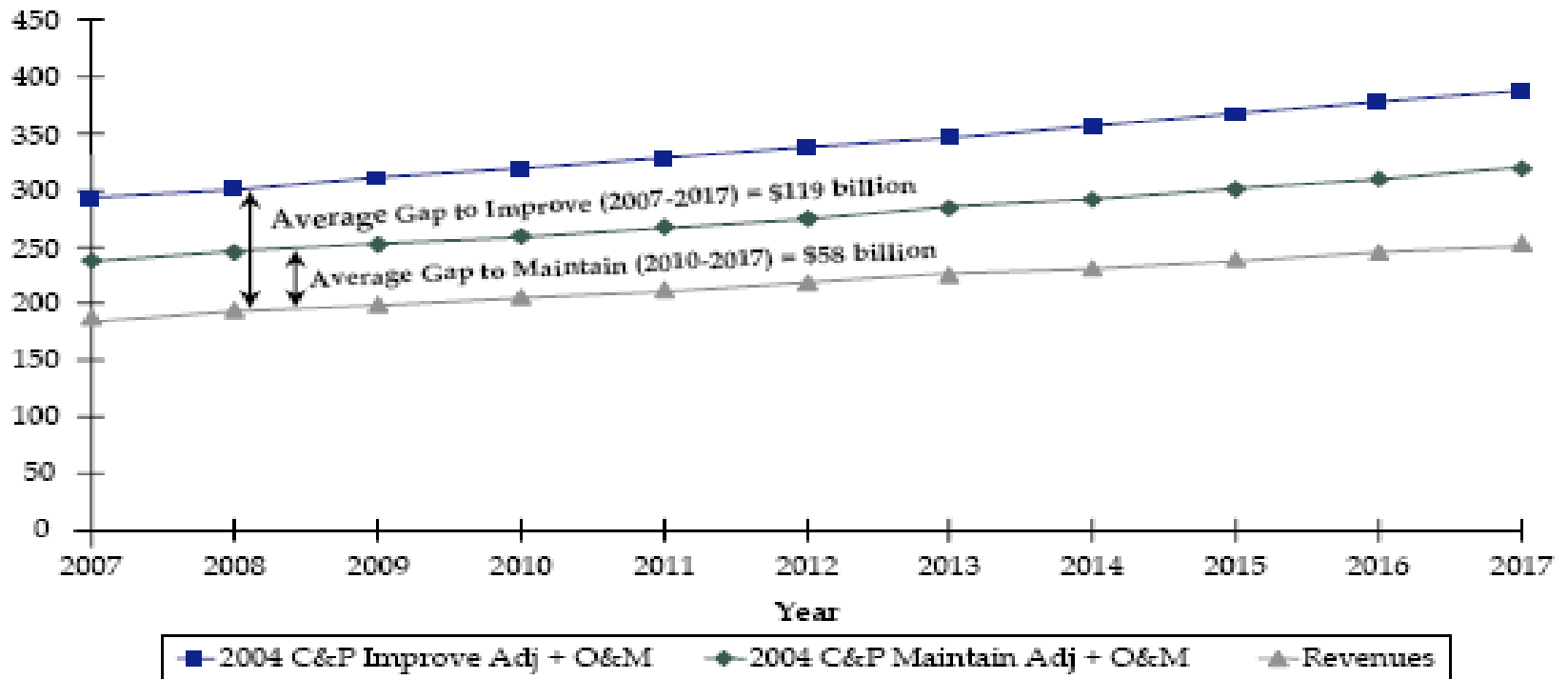




# Funding Gaps

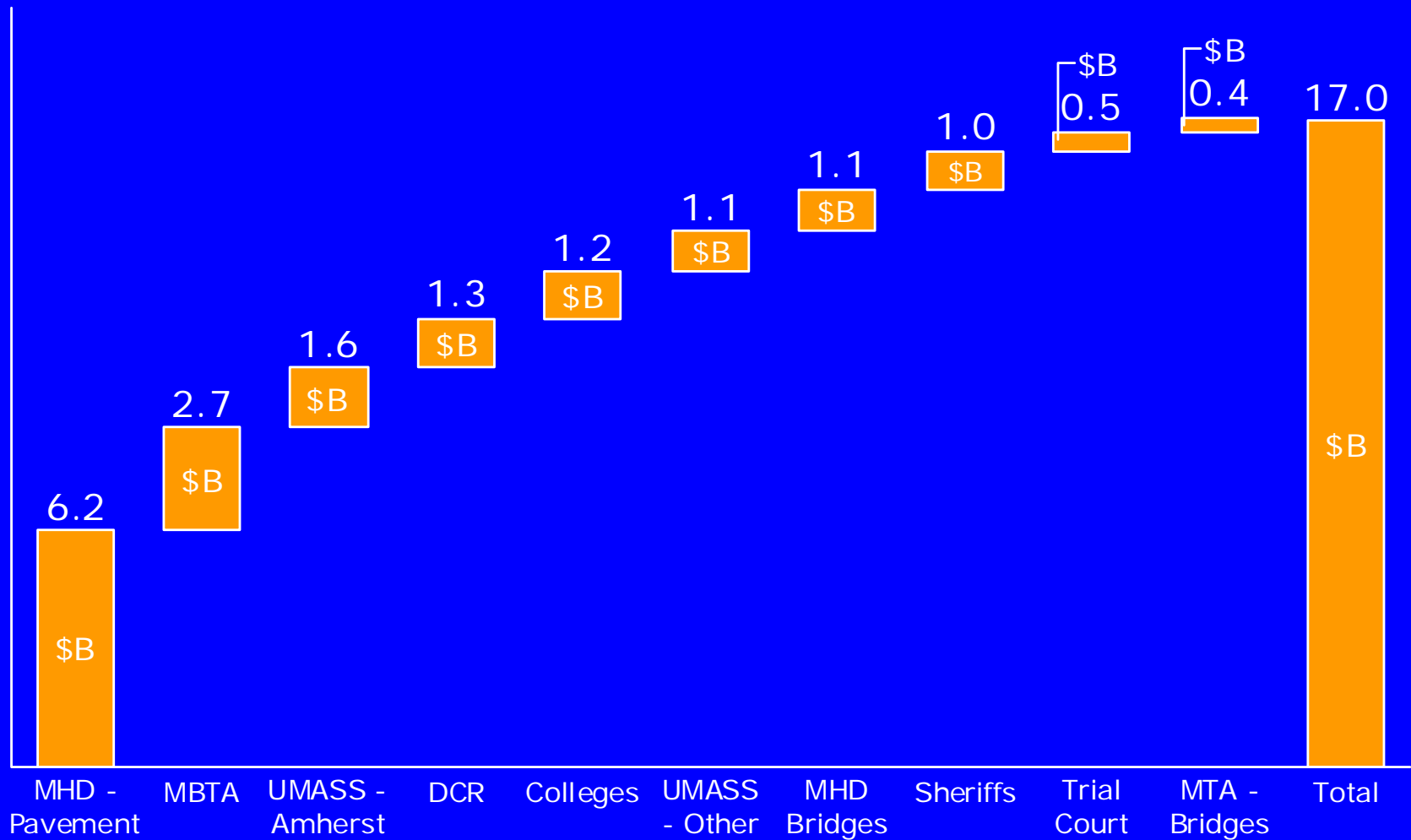
Figure 2.9 Highway and Transit Needs and Revenues  
2004 C&P Adj + O&M

Year of Expenditure Dollars (in Billions)





# Maintenance Backlog: the Mass. Example





## The Context

- Increasing demand + limited new capacity = congestion
- Acknowledgement of a significant gap between projected resources and perceived need
- Concerns over maintenance

**Caveat: Even simple political reality suggests the solution cannot simply be higher taxes.**  
**We must change the way we do business.**



## Solutions for the Future

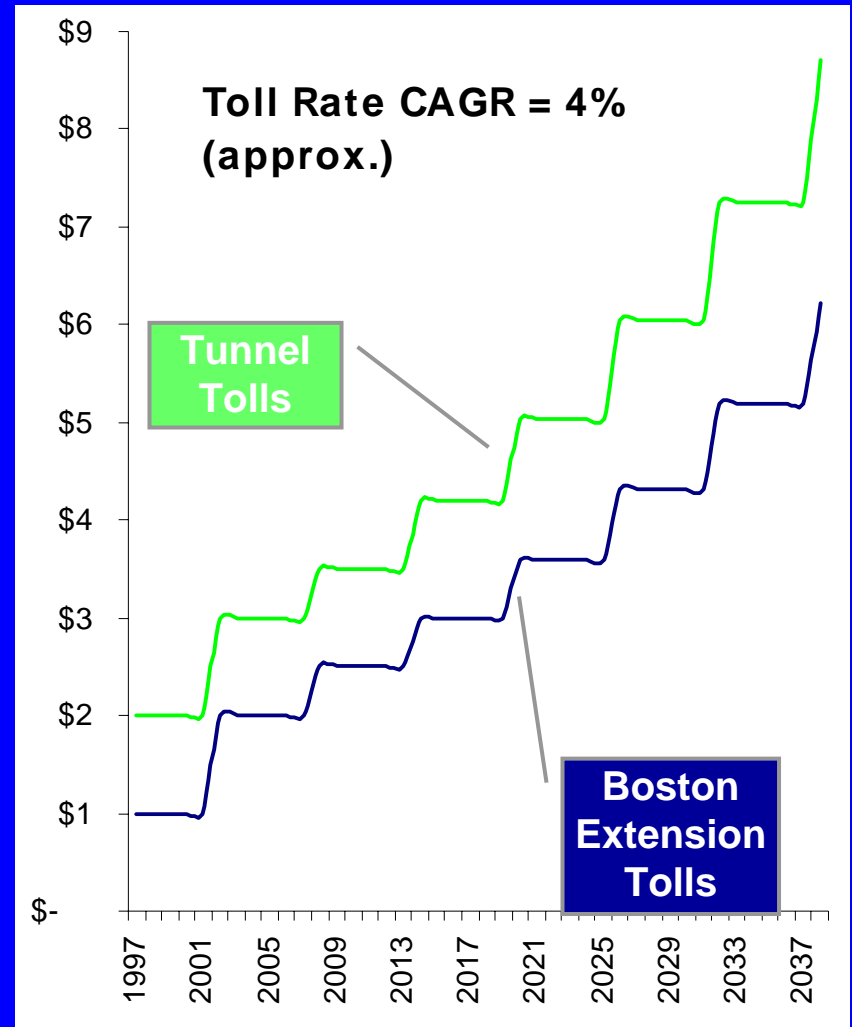
- Innovative Finance
- Reform of Maintenance Practices
- Technology





# Innovative Finance: Moving Beyond Toll Increases

- Tolling is a public policy decision and not necessarily linked to privatization.
- The graph is of current toll plans for publicly-run turnpike in MA.
- The market will price in tolling schedules and restrictions.
- What is the priority? Toll rates, design control, upfront payments, long-term O&M, other?



Source: May 2006 UBS Presentation



# Innovative Finance: It's Not a Binary Decision



Source: FHWA, Case Studies of Public-Private Partnerships in the U.S., July 7, 2007.



## Deferred Maintenance

Case Study on Longfellow Bridge: Two maintenance projects in the bridge's 100 year life -- \$2m in 1959 and \$3.2m in 2002

- Will cost at least \$200m to fix
- A yearly investment of 1% of asset value over its life would have saved \$80m and improved service.

What caused the neglect of these state assets?

- Unwillingness to prioritize maintenance over new projects
- Diffusion of responsibility for assets across the public sector
- Incentives that discourage spending on maintenance



# Maintenance Solutions

## Measure

- Develop a single, comprehensive maintenance report (WA state)
- Implement the GASB 34 modified method (Numerous)

## Budget

- Establish a Maintenance Reserve Fund (Missouri)
- Include 2% of capital asset replacement value in agency budgets
- Create a State Infrastructure Bank (Numerous)
- Add covenants to GO bonds to force maintenance spending
- Use life-cycle costs to plan projects

## Execute

- Reverse existing disincentives that discourage maintenance
- Reward agency managers for good maintenance practices



## **Solutions**

It will take new revenue, but money's not a solution...

### **Reform First**

- Maintenance
- Project Planning
- Accountability

### **Innovate**

- Finance
- Technology

### **Additional Revenue Last**

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