



## **Regarding the Governor's Deficient Bridge Repair Proposal**

by **Jim Stergios**

**Testimony to the Joint Committee On Bonding, Capital Expenditures And State Assets**

**Wednesday, June 4, 2008**



Thank you to Chairman Montigny and Chairman Flynn and to the Committee members for the opportunity to testify today. I am Jim Stergios, Executive Director of Pioneer Institute.

I am pleased to come before you today and offer our support for House 4743, the Governor's proposal to fix structurally deficient bridges. Although the proposal is not perfect, we believe that the Governor and his staff have worked proactively to remedy some of the original proposal's shortcomings. Given concerns raised in our recent testimony on other issues, I am happy to be appearing before you today in support of the proposal.

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**“...fixing hundreds of decaying bridges sooner rather than later avoids the effects of construction inflation.”**

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This proposal correctly notes that fixing hundreds of decaying bridges sooner rather than later avoids the effects of construction inflation. These bridges will have to be fixed with borrowed funds at some point, and borrowing now to fix these assets before they fall into further (and more costly) disrepair is the preferable option. As our recent research on the

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*Jim Stergios is Pioneer's Executive Director. Prior to joining Pioneer, he was Chief of Staff and Undersecretary for Policy in the Commonwealth's Executive Office of Environmental Affairs, where he chaired the Water Policy Task Force and drove the Secretariat's efforts on land protection, smart growth, and regulatory and permit reform. For the Office for Commonwealth Development, he spearheaded urban revitalization strategies and the development of Commonwealth Capital. His prior experience includes teaching at the university level and founding and managing his own business. Jim graduated summa cum laude and holds a doctoral degree in Political Science from Boston University.*

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Longfellow Bridge and maintenance backlog points out, it's far more costly in the long run to defer maintenance than it is to properly maintain assets.

In reviewing the initial proposal, Pioneer had several major reservations. We believed that overall debt levels were too high, ongoing maintenance must be kept up, and federal aid must be maximized.

We congratulate the Administration for its work to improve this latest proposal by reducing the overall size of the package, providing for funding of maintenance, and consulting with federal funding agencies. The current bill is an improvement on the original proposal and worthy of your support.

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In the spirit of constructive criticism, we put forward several suggestions for your consideration—suggestions that we believe could further strengthen the bill. First, we continue to be concerned about the high debt levels of the Commonwealth and urge the Administration to pare back its existing capital plan. Furthermore, we urge this committee to continue its strong oversight of the stated policies regarding the terms of debt. We want to avoid a situation where the pursuit of specific debt service payment levels causes this Administration or future administrations to needlessly extend the term of debt.

Second, we encourage the Administration to build on the accountability and transparency reforms contained in this year's Transportation Bond Bill by providing for separate reporting of projects funded by this proposal. A key part of restoring the state's credibility around transportation spending will be demonstrating that these funds are properly and effectively spent.

Third, we are concerned about the impact of this extraordinary period of funding on the long-term budget of the Executive Office of Transportation and MassHighway. The Administration has stated

its intent to perform all these projects solely with in-house oversight. We certainly agree that MassHighway needs sufficient in-house staff to properly oversee and manage the projects. This need was demonstrated in the lax oversight of the Big Dig. We question, however, three aspects of the plan to “bulk up” engineering expertise within MassHighway:

We question the ability of the Commonwealth to staff up with skilled engineers in the time period in question. From personal experience, during my tenure at Environmental Affairs, DCR found it excruciatingly difficult to recruit a new cadre of high-quality engineers. I am skeptical that we can recruit and retain the 75 to 150 engineers needed to perform this work, and I further believe that we will set off an upward bidding process if we attempt to do so.

We question whether we can hire the engineers in an abbreviated time period and note that if we wait to hire all of these engineers before we begin work, we will be putting the merits of this proposal, which lie in speedy maintenance of numerous bridges, in jeopardy.

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I would also ask, politely, what we are going to do with the bevy of engineers after the eight years of projects are done. We already fund almost all of MassHighway's payroll out of bond funds, so we should be careful not to compound the error.

My fourth and final suggestion is that we leave the door open for forms of public-private partnerships that create value for the Commonwealth. I am concerned that certain of the planned bridge projects have the potential for serious cost escalation. Big Dig-like cost overruns will irreparably damage the future for transportation infrastructure funding in Massachusetts, and be a political liability as well. To the extent that public-

private partnerships can allow us to redistribute risk to those most able to bear it, we should be open to considering them.

We see value in public-private partnerships, properly considered and implemented. We do not see this ideologically, or believe all projects should be delivered through these means. Done wrong, they can be expensive failures. Done right, they can add significant value. For example, taking a class of bridges, packaging them up, and bidding them out to firms could save money, time and lead to a better end product. We have research coming out in September on the failures and successes, and the lessons to be learned, from public-private partnerships that we would be pleased to share with this committee.

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Those are our reservations about a bill that we are supportive of in general. We appreciate the Administration’s openness to our previous criticisms and for their responsiveness in addressing them. I would be remiss if I did not single out Undersecretary Jay Gonzalez for his work on this proposal and his openness to incorporating input from others.

Pioneer shares the Administration’s prioritization of maintenance as an important step in addressing our infrastructure needs. We are pleased to endorse the Governor’s proposal on deficient bridges.

Thank you to the Committee for your time and attention.



**PIONEER INSTITUTE**  
PUBLIC POLICY RESEARCH

85 Devonshire Street, 8th Floor, Boston, MA 02109  
T: 617.723.2277 F: 617.723.1880 | [www.pioneerinstitute.org](http://www.pioneerinstitute.org)