



Transportation Reform - Year 1

Transportation Finance Commission Scorecard
&
Cost Savings Summary

Original Publication: November 12, 2010

Updated Publication: December 17, 2010

Introduction

In 2009, the Legislature enacted and Governor Patrick signed into law “An Act Modernizing the Transportation Systems of the Commonwealth¹” creating the Massachusetts Department of Transportation (MassDOT). MassDOT represents monumental, epic reform of how transportation services and programs are delivered within the Commonwealth. As an independent authority, MassDOT provides management, operation and, in partnership with the Commonwealth, financing of our highways, local roads, train networks, subway systems, bus routes, public use airports and regulation of motor vehicles. Prior to 2009, our transportation network was under the control of autonomous state agencies and authorities that were often making inconsistent policy decisions and were at odds over scarce resources. Now, these assets are under one transportation agency dedicated to safety and excellence in customer service with the goal of becoming the best transportation organization in the United States.

Over the past year since the Act went into effect, MassDOT has focused on reforming the business of transportation, seeking efficiencies, cost savings and improving collaboration by reorganizing the bureaucracy of state government. Many of the reforms undertaken by MassDOT and proposed in the Act are not new ideas. These reforms were discussed in many venues, notably the 2007 Transportation Finance Commission (TFC) and other blue ribbon committees that were empanelled over the past twenty years to study and provide recommendations on how to improve transportation within the Commonwealth. In particular, the Transportation Finance Commission’s role as an independent, non-partisan body to examine and evaluate the financial health of the Commonwealth transportation agencies and authorities was vital in shaping recommendations that informed the creation of MassDOT. Without the Act’s fundamental changes to the organization and financing of transportation, many of those initiatives and reforms could not have been accomplished.

MassDOT is moving towards a culture of transparency with a commitment to repairing distrust the public has towards transportation agencies. This document provides a scorecard against twenty-two reforms proposed by the Transportation Finance Commission as well as an accounting of savings that have been achieved in the first year of the department. Cost savings are a critical part of our reform efforts, demonstrating our commitment to the public that transportation projects and funding can be managed appropriately. This document is the definitive statement on year one efforts. In addition to the reforms and savings outlined in this document, MassDOT has undertaken many other activities to implement the Act, to improve customer service and become more efficient in order to better serve the public. These reforms have been published at <http://www.massdot.state.ma.us/main/MassDOTAccountabilityandTransparency.aspx>.

As we move into year two, MassDOT will continue to seek more savings, efficiencies and continue to reform the way in which we govern and manage our transportation infrastructure in an effort to secure the public’s trust. To this end, this document marks the end to the first chapter of transportation reform in the Commonwealth by noting our progress in achieving significant cost savings and making progress towards the TFC

¹ Chapter 25 of the Acts of 2009, as amended by Chapter 26 of the Acts of 2009 (the “Act” in this document)

recommendations. Transportation reform is not done – *it has only just begun*. When MassDOT is recognized as the national leader in transportation and has regained the public’s trust, reform will be considered complete. Until that day, the organization will remain committed and focused on its mission.

MassDOT Reform Savings

As independent authorities of the Commonwealth, MassDOT and the MBTA continue to aggressively identify and execute opportunities to reduce costs made possible through the Act. This document provides an overview of initiatives that have been implemented by the Administration, with over \$100 million in anticipated, annualized and one time savings from these efforts. Included are the results of major reform goals such as the standardization of health care benefits for all transportation employees and retirees as well as smaller reforms based on the sharing of resources and best practices made possible through an integrated workforce. As reflected in the FY11 MassDOT and MBTA budgets, through reinvestment in core services and maintenance, reform has changed the way transportation services are delivered in Massachusetts.

The following is a summary of the reform savings achieved to date. MassDOT’s goal is to provide uncomplicated, accurate and informative explanations on the savings achieved by reform activities completed over the past year.

Number	Reform Initiative	Estimate	Scope
Lower Borrowing Costs			
1	Swap Termination Avoidance	\$261.0 million	One time
2	Metropolitan Highway System Debt Restructuring	\$38.0 million	Annual
Health Care			
3	Transfer of MBTA Employees & Retirees to GIC ²	\$32.0 million	Annual
4	Transfer of former Turnpike Employees & Retirees to GIC	\$5.1 million	Annual
Payroll and Personnel			
5	MassDOT In-Sourcing Services	\$2.7 million	Annual
6	MassDOT Payroll Savings (reduction in force)	\$2.7 million	Annual
7	MBTA Payroll Savings (reduction in force)	\$6.6 million	Annual
Best Practices and Efficiencies			
8	Flaggers & Traffic Management	\$15.5 million	\$7.75 million per year saved since 2008.
9	Salt & Snow Removal Contracts ³	\$9.5 million	Annual
10	511 Information Service	\$5.7 million	\$4.5 million one time; \$1.2 million

² Savings will be fully realized in fiscal year 2012 after the expiration of applicable collective bargaining agreements. Implementation may be delayed by ongoing litigation. The savings estimate assumes litigation does not delay implementation of the law. \$2 million has been saved since the passage of the Act. Estimates were provided by the Executive Office for Administration and Finance.

³ Does not include all savings realized through efficiencies made possible by changes in operations that will be measured during the 2010 – 2011 snow season.

Number	Reform Initiative	Estimate	Scope
			annual
11	MBTA Vendor Contract Renegotiations	\$4.8 million	\$4.8 million realized since 2009. A total of \$10.2 million in savings is projected through FY16.
12	MassDOT IT Vendor Contract Renegotiations	\$1.0 million	Annual
13	Toll Road Money Counting Services	\$500,000	Annual
14	MassDOT Vendor Contract Renegotiations	\$565,000	\$303,000 saved in FY10; \$262,000 in FY11. One time
15	Aeronautics Division Rent	\$131,000	\$56,000 in FY10; \$75,000 in FY11. Annual
16	Contractor Payment Website	\$81,000	One time
Total Savings⁴		\$124.9 million	

Lower Borrowing Costs - \$261 million payment avoided; \$38 million saved

The ability to borrow with the backing of the Commonwealth has improved MassDOT's bond ratings resulting in lower borrowing costs and significant savings.

1. \$261 million in transportation costs were avoided as a result of transportation reform legislation and the Patrick Administration's direct negotiations with UBS prompting an upgrade of the former Turnpike Authority's bond rating. The upgrade allowed the Commonwealth to avoid a \$261 million termination payments associated with high risk financial deals – so-called 'swaptions' – that were entered into by previous Administrations.
2. \$38 million was saved by refunding \$1.8 billion in former Massachusetts Turnpike fixed and variable rate bonds; the result of which will be lower borrowing costs for the department. The savings result from reducing the cost of funds (primarily interest and arbitrage) from 9.6% to below 6%. Wall Street's confidence in the department grew as Fitch Ratings upgraded MassDOT's long term bond rating to "AA-" from "A". Fitch reported that the impact of transportation reform along with Commonwealth financial assistance means MassDOT "now has a larger window of financial flexibility than has existed in the past decade." Moody's Investors Services also upgraded MassDOT's long-term bond ratings to "Aa3" from "A1".

Health Care - \$37.1 million in savings

The transfer of employees to the Group Insurance Commission (GIC) as a result of transportation reform dramatically reduces the cost of employee benefits, yielding significant long-term savings. The savings are calculated by comparing the difference

⁴ Total does not include one time savings achieved through Swap Termination Avoidance.

between GIC rates and current rates and enrollment of the MBTA and former MTA health plans. This includes premium increases anticipated from the carriers prior to joining the state's health insurance program.

3. \$5.1 million in anticipated annual savings by transferring 2,065 former Turnpike and now current MassDOT employees, retirees and survivors to the state GIC health plan. These savings are primarily the result of using more cost efficient GIC plans for active employees and raising the active employee contribution rate from 15 percent to 20 percent.
4. \$32 million in anticipated annual savings (when fully implemented in FY2013) by moving more than 12,000 MBTA employees, retirees, and survivors to GIC health, pending resolution of legal challenges raised by employee unions. These savings are primarily the result of using more cost efficient GIC plans for both active employees and retirees, raising the active employee contribution rate from 15 percent to 20 percent and requiring a standard 15 percent contribution from retirees.

Payroll and Personnel – \$12 million in savings

By rethinking its workforce, MassDOT is staffing more efficiently and saving money while maintaining safety and customer service. MassDOT continues this effort and is currently conducting a fundamental review of every position in the organization.

5. \$2.7 million saved by "in housing" services. In 2009, MassDOT hired 70 new maintenance staff at a cost of \$3.3 million. This allowed the department to cancel \$6.1 million in contracts for mowing and other routine maintenance services, resulting in a net savings of \$2.7 million.
6. \$2.7 million in FY10 payroll savings (when compared to FY09) at MassDOT through manager furloughs, changes in work rules, voluntary retirements and workforce reductions. The reduction in the department's workforce is after taking into account hires for the Accelerated Bridge Program, American Recovery and Reinvestment Act and other critical programs. These savings will annualize into FY11.
7. \$6.6 million in annual payroll savings through FY11 at the MBTA made possible by the following initiatives that have reduced headcount:
 - o \$3.4 million in savings from personnel reductions unrelated to bus, train service or safety.
 - o \$1.7 million of savings due to a 20% reduction in customer service agent deployment at low ridership stations and during non peak service times.
 - o \$1.5 million in savings resulting from single person train operation on the Orange Line.

Best Practices and Efficiencies – \$37.9 million in savings

MassDOT and MBTA leadership and employee groups continue to scour the agency and take steps to be cost effective in other day-to-day decisions. Here is a sampling of completed initiatives:

8. MassDOT has avoided an estimated \$15.5 million in traffic mitigation costs since 2008, and is saving an estimated \$7.75 million annually. The savings are created by MassDOT's ability to have flaggers on site during actual construction, and thus avoiding the costly 4-hour mandatory minimum overtime requirements found in most police collective bargaining contracts.
9. \$9.5 million in snow and ice costs will be avoided in FY11 through smarter procurement of salt and management of vendors. A joint team of MassDOT and Commonwealth procurement and operations specialists negotiated new contracts with salt vendors that resulted in a 30% decrease in the per ton cost of salt from the previous fiscal year. Additional savings will be realized through improved deployment and monitoring of vendors hired to clear roads.
10. By partnering with a Massachusetts 'new media' messaging company for the delivery of MassDOT's 511 real-time traveler information phone service, MassDOT has realized a \$4.5 million one-time savings and will achieve \$1.2 million in annual savings.
11. \$4.8 million of savings since fiscal year 2009 at the MBTA after requesting all vendors to provide price concessions. In total, the MBTA is estimated to save \$10.2 million through fiscal year 2016 by renegotiating prices with vendors.
12. \$1 million saved as MassDOT negotiated lower rates with Information Technology contractors.
13. \$500,000 saving by the MBTA taking over money counting operations and armored car services at MassDOT. Prior to the Act, the former Turnpike outsourced money counting and armored car services needed to transport cash across the state. The MBTA now provides this service at a much lower cost.
14. \$303,000 in savings at MassDOT through renegotiation of contracts with vendors in FY10. These renegotiations will save an additional \$262,000 in FY11.
15. \$131,000 was saved since fiscal year 2010 by moving the Aeronautics Division offices from leased space at the State Transportation Building to free space at Massport.
16. \$81,000 was saved at MassDOT by using a web interface for construction contractors to view and print payment invoices instead of using certified mail and by cancelling a maintenance agreement for software that was no longer required post integration.

Transportation Finance Commission Scorecard

In 2007, the Transportation Finance Commission recommended a series of twenty-two reforms in the delivery of transportation services. The following scorecard provides information on the status of each reform recommendation and the steps MassDOT has either completed or is in the process of completing to make this reform a reality. Where appropriate, it is also noted which reforms have not been implemented and why. To date, twelve (54 percent) of the twenty-two recommendations have been completed. Another eight (36 percent) are in progress. MassDOT has completed or is in the process of completing 90 percent of TFC’s recommendations.

Legend:



Reform completed











Reform in progress













Reform not authorized or started


Principle	TFC Reform Recommendation	Status	MassDOT Comments
1	Road and bridge investment should be selected and advanced based on rational criteria		In fiscal year 2010, both MassDOT and MBTA published Capital Investment Plans (CIP) as well as federally mandated State Transportation Investment Plans (STIP), which are approved through the Metropolitan Planning Organization (MPO) process. These documents reflect the work of hundreds of professionals that evaluate state, regional and local transportation priorities within a criteria based selection process that is fiscally constrained. MassDOT and MBTA are jointly developing a new management software program to track the health and condition of all assets.
2	The Executive Office of Transportation and Public Works (EOTPW) should utilize alternative procurement methods and Public-Private Partnerships (P3s).		Both the Act and the Accelerated Bridge Program allow MassDOT to use alternative procurements such as design / build or private-public partnerships (PPP) to deliver projects on time and under budget. The Act also provides autonomy from state procurement rules to save money in procurement while upholding the strictest ethical and legal standards. A recent procurement for road salt with the Commonwealth’s Operational Services Division using new, innovative processes saved MassDOT nearly \$9 million. MassDOT continues to look for promising PPP opportunities.
3	The use of private flagmen should be allowed on road and bridge projects.		Since 2008, MassDOT has used flagmen on hundreds of projects located across the Commonwealth. To date this program has saved \$15.5 million dollars; savings that are reinvested into additional construction and maintenance projects.

Principle	TFC Reform Recommendation	Status	MassDOT Comments
4	Responsibility for the Department of Conservation and Recreation's parkways and bridges should be transferred to MassHighway.		The Act transferred 8 parkways (McGrath and O'Brien Highways in the cities of Cambridge and Somerville, the Carrol Parkway, Middlesex Avenue in the city of Medford, William Casey highway overpass in the Jamaica Plain section of the city of Boston, Columbia Road in the South Boston section of the city of Boston, Morton Street in Boston and Gallivan Boulevard in the Dorchester section of the city of Boston) and all vehicular bridges from DCR to MassDOT. A study is underway, as required by the Act, to determine the benefits and barriers of transferring the remaining parkways from DCR to MassDOT.
5	Maintenance responsibilities of I-395, I-84, and I-291 should be transferred to the Massachusetts Turnpike Authority.		MassDOT's Highway Division is now responsible for the management and maintenance of all state highways, including the Turnpike and feeder roads such as I-291. This was a core tenet of the Act.
6	EOTPW should establish the position of Private Project Ombudsman.		MassDOT has assigned a staff member the role of managing a Public Private Development Unit and has assigned its Deputy Secretary the task of coordinating all economic development initiatives with the Executive Office of Housing and Economic Development.
7	The Commonwealth should end the practice of using bonded funds for operating personnel and expenses.		The Act requires MassDOT to develop a plan to convert salaries and benefits of all bond employees by July 1, 2012. Since 2007, MassDOT has worked with the Legislature and others, including the TFC, to identify options to remove employees and other operating expenses from the bond. \$2 million in the fiscal year 2009 budget was provided to transfer an estimated 50 FTEs from bond to operating. MassDOT is committed to looking for ways to reduce our reliance on the capital budget for operating expenses and awaits the opportunity to work with the Legislative Special Commission established on this issue.
8	The Commonwealth should improve the predictability of highway funding and coordination of projects funded by multiple entities.		With the establishment of the Commonwealth Transportation Fund (CTF) and the Massachusetts Transportation Trust Fund (MTTF) in the Act and the development of the first-ever highway Capital Investment Plan (CIP), the reliability of ensuring that transportation revenues are available for transportation expenses has become reality. However, the state budget crisis as well as uncertainty at the federal level on how to address shortfalls in the Highway Trust Fund continues to threaten the predictability of

Principle	TFC Reform Recommendation	Status	MassDOT Comments
			<p>highway and transit funding. MassDOT is working with the Executive Office of Administration and Finance, the United States Department of Transportation and others (e.g. AASHTO) on this issue.</p> <p>MassDOT's Chief Executive Officer and centralized planning office has ensured the highest level of project coordination is occurring between all modes, including the MBTA and MassDOT.</p>
9	The rate of growth of MBTA fringe benefits costs should be reduced.		<p>TFC recommended a number of options to reduce the cost of health insurance benefits at the MBTA. The recommendations of the TFC and the initiatives of the Act are very different. A requirement of the Act is that upon the expiration of collective bargaining agreements, employees at the MBTA will be transferred to the Commonwealth's Group Insurance Commission (GIC). A lawsuit has been brought by unions challenging the transfer to GIC. Employees at the former Turnpike Authority have been transferred to GIC. The Act also fundamentally changed the MBTA's pension system for new employees by eliminating the 23-year and out provision prospectively.</p> <p>Despite its differences in recommendations, the Act meets the spirit of TFC's recommendation by leading to significant savings while providing employees with high-quality, affordable health care.</p>
10	The unnecessary constraints on MBTA management should be removed.		This principle was not addressed in the Act and the issue may be addressed through collective bargaining.
11	The MBTA needs to fully fund its state of good repair program. This goal can and should be achieved by the Commonwealth assuming the debt from Central Artery/Tunnel transit commitments.		For fiscal year 2010, funding for the MBTA's state of good repair is at a record level, in excess of \$389 million. The current MBTA CIP allocates 99 percent of available funding to the state of good repair. Further, the MBTA secured over \$250 million in federal ARRA and TIGER funds, much of which has been directed towards state of good repair projects. This translates into more maintenance and construction projects, improving on time service reliability, customer safety and comfort.

Principle	TFC Reform Recommendation	Status	MassDOT Comments
			The assumption by the Commonwealth of Central Artery / Tunnel transit debt was not addressed in the Act, but remains under consideration by MassDOT. MassDOT anticipates having discussions with both ANF and the Legislature on options to use available revenues in the CTF to fund debt associated with the Central Artery / Tunnel transit commitments.
12	The Commonwealth should pay for all MBTA capital expansions and before committing to a project, the MBTA should demonstrate that adequate revenues are in place to operate and maintain the expansions.		<p>The Commonwealth is providing funding for all planned MBTA expansion projects, including the Green Line extension and South Coast Rail. Assumption of all capital expenses would require legislation to change how both the MBTA and Commonwealth's transportation capital projects are financed.</p> <p>Since the passage of the Act, the MBTA Board, MassDOT CEO and MBTA General Manager have worked to ensure that the MBTA CIP is fiscally-constrained in order to ensure that adequate resources are available to meet projected capital and operating expenses.</p>
13	Regional Transit Authorities should be forward-funded.		The Act requires forward funding of the Regional Transit Authorities by July 1, 2011. This issue is currently under review and is a priority of MassDOT should revenues become available for this estimated \$65 million commitment.
14	The RTAs' 2.5 percent per year cap on operating cost growth should be eliminated.		RTAs are now funded from the MassDOT operating budget, which has no statutory requirement to cap expenses. MassDOT's goal of using performance based metrics tied to budgets will ensure that operating costs are managed effectively.
15	RTAs should be allowed to borrow with the full faith and credit of the Commonwealth.		This principle was not included in the Act and requires additional legislation to implement.
16	Secretary of Transportation should exercise a stronger coordinating role with respect to RTAs.		This is a core tenet of the Act. The Secretary of Transportation, in cooperation with the Rail & Transit Administrator, has taken a greater role in working with Regional Transit Authorities, including prioritizing the needs of these partners in the CIP, STIP and statewide Rail and Transit Plan.

Principle	TFC Reform Recommendation	Status	MassDOT Comments
17	The Secretary of Transportation should have the authority to coordinate all aspects of Commonwealth transportation.		The enactment of the 2009 Act vested the Secretary of Transportation with new powers and an expanded role as Chief Executive Officer of MassDOT in addition to continuing as a member of the Massport Board. The Secretary also oversees the MBTA through the MassDOT Rail and Transit Administrator and the consolidated boards of the MBTA and MassDOT. As CEO, the Secretary is able to set a coordinated transportation agenda and ensure budgets, plans and operational policies align. The Secretary is positioned to implement a cohesive transportation system for the Commonwealth, including comprehensive financial plans.
18	The CEO of each Massachusetts transportation agency should institute a rigorous performance evaluation process.		MassDOT has created an Office of Performance Management to provide reports on the effectiveness of all programs. MassDOT has adopted the first ever strategic plan for Massachusetts, which includes specific goals for the organization. MassDOT also participates in the Commonwealth's annual employee performance evaluation program. MBTA is using its T-Stats and T-Map initiatives for both program and employee performance evaluations. TFC also recommended a 1%, or 100 person, reduction of the transportation agencies workforce. Since the passage of the Act, MBTA and MassDOT have reduced headcount by over 100 persons for an annual savings of \$8.9 million.
19	All Massachusetts transportation agencies should have the same \$100,000 tort liability limit as municipalities.		The Act provided that all MassDOT divisions would be under the Massachusetts Tort Claims Act (Chapter 258). However, the MBTA was excluded from the \$100,000 cap for all serious bodily injuries.
20	The vast majority of our funds for the foreseeable future should be devoted to maintenance and rehabilitation.		The MBTA, MassDOT and Commonwealth CIPs and STIP have increased funding for maintenance and rehabilitation of transportation assets. The Patrick Administration's Accelerated Bridge Program will contribute \$3 billion dollars towards rehabilitating structurally deficient bridges. As previously discussed, the current MBTA CIP allocates 99 percent of available funding to the state of good repair.
21	Transfer the Tobin Bridge from Massport to the Metropolitan Highway System (MHS).		On January 1, 2010 the Tobin Memorial Bridge was transferred from Massport to MassDOT. The bridge is now part of the Metropolitan Highway System.

Principle	TFC Reform Recommendation	Status	MassDOT Comments
22	Transportation user fees must be dedicated to transportation.		<p>The passage of the Act implemented this reform recommendation. The CTF collects gas tax, registry fees and sales tax to fund debt service associated with MassDOT's capital program for bridges, roads, airports and rails systems as well as costs related to the operation of the MBTA, RTAs and MassDOT. The MTTF collects tolls, rents and other revenues for use on the debt service of the former Turnpike, operations of MassDOT's divisions and programs and pay go capital. MBTA and RTA fares, assessments and other revenues remain with those authorities.</p>