Massachusetts Taxpayers Foundation

The billion-dollar bailout Mass. can't afford

By Michael J. Widmer
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WITH ONLY days left before the end of the legislative session, Governor Deval Patrick quietly added a $2.3 billion bailout of the Massachusetts Turnpike Authority to the $3 billion bridge repair bill subsequently passed unanimously by the House. Fortunately for taxpayers, the Senate demanded and held a public hearing to explore the consequences.

Given the turmoil in the credit markets and the state's fragile finances, this proposal carries grave risks. The rush to action with no understanding of the consequences to the state's finances is particularly alarming. At a time that the Commonwealth should retrench, administration officials say that assuming this large obligation will cost taxpayers nothing. That's farfetched. If one were to survey the past half century and determine the perfect time not to take this action, this would be the moment of perfect ill timing.

Massachusetts already carries more debt per capita than any other state except Alaska - and it has oil. The administration has raised the annual bond cap from $1.25 billion to $1.5 billion in 2008 with plans to increase that to $2 billion over the next four years. In addition, the administration has proposed and the Legislature is about to pass a $3 billion bridge repair bill whose only source of funding is to borrow against planned future spending. And now the administration proposes to assume the Turnpike's $2.3 billion debt.

The administration is not risking a credit downgrade, it is virtually inviting it.

The Commonwealth is going on this debt binge at the very moment that the floor may drop out of its finances. The state already faces a $1 billion deficit in the fiscal 2009 budget. With an almost certain decline in capital gains taxes, the budget gap will probably turn out to be much larger. Given what is happening on the national scene where the unimaginable has become commonplace, it takes little imagination to visualize the Turnpike dragging the Commonwealth into a fiscal morass.

And for what? The Turnpike is running a $70 million to $100 million deficit and the bailout does nothing to address the Authority's underlying problems, of which the $800 million in swaptions are merely a symptom.

It is the height of irresponsibility to pledge the full faith and credit of the Commonwealth - its most precious asset - to an agency with a $100 million deficit in these treacherous economic times. This is not a lifeline; it's a credit card with no limit.

What's to be done? If the Commonwealth guarantees the Turnpike's debt, here's what taxpayers should receive in return:

Restore the transparency and reform language that was stripped out of the bridge bill. Why would the administration provide MassHighway and DCR with $3 billion and remove all oversight language? Have we learned nothing from the Big Dig?

The Turnpike Authority should be required to submit to the Legislature within 60 days a comprehensive plan to address the Authority's long-term structural deficit.

The Commonwealth's guarantee of Turnpike debt should be expressly limited to the swaptions with a six-month sunset provision and the Turnpike should assume responsibility for all costs incurred by the Commonwealth. All this should lead to a serious discussion over the future of the Turnpike and whether it should retain its independence.

The Legislature should take the time to get this right. The proposed bailout rewards the Turnpike's abysmal record while shifting the risks to the taxpayer. Bailing out the Turnpike with no accompanying reforms, no transparency, and no comprehensive plan to address its underlying problems will be remembered for years as the other bookend to the sorry Big Dig saga.

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