MTF Releases *The Commonwealth’s Capital Budget: A Primer*

First of series of reports examines annual development and management of capital budget; recommends specific transparency measures to safeguard future spending

BOSTON, MA — The Massachusetts Taxpayers Foundation (MTF) today released *The Commonwealth’s Capital Budget: A Primer*, the first of an upcoming series of reports which examines the past and present state of the Commonwealth’s Capital Budget and proposes solutions for enhanced transparency and accountability to improve capital spending.

The capital budget is an important but often overlooked analog to the state’s operating budget yet the consequences of capital investments are equally vital to the economy,” said MTF President Eileen McAnneny. “Massachusetts currently borrows to make most of its capital investments which unfortunately makes it among the highest debt state in the nation by almost every measure, therefore impeding the state’s ability to make additional needed investments.”

The report underscores the importance of timely and accurate information in order to meaningfully monitor the progress of capital projects, noting that the majority of the capital budget reforms that have been adopted in recent years have focused on tracking total capital spending and the affordability of debt service. For greater transparency and accountability, the MTF recommends reforms that lawmakers should consider when choosing capital investments:

- Prior to allocating money to projects in the capital plan, a rigorous review of the cost and value of projects should be made public.
- An annual review process to reestablish the timelines, costs, benefits, and value to the state of each project enabling the state to minimize the misuse or inefficient use of capital funds.
- Every agency receiving capital funds should report on the status of projects including the original budget amount, capital and operating dollars spent since the project was funded, the number of personnel paid from capital funds, funds needed to complete the project, and the scheduled completion date.
- Lawmakers should redirect all available cash, especially from one-time funds currently used to balance the state’s operating budget, to capital investments in state assets.

Despite Massachusetts’s high debt burden, the state has enormous unmet capital needs. Nearly 90% of the state’s current capital budget is directed to existing projects, leaving little room for the funding of new investments. Recent reports suggest that the state faces a potential funding gap of as much as $40 billion in transportation and water and sewer infrastructure over the next 20 years and that is only a portion of the state’s overall infrastructure needs. Further complicating matters is the size of the states unfunded state pension and OPEB liabilities. Totaling nearly $50 billion, this obligation erodes the state’s capacity to direct additional funds towards long-term investments in assets. The MTF will examine these issues in future reports.

"While lawmakers have taken steps to manage the size of our debt and its associated costs, more must be done because the state has limited flexibility to increase borrowing from current levels without exceeding its statutory debt limit,” added McAnneny. “Adopting these proposed measure would enable the Commonwealth to improve its capital spending plan, enhance the use of limited capital dollars and put the state on a more sound fiscal path.”

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