Capital Budget

Introduction

One of the ways in which government can help address the economic hardship we face today is through increased investment in public infrastructure. Investing in infrastructure creates needed construction-related jobs now and literally builds a foundation for economic growth and job creation over the long-term. This means making investments needed to maintain our existing infrastructure – roads, bridges, schools, public housing, etc. – and it means making investments in new types of infrastructure needed to support economic growth in the 21st century – clean energy and energy efficiency, broadband expansion, life sciences, etc.

At the national level, President Obama is working with Congress, Governor Patrick and the nation's other Governors to develop a federal economic stimulus package that will, among other things, provide billions of dollars to states for infrastructure investments like those described above. This funding is expected to be targeted to projects that can start quickly to increase the job-creation impact of the investments over the near term. In anticipation of this influx of federal funding, the Patrick-Murray Administration has already begun to plan and mobilize to ensure that the funding is used promptly for needed projects throughout the Commonwealth.

At the state level, the Patrick-Murray Administration is well aligned with the direction being contemplated by the new administration. One of the Governor's top priorities since taking office has been to reverse years of neglect of our public infrastructure by increasing the level of state capital investment. Over the last year, the Governor worked in partnership with the Legislature to conclude the most productive legislative session in state history with respect to the authorization of capital investments for high-priority public infrastructure projects. Since this Administration took office, there have been 10 bond bills enacted into law, authorizing funding for the capital investments reflected in the five-year plan recently published and available at mass.gov/capital. The capital investments authorized by the bond bills reflect shared priorities of the Governor and the Legislature, including investments in schools, infrastructure to support economic development, roads and bridges, affordable housing, parks, a clean environment and the efficient functioning of state government.

The five-year capital investment plan for fiscal years 2009-2013 is built on the foundation of the Administration's work with the Legislature over the past year to begin reinvesting in our state's infrastructure in a fiscally responsible, targeted and transparent manner. The capital investments in this plan will create thousands of jobs in the near term and will ensure that Massachusetts continues to be a great place to live, work, start a business and raise a family for years to come.

The capital investment plan continues to implement the vision and priorities established in last year's, first-ever comprehensive and transparent five-year capital investment plan covering fiscal years 2008-2012. In large part, the investments included in the 2009-2013 plan continue projects launched last year or beforehand, or commence projects anticipated by last year's five-year plan. The current plan also reflects adjustments to target additional funding to "ready-to-go" repair and construction projects to increase the extent to which the capital investment plan serves as an economic stimulus for job creation in the near term. The plan also includes some refinements to the investment priorities identified in last year's plan, based on updated information about capital needs, project cash flows and project authorizations.

The capital investment plan is also fiscally responsible. Last year, the Administration developed and published a debt affordability analysis and policy to ensure that the annual borrowing needed to support the capital investment plan is set at affordable levels. This debt affordability analysis and policy was a first for the Commonwealth, and it was positively reviewed by the credit rating agencies. The Administration has recently updated and republished the debt affordability analysis and the borrowing levels used to develop the five-year plan were determined based on the debt affordability policy.

Through the capital investment plan, the Patrick-Murray Administration is taking advantage of an opportunity to address the current challenges we face in a manner that will position the Commonwealth for economic growth and prosperity over the long-term. The plan provides for the Commonwealth to invest significant resources into capital expenditures, which the Commonwealth defines as investments in infrastructure and other long-term public assets that are critical to our quality of life, the strength of our economy, and the efficient functioning of government at every level. Among other things, these capital expenditures and investments will help build and maintain roads, bridges and rail we use for our daily commutes; public college facilities that educate our workforce and nurture our innovation economy; state parks and open space that enhance our landscape and protect our environment; and safe, affordable housing for the people of Massachusetts. Through the investments included in the plan, we will create thousands of jobs in the near-term and the environment to support job creation and economic growth over the long-term.

There was a need for increased infrastructure investment in Massachusetts before the economic crisis; now the need is even more urgent. This capital plan answers the call for increased capital investment in a thoughtful and fiscally responsible manner.
The complete Commonwealth of Massachusetts's FY2009-2013 Five-Year Capital Investment Plan, including project and program descriptions and an updated Debt Affordability Analysis, may be accessed at mass.gov/capital.

Vision

The Patrick-Murray Administration has a vision of a network of high-quality infrastructure in the Commonwealth that makes our state one of the healthiest, safest and most attractive places in the world in which to live, work, raise a family and grow a business. This vision includes:

- Public colleges and universities with world-class educational facilities, offering our young people an affordable, high-quality college education that enables them to succeed in a 21st century, information-age economy;
- High-quality public infrastructure that supports sustainable economic growth in the Commonwealth;
- Well-maintained and strategically located roads, bridges and transit that provide easy mobility throughout the Commonwealth and thereby contribute to a high quality of life and vibrant economy in every part of Massachusetts;
- An environmentally sustainable Commonwealth, with energy-efficient public buildings, a transportation system that facilitates the use of environmentally-sensitive modes of transportation, well-maintained parks and recreational areas, and protected natural forests, landscapes and open spaces;
- Attractive, well-maintained and affordable housing for our workforce and for our most vulnerable citizens;
- Public infrastructure needed to support strong and vibrant communities where we live, work, raise our families and run our businesses;
- State-of-the-art facilities and equipment needed to ensure public safety and administer justice; and
- Technologically-advanced systems and well-maintained facilities that make state government more efficient and customer-friendly.

Challenges

The Patrick-Murray Administration has made significant progress in setting the Commonwealth's capital investment program on the right course toward achieving the Administration's vision of a high-quality network of public infrastructure that supports a strong economy and high-quality of life for citizens in the Commonwealth. However, much work remains to be done as the Commonwealth faces significant challenges in addressing its capital investment needs.

One of the most significant challenges facing the Administration is the backlog of deferred maintenance it inherited as a result of years of neglect of our public infrastructure. The Commonwealth has immense investment needs for every type of capital asset and throughout every region of our state. Many of these needs have long been evident but left unaddressed due to inadequate investment in our public assets.

At the same time, the size of the capital budget is subject to significant fiscal constraints. The Commonwealth's debt is among the highest in the nation by some measures. Moreover, the portion of the state's operating budget that can be spent on debt service is limited not only by statute but, more importantly, by the fact that tax revenues are falling in the current fiscal environment.

Compounding this fiscal challenge, the need to cut spending in the operating budget in recent years resulted in capital project-related personnel being shifted from the operating budget to the capital budget. The FY08 capital budget funded approximately 2,000 full-time equivalent state employees (FTEs), almost twice the number of FTEs carried on the capital budget in 2001. These personnel expenses crowd out investments in capital as every dollar in the capital budget used to fund personnel costs results in one less dollar available to fund capital investments. Funding these employees on the capital budget is also more expensive than funding them on the operating budget due to the interest expense incurred on the related borrowings.

As a result of the immense backlog of capital investment needs, the need to continue to make targeted capital investments to support economic growth and the limited resources available to fund these needs, the Commonwealth simply cannot address all of its capital investment needs in the near term. The recently-enacted bond bills authorized approximately $16 billion of capital investments. However, these bond authorizations were sized with the intention of funding multi-year capital investment programs – in some cases, 10-year capital investment programs. Consequently, the Administration will need to prioritize authorized capital investment needs within the fiscal constraints of the capital budget. Unfortunately, there are many worthy and needed projects that will not be funded in fiscal year 2009, or even in the next few years, because of the demands and constraints on our capital investment program.

Addressing the Challenges and Pursuing the Vision

In the face of these challenges in achieving the Administration's vision for a high-quality network of public infrastructure, the Administration has been guided by three core principles in the development of its capital investment plan – affordability, targeted investments in projects that maintain our existing infrastructure and in projects that promote economic growth, and transparency.

Last year, the Patrick-Murray Administration undertook a rigorous analysis of the Commonwealth's capacity to issue debt and adopted a policy to ensure that Commonwealth debt is kept to affordable levels. The policy ties the annual borrowing limit, or "bond cap", determination to the impact any new borrowing will have on debt service as a percentage of total budgeted revenues. This thoughtful, fiscally responsible approach allows not only for steady growth in the bond cap to increase capital investment in the near term, but also ensures that the budgetary impact of debt issued to fund the Commonwealth's capital program is managed within affordable levels. The policy strikes the right balance between maximizing our capital investment capacity without undermining other state programs and services. The credit rating agencies have reviewed the Commonwealth's debt policy and have indicated that they view it as a positive step forward for debt management by the Commonwealth.

Based on the debt affordability policy, the annual bond cap for fiscal year 2009 will be $1.575 billion. In addition, because legislative authorization for planned capital spending was obtained later than originally anticipated, capital spending was lower than originally planned in fiscal year 2008 and $152.3 million of the unused bond cap from that year will be carried forward to support spending in fiscal year 2009 (additional unused fiscal year 2008 bond cap will be carried forward to future years). While the recently announced accelerated structurally-deficient bridge program will be funded outside of the bond cap, the related debt service costs of the program have been fully accounted for under the debt affordability policy in setting the bond cap at the designated levels.

As with the Administration's first five-year plan, the FY09-13 Five-Year Capital Investment Plan was developed following thorough consideration and careful decision-making aimed at striking the appropriate balance between maintaining our existing infrastructure and making targeted new investments to support job creation and economic growth over the long-term. Specific highlights of the FY09-13 capital plan are included later in this section.

Lastly, the Administration believes the Commonwealth's capital budget should be transparent. Transparency enhances public understanding of the Commonwealth's capital investment program and thereby improves public discourse and accountability with respect to the capital budget. Historically very little was understood or known about the state's capital budget. There was never a published explanation or rationale justifying the annual borrowing limits set by prior administrations. Moreover, there was little information published about how and when prior administrations planned to use bond authorizations to carry out particular capital projects or programs.

We have made significant improvements in the area of transparency. In August 2007, the Administration published for the first time ever a five-year capital investment plan. The FY09-13 plan is the second such publication, providing the public with comprehensive and detailed information concerning the Commonwealth's capital investment program. Both last year's published capital investment plan and the FY09-13 plan also include a debt affordability analysis and description of the Commonwealth's debt policy, neither of which existed in the past. These publications are posted on the Commonwealth's website and are available in printed form. Building on the Administration's commitment to improving transparency, the version of the FY09-13 capital investment plan and updated debt affordability analysis posted on the Commonwealth's website have increased functionality and information available to the public.

By adhering to these three principles in developing the capital investment plan – affordability, targeted investments in maintenance and in projects promoting economic growth, and transparency – the Patrick-Murray Administration has made great progress in pursuing the vision and addressing the challenges described above.

The investments included in the plan – and the additional resources that they leverage – will make meaningful progress in meeting our state's immense inventory of capital needs and will fund high-priority projects that will make Massachusetts a better place to live, work, raise a family and grow a business. They will also provide an economic stimulus by creating thousands of construction jobs at a time when they are desperately needed. If matched with a significant infusion of federal funding for infrastructure projects, the citizens of the Commonwealth will experience the most comprehensive rebuilding of our state in decades – the type of bold action that the economic circumstances require and that the citizens deserve from their government.

Accomplishments and Initiatives

The Patrick-Murray Administration has made great progress in improving the Commonwealth's capital investment program since taking office less than two years ago. The following highlights some of the Administration's accomplishments in the areas of capital investments and capital finance generally.

- First-Ever Debt Affordability Policy: The Patrick-Murray Administration developed and published the first-ever debt affordability policy, which was positively reviewed by the credit rating agencies.
- First-Ever Five-Year Capital Investment Plan: The Administration published the first-ever comprehensive and transparent five-year capital investment plan based on the new debt affordability policy. The second report represents the second annual five-year capital investment plan and it relies on the affordability policies developed in connection with last year's plan.
- Bond Bills to Fund Capital Investment Plan: The Administration and Legislature worked together to promptly enact the $1.8 billion Immediate Needs Bond Bill early in 2007 to ensure completion of on-going capital projects, secure federal funding for transportation projects, and fund urgent capital investment needs of the Commonwealth. In addition, the Governor filed a series of multi-year bond bills authorizing over $16 billion in capital investment priorities for the Commonwealth included in the five-year plan. The Legislature overwhelmingly approved each of the bond bills, which are described in more detail below.

Bond Bills	
Immediate Needs	On March 23, 2007, the Governor approved a $1.8 billion immediate needs bond authorization. The legislation provided for the completion of on-going capital projects, federal funding for transportation projects and funding for urgent capital investment needs of the Commonwealth including projects related to state buildings, energy and environment, public safety, health and human services, and transportation.
Transportation	On April 17, 2008, the Governor approved a $1.6 billion bond bill for transportation improvements which will leverage an additional $1.9 billion in federal reimbursements. This legislation included $150 million for Chapter 90 grants to cities and towns for local roads and bridges in fiscal 2009 and $700 million for certain mass transit improvements required as part of the state implementation plan. On August 8, 2008, the Governor approved a second transportation bond bill authorizing $1.445 billion for road and bridge projects and other transportation-related capital investments.
Housing	On May 29, 2008, the Governor approved a $1.275 billion affordable housing bond bill which includes $500 million for the preservation and improvement of the Commonwealth's 50,000 units of state-owned public housing. The legislation also provides authorization for various programs that subsidize the development and preservation of privately owned affordable housing, including $200 million for the Affordable Housing Trust Fund and $125 million for the Housing Stabilization Fund.
Life Sciences	On June 16, 2008, the Governor approved legislation in support of the life sciences industry. Among other initiatives and provisions relating to the Massachusetts Life Sciences Center, the legislation authorizes borrowing $500 million over a 10-year period to fund capital investments and infrastructure improvements around the state to support the life sciences industry.
Broadband	On August 4, 2008, the Governor approved legislation creating a Massachusetts Broadband Institute within the Massachusetts Technology Collaborative. The Institute is to administer a new Broadband Incentive Fund, to be capitalized by general obligation bonds in the amount of $40 million, to invest in long-lived, publicly owned broadband infrastructure, enabling private firms to partner with the state to connect the Commonwealth's un-served and underserved communities to broadband services.
Bridges	On August 4, 2008, the Governor approved legislation authorizing $2.984 billion in Commonwealth bonds to finance an accelerated structurally deficient bridge program. The program, which was developed in collaboration with the State Treasurer, is expected to finance over 250 bridge projects over the next eight years with approximately $1.9 billion of special obligation bonds secured by a portion of the gas tax and $1.1 billion of grant anticipation notes

	secured by future federal funds. By accelerating the investment in bridges, the Commonwealth expects to realize hundreds of millions of dollars of savings from avoided inflation and deferred maintenance costs.
Higher Education	On August 7, 2008, the Governor approved a $2.2 billion higher education bond authorization. The legislation includes authorizations for new buildings, renovation projects and capital improvements at each of the Commonwealth's public higher education campuses. Of the $2.2 billion total authorization, $1.2 billion will be dedicated to capital investments at state and community colleges, and $1 billion will be dedicated to capital investments at the University of Massachusetts. The authorized amounts are expected to be expended over a ten-year period.
General Government	On August 11, 2008, the Governor approved a $3.3 billion general government bond bill making targeted investments in public safety, city and town facilities, state buildings, and information technology systems. Included in the bill is authorization to assist communities with local infrastructure needs, improvements to state and county correctional facilities, improvements to court facilities throughout Massachusetts and capital repairs, on-going maintenance and unforeseen emergency capital needs at state office buildings and facilities. The legislation also authorizes targeted infrastructure investments to spur economic development in our communities. To enhance government services provided to all citizens of the Commonwealth, the legislation includes funding to modernize critical state information technology systems, including funding to replace and upgrade the outdated and overburdened systems at the Department of Revenue and the Registry of Motor Vehicles.
Energy & Environment	On August 14, 2008, the Governor approved a $1.64 billion land, parks and clean energy bond bill. This legislation includes funding for land protection and acquisition and funding to enhance state parks and rebuild related infrastructure. The legislation also includes authorization for new programs to address environmental challenges.

- <u>Initiation of Key Projects</u>: A number of important new capital projects have been initiated by the Administration, including: the South Coast Rail, the new Worcester State Hospital, the Nano-Bio Manufacturing Facility at the Lowell campus of the University of Massachusetts, new courthouse projects in Taunton, Salem and Fall River, the correctional facilities master plan, certain transit projects legally-required as mitigation for the Central Artery project and many more.
- <u>Accelerated Structurally-Deficient Bridge Program</u>: The Administration, working with the Legislature and the Treasurer, developed a $3 billion accelerated structurally-deficient bridge program which will repair hundreds of structurally-deficient bridges, create new construction jobs, build conditions for long-term economic growth, and save the Commonwealth hundreds of millions of dollars in avoided construction cost inflation and deferred maintenance costs.
- <u>Implementation of Recommendations for the Joint Committee on Bonding, Capital Expenditures and State Assets</u>: The legislative committee that oversees capital finance for the Commonwealth is the Joint Committee on Bonding, Capital Expenditures and State Assets. In its Report on Capital Investment and State Assets in the Commonwealth of Massachusetts (Fiscal Year 2006 Edition), the Committee made ten recommendations for improving various aspects of capital finance in the Commonwealth. The Patrick-Murray Administration has implemented all ten recommendations.
- <u>Refinancing and Defeasing Debt for Savings</u>: Pursuant to legislative authorization sought by the Governor and included in the Immediate Needs Bond Bill, the Executive Office for Administration and Finance worked with Treasurer Cahill to issue Commonwealth bonds to refinance bonds issued by other governmental entities that the Commonwealth was required to pay, saving the Commonwealth millions of dollars in debt service costs. Pursuant to further legislative authorization sought by the Governor and included in the Immediate Needs Bond Bill, the Administration also worked with Treasurer Cahill to use cash appropriated for certain capital projects to pay off high interest cost bonds and to issue lower interest cost bonds to pay for the capital projects. This effort saved the Commonwealth millions of dollars in debt service costs.
- <u>State Facility Maintenance</u>: The Administration has taken steps to improve maintenance of state facilities. Funding in the capital budget is dedicated for small capital maintenance and repair projects. By dedicating more and more funding to these types of projects, the state will defer less of its capital investment needs and avoid larger, more expensive capital project needs in the future. The funding for these projects is allocated based on a new, need-based evaluation process through the Division of Capital Asset Management. The Administration is committed to continuing to build on its efforts to improve the maintenance of state facilities.
- <u>Transportation Infrastructure Maintenance</u>: In the first Transportation Bond Bill, the legislature established a new transportation maintenance fund. Pursuant to this capital investment plan, the Administration has dedicated more than 20% of all of its bond-funded transportation spending (excluding funding for the acquisition of CSX rail property) for transfer to the new transportation maintenance fund to pay capital costs of maintaining the Commonwealth's transportation infrastructure. By dedicating more and more funding to these transportation maintenance projects, the state will defer less of its capital investment needs and avoid larger, more expensive capital project needs in the future.
- <u>Personnel Off of Capital Budget</u>: The Governor has made two proposals to reduce the amount of bond proceeds used to fund personnel expenses in the capital budget. First, the Governor included about $10

million in his FY08 operating budget proposal to fund the transfer of employees off of the capital budget. The Governor's most recent proposal included in his FY09 budget proposal and again in this FY10 budget proposal would authorize the Administration to shift approximately $50 million of capital equipment acquisition costs funded from the state's operating budget to the capital budget and approximately $50 million of personnel expenses from the capital budget to the operating budget. Neither of the Governor's proposals were previously enacted by the Legislature. While the current challenging fiscal environment makes it unlikely that the operating budget will be able to absorb the cost of personnel currently funded on the capital budget, the Administration is committed to continuing to pursue creative ways to begin to shift employees off of the capital budget and is hopeful that the Legislature will adopt the proposal included in this FY10 budget described above.

- Energy Efficiency Requirements for State Building Projects: Last year, Governor Patrick issued Executive Order 484 which, among other things, established the Governor's "Leading By Example Program" requiring that all state agencies reduce their environmental impact by promoting energy conservation and clean energy practices. Specifically, by FY12, all state building projects must contribute to a 25% reduction in greenhouse gas emissions, a 20% reduction in overall energy consumption and procure 15% of annual electricity consumption from renewable sources. In addition to beginning to fund energy efficiency and renewable energy efficiency improvements to state facilities, the Administration has been working on a parallel track to develop a detailed plan that will identify the specific energy efficiency and renewable energy projects, and funding sources available for such projects, to meet the goals established by the Governor in Executive Order 484. The Administration has also set high minimum "green building" standards for all new state building projects and is striving to go above and beyond such standards wherever possible, including plans for certain buildings to be "energy neutral".
- Financing Initiatives: The Administration has pursued various financing initiatives to more effectively leverage state resources to fund more capital project needs. These initiatives include: increased allocation of private activity bond volume cap to multi-family affordable housing projects to leverage related federal tax credits to fund millions of dollars of affordable housing projects, including improvements to our public housing supply; "I-Cubed" legislation to finance infrastructure improvements needed to support new private development with the new state tax revenues generated from the development; and the financing of the East-West Parkway project at the former South Weymouth Naval Air Base from new state tax revenues to be generated from private development at the base.
- Stronger Oversight and More Transparency through Finance Advisory Board: Through new gubernatorial appointments, staff support provided by the Executive Office for Administration and Finance, and greater oversight responsibilities included in recent legislation, the Administration has strengthened the role of this important Board in ensuring transparency, accountability and best practices among state entities that borrow, invest and manage public funds. For the first time in the Board's history, the Administration assisted the Board in complying with its statutory obligation to gather information about and to report on outstanding debt of the Commonwealth and other debt-issuing state entities. This report also includes information about interest rate swap agreements related to debt issued by state entities. This report represents a first step in the Board's efforts to improve transparency and public accountability with respect to debt, investments and other financial transactions involving public funds. The need for continued progress is even more important in the context of the recent turmoil in the financial markets.

Capital Finance in Massachusetts

Introduction

The Commonwealth is responsible for maintaining a large inventory of capital assets, including transportation infrastructure, courts, correctional facilities, state hospitals, office buildings, parks and more. In addition, the Commonwealth makes targeted capital investments to support economic growth, strengthen communities and improve the quality of life in the Commonwealth. These investments include funding for public infrastructure to support private development and job growth, local infrastructure improvements and protection of our natural resources.

These capital investments are planned and funded through the Commonwealth's capital budget, which is separate and distinct from the annual operating budget. The capital budget is funded primarily by borrowing through the issuance of bonds. The Commonwealth also receives federal funding to support a significant portion of the capital budget, particularly for transportation infrastructure improvements. There are also limited other sources of funding available to finance certain capital investment projects.

The issuance of bonds to fund the capital budget must be authorized by the Legislature. Pursuant to these legislative authorizations to borrow, the Governor determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer actually issues the bonds to borrow the funds. The Governor approves the use of the borrowed funds by agencies to pay for authorized capital projects. The Patrick-Murray Administration is the first to develop and publish a comprehensive, five-year plan for the funding of capital investments.

The primary factor constraining the amount of the Commonwealth's capital budget is affordability. The Commonwealth must pay principal and interest costs each year on the bonds it issues to fund its capital investment program. These annual debt service expenses on outstanding Commonwealth bonds are funded each year in the Commonwealth's annual operating budget. The Patrick-Murray Administration is the first to develop and publish an analysis of the amount of debt the state can afford in terms of its impact on debt service and the operating budget, and it is the first to develop a policy for determining the annual borrowing amount to fund the capital budget.

There are certain capital investments that are not funded by the Commonwealth through its capital budget and consequently are not reflected in this capital investment plan. There are a number of independent state authorities responsible for maintaining certain public infrastructure from revenues generated from those infrastructure assets or from dedicated state tax or other revenues that are not available to the Commonwealth for general budgeting purposes. Examples of these entities include the Massachusetts Bay Transportation Authority, Massport, the Turnpike Authority and the Massachusetts School Building Authority. Because these entities carry out their own capital projects and are solely responsible for financing them from their own funding sources, the capital investments made by these entities are not included in the state's capital investment plan. In addition, small equipment purchases and information technology projects funded by state agencies through their operating budgets are not reflected in the capital investment plan.

Historical Perspective

The Commonwealth's capital budget for the last five fiscal years (FY04-FY08) totaled nearly $11 billion. The following tables show (a) capital spending over the last five fiscal years by the spending categories used by the prior administration and (b) the historical sources of funding for such spending.

Historical Capital Spending
(in millions – may not add due to rounding)

	FY04	FY05	FY06	FY07	FY08
Information Technology	$ 75	$ 61	$ 88	$ 53	$ 65
Infrastructure	251	262	283	271	186
Environment	113	122	142	153	188
Housing	121	122	129	140	172
Public Safety	20	18	19	18	19
Transportation	1,458	1,300	1,189	1,120	1,109
Convention Centers	113	54	12	2	-
Other	64	39	30	29	43
School Building Assistance	-	565	435	-	-
Total Uses	$2,215	$2,543	$2,327	$1,786	$1,782

Historical Sources of Funding
(in millions – may not add due to rounding)

	FY04	FY05	FY06	FY07	FY08
General Obligation Bonds	$1,285	$1,850	$1,647	$1,208	$1,320
Special Obligation Bonds	119	64	9	2	-
Third Party and Other	196	293	318	75	118
Federal reimbursements	615	336	353	501	344
Total Sources	$2,215	$2,543	$2,327	$1,786	$1,782

Process for Developing the FY09-13 Capital Investment Plan

Building on the process it initiated last year, the Patrick-Murray Administration engaged in a diligent, fiscally responsible, and comprehensive process for developing its five-year capital investment plan.

In order to establish the total amount of the bond-funded capital program within an affordable level, the Administration conducted a rigorous review of the Commonwealth's debt capacity within its debt affordability policy. The debt affordability analysis underlies the FY09-13 capital investment plan. As indicated in that analysis, the Administration has set the bond cap for fiscal year 2009 and the projected bond caps for future fiscal years at lower levels than it had previously planned in order to ensure that the amount of debt issued to fund the capital program is kept within affordable levels consistent with the Administration's debt affordability policy.

The amount of debt authorized to fund capital projects pursuant to the recently enacted, multi-year bond bills described above far exceeds the amount of debt the Commonwealth can afford to borrow in fiscal year 2009 or even during the next five fiscal years. The Administration had to prioritize among the many authorized projects in order to develop a capital investment plan that is within the affordability limits described above. Consequently, there are many worthy authorized capital projects that will not be funded in fiscal year 2009 and, in many cases, will not be funded over the next few years.

To inform its development of the FY09-13 capital investment plan, the Administration broadly solicited information about capital spending needs and engaged in a diligent process to evaluate and prioritize those funding needs. State agencies provided a significant amount of detailed information regarding their capital investment needs, their priorities and the programmatic impacts of requested projects. A&F held more than 30 diligence sessions with agencies regarding their capital project requests. In addition, the Administration carefully reviewed the legislative authorizations for capital investments in the recently enacted bond bills, evaluated many written requests for capital project funding from legislators, municipalities and other interested parties, and Administration officials attended numerous meetings with legislators, municipalities and other interested parties regarding requests for capital funding.

A significant portion of the bond-funded fiscal year 2009 capital budget is needed to fund costs of multi-year capital projects that were commenced in prior fiscal years. The Administration has allocated remaining funds to authorized projects and programs based on the evaluation of project funding needs conducted through the diligence process described above and guided by the Governor's capital investment priorities. The highlights of the FY09-13 capital investment plan are described by investment category below.

Credit Market Disruption

The capital markets have been experiencing a severe dislocation over the last twelve months, which has impacted, and will continue to impact, the Commonwealth's issuance of bonds to fund its capital program and the issuance of bonds and notes by governmental entities throughout the country. This market turmoil stems primarily from over-leveraged real estate-related assets during the first half of this decade when interest rates were held at extremely low levels and investors sought ever-increasing returns. Global financial institutions have been forced to record massive losses of mortgage-related derivative assets, causing several firms to merge, be bailed out by the federal government, or, in the case of Lehman Brothers, to file for bankruptcy.

Excessive investment in these assets directly caused the credit deterioration and downgrades of once-triple-A rated bond insurers of municipal bonds. This in turn caused the collapse of the auction rate securities market and, to a more limited degree, the variable rate demand bond market, which have been largely dependent upon bond insurers triple-A ratings. In addition, there has been an unprecedented contraction of the world-wide credit markets, which continues to limit market access and increase the cost of borrowing for governmental entities. Attempts by the US Treasury and Federal Reserve Bank to craft government-assisted solutions have achieved limited results to date.

The Commonwealth has taken steps to refinance certain of the auction rate and variable rate demand bond debt that was adversely impacted by the market turmoil. In addition, the Commonwealth has been successful in accessing the market during the last few months to finance its capital program and to finance its cash flow needs, all at relatively favorable rates in light of current market conditions.

In today's market, in particular, the Commonwealth benefits from its strong credit rating. The Commonwealth is currently rated Aa2/AA/AA by Moody's, Standard and Poor's and Fitch, respectively. The ratings, which have been confirmed as recently as December 2008, have been unchanged for the past ten years with the exception of an upgrade to double-A by Standard & Poor's in 2005. The ratings are based on each rating agency's assessment of the capacity and willingness of the Commonwealth to repay general obligation debt.

Although current market conditions make selling bonds more difficult and more costly than was previously the case, the Administration expects that the State Treasurer will be able to continue to access the bond market to finance the Commonwealth's capital program. The Administration will continue to work with the State Treasurer to determine the most cost-effective approaches to issuing debt to finance the capital program in light of changing market conditions.

Affordability and Fiscal Responsibility

Because the capital program is funded primarily through bond proceeds, the total size of the capital program is determined to a large extent by the amount of debt the Commonwealth can afford to issue. Since fiscal year 1991, A&F has established what is known as the "bond cap" to limit annual bond issuance in support of the capital program to affordable levels. For the second consecutive year, the Patrick-Murray Administration engaged in a rigorous analysis of the state's outstanding debt obligations and of the state's capacity to issue additional debt within affordable levels. Based on this analysis, the Administration has established the FY09 bond cap at $1.575 billion and it has projected a $25 million increase in the bond cap in FY10 and a $100 million increase in the bond cap in each succeeding fiscal year through FY13. These bond cap levels are lower in each fiscal year than was previously planned by the Administration in order to ensure that Commonwealth debt is kept to affordable levels within the constraints of the Administration's debt affordability policy. In addition to the bond cap, $341 million of unused bond cap from FY08 will be carried forward and budgeted to support capital investments in subsequent fiscal years, as follows: $152.3 million in FY09; $126.1 million in FY10; and $62.6 million in FY11.

In summary, the Administration takes a fiscally responsible approach to setting the annual bond cap, analyzing the Commonwealth's capacity for debt issuance from the point-of-view of affordability. Specifically, A&F sets annual constraints on both the size of the bond cap and its future rate of growth by keeping combined debt service and payment of debt-like obligations for existing and new debt within 8% of budgeted revenues and by keeping future annual growth in the bond cap to not more than $125 million. As indicated in the updated affordability analysis, this latter constraint was not a factor in setting the bond caps for purposes of this five-year plan as the 8% limit was the overriding constraint.

For purposes of its analysis of existing payment obligations, A&F takes into account not only debt service on general obligation bonds, but also debt service on certain special obligations, contract assistance obligations and certain capital lease payments. Although the recently authorized accelerated structurally-deficient bridge program is being carried out in addition to the regular capital program in order to achieve savings from avoided cost inflation and deferred maintenance and to achieve the other objectives of the program, the debt service resulting from the bridge program is also taken into account within the 8% limit under the debt affordability analysis.

A&F also takes a conservative approach to projecting future budgeted revenues, basing its growth estimate on the lesser of 3% or the actual compound annual growth rate of the Commonwealth's revenues from the last ten years – which included both economic booms and downturns. A&F models future debt issuance using fiscally conservative assumptions about interest rates, maturities, dates of issuance and payment schedules. In light of the extraordinary current economic and market conditions, however, the Administration's updated debt affordability analysis upon which the capital plan is based includes a "Modified Analysis" with even more conservative assumptions regarding budgeted revenues and interest rates on Commonwealth borrowing.

Based on this analytic approach and the Modified Analysis assumptions referenced above, A&F has projected that the Commonwealth will have the capacity to accommodate steady increases in the bond cap over the next four years while maintaining the percentage of the Commonwealth's budgeted revenues needed to pay debt service during that period below 8%. The projected increases in the bond cap are, however, lower than previously planned by the Administration, reflecting the impact of current economic conditions.

The debt affordability analysis methodology is based on the Commonwealth's current available financing resources and mechanisms; changes in financing structures and resources in the future may impact how A&F examines the administrative bond cap and the state's capacity for additional borrowing. The Administration plans to revisit the debt capacity and affordability analysis every year, revising its estimates for future years by taking into account fluctuations in interest rates, budgeted revenues, and other changes impacting the Commonwealth's debt capacity. In addition, the Administration will annually assess the appropriateness of the methodology and constraints for establishing the bond cap described above.

Fiscal Year 2009-2013 Capital Investment Plan

The Patrick-Murray Administration's FY09-13 capital investment plan strategically allocates resources to invest in the Commonwealth's public facilities and programs and represents a strong step forward toward the Administration's vision for public infrastructure described above.

The full five-year capital investment plan by major investment categories is presented below. It should be noted that many of the projects funded in FY09, some of which are highlighted below, are multi-year projects with expenses that will be incurred in subsequent fiscal years; these projected future expenses have been taken into account in making investment category reservations for future years. It is also important to note that projects will evolve and change, and A&F intends to adjust the capital plan during the fiscal year as circumstances dictate. Before the start of each new fiscal year, A&F will also undertake a formal reassessment of capital investment needs to develop an annual update to the five-year capital plan.

Total FY09-13 Capital Spending by Major Investment Category

The following tables show (a) the allocation of bond cap spending by major investment category for FY09-13, and (b) the allocation of total capital spending from all sources of funding by major investment category for FY09-13.

FY09-13 Capital Investment Plan – Total Bond Cap
(in millions – may not add due to rounding)

Investment Category	FY09	FY10	FY11	FY12	FY13	5-Year Total	% of 5-Year Total
Community Investment	$ 254.0	$ 244.0	$ 248.4	$ 248.4	$ 242.7	$ 1,237.5	13.9%
Corrections	27.0	22.2	30.7	39.6	51.6	171.1	1.9%
Courts	129.1	131.6	50.8	39.6	65.1	416.2	4.7%
Economic Development	77.8	83.5	80.5	87.0	92.0	420.8	4.7%
Energy & Environment	122.8	113.4	118.4	114.9	108.9	578.4	6.5%
Health & Human Services	68.5	81.9	89.5	84.7	71.5	396.1	4.4%
Higher Education	72.5	116.2	168.5	173.0	190.1	720.3	8.1%
Housing	168.5	166.0	161.0	161.0	161.0	817.5	9.2%
Information Technology	87.0	82.7	82.7	81.7	82.2	416.3	4.7%
Public Safety	27.4	27.6	30.0	28.7	26.1	139.8	1.6%
State Buildings	84.1	75.7	80.6	84.1	87.1	411.6	4.6%
Transportation	608.5	581.2	621.3	657.3	721.7	3,190.0	35.8%
Total	$ 1,727.2	$ 1,726.0	$ 1,762.4	$ 1,800.0	$ 1,900.0	$ 8,915.6	100.0%

FY09-13 Capital Investment Plan - All Sources of Funding
(in milions - may not add due to rounding)

Investment Category	FY09	FY10	FY11	FY12	FY13	5-Year Total	% of 5-Year Total
Community Investment	$ 254.0	$ 244.0	$ 248.4	$ 248.4	$ 242.7	$ 1,237.5	8.6%
Corrections	27.3	25.2	33.7	39.6	51.6	177.4	1.2%
Courts	129.1	131.6	61.4	48.2	74.0	444.3	3.1%
Economic Development	84.8	128.5	165.5	167.0	167.0	712.8	5.0%
Energy & Environment	125.0	116.4	118.6	115.0	108.9	583.9	4.1%
Health & Human Services	68.5	81.9	89.5	84.7	71.5	396.1	2.8%
Higher Education	81.6	121.0	174.5	179.0	192.7	748.8	5.2%
Housing	193.0	166.0	161.0	161.0	161.0	842.0	5.9%
Information Technology	111.9	82.7	82.7	81.7	82.2	441.2	3.1%
Public Safety	42.6	45.6	39.5	28.6	26.1	182.4	1.3%
State Buildings	84.1	75.7	80.6	84.1	87.1	411.6	2.9%
Transportation	1,259.1	1,313.4	1,589.3	1,865.2	2,106.9	8,133.9	56.8%
Total	$ 2,461.0	$ 2,532.0	$ 2,844.7	$ 3,102.5	$ 3,371.7	$ 14,311.9	100.0%

Total FY09-13 Capital Spending by Source of Funds

The different sources of funding for the capital program, as provided in the table below, include:

- Bond cap – Commonwealth borrowing to support the regular capital program
- Federal – federal reimbursements for capital expenditures, primarily for transportation projects

- Third-party – contributions made by third-parties to capital projects being carried out by the Commonwealth and Commonwealth contributions to the Central Artery/Tunnel project from annual operating revenues
- Project-Financed Bonds – self-supporting bonds payable by the Commonwealth from a new project-related stream of revenue
- Accelerated Bridge – Commonwealth gas tax bonds or federal grant anticipation notes issued to fund the accelerated structurally-deficient bridge program

FY09-13 Capital Investment Plan: Sources of Funds
(in millions - may not add due to rounding)

	Bond Cap	Federal Reimburse-ments	Third Party	Project Financed	Accelerated Bridge Program	Total
FY09	$ 1,727.3	$ 426.2	$ 120.6	$ 22.2	$ 164.9	$ 2,461.2
FY10	1,726.1	409.0	36.2	63.0	297.8	$ 2,532.1
FY11	1,762.6	416.5	73.0	198.3	394.5	$ 2,844.9
FY12	1,800.0	480.6	87.5	188.7	545.8	$ 3,102.6
FY13	1,900.0	538.6	90.0	226.2	617.0	$ 3,371.8
	$ 8,916.0	$ 2,270.9	$ 407.3	$ 698.4	$ 2,020.0	$ 14,312.6

Comparison of FY08 Capital Spending and FY09 Capital Budget

The first table below shows a comparison of FY08 actual bond cap spending to FY09 budgeted bond cap spending by major investment category. The second table shows a comparison of the total capital spending from all funding sources between FY08 actual results and the FY09 budget. It should be noted that this presentation of bond cap spending by major investment categories was new last year – to the extent capital spending information was publicly presented prior to last year, it was typically categorized by the state agency authorized to carry out the spending. The Administration believes that the presentation by major investment category provides a more helpful and accurate portrayal of the purposes and priorities for which capital resources are being allocated.

FY08 v FY09 Bond Cap by Major Investment Category
(in millions – may not add due to rounding)

Investment Category	FY08	FY09	Difference	% Change
Community Investment	$ 257.9	$ 254.0	$ (3.9)	-1.52%
Corrections	15.6	26.9	11.3	72.74%
Courts	49.3	129.1	79.8	161.82%
Economic Development	7.6	77.8	70.2	923.89%
Energy & Environment	143.4	122.8	(20.6)	-14.36%
Health & Human Services	18.8	68.5	49.7	264.52%
Higher Education	29.7	72.5	42.8	144.22%
Housing	150.3	168.5	18.2	12.11%
Information Technology	44.5	87.1	42.5	95.61%
Public Safety	29.7	27.4	(2.3)	-7.69%
State Buildings	54.3	84.1	29.8	54.92%
Transportation	518.5	608.5	90.0	17.36%
Total	$ 1,319.6	$ 1,727.2	$ 407.5	30.89%

FY08 v FY09 Total Spending by Major Investment Category (in millions – may not add due to rounding)				
Investment Category	FY08	FY09	Difference	% Change
Community Investment	$ 257.9	$ 254.0	$ (3.9)	-1.51%
Corrections	15.6	27.3	11.7	75.00%
Courts	49.3	129.1	79.8	161.87%
Economic Development	7.6	84.8	77.2	1015.79%
Energy & Environment	143.4	125.0	(18.4)	-12.83%
Health & Human Services	18.8	68.5	49.7	264.36%
Higher Education	29.7	81.6	51.9	174.75%
Housing	165.8	193.0	27.2	16.41%
Information Technology	64.7	111.9	47.2	72.95%
Public Safety	29.7	42.6	12.9	43.43%
State Buildings	54.3	84.1	29.8	54.88%
Transportation	945.6	1,259.0	313.4	33.14%
Total	$ 1,782.4	$ 2,460.9	$ 678.5	38.07%

Fiscal Year 2010 Capital Budget and Investments by Category

The $2.532 billion FY10 capital budget is based on the Five-Year Capital Investment Plan published in December 2008 and is consistent with the significant shift in capital investment priorities that began in FY08 by the Patrick-Murray Administration. At this point in the five-year budget cycle, amounts are allocated among investment categories for FY10, but not to specific projects for FY10. The Administration intends to update the five-year plan for FY10-14 and with updated information and needs identified, FY10 allocations will be made for specific projects and programs. The operating budget impact of these investments is considered in evaluating projects for funding, and those expenses – or savings – are reflected in agency operating budgets as needed. In addition, the Administration places a high priority on projects which will have a significant non-financial impact, such as those projects that will result in a cleaner environment, improved response time by public safety employees and access to public buildings and public transportation by all citizens, as more fully described in the investment categories below. The following table summarizes the total budgeted spending by investment category.

FY10 Budgeted Capital Investments All Sources of Funds (in millions – may not add due to rounding)	
Investment Category	FY10
Community Investment	$ 244.0
Corrections	25.2
Courts	131.6
Economic Development	128.5
Energy & Environment	116.4
Health & Human Services	81.9
Higher Education	121.0
Housing	166.0
Information Technology	82.7
Public Safety	45.6
State Buildings	75.7
Transportation	1,313.4
Total	$ 2,532.0

The following highlights the Administration's capital investment priorities for FY10 by each investment category. For more information about each investment category and projects and programs included in the capital budget, see mass.gov/capital for the complete Commonwealth of Massachusetts FY2009-2013 Five-Year Capital Investment Plan.

Community Investment – $244.0 million

The quality of municipally-owned infrastructure has an enormous impact on our daily lives and provides the necessary foundation for business to grow and flourish. The Patrick-Murray Administration is committed to partnering with cities and towns to improve infrastructure, promote economic growth, invest in public safety, affordable housing, smart growth development strategies, and energy efficiency. The Parkland Acquisitions and Renovations for Communities (PARC) program is representative of the of the Administration's commitment to public spaces. In FY09, $8 million is budgeted for the PARC program which assists cities and town with the acquisition and development of land for park and recreational facilities.

In support of this commitment to assist municipalities, the Community Investments capital budget for FY10 includes the following:

- Local economic development projects, such as the growth district infrastructure program;
- Municipal road and bridge projects;
- Construction of libraries;
- Acquisition of conservation land and recreational facilities;
- Assistance in energy efficiency projects; and
- Investment in local public safety facilities.

Corrections – $25.2 million

In order to carry out justice and to protect the citizens of the Commonwealth, it is important that we have secure and safe jails and correctional facilities for individuals charged with and convicted of crimes. It is also in the interest of society as a whole that those convicted of crimes come out of correctional facilities after serving their terms with the skills and mind-set needed to become productive members of society rather than repeat offenders.

Underinvestment in our facilities has resulted in prison overcrowding, inadequate facilities for female inmates, an inability to adequately address an increasing number of mental health needs and the medical care required of an aging prisoner population. In addition to these important needs, our correctional facilities face significant ongoing capital maintenance needs.

The Administration has proposed spending a total of $450 million of bond authorization for improvements to correctional facilities over the next ten years. Investment amounts for specific projects will be guided by the comprehensive 10-year master plan for capital investments in correctional facilities that is currently being developed. $1.2 million was invested in this master plan in FY09.

FY10 spending will be targeted to certain critical repair projects, projects recommended in the master plan and improvements at correctional facilities aimed at preventing prisoner suicides, including the capital improvements recommended by the Hayes report.

Courts – $131.6 million

The Commonwealth operates 61 court facilities in 39 communities across the state. The Massachusetts Trial Court system also includes 25 county-owned courts and 28 other facilities. Significant capital spending on court facilities has occurred over the past five years yet continued investment is necessary not only for the effectiveness of court operations, but also for the health and safety of court staff and members of the public who participate in the judicial system.

FY10 spending will continue to focus on:

- New courthouse projects in Fall River (for which $45 million is budgeted in the FY09 capital budget), Taunton, Salem and Lowell; and
- General repairs and renovations at courts across the state.

Economic Development – $128.5 million

Recognizing that an important way in which the Commonwealth can create and support job growth is through its investment in infrastructure, the FY10 capital investment plan makes targeted investments in economic development projects to help achieve this goal and to make Massachusetts more attractive and open to a wider range and greater number of businesses. Note that the investments included in the Economic Development investment category are those that are designed first and foremost for the purpose of supporting economic development. There are, however, hundreds of millions of dollars more in planned investments reflected in the Transportation, Community Investment and other investment categories in the capital investment plan that will support economic development and the creation of jobs in the Commonwealth.

Specific economic development investments planned for FY10 include:

- Continued funding for the Massachusetts Opportunity Relocation and Expansion (MORE) Jobs capital program which provides grants for public infrastructure improvements that support business expansion and relocation.
- Laying the groundwork for significant FY10 investment in the Massachusetts Broadband Initiative to provide affordable, accessible internet access to unserved and underserved areas of the state, was the $1.5 million spent in FY09.
- The capital component of Governor Patrick's Life Sciences Initiative, which will support the building of new public research centers designed to attract academic and industry leaders to Massachusetts.
- Investment in the Growth Districts Infrastructure Investment Program as a means to expediting commercial and residential development within designated areas in the Commonwealth.
- Support the innovative financing tool known as I-Cubed to leverage new state revenue generated as a result of the Commonwealth's investment in public infrastructure improvements necessary to support significant new private development to finance those improvements.

Energy & Environment – $116.4 million

The Executive Office of Energy and Environmental Affairs stewards an incredible diversity of natural resources and infrastructure for the Commonwealth and managing these resources requires significant capital investment. In particular, capital funds pay for important infrastructure projects, such as flood control measures, dam rehabilitation, improvements to recreations facilities, wildlife habitat protection, environmental hazard remediation, park and trail maintenance, and open space acquisition. Other capital investments are made to projects and programs that contribute to clean water, clean air, clean energy, natural resources, agricultural resources and more.

The FY10 capital budget includes:

- Design of a new Department of Fish and Game facility which is slated to be the state's first energy neutral building was begun in FY09. Construction is scheduled to begin in FY10;
- Continued investment in spending for land protection;
- Preservation of landscapes and habitats;
- Repair and maintenance needs in state parks and recreational facilities; and
- Clean and renewable energy investments, including energy efficiencies in state buildings and facilities, as consistent with the Governor's Leading By Example – Clean Energy and Efficient Buildings Program.

Health & Human Services – $81.9 million

The provision of health care and other social services to those most in need has long been an important function of government, and in Massachusetts the provision of these services accounts for nearly half of the Commonwealth's annual operating budget. The Health and Human Services facilities are numerous, including hospitals, clinic, long and short-term care facilities, power plants and garages. The average age of the HHS facilities was recently estimated to be 75 years since original construction and few facilities have undergone major upgrades in the recent past. The immense capital needs include investment in repair and maintenance to maintain service and care quality as well as basic public safety and the demolition of obsolete and unsafe structures. FY10 capital spending will continue to concentrate on the construction phase of a new state psychiatric hospital in Worcester that will replace two obsolete psychiatric hospitals and critical repairs and other improvements several facilities across the state. $45 million has been budgeted for the construction of this hospital in FY09. In addition, the Executive Office of Health and Human Services will complete a master plan in FY10 which will provide a complete current assessment of all HHS facilities and program needs. Future capital investment will be guided by the results of the master plan.

Higher Education – $121.0 million

The Administration believes strongly that our public colleges and universities should have the infrastructure necessary to ensure student access and affordability and be well-equipped to support academic achievement and learning for all students. They should also be responsive to the demand for a talented workforce ready and able to participate in a growing and increasingly global economy. Capital investments are critical to the mission. In fact, the Administration has planned for the most significant growth in bond-cap funded spending in this category. Investment will grow from 3% of the total bond-funded capital investment in 2007 to 10% by 2013.

Capital spending in FY10 will continue to target particular investments, including:

- Providing funding for instruction and research facilities;
- Target adaptation and renewal of existing space in order to extend the useful life and maximize the potential of our existing assets;
- Address safety and accessibility for students and researchers and faculty as represented by a $9 million FY09 investment in the substructure stabilization project at the UMass Boston campus; and
- Focus on enhancing workforce training and development programs.

Housing – $166.0 million

The accessibility of desirable, affordable housing is a critical factor for the success of our economy, as new jobs will only be created if the workers needed to fill them can obtain desirable, affordable housing in close enough proximity to their places of employment. This accessibility is also an objective we should have as a caring, civilized society. There is much government does and can do in this area. State spending for housing in Massachusetts includes both state-supported public housing and private affordable housing development. The state's public housing portfolio supports some of our most vulnerable citizens, including the elderly, veterans and clients of the state's human services agencies. The public housing stock is in desperate need of maintenance and improvements. Private housing in Massachusetts has become increasingly expensive, with most Massachusetts residents citing housing costs as more of a concern than education and health care. The Patrick-Murray Administration is committed to making significant investments in affordable housing through the capital budget. For example, in FY09, $3.5 million was invested in housing near public transit as consistent with the Administration's sustainable development principles.

FY10 highlights include:

- Continuing Governor Patrick's commitment to public housing.
- Targeted spending for various private affordable housing development programs, including investment in the Affordable Housing Trust Fund, Housing Stabilization Fund and other programs supporting affordable home ownership.

Information Technology – $82.7 million

Information technology spans all areas of government. IT enables customer-facing functions such as transaction processing, license and permit applications and renewals, and public information access and alert; it also supports internal processes such as cross-agency information sharing, management efficiencies, and date security. While some agencies pay for certain small-scale IT projects from their operating budgets, most major IT installations are paid for by the capital budget. The 5-year capital plan makes strategic investments in IT, leveraging federal and other funds wherever possible. In FY09, for example, $6.8 million is budgeted to fund the final component of implementation of the statewide state-of-the-art digital wireless public safety radio network in western Massachusetts.

Of particular focus in the FY10 capital budget will be the modernization of certain critical state IT systems to support the provision of more efficient, responsive and transparent government services, including beginning to replace and upgrade the outdated and overburdened systems at the Department of Revenue and the Registry of Motor Vehicles that support the administration and enforcement of state tax collections and motor vehicle fees.

Public Safety – $45.6 million

The Commonwealth's capital spending supports important public safety projects and programs that ensure the safety of our citizens and communities. The capital needs range from crime prevention to disaster preparedness and response. For example, the FY09 budget includes $15 million for continuation of the expansion of the Massachusetts Firefighting Academy at Stow, the state's primary training center for fire fighters. Significant public safety-related investments are also included in the Information Technology and Correctional Facilities categories.

Specific FY10 public safety-related capital investments will include:

- Acquisition of medical, security, communications and other equipment needed at public safety agencies;

- Acquisition of new state cruisers and installation of mobile data units; and
- Investment in new fire training facilities.

State Office Buildings & Facilities – $75.7 million

Safe, convenient and accessible state office buildings and facilities are necessary for the efficient and effective functioning of government. There exists a significant backlog of deferred maintenance in the state's facilities and many require structural improvements, elevator replacements and improvements to comply with changing building codes and accessibility requirements. In the FY09 capital budget this issue was addressed by a $30 million investment in desperately needed maintenance and repair projects state-wide.

FY10 spending plans include:

- Developing a second data center to provide redundancy to the state's ability to function in the event of an emergency;
- Performing a variety of repair and planning projects; and
- Investment in energy efficiencies through conservation retrofits and renewable energy projects.

Transportation – $1.3 billion

Our network of transportation infrastructure is a critical factor affecting the strength of our economy, the quality of our environment and the quality of our lives. Our roads, bridges, mass transit and other modes of transportation provide us with access to work, school, and goods and services; they provide businesses with the ability to move their goods and services to meet demand; they impact our environment in different ways; and they provide us with the mobility and freedom to get where we want to go when we want to get there. High-quality, strategically developed transportation infrastructure is an essential component of a thriving economy, clean environment, and stable society. The FY09 capital budget included a $38 million investment in parkways and bridges in the metropolitan Boston area, including major repairs to the Storrow Drive tunnel.

Specific capital investment highlights of the FY10 transportation capital investment plan include:

- Continued funding for the Accelerated Structurally-Deficient Bridge Program, as described below;
- Federally-assisted statewide road and bridge improvements;
- Continue to address legally mandated projects intended to mitigate the environmental impact of the Central Artery/Tunnel project;
- Continued investment in the planning phase of the South Coast Rail project and other transit projects; and
- Perform critical repair needs on the Department of Conservation and Recreation roads and bridges.

The five-year plan and the FY10 budget make the most of the limited resources available and make progress in addressing the tremendous needs of our transportation system. Transportation-related capital spending in FY09 is 33% greater than in FY08, and, by FY13, transportation-related capital spending is expected to be 122% more than FY08.

Accelerated Structurally-Deficient Bridge Program

As of October 1, 2008, there were 511 structurally-deficient MassHighway and municipal bridges in the state, plus an additional 57 structurally-deficient bridges owned and managed by entities such as the MBTA, the Massachusetts Turnpike Authority, the Department of Conservation and Recreation (DCR) and others. Without significant new investment, the number of structurally-deficient bridges is expected to rise to nearly 700 over the next eight years.

Following on a pledge to repair the Commonwealth's most neglected bridges, on August 4, 2008 Governor Patrick signed into law a $3 billion bond bill, known as the Accelerated Bridge Program bond bill. The Accelerated Bridge Program will repair bridges across the Commonwealth that are currently structurally deficient or would otherwise become structurally deficient during that time period. Instead of seeing the number of structurally deficient bridges increase by approximately 30% over the next eight years, the number will be reduced by approximately 15% during that time. Major bridge repair projects across the state will be accelerated, including the Longfellow Bridge over the Charles River, the Fore River Bridge in Quincy, the Whittier Bridge in Amesbury and the Route 9 Bridge over Lake Quinsigamond in Shrewsbury and Worcester, as part of the program.

The goals and objectives of the Accelerated Bridge Program are to:

- Improve the safety and condition of bridges in the Commonwealth, with a focus on structurally deficient bridges and on bridges projected to become structurally deficient in the next eight years, so that by the end of the Program, the number of structurally deficient bridges will be approximately 250 fewer than would be the case under the regular capital budget;
- Create thousands of construction-related jobs and maintain the critical infrastructure necessary for the long-term economic growth of the Commonwealth.
- Generate significant cost savings by accelerating projects now, thereby avoiding construction cost inflation and cost increases due to deterioration caused by deferred maintenance.
- Complete projects on time and on budget and with minimum disruption to people and commerce. Innovative means of contracting techniques will be employed.
- Conduct the entire Program with transparency and accountability by providing frequent and detailed reports to the public on the progress of the Program, develop project controls to ensure adherence to project schedules and budgets, and measure agency performance in streamlining design and construction schedules against benchmarks.

Approximately $2.1 billion is allocated to MassHighway for bridges under its control or owned by cities and towns, and approximately $900 million is allocated to the Department of Conservation and Recreation (DCR) for bridges under its control. Expenditures will occur over a period of eight years.