14 January 2004

Hon. Joseph F. Wagner
Chairman
House Committee on Transportation
Massachusetts House of Representatives
State House
Boston, MA. 02133

Hon. Marie J. Parente
Chairwoman
House Committee on Long Term Debt
Massachusetts House of Representatives
State House
Boston, MA. 02133

Dear Representatives Wagner and Parente:

It appears that the Governor is once again poised to propose the merger of the MassHighway Department and the Massachusetts Turnpike as part of his annual budget message. This is based on the premise that the state would realize great savings and efficiency of government doing so.

It is clear that this is actually a poorly disguised attempt to convert the nearly $200 million dollars currently held by the Massachusetts Turnpike as a security of their bonds into a revenue source for the Governor's budget proposal. The House Post Audit and Oversight Bureau has great concerns with the proposal and has sent me an advisory expressing that concern. It should also be noted that the restructuring of the Turnpike debt will potentially cost ½ billion dollars. I attach this advisory for your review.

We as members of the House Credit Rating Task Force have conducted extensive interviews, hearings, bi-partisan seminars, and document reviews, and have issued two reports on this issue of credit rating. We have also discussed this issue with the Wall Street based credit rating agencies and have concluded that this allegation we review today would have serious negative consequences.

Wall Street was extremely clear in its message that one time fix solutions are a sign of desperation and could cause a down grade in our credit rating.

It is troubling and seems contrary to sound logic and fiscal responsibility to jeopardize this well designed Turnpike Bond obligation. What purpose would be served by this?

The Turnpike debt would have to be re-issued and absorbed somewhere. As part of the State's General Obligation it would dangerously increase the now precarious balance of state debt to personal income. Once again Wall Street was clear – this could cause great alarm and adversely affect our bond rating. That could, consequently, increase the state's cost of doing business; an expense that would be borne by successive generations of taxpayers long after the Governor has gone.

The cost of re-financing the debt and re-issuing bonds, together with the loss of a revenue stream by the liquidation of the alleged $200 million reserve funds confiscation will ultimately cost the taxpayer. The question is why?

This is simply bad policy.

Thank you as always for your concern, cooperation, and commitment to our state,

Very Truly Yours,

James H. Fagan
Chairman