



Out of the Shadows

Massachusetts Quasi-Public Agencies
and the Need for Budget Transparency

MASSPIRG Education Fund

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Executive Summary

In Massachusetts, quasi-public agencies perform vital government functions, delivering essential services such as operating public buses and rail systems, delivering drinking water and managing public pensions. They employ thousands of people and sometimes control billion-dollar budgets. Because they are not directly accountable to the legislature and exempt from many kinds of public oversight, these agencies should make their decisions and budgets especially open to public scrutiny. Detailed information should be publicly disclosed and readily available about expenditures, revenue and debt, as well as about outside contracts and internal governance. The Internet makes it easy to provide ready access to this information at minimal cost.

Unfortunately, quasi-public authorities operate largely under the radar in Massachusetts. Quasi-publics fail to disclose basic information online about their spending and revenues. When information is available, it is difficult for the public to access.

This study uses data provided to us by the quasi-public agencies in response to public records requests, as well as public audits and online searches, to examine the size and scope of quasi-public agencies in Massachusetts and the extent to which their budgets and decision-making are open to the public.

Quasi-public agencies are a large and important part of government operations in the Commonwealth.

- Quasi-public agencies are publicly chartered bodies that perform some public function and are controlled by government-appointed boards. They are not fully public because they operate independently of the legislative and executive branches and do not principally depend on state general funds for operation. They cannot be classified as private entities because they are governed by state appointees and are typically endowed with public powers to collect fees or other revenues, as well as to perform public functions.

- A total of 42 quasi-public agencies operate on the state or regional level in Massachusetts, ranging in size from more than 6,000 employees to only six.
- For the 41 quasi-public agencies for which some budget information could be obtained, combined annual revenues amounted to \$8.76 billion, according to available information that is sometimes a couple of years old. Some authorities, such as the Massachusetts Teacher Retirement System, oversee over \$2 billion in outlays annually.
- By comparison, the state budget of Massachusetts was almost \$27 billion in fiscal year 2008, the current reference year for most available quasi-public data. In other words, **quasi-public agencies represent almost 33 percent of additional government activity that is exempt from even limited normal transparency and oversight rules.** While the Commonwealth held \$19 billion in long-term outstanding debt as of March 2008, figures disclosed by the Executive Office of Administration for 12 large quasi-public agencies show **\$29 billion in additional debt** at that time.

Quasi-public agencies in the Commonwealth often disclose limited or no information about their budget or operations online, leaving citizens in the dark.

- While all the agencies in this report have Web sites, only 15 provide relatively complete budgetary information. The state's budget Web site (mass.gov), the central portal for information on Massachusetts government finances, fails to provide budget information on any quasi-public agencies.

- Some quasi-public agencies appear to perform as models of efficiency and good government; others have seen repeated scandals and cost overruns.
- Concerns about lack of public accountability at quasi-public agencies have been raised before. In fact, a quarter century ago, the Massachusetts Senate convened a commission to examine how quasi-public agencies were being used to circumvent laws to keep track of budget spending and debt. The Commission's recommendations included "that uniform, regular reporting requirements be imposed and enforced on all authorities" and that the Governor's office disclose all off-budget spending and revenues. Only limited reforms have taken place during the intervening 25 years.

Budget transparency can increase efficiency and prevent corruption or other potential abuse at quasi-public agencies.

- Budget transparency allows citizens and elected officials to monitor the actions of quasi-public agencies and hold them accountable. Improved budget reporting is the most commonly cited way respondents say government can demonstrate greater accountability, especially through open disclosure and clear reporting.
- At least 30 states have established budget transparency Web sites that give users access to checkbook-level data on government spending and allow users to make directed searches. Unlike Massachusetts, New York's state budget Web site includes budget information on quasi-public agencies.
- Budget transparency Web sites with checkbook-level disclosure have proven to be a cheap tool to monitor

and improve government spending. Missouri's Web site, which is updated daily and allows citizens to search state expenditures totaling over \$20 billion a year, was created entirely with existing staff and revenues.

- Budget transparency Web sites can save governments money. In Texas, the Comptroller was able to utilize the transparency Web site to quickly save \$2.3 million from a variety of efficiencies and cost savings.
- Citizens have actively used existing budget transparency sites to monitor government spending. Less than a year after its launch, the Missouri budget transparency Web site received more than six million hits.

Massachusetts has made some strides toward improving government budget transparency, but quasi-publics have been exempt from these efforts.

The Commonwealth's cutting-edge procurement system already puts some government contracts online, but not those of quasi-publics. Massachusetts has been a leader in publicly disclosing information about spending of stimulus funds from the federal American Recovery and Reinvestment Act by posting all contracts online. This public disclosure has not extended to quasi-publics. Citizens increasingly expect that government expenditures will be posted online and easily accessible through a Google-like search function. It is important that independent agencies are included in such transparency.

Massachusetts must hold quasi-public agencies to higher standards of transparency and accountability.

- The Commonwealth's centralized Web site, mass.gov, should provide budget information on all govern-

ment organizations and agencies, including quasi-publics, modeled on best practices established by at least 30 other states.

- In addition to information about individual direct expenditures, often called checkbook-level transparency, online budget disclosure should include detailed budgetary information on all revenue, the issuance of private revenue bonds, compensation for board members, subsidies, discretionary spending, and contracts or grants given to private entities.
- Minutes of board meetings should be posted on-line, as should the qualifications of board members and their compensation for serving on the board.
- Massachusetts should consider establishing oversight boards to monitor the actions of quasi-public agencies and hold them accountable.
- Contracting at quasi-public agencies should be done through transparent statewide procurement systems, which could most easily be accomplished by posting all procurement through the state's Comm-PASS system. Doing so would enable these entities to take advantage of bulk ordering discounts enjoyed by other state departments, cities and towns.
- Quasi-publics should be barred from hiring lobbyists. As part of the government themselves, they should not use tax dollars to influence legislation or decisions by the Governor's office. The Governor of New Jersey in February 2010 ordered all state agencies, authorities, boards and commissions to stop hiring lobbyists, and Governor Patrick has included a similar proposal in the FY2011 budget.

Introduction

Much of the contact that Massachusetts citizens have with state government is actually with “quasi-public agencies” that operate basic infrastructure or other functions, including school construction, public pensions, college loans, zoos, and assistance with financing health care. Most people think of these entities as simply part of the government, but that isn’t quite true. Though chartered by government and ultimately the fiscal responsibility of taxpayers, the budgets of quasi-public agencies are exempt from legislative review and governmental limitations on debt.

This independence can make quasi-public agencies useful tools for carrying out specific government purposes, but it can also create problems. Quasi-public agencies are governed by independent boards rather than accountable to the voters or elected officials. Quasi-public agencies are also exempt from many budgetary rules that other parts of government must follow. Given the lack of built-in accountability to rules and democratic oversight, quasi-publics

should have more transparency than other parts of government, not less.

The problem is not that quasi-publics are inherently corrupt or incompetent. On the contrary, some quasi-public agencies in Massachusetts are regarded as models of professionalism and boast impressive achievements. The Massachusetts Water Resources Authority (MWRA), for example, is often lauded for its cleanup of Boston Harbor, which had been considered America’s dirtiest harbor in 1980s. Two lawsuits forced the creation of an independent authority, the MWRA, with strong powers that oversaw construction of the ambitious Deer Island waste facility on-time and under budget.¹ According to the MWRA history, “In order to fulfill its mission of providing quality water and sewerage services to its communities, the Metropolitan District Commission (MDC) needed the ability to raise sufficient revenues to hire adequate staff, to properly maintain plants and equipment, to finance major capital programs, and to develop operating budgets that were responsive to existing and future needs. Under the system that ex-

isted, it was impossible to achieve these goals.”² Creation of the quasi-public MWRA filled that need.

Another example of creation of a quasi-public agency that helped address long-standing problems is the Massachusetts School Building Authority (MSBA).³ When the agency was created in 2004, it inherited a list of 428 schools on a backed-up waiting list with 10-15 year delays and an audit backlog of over 800 projects. These programs had struggled without dedicated revenues under the direction of the Department of Education’s school building assistance program. The MSBA received a dedicated penny of the state’s sales tax, and restructured the program as a competitive grant process based on standardized needs assessment. The authority ended future waiting lists by committing only to projects for which money could be expected that year. The authority accelerated payments by \$4.4 billion more in the first five years than would have been possible under the previous system. Overall costs of the program were reduced by almost \$900 million, and cities, towns and the regional school district saved nearly \$2.8 billion due to lower interest costs. The authority also conducted the first-ever inventory of all the state’s schools.

But lack of accountability at quasi-publics has at other times bred high-profile scandals or cost overruns such as the well-known problems associated with the Big Dig or earlier days at Massport. The point is not that quasi-public agencies are inherently good or bad. They manage huge public resources and have a heightened need for transparency. Transparency is a crucial tool in a democracy, as it fosters accountability by enabling voters, the media and government watchdogs to monitor

the decisions of government officials. Transparency can also make government more efficient by highlighting ways to benchmark and ratchet up performance on public goals.

Exactly 25 years ago, in 1985, the Massachusetts Senate Ways and Means Committee issued a report recommending a moratorium on the growth of public authorities. Senator Patricia McGovern, the committee chair at the time, forcefully explained her concerns: “It is true that authorities, with their freedom and flexibility, can make things happen, but they also have the best of both worlds. They can have posh offices like private companies, and they can operate without fear of failure because the state will pick up the tab.”⁴ The committee concluded that this “best of both worlds” environment can lead to abuse and misuse of public funds.

This report follows in the footsteps of that report a quarter century ago in documenting the important role of quasi-publics and calling for greater transparency and accountability. Relying on public records requests, online searches and state audits, we examine the size and scope of quasi-public agencies in Massachusetts and the extent to which their budgets and decision-making are open to viewing through public Web sites.

These publicly accessible and searchable Web sites have become almost synonymous with enhanced transparency and public accountability around the country. Other states increasingly provide citizens and government watchdogs with one-stop Web portals that allow comprehensive searches of transactions down to the checkbook level. When addressing the lack of transparency at quasi-public agencies, Massachusetts should accept no less.

What Is a Quasi-Public Agency?

Quasi-public agencies are independent governmental corporations that are created through enabling legislation to perform a particular service or set of public functions. They are technically public entities and often exercise public powers; but they remain relatively independent of the government that founded them. The directors of these agencies, who are usually appointed for extended periods, are empowered to make operational decisions independent of the legislature.

Quasi-public agencies operate on the federal, state and local levels, operating basic services such as waste management, toll roads or water treatment, or acting as a financial conduit for housing, community development or public pensions. As senior editor for *Boston* magazine, John Strahinich, described their role in a 1989 article: “Neither fish nor fowl, authorities exist in the twilight zone between the public and private sectors. They travel in this other dimension, out of sight and

sound of the general public, performing the necessary tasks that the public sector can’t perform and the private sector won’t.”⁵

Regardless of whether ordinary public agencies could perform these functions, the strength and independence of quasi-public agencies derive largely from their self-financing powers. Quasi-public agencies are allowed to raise their own revenue, and their budgets are not subject to legislative oversight. Quasi-public agencies typically receive the majority of their income from fees they collect, such as tolls or rents. Many also raise money by issuing tax-exempt bonds, which they are empowered to do as a result of their public status. These tax-exempt bonds are backed by the revenue-generating power of the agency itself, and – in theory if not in practice – are not backed by the “full faith and credit” of the state. Thus, quasi-public agencies can borrow money without damaging the credit rating of the Commonwealth. They are similarly

not subject to the limitations or caps on governmental debt. They are also exempt from civil service rules and contract bidding procedures, even though many agencies in Massachusetts are subsidized by taxpayer dollars. Of the Big Five authorities – the Turnpike, Massport, Convention Center, Massachusetts Bay Transportation Authority, and the Massachusetts Water Resources Authority – only Massport operates without direct funding from taxpayers.⁶

Quasi-public agencies are often referred to by other names, such as special-purpose entities, special purpose governments, or quasi-public authorities. An additional distinction is sometimes made between two types of quasi-public agencies – special districts, which have taxing powers in other states, and public authorities, which rely on user fees and the bond market. For the purposes of this report, “quasi-public agency” or “quasi” describes both types of agencies.

“Independent Agencies” and “Quasi-Public Agencies”

“Independent agencies” are not the same as quasi-public agencies. An independent agency is any agency created by the legislature that remains independent of other executive departments. Well known independent agencies at the federal level include the Central Intelligence Agency, the Environmental Protection Agency, and the Federal Emergency Management Agency. Quasi-public agencies are a sub-type of independent agencies. The chief distinction is that quasi-public agencies are granted *self-financing* powers, such as the ability to issue bonds or charge for a service. Other kinds of independent agencies do not have the ability to self-finance, leaving them dependent on budgetary allocations from the government that established them and therefore subject to greater legislative oversight and control.

Rise of Quasi-Public Agencies in the United States

Though relatively rare before the 1950s, quasi-public agencies have existed since the foundation of the colonies. In recent decades they have become increasingly prevalent, and the most numerous and fastest growing form of government in the United States.⁷ Between 1952 and 1992, the number of quasi-public agencies increased by 156 percent.⁸ Due to differing definitions and a lack of systematic data, the counts of quasi-public agencies vary considerably. One estimate of the number of publicly chartered authorities in the United States ranges anywhere from 5,000 to 18,000.⁹ Another estimate, based on Census counts of “special district governments,” tallied 37,389 such entities across the United States in 2007.¹⁰

The rise of quasi-publics is fueled by at least four factors:

- The need to bridge across local jurisdictions for new or expanded government operations;
- The desire to borrow money for projects outside of newly created debt limits or to take advantage of new financial instruments for borrowing more cheaply;
- The desire to circumvent corrupt or inefficient political machines, or to at least appear to create professional and “business-like” operations outside of political influence;
- Urging by private companies for new quasi-public agencies that will partner or contract with their own planned investment opportunities.

One of the initial motivators for the growth of quasias was the need to provide public services across political boundaries. During the 1800s in particular, there were numerous interdependent but politically

decentralized metropolitan areas. In this political environment, local governments realized that they needed to combine resources to provide services to a given region, regardless of political boundaries. In 1790, for example, the City of Philadelphia and 10 neighboring suburbs negotiated the creation of the Board of Prison Inspectors to provide prison services across the region.¹¹

This need to provide services across political boundaries became more important during the late 1800s and early 1900s, when state legislatures, dominated by rural and suburban areas, began passing laws that limited the ability of cities to annex outlying areas. Statutes were enacted that were simultaneously permissive to the incorporation of municipal areas and the formation of special districts. Many locales established quasi-public agencies as a way to maintain independence from nearby cities while also providing services to their residents.¹²

The second, and probably more important, reason that governments form quasi-public agencies is to enable the financing of new investments through issuance of new debt. The economic depression of the 1870s left many cities, which had borrowed heavily in boom times, with large levels of debt. States responded by passing limits on public debt to avoid defaults in the future. These limitations led some to fear that governments would simply raise taxes, causing some groups to successfully lobby for limitations on additional taxation. As a result, local governments were left in a fiscal straitjacket – they were unable to raise taxes and faced low debt ceilings. Quasi-public agencies, which courts ruled were exempt from such fiscal limitations, provided a solution for these governments, especially when they sought to fund their capital-intensive projects.¹³ Cities, counties and states could raise money by forming quasi-public agen-

cies, without affecting their restrictive debt levels.

In this respect, the growing importance of quasi-public agencies was brought about by the combination of new legal limits on government debt with new financial instruments that courts decided were exempt from those debt limits. The debt limits were meant to protect state and local governments from financial default and to reassure private investors that governments would have enough money to make future payments on publicly issued bonds. The limits capped how much debt governments could shoulder or required ballot approval to waive such limits. More traditional public debt was backed by future taxes and paid for through future allocations from the general fund budget, leaving bond buyers unsure whether heavily indebted governments would really make bond payments in a fiscal crisis rather than, say, pay salaries for police or teachers. Courts ruled that debt issued by new “revenue bonds” or “special obligation bonds” was different and should not count against the debt limits. These new debt instruments were backed by consumer user fees or other charges such as tolls, water fees, educational or housing loan repayments, tobacco company settlement payments, or even expected federal gas tax funds.

The relationship between quasi-public authorities and revenue bond financing has been so close that modern commentators often treat them as inseparable.¹⁴ Use of these bonds began before World War I, grew in profile with their use by the New York Port Authority, and took off in earnest with federal encouragement during the late 1930s.¹⁵ The use of revenue bonds to evade or circumvent public debt limits is another reason that quasi-public agencies should be subject to enhanced transparency; but it does not mean that these arrangements are nec-

essarily bad for taxpayers. In many cases the use of revenue bonds also reassured investors in ways that could translate into lower interest rates and therefore lower costs for taxpayers. Even when municipalities have been empowered to issue revenue bonds, they often nonetheless prefer to create an independent authority to do so – perhaps because they believe doing so reassures bond holders or perhaps because elected officials desire political distance from ensuing rate hikes that are made necessary by the revenue bonds.¹⁶

Third, quasi-public agencies have multiplied because they have been promoted as a way to avoid government corruption and political infighting. One of the main selling points of quasi-public agencies, at least for investors considering purchase of their bonds, has been their relative independence from their founding government. Reformers in the Progressive movement of the late 1800s and early 1900s saw independent agencies run by non-partisan bureaucrats as a way to deliver public services free from the corrupting influence of politicians.¹⁷ Influenced by these beliefs, President Franklin Delano Roosevelt was a particularly strong proponent of quasi-public agencies. In announcing the creation of the Tennessee Valley Authority in 1933, Roosevelt described the new entity as a “corporation clothed with the power of government, but possessed of the flexibility and initiative of private enterprise.”¹⁸ Roosevelt was wary of the power of political bosses in cities across the United States and used New Deal policies to encourage the growth of quasi-public agencies instead, even instructing the legal department of the Works Progress Administration (WPA) to draft over 500 charters for authorities across the nation.¹⁹ Many of the federal programs Roosevelt created required the formation of quasi-public agencies in order to

receive financial assistance. As a result, between 1931 and 1941, the number of quasi-public agencies increased over 50 percent, from 1,400 to 2,200.²⁰

The independence of quasi-publics is a double-edged sword. Depending on the degree of transparency and public accountability, the results can be greater professionalism and focus, or corruption and unresponsiveness to popular demands. As scholar Alberta Sbragia notes, “The same characteristics – financial independence, insulation from a wide array of constituencies, a narrow functional focus, distance from elected officials, a dependence on user fees rather than on taxes, and an administrative structure devoid of many of the regulations and restrictions applicable to state and local line agencies – are viewed by supporters as allowing the authority to function effectively, flexibly, and quickly, while being identified by critics as leading to a lack of accountability and oversight that encourages corruption [and] anti-democratic tendencies.”

Finally, an additional and more recent impetus for creation of quasi-publics is that many private developers have urged their creation as a way to secure capital for expensive infrastructure projects, especially when the legislature is reluctant to seek new taxes. Heavy construction contractors, for example, may push for the formation of a public authority to provide reliable funding for infrastructure.²¹ Across the country, developers have initiated the creation of hundreds of quasi-public agencies to fund development-oriented functions. In Houston during the 1970s, for instance, developers initiated the foundation of more than 400 municipal utility districts, which are quasi-public agencies that provide water and sewage services.²² Over 130 of these special governments were formed in 1971 alone to serve new or planned residential developments in the area.²³

Quasi-Public Agencies in Massachusetts

In Massachusetts, the development of quasi-public agencies followed a similar path as it did nationally. The earliest agencies were created to manage water resources across municipalities, followed by state rescue of insolvent private companies operating important services. Then, after World War II, the number of agencies grew sharply with new infrastructure investments, and branched into new technology incubators and financing instruments.

In the late 19th century, steady growth of population and water use in Boston led the city to make new agreements with nearby cities and towns to divert water toward the state's capital city. In 1895, the legislature created the Metropolitan Water Commission to manage common water resources between Boston and nearby cities and towns.²⁴ The water commission provided a governance structure for continuing efforts to allocate water and address wasteful leakage problems. Perhaps equally important,

the Commission provided a way around the Municipal Indebtedness Act of 1875, which set a limit at 3 percent of the assessed valuation of taxable property.²⁵

During World War II, the Commonwealth focused its economic and manufacturing powers on the war effort, while letting traditional public services fall by the wayside. Following the war, the state was faced with outdated infrastructure. The three governors during the post-war period – Robert Bradford, Paul Dever, and Christian Herter – sought to modernize the state's transportation system. They turned to quasi-public agencies as a way to finance large-scale infrastructure projects without having to borrow money or raise taxes. Following their leadership, the state legislature created the Mystic River Bridge Authority, which became part of the Massachusetts Port Authority in 1956.²⁶ Likewise, the Metropolitan Transit Authority was created in 1947, the Massachusetts Turnpike Authority in 1952, the Massachusetts Parking

Notable Dates in the Early Creation of Massachusetts Quasi-Public Agencies

- 1875 – Boston Water Board created to assume control of the Mystic and Cochituate Water Works.
- 1895 – Metropolitan Water Commission
- 1918 – Boston Elevated Railway Company (BERC) placed under public control by Governor's appointees and financed with assessments on service communities.
- 1929 – Boston Transit District, later called Boston Metropolitan District (BMD) and empowered to issue bonds for capital improvements for the BERC.
- 1935 – Local housing authorities authorized
- 1946 – Mystic River Bridge Authority
- 1947 – Metropolitan Transit Authority (MTA) succeeded the BERC
- 1952 – Turnpike Authority
- 1955 – Port Authority
- 1960 – University of Massachusetts Building Authority
- 1960 – Steamship Authority
- 1961 – University of Lowell Building Authority
- 1963 – State College Building Authority
- 1964 – Southeastern Massachusetts University Building Authority
- 1964 – Massachusetts Bay Transportation Authority (MBTA) replaces MTA and BMD
- 1965 – Worcester Business Development Corporation
- 1968 – Housing Finance Agency
- 1975 – Government Land Bank
 - Community Development Finance Corporation
 - Municipal Wholesale Electric Company
- 1978 – Community Economic Development Assistance Corporation
 - Technology Development Corporation
 - Industrial Finance Agency
- 1981 – Bay State Skills Corporation
- 1981 – Educational Loan Authority
- 1982 – Corporation for Educational Telecommunications
 - Technology Park Corporation
 - Convention Center Authority
- 1984 – Water Resources Authority (MWRA)

Authority in 1958, and the Woods Hole-Martha's Vineyard-Nantucket Steamship Authority in 1960.²⁷

The period from the end of World War II to the 1970s involved many conflicts between public agencies seeking to

implement massive urban redevelopment and highway projects and local residents seeking to preserve their homes or quality of life. Edward J. King, who was the executive director of Massport from 1961 to 1974, embarked on an ambitious

project to expand Logan Airport from a small regional airport to one of the busiest airports in the world. His proposals were vociferously opposed by residents in the nearby communities who worried about subsequent air and noise pollution. King continued with the project, counting on the support from bankers, state legislators, union officials and contractors. As the head of a quasi-public agency, King was neither required to involve the public in developing plans for the airport, nor was he directly accountable to elected leaders. In fact, even when he was eventually fired, he continued to show up for work until a compromise was brokered that guaranteed him a generous severance payment and a letter of commendation from the board.²⁸

Despite this opposition, more quasi-public agencies were established over the years as governors sought to take advantage of their independent financing powers. Governor Endicott Peabody and the legislature created the Massachusetts Bay Transportation Authority in 1964 as a restructuring and expansion of the Metropolitan Transit Authority, which was riddled with debt. Two years later, he also established the Massachusetts Health and Education Facilities Authority and the Massachusetts Housing Finance Agency.²⁹ Facing default in August 1975, the latter agency was rescued by the Massachusetts Legislature, which placed \$500 million in state debt as collateral to back the agencies' financial notes. When other local housing authorities the following year also became unable to continue financing their operations through short-term debt, the Commonwealth was forced to issue \$535 million in state bonds to prevent default.³⁰

The 1970s and 1980s saw rapid proliferation of quasi-public agencies, and they comprised a growing share of the state's activity. In 1984 alone, the legislature created six new quasi-public agencies, including the Massachusetts Water Resources Authority, which was charged with cleaning up Boston

Harbor and repairing the water delivery and sewage treatment systems.

In 1985, though, members of the state legislature began raising concerns about the growing prominence of quasi-public agencies. A Senate Ways and Means Committee report that year found 24 statewide authorities, 5 major regional authorities and 477 regional and local authorities for a total of 506. Among this total, the most common types of local authorities were housing authorities, of which there were 223. The study also found 79 regional school districts, 78 local water, sewer and fire authorities, 44 local redevelopment authorities, 27 home care corporations, 14 regional transit authorities, 4 solid waste districts, and 8 other quasi-public entities, including the Woburn Golf and Ski authority. Together these entities employed over 12,000 people and spent over \$2 billion annually.³¹

The Senate Ways and Means Committee also warned that the state was on a dangerous path of a growing form of "shadow government." The Commission recommended "that uniform, regular reporting requirements be imposed and enforced on all authorities" and that the Governor's office disclose all off-budget spending and revenues.³² Such reforms have not taken place during the intervening 25 years.

Measuring the Extent of Quasi-Public Agencies in Massachusetts

Counting the number of quasi-public agencies is a challenge of information gathering and interpretation. Each government uses different language when founding an independent authority, and scholars haven't developed a standard definition for what a quasi-public agency even is.

The Size and Transparency of Quasi-Public Agencies in Massachusetts
Number of quasi-public agencies: 42
Average expenditures per quasi-public agency: \$219 million
Known revenues of quasias as a percent of the state budget: 33%
Number of employees in 17 quasias for which information was provided: 9,168
Number of quasias with detailed budget information on their Web sites: 15
"Off-budget" debt held by dozen large quasias compared to debt of entire Commonwealth: 153%
Percent of quasias with detailed budget information on their Web sites: 36%
Number of quasias with checkbook-level detail or searchable budget information on state's budget Web site: 0

This report focuses on state and regional quasi-public agencies, also known within government as "quasias." These are publicly chartered bodies that are controlled by a largely government-appointed board. They are funded by sources outside of state general funds, though the state would presumably intervene to protect them from insolvency.

Under this definition, 42 state or regional quasi-public agencies operate in Massachusetts, ranging in size from more than 6,000 employees at the MBTA to only six employees at the Massachusetts Technology Development Corporation. Most of these authorities have statewide responsibilities, which provide services such as housing assistance and a retirement fund for teachers. These agencies include the Commonwealth Corporation, Commonwealth Health Insurance Connector Authority, the Massachusetts School Building Authority, and the Massachusetts Teachers Retirement System. Other agencies have a more regional focus, including the 15 regional transit authorities, which are responsible for developing, financing and operating public transportation services in their regions. The Web site for the MetroWest RTA,

for example, defines their mission as to "[b]uild a public transportation system to deliver convenient and dependable service that enhances mobility, environmental quality and economic vitality in the region."³³

Quasi-public agencies that are creatures of municipal government, or that deal with explicitly local (as opposed to regional) issues, are excluded from this study. (A complete listing of the agencies included in this study is available in the Appendix.)

Because our analysis focuses on available budget data for 2008, it does not reflect the more recent consolidation of the state's transportation agencies. In June 2009, Governor Patrick signed a transportation reform law, eliminating the Massachusetts Turnpike Authority and consolidating governance of the many transportation-related organizations under one super-agency, a new quasi-public agency known as the Massachusetts Department of Transportation (MassDOT). Described as a new authority with "agency like" features, MassDOT has the authority to raise money and issue bonds, and is run by an independent Board of Directors appointed by the Governor.

For the 41 quasias for which some budget information was available, revenues averaged approximately \$219 million for each entity. Together, the combined annual revenues flowing to these quasi-public agencies amounted to **\$8.76 billion**. This sum represents a roughly 33 percent addition to the Commonwealth's nearly \$27 billion state budget.³⁴

Measured by identifiable expenditures for these authorities, their total spending was somewhat lower at **\$7.4 billion**. The difference is partly due to availability of data from fewer agencies and partly because our analysis was conservative in distinguishing expenditures from financial debt payments. No expenditure data was available from the Steamship Authority, which did not respond to our Public Records requests, though revenue data for the authority was available from an external audit. Similarly, the Commonwealth Zoo Corporation refused to share any financial data.

Another indication of the size of quasias is the number of people they employ and the wages they pay. Even though the quasias are major employers in the state, basic information about the number of people they employ is generally not provided. Seventeen quasi-public agencies provided this information, indicating that they employ **9,168 people**, an average of 540 employees each. The 14 agencies for which we reviewed payroll data spent nearly **\$172 million on wages and salaries**, approximately \$12 million per agency, not including health care or other benefits. (Lack of this data in our study does not necessarily mean that agencies failed to respond to a formal request. Our study did not ask all agencies for this data).

Examining the compensation packages of board members at the agencies is also eye opening. In 2009, Governor Patrick established a committee to review compensation decisions for board members

at the state's quasi-public agencies.³⁵ The commission found that while the salaries for most executives passed a basic reasonableness test, the process for determining compensation levels was flawed and lacked adequate transparency. In particular, the compensation packages contained outlier features the commission found to be inappropriate, such as "excessive severance pay requirements, guaranteed raises and bonuses, and excessive sick pay cash out."³⁶ A report released by the commission provided figures on the salaries and compensation packages for the executive directors of the agencies. The average compensation package was valued at \$185,991. They ranged in value from \$79,903 at the Berkshire RTA to \$367,000 at the Pensions Reserves Investment Management Board.³⁷

Outstanding agency debt is also an important measure of quasi-public agencies because they often act as conduits for issuing public debt. Indeed, the nearly **\$29 billion** in long-term outstanding debt for public authorities far outstrips the \$19 billion in debt held by the Commonwealth. A potential problem, of course, is that while this debt may make sense for individual quasi-publics, it may not make sense from the point of view of the Commonwealth, which would ultimately be responsible for this debt. The Commonwealth may not be able to afford this aggregate debt or it may pose dangerous burdens in case of future crises in the financial markets.

Lack of Adequate Transparency and Democratic Accountability

Quasi-public agencies in Massachusetts overwhelmingly fail to provide public access to their budget information. The state's budget Web site, for example, does not provide financial information

Recent Reforms on Tracking Quasi-Public Debt

Recent reforms have improved the transparency and oversight of quasi-public agency debt. In August 2008 the legislature created a new Financial Advisory Board to oversee the aggregate public debt across the Commonwealth including, explicitly, quasi-public agencies and independent authorities. The board, overseen by the Treasurer and four appointees of the governor, is tasked with examining potential problems with aggregate debt and providing particular scrutiny over any financial derivative products that public entities might wish to use in issuing debt. The Financial Advisory Board's report covers 12 large quasi-public agencies (called "public authorities") plus the Regional Transit Agencies, the Convention Center and five other quasias that don't issue their own debt.³⁸ Although the tally appears nowhere in the report, it documents almost \$29 billion in long-term outstanding debt for these public authorities as of March 31, 2008, compared to \$19 billion in debt for the Commonwealth.³⁹

The administration has created other mechanisms to increase accountability and transparency for Massachusetts debt in ways that, however, do not include quasi-public agencies.⁴⁰ The Executive Office of Finance and Administration set clear goals for keeping debt service within prescribed limits "to ensure that the amount of debt issued to fund the capital investment program is kept to affordable levels," but excluded certain quasi-public debt from those limits.⁴¹ The agency similarly conducted the first-ever Debt Affordability Analysis and excluded quasi-public agencies from this study, even though it made clear that the Commonwealth is ultimately responsible for meeting the obligations of this debt.⁴²

on any of the agencies included in this report. And while all of the agencies have their own Web sites, only 15 provide relatively complete information about their revenue and expenditures. Four other agencies offer incomplete data, and one agency requires registration to access its budgetary information.⁴³ Not a single quasi provides for easy or detailed examination of the agency's checkbook the way departments do in many other states. (See Appendix for agency by agency findings.)

A similar lack of budget transparency exists among the Regional Transit Authorities (RTAs). Of the 15 RTAs, only three (Martha's Vineyard, Worcester and Nantucket) provide budget information in the form of an annual report on their local Web site.⁴⁴ An especially savvy researcher could discover that by going to a federal transit Web site it is possible

to find some detailed budget information for 14 of the agencies; however, the information is very difficult to find and the most recent budget reports are from 2007.⁴⁵ The leadership of the Regional Transit Authorities at the newly created Massachusetts Department of Transportation (MassDOT) has indicated that they plan to include RTA budget information on the RTA Web site (www.matransit.com) and provide a link to the RTA Web site from the new MassDOT site (www.massdot.state.ma.us). The RTA Web site is still under construction.⁴⁶

Though the staffs at many quasias were willing to supply information to us following a formal request, it is impractical to rely on such active cooperation for independent monitoring of these agencies. Some quasias did not even cooperate with requests for information. Staff at the Commonwealth Zoo Corporation,

for example, refused to provide any budgetary information and claimed they were not subject to public records laws. The Steamship Authority never complied with our repeated public records requests; but we were able to locate revenue data from a separate state Auditor's report. This lack of transparency is particularly problematic in light of the large volume of economic activity generated through these agencies.⁴⁷

Given their prominent role and potential impact on the public in the state, quasias must be held more accountable with their budget information accessible to decision makers and the public. Democratic institutions are more effective and responsive to public needs when they can be held publicly accountable and their actions are transparent. For quasi-public agencies, however, accountability poses special challenges that can lead to serious problems.

Quasi-public agencies have extraordinary control over their budgets and do not rely solely or often even significantly on an annual appropriation from the legislature. Quasias are therefore less accountable to their founding governments. A report released by the Massachusetts Quasi-Public Authority Compensation Review Commission noted that quasi-public agencies fall in a unique oversight void. Compensation decisions for public companies, for example, are reviewed by shareholder rights organizations, while not-for-profits are regulated by the IRS and the state's Attorney General, and the decisions of state agencies are reviewed by the executive and legislative branches. Quasi-public agencies, however, retain complete control and discretion over their budgets and compensation practices. The commission noted that public authorities don't even have a standard operating procedure for setting compensation packages.⁴⁸

In addition to not being directly elected or accountable to the legislature, it is difficult for the public to hold quasi-public agencies accountable through executive branch oversight. Quasias are designed to be insulated from political pressure. The governor (or the person in charge of appointing agency boards) can distance himself or herself from politically unpopular decisions made by the authority. Accountability is also reduced by holdover appointees from previous administrations, who may hold sharply differing views from the current sitting governor. At most quasi-public agencies, high-level staff can only be removed before their term expires with proof of gross negligence. In a Massachusetts Supreme Court case over the removal of two members of the Turnpike Authority, Justice Francis X. Spina explained in the majority opinion that board members "were not appointed to carry out the policies of the governor, but the policies of the authority *as determined by themselves*"⁴⁹ (emphasis added).

This lack of direct oversight is exacerbated by the fact that quasi-public agencies lack the kind of public accountability that exists when information about budgets and activities is widely available. The ability to see how government uses the public purse is fundamental to democracy. Budget transparency checks corruption, bolsters public confidence in government, and promotes fiscal responsibility. In 1802, President Thomas Jefferson called for budget transparency in a letter to the Secretary of Treasury, Albert Gallatin, "...We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."⁵⁰ Quasi-public agencies, however, lack this sort of transparency.

The lack of transparency and accountability is especially problematic given the fact that many quasi-public agencies, while technically independent, nonetheless receive some sort of direct or indirect government outlays. In 2008, for example, the Commonwealth Corporation received over \$30 million in grants from the federal and state governments – an amount almost equal to the agency’s entire budget.⁵¹ While the budgets of quasi-public agencies are technically independent, taxpayers would likely be responsible in the event of an agency insolvency. Last year, for example, the MassPike was faced with the prospect of paying \$2 million a month as interest on its loans, a catastrophic sum for an agency already facing a \$100 million deficit. In response, the Commonwealth passed legislation to guarantee \$800 million of the authority’s debt, allowing it to refinance with the state’s superior credit rating. While this protected the agency from possible insolvency, it left the taxpayers responsible for \$800 million if the authority defaults.⁵²

In the absence of oversight and transparency, quasi-public agencies lack ordinary checks on the use of government resources to reward political supporters and secure continuing fealty. Public officials may be tempted to use positions as gifts to be dispensed. Director-level positions, in particular, are desirable to political supporters because of their large paychecks, prestige and substantial autonomy from outside control. The average compensation package at the state-level agencies is \$185,991, with some directors earning upwards of \$300,000 per year.⁵³ Positions on the boards of quasi-public agencies can also serve as political prizes, especially when few duties are entailed and large compensation is included. Stacking a board with political supporters, moreover, gives a public official the

ability to exert influence over the agencies even after they have left office.

The stakes can be high. After 9/11, for example, transportation security experts questioned the credentials of the management team at Logan Airport, the top members of which had been political appointments. Following the September 11th attacks, Massachusetts launched an investigation into Massport to determine whether the agency’s actions left the airport, and the nation, vulnerable to terrorism. The investigation, known as the Carter Commission, cleared the agency of any responsibility for the attacks, but found that political patronage was an endemic problem that contributed to inefficiencies at the agency. They noted in particular that political patronage eroded the public’s confidence in the agency and hurt the morale of loyal employees. The Carter Commission concluded that job applicants for Massport should be examined for their qualifications, and the board agreed to form screening committees and adopt minimum qualifications for candidates in top positions. The changes however, only applied to Massport and not the other quasi-public agencies within the Commonwealth.

The Big Dig exemplifies the potential for fiscal irresponsibility when quasi-public agencies lack adequate transparency and public oversight. The project, managed by project manager Bechtel/Parsons Brinkerhoff, was initially estimated to cost about \$5 billion in 1991, but poor management coupled with other factors led to a final price of \$14.6 billion in 2003. Once all debt and interest is paid off in 2038, the final price tag is estimated to reach \$22 billion.⁵⁴

The independence of the Turnpike Authority allowed escalating costs to be deferred with little oversight from elected officials. The Turnpike was saddled with \$5 billion in debt, including interest,

after borrowing only \$1.8 billion. The debt payments were so high because the authority chose to finance it over 40 years, twice as long as most government debt, and it had no principal due for the first 10 years.⁵⁵ After the Turnpike Authority voted to delay a toll increase that had been planned since 1997 to pay for the Big Dig, two Wall Street bond-rating firms downgraded the Turnpike's financial status and put its bonds on "credit watch negative."⁵⁶

Massport, the quasi-public responsible for managing and promoting airports and seaports, has also seen its share of embarrassing problems, including misguided spending of more than \$100,000 for wining and dining French travel agents.⁵⁷ While improper behavior cannot be legislated away, full transparency of spending forces leaders at quasi-publics to defend questionable expenditures.

"While improper behavior cannot be legislated away, full transparency of spending forces leaders at quasi-publics to defend questionable expenditures."

Likewise, timely and thorough exposure of contractor overruns encourages aggressive intervention while cost savings are still possible, rather than waiting for subpoenas years after the billions have been spent.

The Need for Greater Transparency

In order for Massachusetts to ensure good governance and build trust in its many quasi-public agencies, greater transparency is a must. As the Association of Government Accountants notes, “Without accurate fiscal information, delivered regularly, in an easily-understandable format, citizens lack the knowledge they need to interact with – and cast informed votes for – their leaders. In this regard, a lack of government accountability and transparency undermines democracy and gives rise to cynicism and mistrust.”⁵⁸

The Commonwealth suffers from a lack of open government when it comes to budget transparency. All three branches of Massachusetts’s government claim to be exempt from requirements to comply with the state’s public record law.⁵⁹ A national report ranking states on the level of open access to official records found that Massachusetts garnered a failing grade of “F.” According to the

report, which was jointly produced by the Better Government Association and the National Freedom of Information Coalition, the Bay State lacks penalties to ensure that officials actually comply with Public Record laws and citizens are faced with fees for obtaining access to public records.⁶⁰

The Bay State has made some advances to improve budget transparency. While the mass.gov Web site lists broad budget information for many agencies and departments, it does not have the necessary checkbook-level detail included in many state Web sites. Massachusetts has created a fairly detailed Web site for all federal stimulus spending. Massachusetts’ separate Comm-PASS Web site (Commonwealth Procurement Access and Solicitation System) also allows citizens to examine an assortment of statewide contracts and a few contracts from quasi-public agencies and local governments. All contracts using stimulus funds from

the American Reconstruction and Recovery Act were required to use this system. Outside of stimulus-funded contracts, however, most contracts are not included on the Web site and the data is often incomplete.

Expenditure and revenue information for most quasi-public agencies, meanwhile, is absent from the state budget Web site and only disclosed through a patchwork of separate, inconsistent and incomplete Web sites and reports – if it is disclosed at all.

Lessons from Other States

Over the past decade, officials from other states and the federal government have taken advantage of the opportunity modern technology provides to enhance government transparency. The rise of the Internet and its ability to disperse information quickly and cheaply makes it the perfect tool to improve transparency and ensure good governance.

To this end, at least 30 states have established centralized Web sites that provide checkbook-level data on government contracts and direct spending.⁶¹ The best Web sites allow citizens to browse expenditures by broad category and to make directed searches with access to full text of contracts and information about special grants and tax breaks. At the federal budget transparency portal, for example, visitors can browse expenditures by agency, contractor, legislative district, competition type, or product provided – and advanced search options allow citizens to make directed searches of each broad category.⁶²

These transparency Web sites have proven to be extremely cost-effective. The Web sites themselves are relatively inexpensive to establish and maintain. The federal transparency Web site, which allows citizens to search federal spending totaling over \$2 trillion a year, required less than \$1 million to create.

Best Practices in Transparency

In an age in which individuals can look up virtually any information they desire with the click of a mouse on the Internet, government transparency means more than simply responding to public records requests made by savvy researchers or dogged citizens. It means making information easily available to the public online, increasingly through a central government Web site.

Best transparency practices across the country include Web sites that are:

- **Comprehensive:** Transparency Web sites should include checkbook-level information for all government expenditures, including recipient, purpose, amount and date. In addition to direct appropriations to government entities, information should also be provided for contracts, grants, subgrants, tax credits, and other subsidies. Timely and regularly updated information should include quasi-public agencies. Like disclosure of grants, disclosure of tax subsidies should include the name of the business entity, amount, purpose and achieved results. Provisions should include mechanisms to recapture subsidies when recipients do not deliver results.
- **One-stop:** All government budget information is accessible through a single state Web site.
- **One-click Searchable:** Users can browse by broad, common-sense categories and make directed keyword and field searches.

Missouri's Web site, which is updated daily, was created and maintained entirely with existing staff and revenues.⁶³ The Web sites often save governments money by reducing the number of information requests, improving administrative efficiency, creating more competitive bidding for public projects, and lowering the risk of fraud. In Texas, for example, the Comptroller was able to utilize the transparency Web site to save \$2.3 million from a variety of efficiencies and cost savings.⁶⁴

Transparency Web sites not only save money, but they also improve public confidence in government by allowing people to monitor financial decisions. A Harris Interactive poll of online Americans found that an overwhelming majority – 90 percent – of Americans believe that they are entitled to transparent financial management information from their government.⁶⁵ Improved reporting is the most commonly cited way respondents say government can demonstrate greater accountability, especially through open disclosure and clear reporting.⁶⁶ Fully 73 percent of Americans say that it is personally very or extremely important to have financial management information about their state government available to them.⁶⁷ And this is not some abstract desire. Nearly a third of people polled have tried to search the Web for information about how their state government generates and spends taxpayer dollars – searches that usually end in frustration.⁶⁸

In states that have established transparency Web sites, there has been acute interest. Less than a year after its launch, the Missouri budget transparency Web site received more than six million hits.⁶⁹ The Texas spending Web site reported similar engagement.⁷⁰ Residents are eager to use transparency Web sites to learn more about public expenditures.⁷¹

Improving Transparency in the Commonwealth

In order to improve governance of the state's quasi-public agencies, Massachusetts should follow the example of its peers and increase budget transparency. All quasi-public agencies in the state should be required to provide information on their budgets in an easily accessible manner. In addition to the checkbook-level transparency, the budget reports should include detailed information on revenue, the issuance of private revenue bonds, compensation of high-paid employees, subsidies, and contracts or grants given to private or nonprofit organizations. The information should be provided in a timely fashion, and the outcome of each expenditure to private entities should be recorded (i.e., was the contract fulfilled or did the subsidy accomplish its intended goal?) These budget reports should not only include information on the contracts awarded, but they should also report the bids received so that people can ensure the agencies are pursuing the best-value contracts.

This information should be compiled and provided online with fully searchable format through the state budget Web site, mass.gov. This will allow people to easily monitor the activities of the agencies without having to pursue information through the Massachusetts Public Records Law. The comprehensive, one-stop Web site would be a significant improvement over our current situation. It would allow citizens to quickly and easily monitor the budgets of quasi-public agencies to ensure that waste and inefficiencies aren't squandering public dollars. And it will probably save the state money by reducing corruption and improving administrative efficiency.

Increasing budget transparency is a critical step in holding quasi-public agen-

cies accountable. However, it is only the first step. Democratic accountability can also be enhanced by making governing boards more democratic and establishing oversight boards. The establishment of oversight boards would also enable Massachusetts residents to better monitor the activities of these agencies. The Massachusetts Bay Transportation Authority Advisory Board, for example, represents the cities and towns that fund the T and has been responsible for approving the MBTA's 25-year plan and budget. This role enables the outside board to monitor the MBTA's budget, and the board has historically alerted the public to impending budget cuts and fare hikes. Though the Board's power was recently reduced, similar boards could play important roles at other quasi-public agencies.⁷²

One way to ensure quasi-public boards play a strong role in democratic oversight is to use additional transparency to ensure that board positions do not become overpaid sinecures. The Quasi-Public Authority Compensation Review Commission recommended that quasi-public agencies be required to submit an annual review of their compensation processes to the legislature and the Executive Office of Administration and Finance, and the reports should also be placed on the agencies' Web sites and on mass.gov. These would all be positive measures and should be integrated into future online budget transparency.

Improving the accountability – and performance – of quasi-public agencies can only happen if we increase the number of eyes on their functions. When their budgets are hidden from the public, and there is inadequate oversight of their day to day activities, the potential for quasi-public agencies to be inefficient or wasteful or abuse their independent status is high. The Commonwealth has already taken many steps towards improving

transparency, but it must be willing to go beyond this to hold quasi-public agencies truly accountable.

Recommendations for how to improve budget transparency at quasi-public agencies are:

- The Commonwealth's centralized Web site, mass.gov, should provide checkbook-level information on individual expenditures for all government organizations and agencies, including quasi-publics, modeled on best practices established by at least 30 states.
- In addition to information about direct expenditures, online budget disclosure should include detailed budgetary information on all revenue, the issuance of private revenue bonds, compensation for board members, subsidies, discretionary spending, and contracts or grants given to private entities.
- Massachusetts should also consider establishing oversight boards to monitor the actions of quasi-public agencies and hold them accountable. New York state last year established an Independent Authorities Budget Office to oversee and improve transparency and performance accountability for the state's independent authorities, many of which are quasi-publics.⁷³
- Minutes of board meetings should be posted on-line, as should the qualifications and compensation of board members and upper management.
- Contracting at quasi-public agencies should be done through statewide transparent procurement, which could most easily be accomplished by posting all procurement through the state's Comm-PASS system. Doing so would also enable these agencies

to take advantage of bulk ordering discounts enjoyed by other state departments, cities and towns.

- Quasi-publics should be barred from hiring lobbyists. As part of the government themselves, they should not use tax dollars to influence legislation or decisions by the Governor's office. The Governor of New Jersey in February 2010 ordered that all state agencies, authorities, boards and commissions stop hiring lobbyists. Governor Patrick included a similar provision in his FY2011 state budget proposal.

Notes

1. Eric Jay Dolan, *Political Waters: The Long, Dirty, Contentious and Eventually Triumphant History of Boston Harbor* (Boston: University of Massachusetts Press, 2004). According to another source, the cost of the Boston Harbor Cleanup dropped from a predicted \$6.1 billion to \$3.9 billion due to low contract bids and project cuts; see Scott Allen, "Closing in On A Healthy Harbor," *The Boston Globe*. Page A1, March 15, 2000.

2. Massachusetts Water Resources Authority, *History of the MWRA*, downloaded from www.mwra.com/publications/5yearreport0004/history.pdf, 11 March 2010. The commissioner of the Metropolitan District Commission, which had previously been responsible for the harbor, later admitted that it had lacked the personnel resources to deal with sewage problems in the harbor. The MWRA assumed the sewage tasks of the MDC in 1985. See court documents related to the case at www.lib.umb.edu/node/1620.

3. Information in this paragraph is from Massachusetts School Building Authority, *2010 MMA Conference*, Power Point presentation to Massachusetts Municipal Association 2010 Conference, January 22-23, 2010 as well as an undated presentation by Matt Donovan, Massachusetts School Building Authority, at www.massschoolbuildings.org/pressroom_ektid218.aspx.

4. Richard A Hogarty, *The Paradox of Public Authorities in Massachusetts*, downloaded from www.publicpolicy.umb.edu/~pubpol/documents/HogartyonAuthorities--Week8.pdf, 23 September 2009.

5. John Strahinich, "Inside the Shadow Government," *Boston Magazine*, November 1989, 129.

6. Richard A. Hogarty, "Question Authority: In Semi-Public Agencies, Accountability and Autonomy Clash," *Commonwealth Magazine*, Spring 2002.

7. Some argue that neighborhood associations, though technically private, are the

fastest growing form of *de facto* government. See, for example, Robert H. Nelson, *Private Neighborhoods and the Transformation of Local Government* (Urban Institute Press, 2005).

8. Kathryn Foster, *The Political Economy of Special-Purpose Government*, 1997.

9. Gail Radford, "From Municipal Socialism to Public Authorities: Institutional Factors in the Shaping of American Public Enterprise," *The Journal of American History* 90.3 (December 2003): 863-890.

10. Special district governments are defined by the Census as "independent, special-purpose governmental units (other than school district governments), that exist as separate entities with substantial administrative and fiscal independence from general-purpose local governments." See U.S. Census of Governments (2007) at harvester.census.gov/gid/gid_07/options.html. One critic who used the 1992 version of this data is Donald Axelrod in *Shadow Government: the Hidden World of Public Authorities--and How they Control over \$1 Trillion of Your Money* (Wiley, 1992).

11. See note 8.

12. Ibid.

13. Barbara Coyle McCabe, assistant professor in the School of Public Affairs at Arizona State University, "Special-District Formation Among the States," *State and Local Government Review* 32.2 (Spring 2000): 121-131. See also, Albert M. Sbragia, *Debt Wish: Entrepreneurial Cities, U.S. Federalism, and Economic Development* (University of Pittsburgh Press, 1996).

14. Robert Smith, *Public Authorities in Urban Areas* (National Association of Counties Research Foundation, 1969), 3; Jerome J. Shestack, "The Public Authority," *University of Pennsylvania Law Review* 105, no. 4 (1957), 555; Albert M. Sbragia, *Debt Wish: Entrepreneurial Cities, U.S. Federalism, and Economic Development* (University of Pittsburgh Press, 1996), 135. Some quasi-public authorities,

such as the Regional Transportation Authority in Illinois, both issue revenue bonds based on user fees and levy sales taxes.

15. Albert M. Sbragia, *Debt Wish: Entrepreneurial Cities, U.S. Federalism, and Economic Development* (University of Pittsburgh Press, 1996), chapter 6.

16. Ibid. 147. Political insulation from toll hikes is similarly a motivation behind “public private partnerships” in private toll road concessions. See MASSPIRG Education Fund, *Private Roads, Public Costs* (2009), available at www.masspirg.org/home/reports/report-archives/transportation-agenda/transportation-agenda2/private-roads-public-costs.

17. See note 8.

18. FDR Library (“Message to Congress Suggesting the Tennessee Valley Authority,” April 10, 1933.): docs.fdrlibrary.marist.edu/odtvacon.html

19. See note 15, 156.

20. See note 8.

21. Barbara Coyle McCabe, assistant professor at the School of Public Affairs at Arizona State University, “Special-District Formation Among the States,” *State and Local Government Review* 32.2 (Spring 2000): 121-131.

22. 400: See note 21. Definition of municipal utility districts: William P. Barrett, “Clear as Mud,” *Forbes*, 15 June 1987.

23. See note 8.

24. Wallace, Floyd Associates, Inc., *Metropolitan District Commission Water Supply Study and Environmental Impact Report-2020, Task 18:20: A History of the Development of the Metropolitan District Commission* (September 1984) and available at www.mwra.com/04water/pdf/ws1984book.pdf

25. See note 15, 83.

26. Report of the Senate Ways and Means Committee, “State Authorities: The Fourth Branch of Government” (Senate document 2400, 1985), 40.

27. See note 4.

28. Ibid.

29. Ibid.

30. See note 15.

31. See note 26.

32. Ibid., 50-51.

33. MetroWest Regional Transit Authority, *About MWRTA*, downloaded from www.mwrtta.com/index.cfm?event=About, on 7 October 2009.

34. For FY 2008 budget of the Commonwealth of Massachusetts, see, Commonwealth of Massachusetts, *FY2010 Budget Summary*, historical budgets at totaling \$26,808,170, at www.mass.gov/bb/gaa/fy2010/app_10/ga_10/hhdefault.htm. Since spending exceeded expectations that fiscal year, an alternative benchmark would be the expended budget at the end of the fiscal year. By that measure the 2008 Commonwealth budget for fiscal year 2008 totaled \$28,053,041,000.

35. Editorial Staff, “Rein in the Perks,” *Cape Cod Times*, 5 October 2009.

36. Stephen P. Crosby, submitted to Governor Deval Patrick, *Report of the Quasi-Public Authority Compensation Review Commission*, August 2009.

37. Ibid.

38. Finance Advisory Board, *Report on the Debt of the Commonwealth of Massachusetts, State Authorities and Regional Transit Authorities*, 30 June 2008.

39. Calculated by adding the long-term debt from agencies listed on page 2-2. Note that some Commonwealth outstanding long-term debt is itself liability in support of quasi-publics. See Finance Advisory Board, *Report on the Debt of the Commonwealth of Massachusetts, State Authorities and Regional Transit Authorities*, 30 June 2008.

40. The Comptroller’s Comprehensive Annual Financial Report is a prime example because it does not include “off-budget” information such as quasi-public agencies. See www.mass.gov/Aosc/docs/reports_audits/CAFR/2009/Title_Page_and_TOC_Linked.pdf

41. Commonwealth of Massachusetts, *FY2010-FY2014 Five Year Capital Investment Plan*, Appendix A, September 2009, available at www.mass.gov/bb/cap/fy2009/exec/hdebt-affordability.htm.

42. The Massachusetts debt affordability analysis makes clear that ultimately the Commonwealth is responsible for debts from its quasi-public agencies, “Contingent liabilities of the Commonwealth exist with respect to certain debt issued by independent authorities and agencies of the Commonwealth. These obligations are expected to be paid by the issuing entities, but the Commonwealth has guaranteed payment of debt service or replenishment of reserves if expected payment sources are inadequate.” See Commonwealth of Massachusetts, *FY2010-FY2014 Five Year Capital Investment Plan*, Introduction, September 2009, available at www.mass.gov/bb/cap/fy2009/exec/hdebtafford_2.htm. The exclusion of revenue bonds and certain public authorities is spelled out in footnote 3 of the Statutory Debt Limit section available at www.mass.gov/bb/cap/fy2009/exec/hdebtafford_3.htm#_ftn3. Similarly, the section on revenue projects describes exclusion of debt from the MBTA, Convention Center and MSBA.

43. The Massachusetts Educational Financing Authority requires registration to access its budgetary information. Agencies with incomplete information include: Massachusetts Health and Educational Facilities Authority, Public Employee Retirement Administration Commission (annual report includes only the performance of the investment funds, not the Commission’s budget), State College Building Authority (Web site has a “snapshot” of financial information), Steamship Authority (Web site lists the board of directors and gives an estimate of operating expenses).

44. These three agencies are included in the count of the 15 agencies that have budget information available online, cited in the previous paragraph.

45. National Transit Database site: www.ntdprogram.gov. The reason for delay in posting 2008 data may be due to lag time at the federal level. Budget information for the Franklin Regional Transit Authority has not historically been included on the federal

Web site, however current plans call for future budget information to be included.

46. The RTA Web site is www.matransit.com and the new MassDOT site is www.massdot.state.ma.us.

47. The figures on revenues and expenditures understate the total amount of economic activity performed by these quasi-public agencies. A number of these agencies allocate large amounts of loans, grants or pensions, while collecting fees, loan repayments, or individual contributions. Most of these agencies report their operating expenses after subtracting those incoming sources of operating income. By following this convention, we have opted to maintain consistency with agencies’ own reported figures. But an estimation of the total volume of dollars that flow through these agencies or are managed by them would be billions of dollars higher.

48. See note 36.

49. The case, *Jordan Levy & Christy Mihos v. The Acting Governor & the Secretary of the Commonwealth*, SJC-08730, 436 Mass. 736, is cited in Richard A Hogarty, *The Paradox of Public Authorities in Massachusetts*, downloaded from www.publicpolicy.umb.edu/~pubpol/documents/HogartyonAuthorities--Week8.pdf on 23 September 2009.

50. April 1, 1802 letter to Secretary of the Treasury, Albert Gallatin as recorded in *The Writings of Thomas Jefferson*, (NY: H.W. Derby, 1861), and available at www.yamaguchi.netfirms.com/7897401/jefferson/1802.html.

51. Auditor of the Commonwealth of Massachusetts, *Independent State Auditor’s Report on Certain Activities of the Commonwealth Corporation July 1, 2007 to September 30, 2008*, 30 June 2009.

52. Michelle Kaske, “More MassPike Oversight?” *The Bond Buyer*, 6 August 2008.

53. See note 36.

54. On project costs through 2003, see Central Artery/Tunnel Project, *CSU10*, 1 August 2003, available at www2.dot.state.oh.us/broadcast/events/FHWA-CentralArtery-04-15/handouts/FinanceCharts-07-31-03.pdf. For project cost including \$7 billion in future

interest and debt payments, see Sean P. Murphy, "Big Dig's Red Ink Engulfs State," *Boston Globe*, 17 July 2008, available at www.boston.com/news/traffic/bigdig/articles/2008/07/17/big_digs_red_ink_engulfs_state/. See note 4.

55. Sean Murphy, "Big Dig's Red Ink Engulfs State," *The Boston Globe*, 17 July 2008.

56. See note 4.

57. Brian C. Mooney, Sean P. Murphy, Liz Kowalczyk and Stephanie Ebbert, "Patronage, Far-flung Roles Hinder Massport Mission," *Boston Globe*, 25 September 2001.

58. Association of Government Accountants, *Public Attitudes Toward Government Accountability and Transparency 2008*, downloaded from www.agacgfm.org/harrispoll2008.aspx, 15 March 2010.

59. Coleman Herman, "Paper Tiger: The state's Public Records Law is Flouted by Officials at All Levels of Government," *Commonwealth* (Fall 2008).

60. Better Government Association and the National Freedom of Information Coalition, *Results and Criteria of BGA/NFOIC Survey*, downloaded from www.bettergov.org/pdfs/foia_results_2008.pdf, 15 March 2010.

61. Alabama, Alaska, California, Colorado, Delaware, Florida, Georgia, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Wyoming.

62. www.usaspending.gov/

63. Sandra Fabry, Americans for Tax Reform, *Testimony to the Maryland House of Delegates Health and Government Operations Committee Regarding H.B. No. 358*, 6 February 2008, available at www.atr.org/content/pdf/2008/feb/020508ot-testimony_md_trnsp.pdf.

64. Sutherland Institute, *How Much Will Transparency Cost?*, 2008, available at www.sutherlandinstitute.org/uploads/How_Much_Will_Transparency_Cost_Policy_Brief.pdf

www.sutherlandinstitute.org/uploads/How_Much_Will_Transparency_Cost_Policy_Brief.pdf

65. Justin Greeves and Kaylan Orkis, Harris Interactive, *Public Attitudes Toward Government Accountability and Transparency 2008*, Power Point presentation to Association of Government Accountants, 20 February 2008, slide 17, available at www.agacgfm.org/downloads/AGAHarrisFinalReport2008.ppt.

66. Ibid.

67. Ibid.

68. Ibid.

69. Missouri Gov. Matt Blunt, *Gov. Blunt's Accountability Internet Site Eclipses Six Million Hits* (press release), 29 April 2008.

70. Joni Sager, "People Behind the Scenes: Where the Money Goes," *Statewise*, Fall 2007, available at fm.x.cpa.state.tx.us/fm/statewise/07/fall/money.php?style=print

71. A 2008 survey found 71 percent of respondents who receive budget information or believe it is important to receive budget information would use that information to influence their voting decisions, 48 percent would respond by contacting their representatives, and 28 percent would attend a town hall meeting or other political gathering. See note 65. Houston officials similarly report improved public confidence after the launch of their Web site. "Bill Shines Light on Baltimore Contracts" *Baltimore Sun*, 19 July 2008.

72. Noah Bierman, "Lawmakers' Plan Seems to Shrink Public's Role in Overseeing T," *Boston Globe*, 21 June 2009.

73. For information on the New York legislation and what it mandates, see New York Gov. David Paterson, *Program Bill 208* and *Program Bill 208: Memorandum in Support*, 2009, available at www.state.ny.us/governor/bills/pdf/gpbm_208.pdf and www.state.ny.us/governor/bills/pdf/gpb_208.pdf.

Appendix: Quasi-Public Agencies in Massachusetts

Agency Name	Description of the Agency	Web Site	Expenditures	Revenues	Fiscal Year For Which Data Was Available	Is Agency on Mass.gov?	Is Budget Included on Mass.gov State Budget Site?	Is the Budget Information Available on Agency or Other Web Site?
Berkshire Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.berkshireta.com	\$5,044,600	\$5,044,600	2007	Yes	No	Yes
Brockton Area Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.ridebat.com	\$12,612,626	\$12,487,626	2007	Yes	No	Yes
Cape Ann Transportation Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.cataonline.org	\$2,295,684	\$2,423,718	2007	Yes	No	Yes
Cape Cod Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.capecodtransit.org	\$10,620,096	\$10,620,096	2007	Yes	No	Yes
Commonwealth Zoo Corporation	Responsible for operating and managing the Franklin Park Zoo in Boston and Stone Zoo In Stoneham	www.zoonewengland.org/	Public records request refused	Public records request refused		No	No	No
Commonwealth Corporation	Prepares youth and adults of the Commonwealth for high demand careers	www.commcorp.org	\$35,862,571	\$35,862,571	2008	Yes	No	No
Commonwealth Health Insurance Connector Authority	Assists qualified residents of MA without healthcare coverage to purchase coverage. They manage Commonwealth Care and Commonwealth Choice to help increase statewide healthcare coverage	www.mahealthconnector.org	\$653,910,383	\$657,016,709	2008	Yes	No	No
Community Development Finance Corporation	Purpose is to help the growth of the small business sector, and create affordable housing and commercial development in economically distressed communities	www.mcdfc.com	\$1,265,363	\$5,068,409	2010	Yes	No	No

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Community Economic Development Assistance Corporation	Gives technical assistance to non-profit, community-based development organizations within the Commonwealth. It helps to spur development, create housing, and restore quality of life in communities in Massachusetts	www.cedac.org	\$3,612,672	\$3,182,172	2006	Yes	No	No
Franklin Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.frtta.org	\$4,243,235	\$2,131,026	2008	Yes	No	No
Greater Attleboro Taunton RTA	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.gatra.org	\$9,334,331	\$9,615,781	2007	Yes	No	Yes
Lowell Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.lrtta.com	\$8,221,270	\$8,463,365	2007	Yes	No	Yes
Martha's Vineyard Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.vineyardtransit.com	\$3,860,198	\$3,860,198	2007	Yes	No	Yes
Massachusetts Bay Transportation Authority	Mission is to maintain and provide excellent customer service for the Commonwealth's transit system	www.mbta.com	\$1,407,000,000	\$489,800,000	2008	Yes	No	Yes
Massachusetts Clean Energy Center	Purpose is to accelerate job growth and economic development in the clean energy industry by making direct investments in new and existing companies	www.masscec.com	\$31,915,224	\$38,915,341	2010	No	No	No
Massachusetts Convention Center Authority	Helps to promote economic activity through managing the Boston Convention & Exhibition Center, the John B. Hynes Veterans Memorial Convention Center, the MassMutual Convention Center, and the Boston Common Garage, which attract conventions, trade shows and other events	www.mccahome.com	\$106,600,000	\$84,000,000	2008	Yes	No	Yes

Agency Name	Description of the Agency	Web Site	Expenditures	Revenues	Fiscal Year For Which Data Was Available	Is Agency on Mass. gov?	Is Budget Included on Mass.gov State Budget Site?	Is the Budget Information Available on Agency or Other Web Site?
Massachusetts Development Finance Agency	Purpose is to stimulate economic development within the Commonwealth by helping to finance the building up of communities	www.massdevelopment.com	\$66,361,663	\$61,145,580	2008	Yes	No	Yes
Massachusetts Educational Financing Authority	Aim is to develop MA's higher education through offering low cost college loan programs: a prepaid tuition savings program, a college investment program with professional managed funds, an international student loan program, an a public service early-awareness and training program	www.mefa.org	\$110,759,000	\$118,959,000	2008	Yes	No	Must register
Massachusetts Health and Educational Facilities Authority	Works with nonprofit institutions in MA to cost-effectively finance and refinance equipment, technology, buildings, and other capital projects through loans, leases and bond issuances	www.mhefa.org	\$4,648,000	\$7,146,000	2008	Yes	No	Incomplete
Massachusetts Housing Finance Agency (MassHousing)	Offers a variety of financial resources to promote decent, safe and affordable housing	www.masshousing.com	\$284,562	\$356,657	2008	Yes	No	Yes
Massachusetts Housing Partnership	A self-supporting agency that promotes more stable and diverse neighborhoods in cities and towns across MA through the development and preservation of affordable housing	www.mhpa.net	\$16,667,549	\$28,784,256	2008	Yes	No	No
Massachusetts Life Science Center	Promotes biotech expansion; tasked with investing in life sciences research and economic development	www.masslifesciences.com	\$23,009,008	\$25,546,527	2009	Yes	No	Yes
Massachusetts Port Authority	The MPA, through its maritime and aviation divisions, is responsible for the operation and maintenance of the Port of Boston, Logan International Airport, Hanscom Field, and the Tobin Bridge	www.massport.com	\$526,400,000	\$607,300,000	2008	Yes	No	Yes

Agency Name	Description of the Agency	Web Site	Expenditures	Revenues	Fiscal Year For Which Data Was Available	Is Agency on Mass. gov?	Is Budget Included on Mass.gov State Budget Site?	Is the Budget Information Available on Agency or Other Web Site?
Massachusetts School Building Authority	MSBA is responsible for keeping the state's commitment to cities and towns, providing an ongoing revenue source for new school construction, and presenting opportunities for new economic development	www.massschoolbuildings.org	\$1,021,689,000	\$739,963,000	2008	Yes	No	Yes
Massachusetts Teachers Retirement System	Purpose is to help members of the MTRS maintain a successful and secure retirement through responsible benefits administration, financial accountability and other services	www.mass.gov/mtrs/home.htm	\$2,009,631,130	\$4,140,349,700	2007	Yes	No	Yes
Massachusetts Technology Development Corporation	A leading edge venture capital firm that addresses the "capital gap" for start-up and expansion of early-stage technology companies operating in the Commonwealth	www.mtdc.com	\$1,506,564	\$1,145,489	2009	Yes	No	No
Massachusetts Technology Park Corporation; Massachusetts Technology Collaborative	The state's development agency for renewable energy and the innovation economy, which is responsible for one-quarter of all jobs in the state	www.masstech.org	\$63,300,000	\$54,900,000	2009	Yes	No	No
Massachusetts Turnpike Authority	Oversees the Central Artery/Ted Williams Tunnel Project	www.masspike.com	\$636,522,000	\$488,599,000	2008	Yes	No	Yes
Massachusetts Water Resources Authority	Provides wholesale water and sewer services to 2.5 million people and more than 5,500 large industrial users in 61 metropolitan Boston communities	www.mwra.com	\$260,171,000	\$555,193,000	2009	Yes	No	Yes

Agency Name	Description of the Agency	Web Site	Expenditures	Revenues	Fiscal Year For Which Data Was Available	Is Agency on Mass.gov?	Is Budget Included on Mass.gov State Budget Site?	Is the Budget Information Available on Agency or Other Web Site?
Merrimack Valley RTA	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.mvrta.com	\$10,624,066	\$10,624,066	2007	Yes	No	Yes
MetroWest Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.mwrta.com	\$4,364,826	\$3,173,071	2008	Yes	No	Yes
Montachusett Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.montachusetttrta.org	\$9,673,442	\$10,618,347	2007	Yes	No	Yes
Nantucket Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.shuttlenantucket.com	\$1,455,480	\$1,455,776	2007	Yes	No	Yes
Pension Reserves Investment Management Board	The Pension Reserves Investment Trust Fund is a pooled investment fund established to invest the assets of the MA State Teachers' and Employees Retirement Systems, and the assets of the county, authority, district, and municipal retirement systems that choose to invest in the Fund	www.mapension.com	\$37,900,000	\$37,900,000	2009	Yes	No	Yes
Public Employee Retirement Administration Commission	Responsible for the oversight, guidance, monitoring, and regulation of the Massachusetts Public Pension Systems	www.mass.gov/perac	\$6,730,345	\$6,730,345	2009	Yes	No	Incomplete
Pioneer Valley Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.pvta.com	\$32,035,628	\$33,087,525	2007	Yes	No	Yes
Southeastern Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.srtabus.com	\$11,932,862	\$12,222,747	2007	Yes	No	Yes

Agency Name	Description of the Agency	Web Site	Expenditures	Revenues	Fiscal Year For Which Data Was Available	Is Agency on Mass. gov?	Is Budget Included on Mass.gov State Budget Site?	Is the Budget Information Available on Agency or Other Web Site?
State College Building Authority	Supports nine state colleges. It issues revenue bonds and manages the design and construction of revenue-funded student activity facilities on the campuses	www.mscha.org/index.html	\$19,203,912	\$34,101,701	2008	Yes	No	Incomplete
Steamship Authority	Provides ferry service for the islands of Nantucket and Martha's Vineyard	www.steamshipauthority.com/ssa	Did not respond to requests for public records.	\$80,571,387	2007	Yes	No	Incomplete
University of Massachusetts Building Authority	Provides dormitories, dining commons and other buildings and structures at the University	www.massachusetts.edu/buildingauthority/bahome.html	\$25,741,654	\$55,519,536	2008	No	No	No
Water Pollution Abatement Trust	Funds the implementation of water pollution control and drinking water projects through a revolving fund loan program	See www.mass.gov	\$186,632,000	\$258,029,000	2008	Yes	No	Yes
Worcester Regional Transit Authority	RTAs are responsible for developing, financing and operating public transportation services in their regions	www.therta.com	\$18,593,031	\$19,366,354	2007	Yes	No	Yes