

STALLED

Failure to reauthorize the federal transportation law is hurting states trying to recover from the recession.



BY JAMES B. REED

Prospects for renewing the federal law on surface transportation sometimes seem like a desert mirage. It appears on the distant horizon with a few key members of Congress pushing for it, but it soon fades away.

Other issues—the economy, health care, climate change, financial regulation, homeland security, the budget, the deficit, defense policy—dominate the congressional agenda. While the U.S. House has made some progress on the bill’s renewal, nothing has happened in the Senate.

A series of short-term extensions has kept transportation programs in business at current funding levels for state and local governments since the law expired Sept. 30, 2009. Funding for transportation and virtually all other areas at all levels of government is

James B. Reed heads the transportation program at NCSL.

coming up short, however, in the wake of the worst recession in decades. The extensions of the federal program for two months at a time added to the uncertainty for states. Since states aren’t sure how much money will be available in the expected six-year reauthorization, some have reacted by cutting transportation budgets. The murky future for the legislation also has added to the uncertainty for an already beleaguered construction industry.

“We are planning future transportation projects with one hand tied behind our backs, expecting the federal government will pass a reauthorization bill but not sure when,” says Oregon Senator Bruce Starr, summing up the sentiments of many state lawmakers.

The previous legislation—referred to as SAFETEA-LU—authorized \$286 billion in 2005 for a variety of programs for highway construction and maintenance, public transportation and transportation safety. It was enacted late as well, after eight short-term

extensions, so this year’s dilemma is neither new nor unexpected. It could be worse. Reauthorization of an aviation bill is now more than two years late.

This time around, the recession has state coffers starved of revenue and has exacerbated the backlog of transportation needs. With money from the 2009 federal stimulus package, states were able to pay for some of the delayed maintenance needs, such as repaving roads and replacing equipment. A second stimulus bill is under consideration in Congress to give additional money for infrastructure. State budgets continue to be bat-



SENATOR
BRUCE STARR
OREGON

BACK TO FUTURE COMMUNITIES

tered, however, and more deep cuts will be necessary to close gaps in FY 2011 budgets, already estimated at \$54.2 billion in the most recent budget report by the National Conference of State Legislatures.

“It makes no sense to me that, after putting the industry to work with the stimulus funds to begin rebuilding the nation’s crumbling transportation infrastructure, the federal government would then turn around and un-employ those workers by not funding the reauthorization,” says New Hampshire Representative Candace Bouchard.

As 2010 began, states were preparing to make significant reductions in transportation programs. For example, budget cuts in Kansas reduced highway maintenance funds by \$50 million. And Virginia chopped nearly \$900 million in transportation projects—and with it, 1,000 jobs—as expected revenues failed to materialize.

For transportation, the key funding source is the motor fuels tax at the federal, state and local levels. But less driving and widespread use of fuel-saving hybrid and battery-powered vehicles has cut gasoline use. As a result, revenue from the fixed cents-per-gallon tax on gasoline and diesel has been in a steady decline. To meet escalating transportation needs, 20 states raised transportation funds in 2009 through gas tax increases or vehicle fees. Seven others opted to pursue public-private partnerships to help fund and construct new transportation infrastructure.

STATE AND FEDERAL ROLES

Transportation is provided in a fragmented manner with governments at all levels involved in paying for services and facilities.

While the federal government sets the structure and tone for how states and local entities fund and operate transportation systems, it provides only 22 percent of all transportation revenues. It unifies the national transportation system, however, by paying for the connections between state and locally funded por-

Three federal agencies—Housing and Urban Development, Environmental Protection and Transportation—have created a formal partnership to encourage the “livability” concept.

The partnership focuses on providing more transportation and housing choices, preserving the unique characteristics of existing communities and minimizing harm to the environment. It also aims to increase economic efficiency and provide walkable neighborhoods by returning to development patterns of early 20th century communities.

U.S. Transportation Secretary Ray LaHood described them as neighborhoods where, “if people don’t want an automobile, they don’t have to have one. A community where you can walk to work, your doctor’s appointment, the pharmacy or grocery store. Or you could take light rail, a bus or ride a bike.”

The agencies aim to help coordinate federal funding and planning for transportation, housing and overall land-use decisions that will hold down costs and increase choice. The first tangible action from the new partnership is the re-direction of \$280 million in funding from the Federal Transit Administration for fixed-rail, street car and bus projects. Future transit funding will also take into account broader livability principles, such as increased mobility, economic opportunities and environmental benefits.

U.S. Representative James Oberstar, chair of the House Transportation and Infrastructure Committee, has proposed an Office of Livability within the transportation department, and senior Obama administration offi-

cial support the livability concept.

State legislators have been exploring and enacting livability policies in the past decade. Seventeen states introduced legislation in 2009 to encourage transit-oriented developments that provide a range of services, housing and transportation options close to a transit stop. New Jersey created an Urban Transit Hub tax credit in 2007 to help bring jobs and development to areas near transit. An eligible business or developer that employs at least 250 people within a half-mile of the nine designated urban hubs is eligible for tax credits of up to 100 percent of the investments made over an eight-year period.

Massachusetts has focused on planning for transit-oriented developments and has helped towns to plan and build affordable housing, as well as pedestrian and bicycle facilities. Since 2004, the state has allocated \$30 million for these projects. While low-income households are most dependent on public transit, many newer projects involve more expensive housing, in part to ensure that private development is profitable. Massachusetts’ program requires 25 percent of housing to be affordable.

Some opponents have questioned how you define and evaluate projects as “livable” and whether the effort is an undue intrusion into Americans’ personal decisions. Advocates respond that government policies have always shaped such decisions, but have too often favored developments that harm the environment and provide few transportation and housing choices.

—Douglas Shinkle, NCSL

tions. It helps fund large, nationally important projects, particularly the interstate system and large public transportation projects. Federal law also helps set transportation spending priorities.

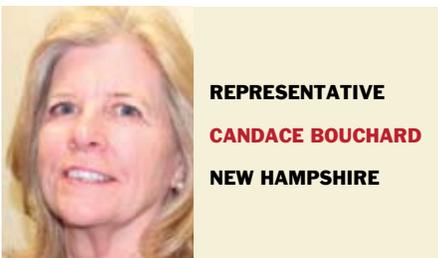
“The uncertain environment for reautho-

rization hampers local efforts to improve infrastructure,” says Texas Representative Linda Harper-Brown. “This is bad not only from the standpoint of reducing traffic, but it also affects economic development. When it comes to corporate relocation or new development, the business community is hesitant to move to an area where primary infrastructure is lacking.”

SETTING THE COURSE

Many observers, as well as members of Congress, believe that SAFETEA-LU was underfunded and failed to incorporate impor-

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and achievable reforms.

In 2005, Congress created two commissions because members saw a need for extensive reform of national transportation policy. They were charged with making recommendations on policy and funding.

Conventional wisdom coalesced around much of the vision laid out by these commissions. The so-called policy commission recommended a continuing strong federal role, much greater investment at all levels of government and the private sector, and making funding contingent on performance and cost-effectiveness. It also urged a focus on the national transportation network and development of a national strategic plan to guide transportation investment.

The financing commission pointed to the national failure to fully understand the cost of deferred investment in transportation infrastructure. While traffic has grown at a 100 percent clip over the last 25 years, new highway lane miles have grown by only 4.4 percent. At the same time, because it is not adjusted for inflation, the federal gas tax has lost 33 percent of its purchasing power since

1993, the last time it was raised. The commission recommended a tiered approach, with a short-term tax increase—10 cents for gasoline and 15 cents for diesel—and the gradual shift to a per-mile payment structure.

Additional studies on these issues were conducted by interest groups of every stripe, and many of those called—and advocated—for a new vision.

Congress has picked up on some elements of the vision. Representative James Oberstar of Minnesota, chairman of the U.S. House Transportation and Infrastructure Committee, made a draft bill public several months ago and advocated for making the legislation a top priority. He hoped it would pass before the old bill expired. It was not to be.

The Oberstar bill weighs in at 700 pages and would enact a broad menu of new policies. It would:

- ◆ Consolidate highway and transit funding into four core programs, each to focus on maintenance, safety, new capacity and congestion reduction.
- ◆ Create a national transportation strategic plan.
- ◆ Require more efforts connecting differ-

ent modes of transportation, such as rail and highway, and advancement of what's called "livability," in essence the ability to go about your life without a car.

- ◆ Require performance standards in state and local plans.
- ◆ Establish new traffic congestion relief initiatives.
- ◆ Create a federally funded national infrastructure bank to supplement limited state and local transportation money.
- ◆ Fund a \$50 billion high-speed passenger rail program.

INTERNATIONAL COMPETITION

America's international competitiveness could be on the line.

"On the international front, we are seeing countries in Asia and Europe invest billions of dollars to improve roadways, high-speed rail and light rail," says Indiana Representative Terri Austin. "They understand that transportation infrastructure is the cornerstone of economic competitiveness, and critical in the ability to move goods and people as quickly and efficiently as possible."

Austin thinks transportation infrastructure



REPRESENTATIVE

TERRI AUSTIN

INDIANA

is one of the best investments government can make. But, she says, “State and local governments need more flexibility to use federal dollars among all modes of transportation. The longer Congress takes to finalize the transportation reauthorization, the more at risk we become in maintaining our No. 1 position as a world economy.”

LOOKING FOR MONEY

A key stumbling block to reauthorization is money.

The Oberstar proposal calls for \$500 billion, but he has been vague on how to pay for it. Another House committee will have to determine the revenue situation. The administration and many in Congress oppose a gas tax increase during the recession. Yet most experts agree a gas tax increase is the only way to come up with the money in the near term. Many interest groups are pushing for at least a 10-cent increase. Other ideas include an imported oil tax and container fees on imports.

In the longer-term, the idea with the most momentum is the vehicle-miles-traveled fee. This approach would assess drivers on how many miles they drive rather than how much gas they buy. The Transportation Research Board and the National Surface Transportation Infrastructure Financing Commission have endorsed this approach. Oregon conducted a pilot study and confirmed the viability of the approach as a potential state funding source.

But at this point, there is no bill under consideration in the Senate. The Oberstar bill may be the starting point for a Senate bill. The legislation, however, is not high on the agenda. There is unlikely to be a popular outcry about crumbling infrastructure, especially as Americans continue to suffer from high unemployment and an ongoing housing crisis. Transportation spending does produce jobs, however, and a second stimulus would put heavy emphasis on transportation infrastructure.

“Spending on infrastructure is ‘real’ stim-

ulus,” says Oregon’s Starr. “It puts men and women to work and helps to build a foundation for economic recovery.”

With full reauthorization months—if not more than a year—in the future, state and local governments will have to proceed under the inadequate existing law.

Ultimately, states want the full program. To get there, two things are necessary: patience and understanding of other pressing priorities in Congress, and doing the home-

work now so that when a transportation bill is considered by Congress, states are ready to make their priorities clear.

Any real movement is unlikely to occur before the 2010 election because, as several speakers at a recent Texas transportation conference put it, Congress has chosen to “kick the can down the road.” Some, however, are putting hope in a possible post-election lame-duck session of Congress to finally pass this critical legislation. 