
A HUGE POTHOLE

Transportation budgets are out of alignment and the repair bill is through the roof.

BY ANDREW STINY

The new Interstate 35W bridge in Minneapolis opened last September with squad cars, fire trucks and ambulances leading a parade of motorists who wanted to be the first to drive on the span replacing the structure that collapsed in August 2007 and left 13 dead.

Drivers honked and waved American flags on that late summer morning. It was a moment of celebration, obscuring the fact that the infrastructure crisis the bridge collapse brought into focus is largely unchanged.

Despite vows at the federal and state level to confront the nation's crumbling bridges and highways, problems over how to finance billions in repairs persist. The federal economic recovery package—it was being debated in Congress when *State Legislatures* went to press—offers tens of billions for ready-to-go infrastructure projects. It does not, however, address the long-term funding problem.

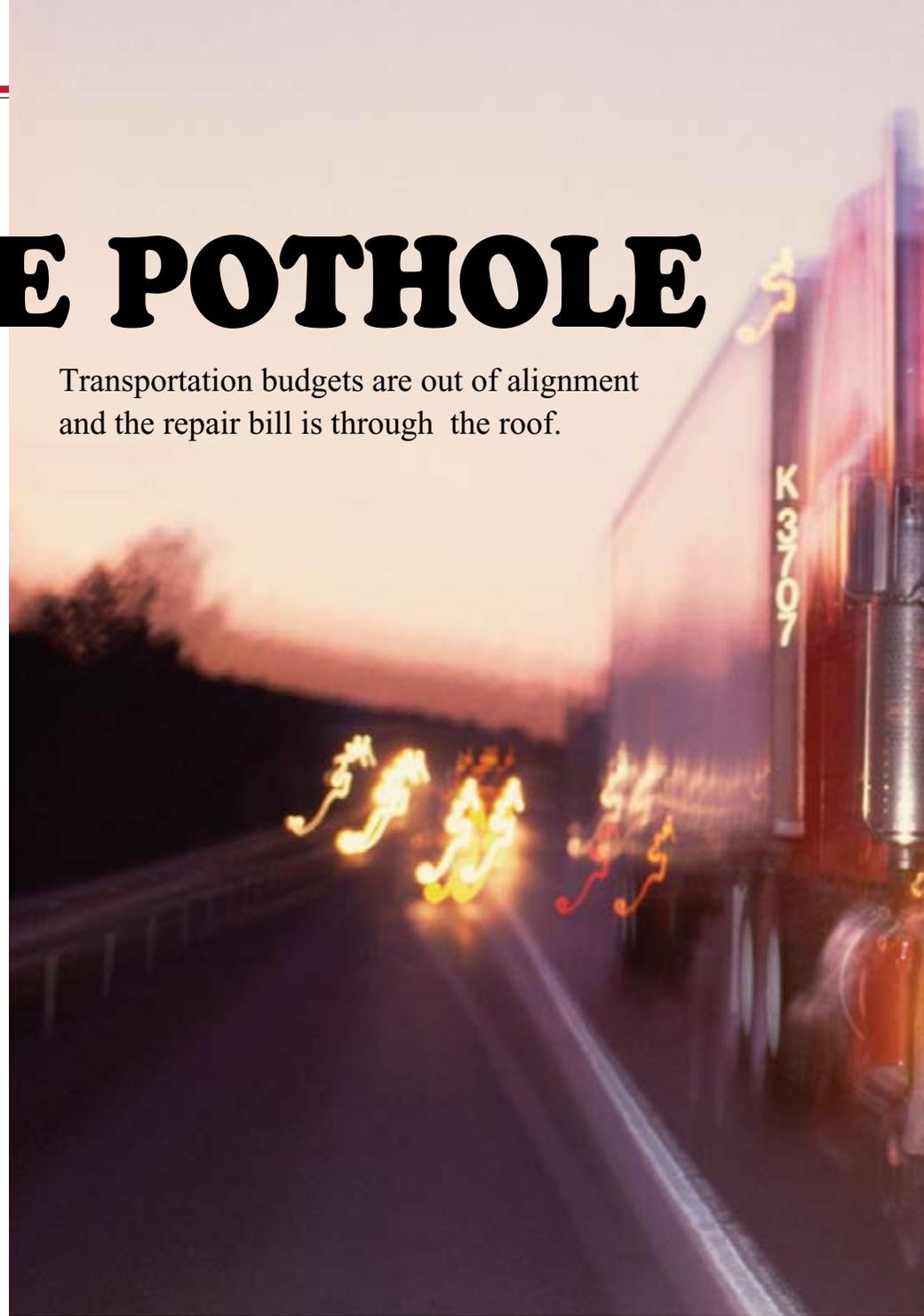
There are broader infrastructure problems of concern—water systems, schools, airports and more—but the deterioration of roads and bridges is a pressing problem across the country. Fixing them is a huge challenge, transportation experts say.

“Our infrastructure is in desperate need of investment,” says Pete Rahn, past president of the American Association of State Highway and Transportation Officials. “We have seen 30 years of underinvestment.”

The huge scope of problems facing the National Highway System—encompassing 160,000 miles of interstate highways, arterial and other roads—was outlined in a 2007 report to Congress from the National Surface Transportation Policy and Revenue Study Commission.

The report cautioned, among other things,

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that many highways, transit lines and railroads are buckling under loads of traffic never foreseen by the engineers who designed them. It also noted that congestion, once limited to large coastal cities, now is a problem across the nation. And with a population expected to swell to 420 million by 2050, these problems will just get worse.

It is difficult to nail down an exact figure, but experts think it would cost more than \$250 billion annually from all sources to make the most urgent bridge and road repairs and upgrades.

BRIDGES

There are about 600,000 bridges in the United States. The Highway Bridge Program is the main source of money to maintain and replace them. It provided more than \$4 billion to states in fiscal year 2007, yet \$140 billion is needed immediately to repair and modernize all the nation's bridges, according to the American Association of State Highway and Transportation Officials.

The Government Accountability Office reports that as of 2007, 72,519 bridges nationwide were “structurally deficient” and



says, but “we are approaching a time when many of the bridges are at the 50-year mark, which often means maintenance.”

HIGHWAYS

The federal highway gas tax has been the principal revenue source for the Highway Trust Fund, the pool of money that builds and fixes the country’s highways and has provided about \$40 billion annually in recent years.

The annual need for highway funds is estimated to be between \$200 billion and \$240 billion, according to the 2007 transportation policy commission report.

Under normal circumstances, the trust fund would pay for bridge and highway work, but the economic downturn has changed the equation, says Rod Diridon, executive director of the Mineta Transportation Institute, a think tank based at California’s San Jose State University. He points out that in September, Congress had to shift \$9 billion from the general fund to bail out the federal highway trust because revenue fell below what was expected.

“Usually it wouldn’t matter. In prior years the gas tax funded those programs,” he says.

But gas tax collections are down because people are driving less and switching to more fuel efficient vehicles. The buying power of the gas tax—part federal and part state—also has declined because the federal amount has not been raised in 15 years.

Without a healthy federal gas tax, funding is limited to new user fees or tapping the general fund. Lack of money cuts across all jurisdictional boundaries, and budgets are stretched to the limits at all government levels, legislators say.

“Our state is suffering from the same thing the federal government is,” says Washington Senator Mary Margaret Haugen.

State legislators agree that the current federal fuel tax is inadequate.

“The reality is the fuel tax as a source of funding for transportation really doesn’t

another 79,798 were “functionally obsolete,” says Kate Siggerud, managing director of physical infrastructure issues for GAO and head of the team that issued the report.

A “structurally deficient” bridge, such as the Minneapolis bridge, has a poor superstructure. A “functionally obsolete” bridge might be in good shape but inadequate for traffic needs because its design is out of date.

But there is good news. The number of bridges in the structurally deficient category went down by 22 percent, and those in the functionally obsolete category increased only

slightly over a 10-year period.

Siggerud said the bridge problem is often misunderstood.

“Actually, conditions are improving,” she



SENATOR
MARY MARGARET
HAUGEN
WASHINGTON



SENATOR
BRUCE STARR
OREGON

THE PRIVATE POSSIBILITY

The nation's transportation infrastructure is crumbling and roads are becoming increasingly congested. President Obama is calling for a quick cash infusion with his economic recovery package, but will it be enough with state budget shortfalls and a stagnant federal gasoline tax?

Public-private partnerships, or P3s, are one option some state lawmakers are looking at to pay for badly needed improvements. The approach is not without its critics. Supporters say P3s can give the state an enormous infusion of needed cash while reducing congestion. Opponents are not necessarily against P3s in principle, but argue states give up too much to get a huge sum of cash, and should not rush into a deal that can have long-term ramifications.

P3s pay for new facilities without public funding. This saves money for other transportation projects, avoids up-front borrowing, and sidesteps some governmental limits on debt. P3s also allow states to transfer or share the risk with the private sector. To ensure a profit, the private contractor analyzes its own costs, revenues and risks. This protects the public from cost overruns or delays.

"Business as usual will not deliver the infrastructure we need to compete in the 21st century economy," says Leonard Gilroy of the Reason Foundation. Public-private partnerships "have proved successful when done properly with a strong contract, continual oversight and strict accountability."

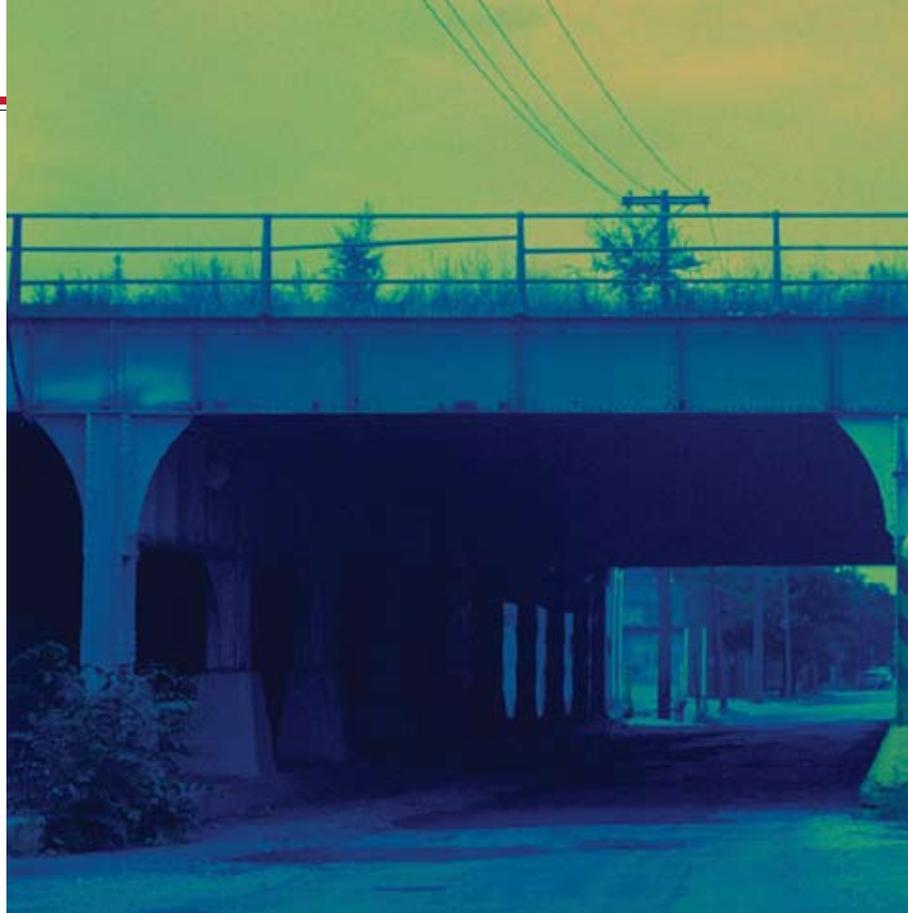
States cannot get a fabulous new road for free, however. Tolls—the common method used to pay for new road construction under such an arrangement—will likely rise faster than they would if the road was owned by the state. The agreement under which a private company is allowed to operate the road also may have a noncompete clause that restricts the state's ability to build or repair highways or other facilities that could draw traffic away from the leased asset.

"Policymakers have to resist the urge to act quickly when establishing public-private partnerships. It's in their best interest to take a closer look at how they will affect the public in years to come," says Minnesota Senator Scott Dibble. "Today, P3s are a viable alternative to help meet the growing demand for transportation infrastructure; however they are not the solution for every transportation need."

Nicholas Farber, NCSL



**SENATOR
SCOTT DIBBLE
MINNESOTA**



work anymore," says Oregon Senator Bruce Starr, vice-chairman of the Senate Transportation Committee, though he supports keeping the trust fund afloat.

Starr chaired an NCSL task force that recommended to Congress an increase in the federal fuel tax. "It remains to be seen whether Congress will do that," he says.

Haugen says while some state lawmakers back the idea of a higher federal gas tax, it may not be a permanent fix.

"Is the gas tax the answer, the way it's diminishing? Maybe not," she says. However, the federal government needs to make a nationwide investment in transportation infrastructure, Haugen says.

As the 2009 sessions started, some states were considering higher state gas taxes or increased fees to help with road repairs and to bolster strained budgets. Lawmakers in California, Massachusetts, New Hampshire, Idaho, Illinois, Iowa, Maryland, Michigan, Ohio, Oregon, Rhode Island, Texas, Utah and Vermont have discussed gas tax increases. Colorado's governor has proposed fee increases

on vehicle registrations to help with road repair costs.

A NEW MODEL

To transportation experts, it's clear the money available for upkeep of roads and bridges through the traditional trust fund model needs rethinking. Not only is the available money shrinking, the cost of rebuilding highways and bridges has increased substantially.

The question of where the money will come from is critical as the new Congress faces reauthorization of the surface transportation act, which expires in September. That bill, which covered fiscal years 2004-2009, authorized \$286.5 billion for highway, public transportation and highway safety programs. The American Association of State Highway and Transportation Officials is recommending that \$545 billion be allocated over the six years that will be covered by the reauthorization bill, but Congress has not put forward a figure.

Whatever the amount, the problem of how to fund it remains since it's clear gas taxes alone will not be sufficient.



EVERYONE HAS A ROLE

The funding and operation of transportation infrastructure in the United States is carried out by approximately 44,000 units of government.

This includes the federal government, 50 state governments, the District of Columbia, more than 3,000 counties, more than 36,000 cities and towns, some 2,600 transit agencies, more than 500 Indian tribal governments, the U.S. territories, and thousands of regional transportation organizations and special authorities.

This fragmented set-up has produced an apparently seamless transportation system. The piecemeal approach however requires endless collaboration and cooperation, robust data collection and information sharing, and a keen understanding of how changes affect other elements of the system. Numerous improvements are clearly necessary and will be debated in the context of the next federal surface transportation authorization.

Key to this debate is knowledge of intergovernmental transportation funding and operations. A recent study—conducted by the Intergovernmental Forum on Transportation Finance—showed, perhaps surprisingly, that the federal role in funding and operations is relatively small compared to state and local roles.

The federal government provides 22 percent of the revenues, the states 46 percent and local governments 32 percent. In terms of delivering services, the federal government provides 2 percent, the states 47 percent and local government 51 percent.

Despite the relatively modest role indicated by these figures, federal transportation policy and grant programs are an important unifying force in the national transportation system.

Jim Reed, NCSL

system has long been neglected,” he says.

But at the same time, the problem may be too complex to solve any time soon. “We are not sure there is the political will,” he says, “to tackle a problem as big as transportation.”

CHECK OUT an update on the federal reauthorization of the surface transportation bill at www.ncsl.org/magazine.

“For some time we have known the balance in the trust fund would go to zero,” says GAO’s Siggerud. “We have put the inevitable off for awhile.”

The core of the problem is that national energy policy is in conflict with national transportation policy, says Rahn. The nation is trying to pay for a critical need from a tax levied on gasoline when it’s in our national interest to reduce our dependence on foreign oil.

Some experts who have studied it think transportation funding should not be tied to the gas tax. The Mineta Transportation Institute has been studying the problem for six years, says Diridon, and has come up with a funding solution “based on the pollution characteristics of your car and your driving habits.” If you have a high-polluting car and drive a lot, you would pay more on your vehicle.

“It’s the optimum time to rewrite this authorization bill, and it’s the optimum time to get creative regarding polluting cars and begin moving away from the gas tax,” he says. “Someone driving a Prius and driving shorter distances, their vehicle registration fee could go down.”

Sixty-five percent of those surveyed in California by the institute would support this method of financing highway infrastructure maintenance, he adds.

Another possibility for raising revenue is a fee on vehicle miles traveled, a system under which motorists pay based on the number of miles they drive. Numerous state studies are underway to determine if this approach could replace the gas tax.

Voters also appear willing to pay for new roads and bridges with tolls, says Rahn, but not for maintenance of existing facilities. “That’s the critical piece,” he says. “Much of what needs to be done in this country is not new construction.”

ELUSIVE SOLUTIONS

Finding a solution to funding infrastructure with an inadequate gas tax system falls to the Obama administration. In the short term, the economic recovery package will help repair roads, bridges and other infrastructure projects. But it will not create a long-term solution.

“We are talking undoubtedly about billions and billions to fund the repair of the nation’s bridges,” Diridon says. “This will create hundreds of thousands of jobs where we need the jobs the most.”

The important element is for people to realize the issue is about more than roads and bridges, says Rahn.

“The performance of our transportation system is critical to our economy and that