

THE BROOKINGS INSTITUTION

MEMO TO THE PRESIDENT:

INVEST IN INFRASTRUCTURE FOR LONG-TERM PROSPERITY

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**Moderator:**

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Columnist, The New York Times

**Opening Remarks:**

GOVERNOR EDWARD G. RENDELL  
State of Pennsylvania

**Featured Panelists:**

THE HONORABLE DONNA EDWARDS (D-MD.)  
U.S. House of Representatives

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ROB PUENTES  
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## PROCEEDINGS

MR. KATZ: Good morning everyone. Good morning folks. I think we're going to get started. My name is Bruce Katz and I'm Vice President of the Metropolitan Policy Program at the Brookings Institution. And today is the latest in our Memo to the President series of events that explore the challenges and opportunities facing the President-elect and is jointly hosted by the Metro Program and the Presidential Transition Project.

Now, we've already released nine of these memos on issues such as decreasing poverty, promoting energy independence, rebuilding our financial institutions and fixing the tax system, you know, some minor issues that we have. There will be two more memos before the President-elect takes office a week from tomorrow. And today we're going to focus on how the President-elect can think about our nation's long-term prosperity through investments in American infrastructure.

Now we've done several events on infrastructure in recent months here and every time I'm reminded what Margaret Thatcher once said to an audience like this. You and I come by road or rails, it's the economists that travel on infrastructure. Infrastructure, our ports, our airports, our bridges, our roads, our rail and transit systems, our water and sewer, our web of telecommunications, energy grids. That's the

connective tissue of this country.

And in our view smart policies and investments in infrastructure can foster productive growth in our economy, sustainable growth that furthers energy independence and real solutions to climate change, and inclusive growth. So that low- and moderate-income families have access to good schools and quality jobs and can share in a broader prosperity.

The infrastructure challenges that face this country compel us to think out of the box and outside the nation for systemic structural solutions. Much of this we'll talk through this morning with a great line up of speakers and panelists we've assembled.

First, Governor Rendell will probably walk in at any moment. He just arrived by Amtrak, right? So we're talking about infrastructure. Following the Governor will be *New York Times* Economic columnist, David Leonhardt who will moderate a panel of metropolitan, state, and congressional leaders. They will share their perspectives on where and how the incoming administration should think about this critical issue.

And so let me start with an overview of this memo we've prepared. Please make sure to pick up a copy on your way out. I assume they're on a desk out there.

By this point it goes without saying obviously, that the

current economic situation is volatile and uncertain and many are calling on the new administration to make a series of short and long-term investments to help the economy recover and restore prosperity.

Now infrastructure matters for multiple reasons to this conversation. It obviously matters to the American economy and the American job market. According to the Bureau of Labor Statistics in November 2008 nearly 12 million Americans were employed in occupations related to infrastructure provision. That's about 8.6 percent of total U.S. employment, down four percent from the same time last year.

It obviously matters to people and by extension our energy future. Infrastructure-related expenditures cost American households a 41.5 trillion each year, mostly in categories such as utilities and transportation.

In fact after housing, transportation is the second largest component of the average family's household budget. About 18 cents out of every dollar. And utilities such as electricity and natural gas consume about seven percent, but they are disproportionately larger for low-income families over ten percent.

Now the federal presence, as everyone in this room knows I recognize a lot of people, it's already substantial. The federal government spends about \$80 billion each year on infrastructure, about one third of the

total non-defense federal investment annually. Now two-thirds come in the form of direct aid to state and local governments for the construction and rehab of transportation facilities, highways, transit, rail, air. Nineteen percent goes to community and regional development. Eight percent for water and energy projects.

Welcome Governor. How are you?

And seven percent for the acquisition of equipment and land.

Now despite all this spending, the association between infrastructure spending and economic output is not clear. We do know that major projects such as the interstate initiated in the '50s are associated with step changes in productivity. We also know that productivity has not continued in recent decades as investments have lost focus and direction and failed to focus in key areas.

So what explains that failure and this disconnect? For one, our country has no overall national strategy for infrastructure. We therefore are not experiencing the same kinds of economic impacts from transformative investments like the interstates or the social impacts from iconic projects like rural electrification or the sustainability benefits from air and water pollution control programs from the '70s.

In the absence of a unified strategy we wind up with little or no targeting. Right now because political considerations drive

disbursements, most funding is spread like peanut butter on a slice of bread. We treat every part of the country as if it is exactly the same rather than trying to advance national priorities; such as enhancing our competitiveness for promoting sustainable growth or using comprehensive cost benefit assessments in order to maximize our investments.

Another flaw is that infrastructure policies are highly compartmentalized. They often work across purposes. They are hampered by lack of connections and cohesiveness. Take transportation. The United States is the only industrialized country in the world that fails to link aviation, rail, transit, and passenger rail. It's a crazy way to do business and it's a recipe for duplication and waste.

Equally disturbing is the pervasive lack of fact gathering and analysis. What we call the fact free zone. federal agencies do not collect or analyze sufficient information on the results of the hundreds and hundreds of billions in spending. We simply can't manage what we can't measure.

Now in contrast to us, our global competitors are beginning to provide the kind of leadership many are calling on the U.S. government to provide. China is well on its way to building the most sophisticated network of ports and freight hubs in the world, while trying to replicate our network of advanced research institutions and universities.

Germany is strengthening their rail and telecommunication connections between their major metros and has recently developed the country's first master plan to strengthen freight and logistics. Spain has become a hot house of alternative energy products in wind and solar, spawning new specializations in finance and investment and legal. And Britain and Denmark and other European countries routinely use an intricate web of data and metrics and analytic tools and spatial planning techniques to make infrastructure investments based on fact rather than political horse trading.

When it comes to the United States we need to learn from our global competitors in order to get more strategic and more discipline.

So what are we going to do? Well the good news is the President-elect talked a lot about infrastructure in the campaign and has continued to talk a lot about it since the end of the campaign. And I think, frankly, for many of the people in this room this is probably the first election campaign in modern memory where the word infrastructure was even uttered.

He talked about a national infrastructure and reinvestment bank. He talked about the need to achieve energy independence. When he talked to the U.S. Conference of Mayors last June, he talked about the compelling need to join up transportation and housing and land use and

energy and education in the metros that drive American prosperity. And then he talked about rural places and the need to make strategic and targeted investments in rural areas that meet their market dynamics.

But one of the most important things that he said during this campaign and since, is that we won't do it the old Washington way. We won't just throw money at the problem. So in other words we have to invest, but we also need to reform.

So when we think about the road ahead we believe that this country requires a 21<sup>st</sup> Century infrastructure vision. And to do so it means we have to change the way we do business. Speed is important, but it's more important to get it done right.

In the short-term, the immediate-term we need to make sure infrastructure reform is part of the administration's agenda. We need a National Recovery and Renewal Commission to oversee and track the spending from the economic recovery package and to develop a longer term strategy for infrastructure development and economic recovery.

Beyond the recovery package we need to invest in coordination and information. To harmonize the projects of the myriad of federal agencies that construct, operate, maintain, use infrastructure and private sector financing. In the name of budget reform we should aim for a thorough examination starting in Fiscal 2011 in order to cull out the \$80

billion in federal infrastructure spending. The Reform Commission could help do this and they can also serve a temporary advisory function that guides the next generation of policy and implementation and really help in the sequencing of the important pieces here that are expected to come down the pike in 2009 and 2010. Legislation on climate. Legislation on energy. Legislation on surface transportation.

We also need a Federalist vision for infrastructure investment, reform, and coordination between different levels of government and the private sector. Some specifics. As the President said, President-elect said next week, we need a permanent, independent National Infrastructure and Reinvestment Bank to define and provide financial assistance to qualified infrastructure projects that matter to the nation as well as a group of multiple states.

This is where the federal government needs fundamentally to lead again. What are some of the merit-based projects that the Infrastructure Bank might consider? Unblocking goods movement for our major ports and gateways. The development of a smart, electrical grid. The modernization of our antiquated air traffic control system. The upgrade of rural telecommunications and broadband. The improvement and expansion of inter-city passenger rail.

The small scale projects probably belong in an expanded

community development block grant program. It's the large market-shaping, energy-shaping, environment-shaping projects that belong in this Infrastructure Bank. Beyond that bank, let's make sure that the federal government empowers the metro areas that are the engines of national prosperity.

We should have a sustainability challenge in this country where we would entice and fund partnerships that join up housing and transportation and energy and other systems across city and county borders. And each place in this country, each metro may decide to do different things. Maybe mixed use facilities, maybe mixed income housing close to transit. Maybe congestion pricing. Maybe commuter rail. It's all in the service of broader structural prosperity and sustainability.

And then, and this may be the most delusional statement today, but I think its coming. Let's commit to evidence-based decision-making. Let's have that web of data and metrics and analytic tools and spatial planning techniques that are deployed routinely by our competitors and that will enable us to determine how much money to spend and how to spend it better.

If we do all of these things, it will not just be about investing in "projects". It will be about catalyzing a new American economy, a new green economy, about using market mechanisms like real-time pricing,

about unleashing private sector investment and inventiveness to stimulate market-lead responses.

So let me end where I began. Today's fiscally constrained environment demands a new approach to infrastructure policy. The status quo does little to upgrade our existing infrastructure, expand choices in moving people and goods. Make travel more accessible and affordable to families nor does it help us move closer to energy independence.

We know that the stakes are too high for economic recovery and fiscal responsibility to allow spending that does not result in real gains in productivity, inclusion, and environmental sustainability, and the foundations for short and long-term prosperity.

So I firmly believe that we can act. We can act with vision, we can act with imagination. We can act with confidence. We can act in a way where the federal government again leads and leverages up the energy and the talent and the capacity of state and metro and local governments in this country and the private sector. And so that's the challenge here today. That's our memo to the President-elect.

And now it is my pleasure to introduce the Governor of the Commonwealth of Pennsylvania, Ed Rendell.

I first met Governor Rendell when he was Mayor of the Great City of Philadelphia, Pennsylvania and I was Chief of Staff to Henry

Cisneros. I won't tell you all that he shared with me about the capacity of the Public Housing Authority in the Philadelphia of the time or many of the other projects that we worked together during his tenure as Mayor and during Henry Cisneros tenure as Secretary.

But I would say that since taking over the governorship in Pennsylvania and more recently in the last several years in a collaboration with Governor Schwarzenegger and Mayor Bloomberg, Governor Rendell has probably done more than any other person in this country to put infrastructure on the National agenda and to describe it in such a way that we make the kind of investments we can even in these tightly constrained environments. So that infrastructure becomes a vehicle for economic recovery, a vehicle for energy sustainability, and a vehicle for people achieving the American Dream.

With that, Governor Ed Rendell.

(Applause.)

GOVERNOR RENDELL: Good morning everyone. Let me begin by, I don't even know if Bruce knows this, but the Philadelphia Housing Authority to show that government can effectuate real change, Philadelphia Housing Authority went from probably being the worst in the country at the time that Henry Cisneros and Bruce came to Philadelphia in the early '90s to perhaps the most effective in the country and really has

just reformed. It has done more to reform the neighborhoods of Philadelphia than any single thing that's been done by the state, by the city, or any other part of the federal government. It's a real success story.

We have a brilliant leader, a man by the name of Carl Greene who is as close to the benevolent dictator as you come, which supports my wife's theory that the country needs a benevolent, but he has made tremendous progress. And it all started from what Henry Cisneros did with the Philadelphia Housing Authority. So change is possible and that's the good news.

The bad news is that, actually I almost never correct Bruce and the Brookings Institute has issued a number of reports that have been enormously helpful to us. My whole economic recovery plan for the commonwealth and I took over at a time when we were facing the worst budget crisis in our history. It was centered on the Brookings Institute report about the older, small and mid-sized cities in Pennsylvania and we've gone a long way towards helping them regenerate. Not as far as we need to go, but a long way.

But President Clinton talked at length about infrastructure in the 1992 campaign. In fact, I remember when choosing a candidate to endorse and I was the fairly new Mayor of Philadelphia, I was impressed that he was the only one talking about infrastructure and went ahead and

endorsed him.

And what happened was, and I think President Clinton fully intended to deal with infrastructure, but when he became President he, I think rightly, made the judgment that deficit reduction was the single-most important thing that his administration had to undertake and really spent most of the first five and half, six year reducing and eliminating the federal deficit and as a result infrastructure lost momentum.

The one thing President Clinton did significantly was to panel a commission on whether or not we should have a federal capital budget to fund infrastructure. That commission was headed by then John Corzine who was at the time Managing Partner for Goldman Sachs and Kathleen Brown who was the Treasurer of the State of California and I testified as Mayor as the Head of Rebuild America at the time, and there was a lot of controversy and the Office of the Budget wasn't happy about the concept of a capital budget and the commission. And I don't know if this is the history of commissions in Washington, but the commission took almost years of testimony and made no recommendation.

Well, the economic crisis that is hitting our country is bad for so many, many different reasons. But I think it creates particular peril for those of us who care about infrastructure and believe that one of this country's imperatives has to be fixing our infrastructure and fixing the way

we fix infrastructure.

Why is it a peril? Well, number one because it does make it more difficult to do the long range scale that infrastructure repair needs in this country and I'll talk about that in a second. Just as it was impossible for Bill Clinton to do some of the things he wanted to do because deficit reduction was crucial to him.

I worry that what's going to happen here is we're going to have a Stimulus Plan. It's going to have, let's say for the sake of argument \$100 billion in infrastructure and that box is going to get checked off. Now we're onto health care or education, we've done something about infrastructure.

Well, of course, \$100 billion is nothing when you're talking about infrastructure. Nothing talking about the German infrastructure or the Japanese infrastructure or the Chinese infrastructure. And it surely nothing talking about the neglected and abused American infrastructure.

So that's worry number one. We have to resolve to do the intermediate or long-term steps that Bruce recommends in his, in the Brookings Memo to the President. We have to resolve to that and do it in scale. Once and for all, we have to make the sacrifices necessary to tack infrastructure in scale. And I worry that the economic climate is going to make that much more difficult to do, if not impossible.

And secondly, I think this is all creating a lot of confusion. We need to use infrastructure for stimulus. Obviously, if we're using infrastructure for stimulus we want to do two things. Primarily we want to create jobs. And the good news is we know that infrastructure does create jobs. It creates good paying jobs that can't be outsourced and it creates a lot of them.

And secondly, we want to create orders for American factories. For concrete factories and asphalt factories, and lumber factories, and electrical supply factories and so many different American businesses who desperately need orders. Who desperately need work so that they can get these orders and rehire people that they laid off. Steel or you name it, desperately need those orders going into American factories and again, it can do just that.

Now to accomplish that goal and to be part of a recovery, to be part of combating what's happening out there now, speed is of the essence. There's no question about it. And out of the conference President-elect Obama had with the 41 governors in Philadelphia came the use it or lose it proposal.

And use it or lose it is a good idea. One, because it is a policing mechanism to make sure that speed is carried out. That the need for speed is carried out and that we start creating jobs quickly. But use it

or lose it also for the first time puts accountability, some accountability into the system. There is none when you get federal grants now, there's virtually no chance of losing that money.

And then thirdly, it also gives leverage. You need to be able to leverage the system if you want to move the system along. You can leverage your own bureaucrats on a state or local level and say, hey folks we just have less time to do this.

You can leverage the private sector. You've got 120 days normally to respond to the RFP, you've got 30 days to respond to the RFP. There are so many steps in the process that are built in that are totally unnecessary or totally longer than they need to be.

I always give the analogy if the wealthy multi-billionaire Bruce Katz walked into a law firm and said I need you guys to do a financial transaction for me. It's very complicated but I'm willing to pay good money to get it done, here are the papers. Tell me tomorrow morning how long it will take. And the managing partner of the firm comes back and says, oh, it's a very complicated transaction and to do it at the caliber and level that Struder, Struder, and Struder does it will take two months. Mr. Katz takes out of his pocket a cashier's check for \$10 million and lays it on the table and says I need it next Tuesday. What do you think the managing partner says? Done. Done. And the same thing is

true for the private sector.

So we do need speed. There's not question about it and we can't apologize for it. This is in fact in the first analysis a recovery program. It's an economic program. Is infrastructure related to the economy, of course it is. But in the first instance it's a recovery program. So we need speed.

Does that mean we need to do it in totally wasteful ways and the same ways we've been doing it? No. We can put down markers and we should put down markers now. One of the most important markers I think we should put down and what I hear in the scuttlebutt, and I hear nothing more than anybody else hears. You know, people say are you an Obama insider? And I remind them I wasn't even an Obama outsider during the Primary. But I am President of the NGA, but I don't hear anything special. But I hear disturbing rumors that the infrastructure bag is in real danger of being tabled.

Now you can't – people say well, that's okay because you're going to basically be doing mostly fix, you know, repair projects because those are the ones that are fastest. They don't need EISs, they don't need EDAs. You know, you don't need to take any land. You can do your fix-it programs really fast. Well, that's true but this is not the time to just do it business as usual and throw money at the states. Throw money through

the normal formula and say go to it, use it or lose it. We're going to have an oversight board to see later one whether you spent the money wisely. This is a time to put down some markers.

Is it a time to do all the things we want? No. Is it time to do thorough cost benefit analysis on every project? No. is it time to look at some of the environmental regulations that can be speeded up? No. We don't have time to do any of that.

But is it a time to put down markers like no pork? Yes, it is. This is the time. He has an 82 percent approval rating. He's never going to have a higher approval rating. He has the American people on his side. He has to press one button and send that one e-mail and he'll get letters and e-mails into Congressmen's offices that make the NRA look like a second class organization.

He can do it and now's the time to do it. Let's, if we're going to change this, let's set down markers now. If we let this program become porked up then what's the hope for the long-term necessary infrastructure program?

Infrastructure Bank, give it, if its \$100 billion give the Infrastructure Bank \$6 billion and have it go out and use that to raise private capital. And maybe let's do something about private activity bonds and maybe let's take a look at TIFIA, do some things to get the private

activity bank choosing -- private investment even in this tough marketplace, private investment is available for infrastructure. And the bank properly capitalized could be a real good first step for doing that.

We've got to do it. We've got to put the marker down.

Dodd, Hagel, Felix Rohatyn. It's all there. We can do that. And we can do it as a pilot project. But let's start putting the marker down.

And Bruce is absolutely right. If I were to chart out the future of how infrastructure is going to be done in this country -- and one of the things that Bruce's memo makes clear and Brookings' memo makes clear is that infrastructure isn't all about transportation, and that's a point we have all got to remember.

In our poll, and I'm going to talk a little bit about BAF's poll at the end, roads and highways didn't even finish first. Energy infrastructure finished first in the nation in the minds of the people of this country. So it's about more things than just that, and it's about public safety, and it's about quality of life with congestion. But it's also desperately about economic competitiveness.

If you want to really understand the scope and how far we need to go in this country on infrastructure, just look up on the internet a recent article in the *Pittsburgh Post-Gazette* about locks and dams in southwest Pennsylvania.

Does anybody know? I'm not even sure if Bruce knows this, and I sort of think Bruce knows everything. But do you know that there's a Federal Inland Waterways Trust Fund?

Who knew that? Raise your hand. Two tickets to the next Nationals World Series Game to anybody who knew that.

I didn't know it, and it was central to the way we repair locks and dams.

Locks and dams in southwest Pennsylvania have reached such an emergency situation, it's possible that a lock or a dam will fail there. And, if it fails, it will end for a significant period of time, maybe a half a year or longer, it will end waterway traffic in southwest Pennsylvania. The waterway there serves two major steel plants, the largest coke-producing facility in the United States of America and five coal-burning plants that are very important to getting electricity on our grid. That's what can happen if that gets screwed up.

The Federal Inland Waterways Trust Fund has been underfunded for years because it's a user fee and the users have refused to pay anymore and there's been no will in Washington to raise the fee. And, we're in desperate trouble.

We're in desperate trouble of dam collapses. The Federal Dam Program, does anybody know how long it's been since the federal

government has properly funded the repair and maintenance of our dams? Decades and decades and decades, and there are dams ready to break just like there are bridges ready to collapse.

This is a national imperative, and it's very important that the short-run program, where the focus has to be on job creation and has to be on producing on orders, be done in a way, to the extent that it can, where we set down those important markers with as little pork as possible, a federal infrastructure bank, some, if not initial cost-benefit analysis, certainly oversight on projects and use it or lose it. Those are good basic things to put into the hierarchy.

And then let's move ahead to what's the long-term vision. As soon as the economic stimulus or recovery plan passes, I would hope that President Obama would in the White House itself and the Recovery and Renewal Council -- and, obviously, Bruce, he's gone along the lines already of producing something that fits with your recommendation. That's an important body.

But in the end, and all of you know this and anybody who has dealt with the federal government knows it, if something is going to move, it has to move in the White House. It has to move in the White House.

President-Elect Obama did a wonderful thing on climate change by appointing Carol Browner to coordinate all of the climate change efforts

that touch on so many different departments.

We ought to appoint someone like that on infrastructure in the White House because infrastructure involves five, six, seven different federal departments: Commerce, EPA, Energy, of course, Transportation. So many different things are rolled into what infrastructure involves, and we should have that type of control and that type of mission in the White House.

And, we should begin planning on how we're going to deal with this country's infrastructure funding gap, and Bruce is right. On the one hand, we have increased funding to infrastructure, but on the other hand, it's piddling. When Dwight David Eisenhower left office, 12.5 percent of the domestic non-military spending in this country was devoted to infrastructure. Today, it's less than 2.5 percent.

We devote about one-seventh of our GDP to infrastructure compared to the E.U. and a miniscule fraction compared to China, India, Spain, nations like that who are making major investments in infrastructure.

Virtually everything we do in life -- education, energy, communications -- all revolves around are we going to have a first-class infrastructure in this country.

The American Society of Civil Engineers says we have a \$1.6 trillion

infrastructure gap, and that's just to properly maintain, repair and maintain what we have. That's not talking about building an intercity rail system. It's not talking about any new giant projects.

I tested that. I asked all of my department heads to give me an idea of what our infrastructure gap was in Pennsylvania. We're normally about 5 percent of the nation in Pennsylvania. Interestingly, without any coaching, it came back from all my cabinet secretaries that we had an \$80 billion infrastructure gap.

For those of you who aren't quick with mathematicians, eerily, 80 billion is 5 percent of 1.6 trillion. So I think the American Society of civil Engineers is fairly right on.

The Surface Transportation Committee recommended increasing infrastructure spending from \$80 billion to \$220 billion a year. AASHTO just said over the next 5 years we need to up infrastructure spending by \$545 billion on top of what we're already spending. So those two things are fairly consistent. There's no question that we need to do this.

If you broaden the definition of infrastructure, broadband, is broadband infrastructure? I believe it is. The one thing rural America needs more than anything is broadband.

Are we going to have a renewable energy economy? Sure, we are. But we're going to have to build a grid out to take it to places where we're

producing wind and solar, and we better start doing it fast if we want to have a viable renewable and alternative energy economy.

So what are we to do? How are we to meet these goals? Well, again, not by checking off the box after the stimulus program is passed but rather, by the day after the stimulus program is passed, have people start working on the long-term goal because the long-term goal has its first test in the reauthorization of ISTEA.

And, whether that will be in late 2009 or pushed back to 2010, we can't let that bill be reauthorized business as usual. If it is, we're cooked. We're fried. We have no chance of being competitive, none, with the rest of the world in infrastructure. So we've got to get to work on the long term as quickly as we can, and the Brookings' report, the memo, is absolutely right on that.

I would add my suggestion to how we do this. There are many ways to fund infrastructure, none of which is easy.

Should we raise the gas tax? Well, there may be reasons for raising the gas tax, and there are some good ones. That's a possibility. Is it politically viable? I'm not very certain.

Should we allow states to toll previously constructed interstates and new interstates without having to go back to the federal government for approval? Of course, we should. Infrastructure, like many things, is

funded most easily and best if it's a user fee, and you should do that.

Should we get private capital involved in infrastructure whether it's by leasing some of our infrastructure to private industry or making it attractive to invest in things like an infrastructure bank? Of course, we should.

But in the last analysis, if we are going to -- let's assume for the moment that to do some of the new stuff will cost another \$500 billion and let's say we've got a \$2.1 trillion infrastructure gap. To meet that, we have to change the way we finance infrastructure. It can no longer be a part of the operating budget. It isn't anywhere else. It isn't in any city. It isn't in any state. It isn't in any county.

We would no more finance infrastructure repairs out of our operating budget in Pennsylvania. I mean it makes no sense at all. You're financing a bridge that will have a 40 or 50-year life span the same way you finance buying paperclips that have a 5-day life span. It makes no sense.

When infrastructure has to compete with the military, when it has to compete with social programs, because it's long-term, it's always going to come in second or third or fourth or off the radar screen. We've got to get a federal capital budget.

And, my idea, once we get the appropriate money, and you'll say,

well, a federal capital budget? Even if you wanted to do \$2 trillion of infrastructure spending, that's about \$180 billion a year in debt service.

Now, \$180 billion a year might have a familiar ring to you. By the way, that used to be a whole lot of money. Not so much anymore. But if it has a familiar ring to you, it's probably because the cumulative costs of funding the war in Iraq and the war in Afghanistan are roughly \$180 billion a year. It is amazing how we find money when we want to and don't find it when we don't want to.

I remember years ago when I was Mayor, I came down and testified before the Senate Finance Committee and Lloyd Bentsen was the Chair -- a great, great American. We made this plea for the cities, and the cities were in terrible shape. This was in the beginning of the nineties, and we sure were, and we asked for \$5 billion to be invested in the cities.

Senator Bentsen looked down at me, and he said: Mayor, we'd like to help. But \$5 billion, we just don't have that type of money here.

And I said: Senator, no disrespect, but unless I miss my guess, you all just sent \$5 billion to help repair and revitalize the country of Russia. So you do have the money. It's just a question of what your priorities are.

We have got to, all of us, starting at the local level. The reason that Governor Schwarzenegger and Mayor Bloomberg and I started this is because we've got to build a national consensus for infrastructure. We've

got to get infrastructure on the radar screen. To that extent, this concentration on infrastructure in the recovery is probably a good idea. It's got Americans thinking infrastructure, but we've got to get by the check off a box mentality that will come from the stimulus plan.

What I'd like to see in the long-term funding is basically what Bruce just outlined here: all the major projects, all of the projects that are going to change sustainability, that are going to change climate control, that are going to really change the way we move freight, the interstate projects, the intercity projects, all those be funded through the infrastructure bank, a bank staffed by a board that is professionals, that aren't politicians, that make their analysis based on the benefit to the country, the cost, the benefit, the cost-benefit analysis.

What good is it going to do?

Is it going to reduce cost?

Is it going to reduce congestion?

Is it going to make us more competitive?

Is it going to tie our airline industry into our freight industry, rail freight industry? Is it intermodal?

All of those things, all those major projects, and I'd like to see that funded through some form of capital budget.

And then, you're never going to escape Congress' need to provide

money to each and every state for transportation. Provide a smaller amount of money through some formula, but even with that formula have some cost-benefit analysis built in and certainly oversight built in. So if a project is wasted or if the money is wasted or if it doesn't get done, you lose money the next time. You lose money the next time.

There was a great program that Henry Cisneros started in HUD. Really, it was on the books, but he was the first secretary to use it. It was called the HUD 108 Loan Program. Up until Henry Cisneros, it had never been used, but Henry changed a few of the requirements and limitations and made it usable. It said that cities could use HUD 108, their CDBG allocation which in my case, when I became Mayor, was \$72 million a year. We could use five times that yearly allocation to guarantee loans for development projects in the city limits.

Philadelphia had \$360 million worth of capacity. I guaranteed \$355 million of loans. Guarantee meaning it made it very easy. I mean the loan came in from the federal government to the developer. If the developer defaulted, if the developer defaulted, we, the city, would pay for it. If the developer had a \$5 million default, the next year after that, instead of \$72 million, our CDBG allocation dropped to \$67 million.

In my eight years as Mayor, using \$355 million of capacity, we had \$4 million of default. We made up for that by the arbitrage on the money.

We didn't lose a dime in CDBG. But the fact that we could have lost it, made us extremely careful about what loans we used the guarantee for.

So you can construct a system where we still give grants to the states, where the politicians can still say I delivered this money. But the major projects, the sea change projects, the ones that will benefit our environment and our economic competitiveness and our climate, those are the ones that will go through the national infrastructure bank.

So can we do this? Can we, after the recovery program is signed, sealed and delivered, can we keep the momentum going for infrastructure? Well, I believe we can, and I want to leave you with some results from the poll that BAF, Building America's Future, took.

We used the Luntz-Maslin. Frank Luntz did a poll for us at Rebuilding America in 1998, and we used Frank back then because we didn't want the Republican Congress to think we were cooking the books with some liberal Democratic pollster. So we took Frank, and Frank just did our recent poll, and the poll results were stunning.

First, there was universal support for infrastructure: 81 percent of Americans said they would be willing to pay 1 percent more on their federal income tax for infrastructure improvements. That support was bipartisan. Three-quarters of McCain voters said they would spend the 1 percent more on their federal income tax and 90 percent of the Obama

voters.

But the American people wanted accountability. The single most important factor after that, that they voted for, 61 percent said the most important thing in an infrastructure program was accountability. It's amazing how smart the American people are. It's amazing.

They wanted it to be comprehensive. They knew it wasn't just highways and roads and bridges. In fact, energy infrastructure ranked number one ahead of highways and roads which ranked number two. The American people are getting smarter.

And, they wanted it to be a result of partnerships. They think that the local and federal and state governments should all get together and do this. So the groundwork for building this type of public support for infrastructure exists. It exists.

And, it is just necessary for me, in my judgment, to get this done, to have infrastructure be like so many issues on Capitol Hill that are so effectively funded, it has to be nonstop. It can't go away.

If we don't get an infrastructure bank as part of the recovery plan, as part of a pilot project, we should be up there the next day, saying: Okay, you couldn't do it as part of the recovery. Let's do it now. Let's do it for next ISTEA. Let's get rolling. Let's do this. Let's do that. Let's look at a capital budget.

Everybody now seems to think we need a capital budget: Nancy Pelosi, Howard Dean. I was watching Howard Dean on MSNBC. He spoke out for a federal capital budget.

Newt Gingrich. Newt Gingrich says we'll never do infrastructure right as long as we continue to fund the federal budget the way we do.

It's time. This is a seminal time for America. We have a new President coming in. He's got great ratings. His party controls the Congress, and I know sometimes it's harder to control your own party than the opposite party, but it has to be done. The way to do it is for everyone to support this effort -- everyone to support this effort.

We've got to be there for the President. We've got to push him when necessary, but we've got to be there to support him all the way.

This is, to me, one of the basic challenges facing this country. It's right up there with education and health care in terms of the nation's future. If we're going to remain economically competitive, we've got to change.

When Governor Schwarzenegger, Mayor Bloomberg and I announced the formation of BAF, we did it in the middle of a freeway in California, and we did it at 10:00 in the morning on a Saturday. It was still a pretty frightening experience to have that traffic whizzing by. I can't imagine doing it in rush hour.

But we each had a little prop, and I chose for my prop a map of China and a map of the U.S., and I had pins on the map of the 10 largest ports in China and the 10 largest ports in the United States. The 10 largest ports in China have a through-put of almost 3.5 times the tonnage and container space size than the U.S. do, almost 3.5 times. Only 2 U.S. ports, Newark-New York and Long Beach-L.A., would have cracked the top 10 in China.

Bruce told you about how well China moves goods. If we don't, we're sunk. We're absolutely sunk. We ought to be making major investments in our freight system.

Pennsylvania is struggling as every state in the nation is. We're struggling less than most big states, but I just made a \$35 million capital commitment to building, to helping to build an infrastructure right across the Mid-Atlantic States so that we can move rail freight. We have to raise bridges so that they can accommodate these double-stack cars. There are six states involved. We were the first state to make the commitment.

Thirty-five million dollars is not an easy commitment for us to make, but I made it because it's vital to our economy. It's vital to our economic competitiveness. When we can move freight that way, Pennsylvania becomes an enormously desirable place because goods movement right now is one of the factors, one of the key factors in bottom lines of

businesses. The ability to move goods cheaply and quickly is crucial. It's crucial.

So we've got to get on the stick. We can do it. The American people, as I said, are smarter than we think they are. They need to be led. They need to be led by political leaders, but they need to be led by business leaders and academicians and people who support the institute here and by the institute itself.

We can do this, and if we do, it will be a wonderful step towards a brighter future for this country.

Thank you all very, very much.

(Applause)

MR. KATZ: This image of you standing along a California freeway is a little frightening.

We have time for some questions. Anyone in the audience who wants to take a first stab?

QUESTIONER: Governor Rendell, you just mentioned a project that's of interest to me, the Mid-Atlantic Rail Operations Project. And what occurred to me as you said that is a project like that has languished for a number of years. It's been a very good project, but it's languished, and the federal government doesn't seem to be constructed or organized to be able to deal with interstate rail projects.

What would you suggest to the Obama Administration so that projects like that, and there are a numbers of them around the country, can be led by the federal government as opposed to being the last party to know?

GOV. RENDELL: Well, let me say about this project that, one, CSX has a really terrific young CEO and CSX is putting a third of the money in. They've asked the six states for a third of the money cumulatively and the federal government for a third of the money. As I said, Pennsylvania was the first state, but I believe my fellow governors are going to kick in quickly whether they get the federal government money or not.

The problem about interstate projects is that the way we fund transportation now makes it very difficult. We've been trying to get funding for a railroad, a high-speed rail line from the Poconos above Scranton through the Lehigh Valley across New Jersey to connect to the Tube to get into Manhattan. Right now, Pennsylvanians, the two fastest growing counties in Pennsylvania are Pike and Monroe in the Poconos because New York City residents are coming to live there even though it's almost a four-hour commute in a car.

If we can make that train ride an hour and 15 minutes, and we can, we'd have it knocked. We'd have it knocked, and it would be so important to commerce and everything else, not just for Pennsylvania but for north

Jersey as well. But funding an interstate project like that is virtually impossible the way we fund transportation.

Do you want to?

MR. KATZ: Absolutely. I mean generally the way we've described it is we have a system that's built for a different century, different challenges, different imperatives. The modernizing that has to occur, particularly across the state lines and across the metro lines, is quite significant.

Thoughts? I've got one in the back here.

QUESTIONER: Governor, you've laid out a very bold -- there we go. You've laid out a bold agenda for the infrastructure bank and the rest of it, and it seems like the politics in this town haven't quite caught up with that.

An analogy I'd like to use is that I got a leaky roof, a flooding basement and five kids, and the bold vision is I'm going to fix the roof and put a pump in the basement. How do we move beyond that to create the kind of bold and compelling vision that was really implicit in everything you said here?

You said energy independence. You talked about competitiveness and so forth. How do we get the Congress and the administration, the new administration, to raise their sights to do that?

GOV. RENDELL: Well, I think we all have to continue to pressure. Look, I think President Obama's instincts, President-Elect Obama's instincts are terrific. They're there. But are his instincts getting eroded by this need to build consensus or by dealing with his own party? I fear that that's the process that may be going on.

I sent a message. Again, I am not an insider, but I called Valerie Jarrett who I think is an insider, and I said: Valerie, don't throw away the infrastructure bank. Don't. Make it a pilot. I don't care what the pressure is in Congress. It's a crucial first step. We've got to do it.

We've got to do it, and change isn't going to come easy to this country. Change is not going to come easy. You can't just talk about it. There's going to be a time when the President is going to have to play hardball with his own party and obviously with the other side. You know. If you have your own party in check, it's great to get Republican votes, and I guess you need one or two or three in the Senate. But you've got to push ahead, and you've got to have that vision and go for that. That's number one.

And number two, I mean we've got to revitalize. I think this election was a great tribute to Barack Obama and his personal skills and the skills he had in the campaign, but it was also a great tribute to the American people wanting change. Somebody has to kick into that.

The reason when I decided we needed to form something to take the place of Rebuild America that I wanted Arnold Schwarzenegger and Mike Bloomberg was, first of all, they've made tremendous commitments to spending money for infrastructure in their own venues, and they have.

But, secondly, they're stars. They're stars. It's like Twins all over again. You know. I mean we're in great shape.

They're stars. I can go anywhere and speak about infrastructure, and other than down here I'd be lucky to get a fifth of this crowd, but if we bring Governor Schwarzenegger in or Mayor Bloomberg in, we get tons of people. It's important to get people like that willing to talk about it and give both of them credit. They were willing to sign onto this project at a time when they both thought that in the near future they would no longer be in elective office because they care about it.

We've got to keep doing that. I mean infrastructure isn't sexy. It isn't sexy. It can be, and it should be, but it isn't right now.

So we've got to keep it in the forefront, and we've got to keep it the pressure even on our best friend which is Barack Obama right now. Don't let up. If any of you care about the infrastructure bank, and I know you do, let's let him hear from us.

MR. KATZ: I've got maybe one more, and then we're going to move to the panel.

QUESTIONER: Governor, earlier, you discussed the importance of getting orders in American factories ASAP. Does this mean you're in favor of a Buy American Provision instituted?

GOV. RENDELL: Of a what?

QUESTIONER: The Buy American Provision in the stimulus package.

GOV. RENDELL: To the extent that it could be done without violating some of the WTO requirements, absolutely and because of that.

I think the way you do it. You know. I always used to when I was Mayor of Philadelphia. We had all these civil service requirements for bidding, et cetera, and I didn't try to go around them because you couldn't and it would be a long drawn-out legal battle. We just wrote the RFP in a way that it made it impossible for anybody but the incumbent vendor. I wanted to reward incumbent vendors who had done a good job.

Nowhere else but government can you have an incumbent vendor who has done a great job and you can't just re-up them. In private industry, if someone has done a great job for you, cut your costs by 30 percent and improved output, you'd sign them up in a minute. But we had to rebid that. So we sent out an RFP that had so many little things that only the incumbent could have known.

So, to the extent that we can do it legally with the WTO by putting

speed requirements on it, I would do it. You know. There's no question about this. I mean if we're going to use steel, and I think we're going to use a lot of steel to fix bridges and things like that, it ought to be American steel. There are no ifs, ands and buts about it.

And I don't know how the Jones Act gets around the WTO, but to the extent that we do it with the Jones Act I'd like to see us take a look at it here, absolutely.

MR. KATZ: First of all, I thank Governor Rendell.

(Applause)

MR. KATZ: If Schwarzenegger and Bloomberg are the Twins, I'm not sure which character you're playing.

We're going to make a transition, and I think it's a really important transition because there's been a lot of conversation about the federal government, and now we have to talk to some extent about federalism and the fact that at the end of the day this is a partnership between the federal, state, local and metropolitan governments and the private sector. Therefore, we need a more comprehensive perspective about infrastructure reform because as the federal government gets its act together, as everyone in this room knows, ultimately there's a delivery system that has to be changed.

To lead this conversation, there's no one better than David

Leonhardt from the *New York Times*, who has written specifically on the need and imperative for change in infrastructure over the past several months with regard to the Recovery Act but also in regard to the longer-term vision that Governor Rendell spelled out.

So I'm going to turn it over to David and look forward to the panel's conversation.

MR. LEONHARDT: First of all, thank you, Bruce.

Thank you, Governor. We can tell you're excited about infrastructure if you managed to spend an hour talking about it and not mention the Eagles or the Steelers this morning.

We have a great panel here, and I just want to introduce the panel, and that's about it. It's a panel that has people from all over the country, different regions, and from federal and from state and local and from the private sector. So I'm going to do that.

Each panelist is going to spend a few minutes talking, and then I'm going to ask some questions, and I want to encourage the panelists to be brief in their answers but also not to wait for me if you have something to say. Please just jump in.

So I want to start in the middle. I want to start in the middle with Congresswoman Donna Edwards who represents Maryland's Fourth Congressional District which is comprised of both P.G. and Montgomery

Counties. She was sworn into the House in June of 2008, and she currently serves on the Transportation and Infrastructure Committee among other committees.

We also have here Deb Miller who is the Secretary of Transportation in Kansas. She was appointed by Governor Kathleen Sebelius. She's the first woman to lead the Kansas Department of Transportation and its more than 3,200 employees. She's a native Kansas, and she also is a player on the national stage. Last year, she became Chairman of the National Transportation Research Board's Executive Committee. Fourth from my end we have Patricia Mulroy, General Manager of the Southern Nevada Water Authority. She joined the Water District more than 20 years ago and became its General Manager in 1989, which, by my math, means she had a very rapid rise.

We have closest to me Stuart Rogel, who's the Chief Executive Officer of the Tampa Bay Partnership, which was founded in 1994. It's the Regional Economic Development Organization for a seven county area in West Central Florida. This is something of a homecoming for Stuart. He was raised here in Washington.

And on the far end we have Rob Puentes, who I've described in print as the infrastructure maven of the Brookings Institution. The formal version of that is, he directs the Metropolitan Policy Programs,

Metropolitan Infrastructure Initiative. And you have more information on all these folks in the bios that are available here.

So with that, I'm going to start it off and we are going to begin with the candidates opening remarks, which they've promised to keep to five minutes or less.

MS. EDWARDS: Good morning. I'm Donna Edwards from Maryland, and I'm hoping not to rip this microphone. Thank you all so much for being here this morning, and for Brookings for putting this on. I never thought – a couple of years ago, when I first started running for Congress and I would talk about infrastructure and have to actually spell the word and then describe what it meant and the need to invest in America's infrastructure, and particularly in my district, which is just outside of Washington, D.C., in Prince Georges and Montgomery County, but now everybody is talking about infrastructure, infrastructure because it's about job creation, but also because we need to invest in America's infrastructure because it's falling apart, and it's falling apart whether you're talking about the water and the sewer or the transit and transportation, highways, roads, our rail system, from freight rail to passenger rail, water and sewer, our energy grid, all of it is just falling apart, it's not keeping up with the pace of the 21<sup>st</sup> century, and it's impacting our competitiveness, in addition to just making it really difficult for some of us to get around.

Now, I have been speaking for a long time about water infrastructure, in the context of, in this region anyway, the need to protect and preserve the Chesapeake Bay and our other waterways. Then a couple weeks ago, there was a little water main break out in Bethesda, Maryland, and in a place where people thought, oh, the infrastructure just must be fun, it turns out, it was about, you know, decades old water pipe transmission line that looked when it burst like the Colorado River streaming down River Road.

And so, you know, we're kind of waking up a little bit that infrastructure also means investing in water and sewer. Maryland had – or our region had I think about 1,500 water main breaks between January and November of last year – and November, and I would note that that didn't include, obviously, River Road.

But it also – one of the most important water main breaks that happened a week and a half ago up under my son's car in front of my house. So at 1:00 in the morning I went to greet the three man crew that came out from WSSC, and I was in my robe and my hat, and it was freezing cold outside, and these guys do amazing work in the middle of the night, and this was their third call that night.

I offered them coffee, and surprising, none of them drank coffee. But they were busy, you know, sort of pummeling and digging to

get down to the water main to try to seal it off and kind of patch it up for the night, and they managed to do that, it took about four hours to do. And like the good Congresswoman I am, I took pictures, because I wanted to see the kind of work that they do and the intensity that it takes. And this was a very small water main break. We're in a really small community. But it meant that our water service was disrupted, it meant that the next day, turning on the water, you saw the, you know, the gook kind of coming out before you got to the real water.

And you can see how if that happens on a large scale all around the country, that the impact for our communities is really tremendous.

I sort of first got my running start running for Congress actually talking about infrastructure, about the need to put rail over the Wilson Bridge and to build a purple line around our beltway, because in this area, some of our children and many of our adults are suffering from respiratory illnesses that are just so compounded because of air quality, because we spend all of our time on roads and we don't have, you know, adequate mass transportation and a transit system that really works for people.

And so I look across in my car, as I sat in my two hour commute this morning, two hours to drive 14 miles it took me this morning,

and as I sat there I thought, I looked over in all the cars, everybody, one person in a car, in every single car, and we were talking and shaving and eating and doing all kinds of things in the car, and we could have all actually been on a metro line, on a train. We could have been car pooling, we could have been in rapid buses and gotten to work, all of us, a lot sooner.

And so the need is really, really tremendous around the country. And we're getting ready to get started, and you know, we've been having conversations, I know I have with our House leadership. I actually sit on the Transportation and Infrastructure Committee, and who knew we were going to be so busy, but we will be, we'll be busy in trying to create some jobs and projects that are ready to go in the stimulus package, but then on a bigger scale, we'll be working on some major new authorizations for transportation that I hope takes a real, you know, a deep and systemic view of how we need to do our transportation policy over this next generation.

The way that we need to think regionally, the way that we need to think about our rural areas and our suburban areas, because as much as I'm screaming about our transportation here in the suburban area, there are people in rural Kansas and rural Nebraska who are screaming about the same things. And so I'm very excited to be here

today with out panelists, and you know, to support the efforts of governors like my governor who were saying, you know what, we have a lot of ready to go projects, but if at the federal level you require me to come up with a match, I'm facing a \$2 billion deficit, there's no way that I can do that, and so you've got to help me out there. If you want some of these projects ready to go that also have a deep systemic impact, then require us to make those kinds of investments so that we aren't just pouring only money into the quick resurfacing kinds of projects.

And I think that, you know, sometime over this next year or so I know that WSSC, if you're out there, you're going to get to repair the street that you messed up also in front of my house. But we have a tremendous opportunity here for job creation, but also to enhance our competitiveness in every sort of venue of infrastructure.

And I will close on this because a part of this infrastructure conversation I believe is also about deployment of broad band. I also happen to – I just share lots of personal stories, and so at my house, I do still have dial up service. Now, Verizon is telling me these days that now I can probably get FIOS, I'm not really quite so sure about that, but that also means that the elementary school that is in horrible condition is populated with young people who aren't getting what they need in these new technologies because they have dial up also.

And so it's less a problem for me, but it really is a problem for our young people. And that is true in pockets of urban communities and suburban communities, as well as it is true in rural communities. And so I believe that those kind of investments, when we think of infrastructure in a broad kind of way, in a systemic way, water, sewer, power, you know, broad band, transit and transportation, we're going to get this right for job creation and we're going to get it right, as well, for our competitiveness for the 21<sup>st</sup> century. So I'll close there and look forward to the other panelists and to our discussion. Thank you very much.

MS. MILLER: Thank you, Congresswoman. I hope you're very busy on the TNI Committee, because there's lots that needs to be done, I really appreciate it. I'm Deb Miller, I'm from the Kansas Department of Transportation. So when we talk about these rural issues, I'm certainly familiar with those. But I think overall one of the issues I want to put on the table is just seconding many of the things I heard Governor Rendell say. Reform is so important, you know. We have a transportation system in America that was built probably over 150 years, different mode layers, never meant to meet or to work together at those times, built by different bureaucracies, some are privately owned, some are publicly owned, some are owned at the federal level, some are owned at the state

level, some are owned at the municipal level, I mean it's really kind of a mess.

And when I look at what I read about what's happening in China, I think one of the things we need to be very concerned about there is not just that they're making major investments, but in some ways because they didn't have the amazing transportation system that we had in the last century, they're building an amazing transportation system for the next century, and that's not at all where we are.

And I think when we think about this fragmentation, it's not just the way that the system was built, but I have to say even our bureaucracies, and Congressman, if you'll forgive me, one of the issues, you know, even look at the way our congressional committees are organized. You have separate committees that deal with transit, that deal with roads and highways, and you know, that's not a very good way to run the system either. So we really have to use the energy, and quite frankly, the fear I think that's been generated by the collapse in our economy to push forward with major reform.

And even though I come from a state DOT, and primarily the transportation dollars flow through state DOT's, I think we will make a mistake as we move to the future if we're not looking for other ways to deliver these services. Certainly state DOT's are the owners and

operators of the primary transportation systems, they're excellent at what they do, and we need to keep them engaged. But we've got lots of examples of problems that are bigger than any individual state, and states, quite frankly, don't get to them.

I was fascinated by the Governor's example of the \$35 million investment. That's just another one of those examples. Those things don't get done because they're not inside any state's borders. And as much as we'd like to say we work together, quite frankly, we get very driven by the priorities of our own governors, of the legislature, of communities, of projects that have been on the drawing board for 25 years and you're still getting political pressure to do them, and to think that we can bridge these huge national problems, I don't think it's going to happen. And the final thing I would say just in terms of setting things up, one of the things we've all got to start doing is understanding that what might be to our benefit is not always a project built inside our borders.

Improving our ports and improving that rail and freight network might do more to benefit the Kansas economy than a whole long set of projects we might building the state of Kansas, and I want to say, clearly, that's not to say we don't have a long list of very important projects to build in the state of Kansas, but the things that we need clearly are

outside of our borders, and we will not get anything done without really strong federal leadership.

I would honestly say I have been appalled by the language I've heard out of USDOT in the last year or so, talking about, you know, transitioning the program down to the states, public investment, or excuse me, private investment, I'm absolutely all for it, but to act as though the only way we're going to solve this problem is through private investment, and to think that the U.S. government can step out of a leadership role I think is an absolute disaster for our country, and I'll leave it there until we get into the discussion.

SPEAKER: Pat.

MS. MULROY: Well, I'm here from Las Vegas, probably the most water challenged place in the United States. And before anybody asks me a question, I don't care about the Mob Museum, not on my list of infrastructure priorities, and I'll leave that to our good mayor to handle.

When I was listening to Governor Rendell, the thing that struck me the most was his emphasis on strategic investment, and I want to focus on the long term. Yes, we have forgotten this country's water and waste water infrastructure, we take it for granted.

We always laugh in the water community that the reason we get forgotten is, we build the greatest structures in the world and then we

bury them, hence, we've taken it for granted. But we need to look at water and waste water infrastructure in another way, and one that I have not heard discussed in any great depth or with any kind of emphasis. We're in the midst of a decadal climate change. That decadal climate change, not only do we have to invest heavily in energy to begin to turn the corner and stop the changes that are ahead, but what we have not spent time talking about is, how are we going to adapt. There are eight of us large municipals across the country that have come together as a climate coalition, because we recognize that this could destroy the very underpinnings of every economy in the United States, whether it's dikes that are going to break from rising ocean levels, whether it is waste water and water treatment plants that are situated on the banks of rivers that could be flooded out and destroy the water quality of those rivers, or whether it is as it is right now in the west, the most dire and desperate drought situation that we've ever experienced.

Southern California is the fifth largest economy in the world. It is very much facing the real possibility of having a major water crisis in 2010. The Colorado River flows are so low, three more years of this protracted drought, Southern Nevada loses 40 percent of its water supply. Two more years after that, we lose 90 percent of our water supply.

We have not spent any time in this country investing in the science of climate change in any kind of a concerted fashion. We need to understand where the floods are going to occur, we need to understand where the drought conditions are going to become protracted. And before we start making long term investments in future major infrastructure, after we have paid that which we've neglected for so long, we need to look at it through a 21<sup>st</sup> century lens, in a very different climate, and not take a 19<sup>th</sup> century climate and assume that that is going to be the norm.

These issues have the possibility of shutting down whole economies in the United States, cutting off food supplies for this country. The time to begin to look at this country's water resources in a more global fashion and begin to talk about outrageous solutions or things we've never ventured or had the courage to talk about before, that time is rapidly approaching.

We don't think about it until it's right there. The problem with these is that they are no quick fixes. There's nothing you can build in 18 months, there's nothing you can build in two years that will get you out of the disasters when they strike. These things have to be looked at now. Some concerted science needs to be put around climate change and its impact. When you go to Europe and you look at the work the Dutch have done around the impacts of climate change on the European continent,

and they've begun to build 21<sup>st</sup> century facilities, they are strengthening their dikes, they are building infrastructure that can withstand the climate that this century is walking into rapidly. That kind of adaptive thinking, looking at this nation's water supply, which, in all essence, is the underpinning of our quality of life.

When you go to international conferences and you listen to the United Nations and the world talk about what differentiates a third world country from a developed country, it's the integrity and the quality of their water and waste water infrastructure.

We are not even sure what that challenge and how those challenges are going to manifest themselves here in the short term in the next several decades. The time to start looking at it and asking those questions is now.

MR. ROGEL: Well, with that, I come from Florida, where we're surrounded by water, yet we have water issues ourselves that we're challenged with. I want to thank Brookings for putting this panel together. I want to thank them for their leadership in these issues. We found this to be very, very valuable in the work that we're doing in Tampa Bay, and certainly very, very valuable in addressing this issue in our Nation's Capital with the new administration. I'd like to talk a little bit about two things today, in terms of what's important, not only in the stimulus

package, but what are we looking for in infrastructure investment; that is economic development, jobs, not just immediate jobs, but jobs beyond the current horizon; and secondly, talk a little bit about governance and how I think we need to think about governance at every level.

I've heard that today from the Mayor, I've heard that from our panelists and from Bruce, and clearly, governance is an issue for us at the local and regional and state level.

We have been looking at stimulus and we've been looking at the projects that are being submitted from Florida and the projects that are being submitted from our region, and I will tell you that they run the gamut. And one of the things that I think we need to look at, and I'm glad there's discussion today about long term, is, yes, it has to be immediate, as the Mayor said, but we also, as he said, have to get it right.

And there are infrastructure investments and there are infrastructure investments, and we need to look at how do we tie those infrastructure investments to what we're trying to do at the regional level, at the state level, at the mega region level, in terms of stimulating our economies and growing jobs and leveraging the next round of job creation that's going to occur.

In Tampa Bay, we did a quick look, and we – if we are to get back to a five percent unemployment rate today, if we snap our fingers

and create jobs to get back to a five percent unemployment rate, we need to create 50,000 new jobs over night to go from where we are today to five percent, and then we need to sustain 30,000 new jobs a year on an annualized basis.

I don't think any infrastructure program is going to get us that kind of job creation, nor are we asking for it; we're asking for an investment into our ports, into transit, into improving the road system that we have that needs improvement, into making those kinds of strategic investments in areas where we think it will support other kinds of jobs in the clusters that we know are important to our communities around the country and around the region.

So thinking in terms of infrastructure and where would we make the best bets and where do we make the best investment so that we can leverage and support and generate our economies and move ourselves forward in the next wave of job creation. And that leads to governance, because I think that those investments will not be made unless there's some encouragement from the federal level to think in terms of governance.

Our governance system is another 19<sup>th</sup> century model that is archaic, that is broken, that is based upon cities and counties and states, when, in fact, our economic basis is not built on those jurisdictions, it's

based upon economic boundaries, on regional boundaries, on metropolitan boundaries, as Brookings has talked about quite a bit in their work.

And we need to, without changing the government, we need to think about changing the governance of how we do the work that we're doing, particularly in infrastructure.

In our part of the world, there's five MPO's for seven counties that make up four million people. That is a broken system at the local level, because the MPO's which are supposed to think at a metropolitan level think at a county level.

We've worked very hard to put a regional transit system together with the support – a regional transit authority together, which is really a transportation authority of all types with the support of the state. The state has been our partner on this. The MPO's have been our partner on this. We've created a new governance model to serve our entire region so that we can build a transit system, which as I understand we're the only metropolitan area, top 25 metropolitan area without a transit system either planned or in place.

So now we've got the governance to allow us to move ahead where we didn't. But we need to be thinking about that at the state level,

as well. The state, someone – Bruce mentioned today, if left alone, will spread just like peanut butter, the state will do the same.

We are looking at one investment into our port to connect our port to the highways, to our interstate system, so that we can service the movement of freight much more efficiently. It's an expensive investment, and in this time of reduced budgets, that project, which has been on the books for over 15 years, has been cut out of the budget, we don't know when it'll start.

Now, is that a stimulus project? I don't know, but we need to get the states to be thinking about – and there needs to be a policy to get the states to think about how they work with the local and the regional, metropolitan, and the federal level to be able to address some of these governance needs so that we can make those strategic investments and we can actually allow those infrastructure dollars to leverage more private investment infrastructure, and more important, to really trigger those industries and those clusters, those job generators that are out there that need infrastructure of all types, be it water, be it transportation, be it the ports, be it whatever infrastructure.

Energy is a huge issue for us, as well, believe it or not, in Florida. We need to have those investments made at a strategic level. That

creates the next wave of jobs and the next round of innovation and creativity in our country.

So I would say that – think in terms of how do you create jobs, not just for the next 60 days or 90 days or 180 days, but how do you leverage those to create jobs on into the future, and how do you create the governance to allow those infrastructure investments, however big or small they may be, at the national level, at the state level, at the local level, to really generate additional opportunities for real job generation and real economic development for our communities.

MR. PUENTES: Well, thanks. In a lot of ways it's hard to go last because I have to keep preventing myself from saying, as Pat said, as the Congresswoman said. I think there's a lot of consistency, not really redundancy, but I think consistency with a lot of these comments, and I think a lot of this is very good.

This issue of infrastructure, which, you know, has kind of been toiling in the back rooms and the board rooms, you know, for so long has now been kind of thrust to the national stage, and that can only be a good thing. And as it's related to all these issues, it's tightly wound around the issues of the recovery package, of the general need to reinvest, we've seen this with bridges collapsing and the levies and all that, and then

broadly, as Bruce mentioned, connecting infrastructure to all these issues that are coming up on this ticking legislative clock.

We have the climate bill, the energy bill, and the transportation bill, as Bruce mentioned, we have to make sure that all this is kind of talked about holistically and together. They keep being separated and I think that's kind of frustrating for some. And there's still little clarity and rigor about many of these different items that I think we need to be talking about when it comes to infrastructure, you know, number one, what kind of infrastructure do we really need. You heard some ideas up here today, we know that it should be about short term job creation in some respects, but as folks like to say, you can dig a hole and fill it back up again to create a job, but how do you really create value? How do we make sure that we're using this money to create jobs and also create value?

The second thing, as Stuart mentioned, what levels of government are responsible for what type of infrastructure. It's sort of this issue of federalism, but it's more complex than just who does what, the feds do this, the states do this, the localities do this. We do have the private sector to think about. It's all kind of tightly wound, it is this interacting or this overlapping kind of diagram, it's very complex

nowadays. We need to have a frank conversation about who's supposed to be doing what, who's supposed to be paying for what.

And then finally, where spatially those investments need to be made. We haven't really talked about how we target this money to the places that really matter the most to the national economy. As we've talked about at the Metropolitan Policy Program, the largest metropolitan area disproportionately generate a large share of the GDP, it's where the people live, and we know it's where a lot of the infrastructure is. So we need to make sure that we're not just talking about it as a national issue or a national problem, but that we really are talking about targeting these funds in certain places. Political considerations aside, and we can get to that, obviously, as we talk about it later today. But the who, what, and where I think really are still outstanding concerns.

Now, of course, stimulating the economy should be the top priority, people are hurting, we know that this is an issue of terrible proportions, we all know the statistics. We need expeditious attention to this issue, but we have to make sure that we're getting value for these investments and that we're doing this wisely.

And this doesn't have to be an enormous leap and this doesn't have to be a surprise to anybody. We've talked about these major reforms that have to happen when it comes to infrastructure for a number

of months. All that's leading up to this conversation around the recovery package talked mostly about infrastructure reform. We talked about the delivery mechanisms, the things the governor mentioned about fixing, how we do, what do you call it, fixing the way we fix it. All this I think is really important when we talk about the infrastructure conversation. But what's happened is that we kind of forgot about that, we left that conversation around policy reform aside because of these very short term and obviously very important priorities, but I don't think we have to exclude them, they don't have to be mutually exclusive.

We can get short term job creation, we can stimulate the economy, and we can make sure that infrastructure is still tightly adherent to the other priorities we've been talking about, energy independence, environmental sustainability, and social inclusivity. So we can get a three for one kind of bang for the buck if we take infrastructure and make sure it's connected to these other areas of national priority.

SPEAKER: Thank you. I was going to start with a broad question about the principals we should keep in mind when doing infrastructure investment, but the panelists actually have all done a nice job of addressing that, and so instead I'm going to dive right into the specifics, particularly so then we have some time for questions from the audience, as well. And I want to start with the Congresswoman. Some of

these – I want to ask about the role that Congress can play in these, because in some ways the idea of an infrastructure bank is meant to remove some of these decisions from Congress on a specific basis. It's asking Congress to abrogate these decisions to someone else, much as Congress has done with the Federal Reserve. The idea is that as a legislative body, Congress is not ideally set up to handle monetary policy because monetary policy shouldn't be part of a two year cycle, and there seems to be a similar idea with infrastructure.

The governor talked about how difficult it is to fund infrastructure for a state legislature because they're looking for things that have more immediate results, they're part of a democracy. And I'd be interested in your thoughts about what is the best role that Congress can play in this, and whether you agree that it does make sense for Congress to try to set up some of these institutions so it doesn't have to be as involved in the granular aspects of this sort of policy long term.

SPEAKER: Well, it's not just about policy, it's also about politics, because, you know, you get into the business of, you know, Congress making, you know, the nitty-gritty decisions about – not just about how much money goes to states, but what kinds of projects. Inevitably, I can, you know, trust me on this, I'll be one in there saying, well, I think we should steer money to broad mass transportation projects.

Why is that? Because I know that in my district, that would be a really cool, neat investment and something that we need.

And so I think at some level you want the politics removed from the decision-making about – more broadly about the kinds of things that you want to find. It's also – I mean it's also been true that, for example, we just held some hearings before the last Congress adjourned on regional planning around transportation and how well that works or it doesn't, how well some of these regional authorities function in terms of setting priorities for a region.

Even at that level, obviously you get into the, you know, the politicking between, you know, from one jurisdiction to another jurisdiction, whether some jurisdictions have more capacity to participate in that kind of process than others do, and then the sway they have with their respective governors. And so I think that many of us are looking at alternative structures that can remove the politicking from that kind of decision-making and I think in the long run that would be good for transportation -- for all of our infrastructure policy but particular for transportation policy.

MR. LEONHARDT: Any thoughts from folks who deal with Congress but aren't in it?

SPEAKER: I do think when you look at the role of Congress I think it needs to be a little higher level. They need to be more focused in terms of setting goals for the country and processes in terms of how you get there and less involved in talking about specific projects to be built because of course as the Congresswoman said, that's what they got elected to know. Everyone is going to push for what they think is going to best benefit their district and that doesn't necessarily mean what's best going to benefit the country and so we don't want to push all of that out of the system, but we do need to find some way to get back to where we're looking at what's good for the country. I'm struck across the board that a lot of the decisions that are getting made don't have to do with what's going to serve the people, the travelers, it has to do with is this good for the trucking industry, is it good for highway contractors, is it good for whatever mechanism, and it's been I think very difficult to find a way to minimize that in the system and find a way to really measure what's broadly good for the country. And of course the governor said it. I just came from a meeting at the Transportation Research Board yesterday. If you want to talk about places where we are pathetic in investment, how about data? Unbelievable that we collect so little data, that we do such a poor with data, and we talk about evidence-based decision-making, we just flat haven't been doing it. And so I think somehow or another allowing

a system to develop that's more evidence-based developed and if Congress could get themselves to a high enough level and really set up that kind of a structure it would really be helpful.

MR. LEONHARDT: The Congresswoman mentioned the idea of being from a dense area, and I think most of us here are from a fairly densely populated area. Until the summer I lived in New York and my children became obsessed with the New York subway I got great pleasure out of realizing that they were fifth-generation riders of the New York subway.

But three of our panelists here are from areas with a lot of small cities or medium to medium-large cities, Las Vegas, Wichita, Saint Petersburg, Kansas City, Kansas, and I'd be interested in hearing their thoughts on starting with transportation but then we can expand it, and passenger transportation. What are the sorts of things we should have in mind for cities like that? Is congestion pricing the answer for cities like this? And can we do a lot more smart mass-transit in places where there aren't as many masses as there are on the Purple Line we hope in Washington or on the New York City subway? What are the kinds of things that you would recommend we keep in mind for areas that are a little bit different from where we are here?

MR. ROGEL: I think we have to look at this somewhat holistically. It's not just about transportation and moving people, but it's also the land uses and the connection between where people live, where they work, and where they recreate and enjoy themselves. In Tampa Bay when you combine the housing costs and transportation costs, it's extraordinary and Bruce had some figures and our numbers are it's as much as 40 percent, maybe more, and this is before the gasoline price increases, about 40 percent of someone's household income when you combine housing and transportation. And our challenge is there's an inverse proportion. People drive out to the far suburbs to find the house that they can afford. Of course they're not driving anywhere and they're not buying anything right now, but when they were they were going out to the far suburbs to find a house that they could afford and living in a single-family home for the most part and driving on our highways long distances to get in to work. So they bought the house, but then they realized they couldn't afford the commute.

What we haven't connected up yet is the land-use component and the transportation component, and you can't have one without the other. I'm an optimist to believe in those smaller communities in those communities that are yet built out you really have an opportunity to make that connection but you've got to look at it holistically. You've got

to have a regional vision and a regional plan that considers land use and transportation and considers economic development, and probably above all considers the environment from all different perspectives. And if you can put that together and however that might look in each community, then there's an opportunity to say we can solve this problem, but you've got to start to find those connections and create different ways, different choices for people to travel and to live and to work and to play. So better connecting and better creating proximity between where people live and where people work through transportation and land use I think provides a solution and that's what we're trying to look at it. It's easier said than done, but you need to look at it holistically if you're going to be successful.

SPEAKER: I think what you'll find is that a lot of obviously metropolitan areas need different things. Some of them have a very robust built-out transit network, for example, some have major ports, fluid air space whatever it is, but each metropolitan area seems to have a different inventory of infrastructure and a different set of needs quite frankly. So when we talk about what the federal government should be doing, clearly there are places where the federal government should lead in some of these big national priorities we have already talked about, but they also then need to kind of get out of the way in some ways and let metropolitan areas and let states innovate and come up with their own

solutions for exactly what they need instead of it being either top down or earmarked, that there has to be something in between. And so we have this idea for these sustainability challenge grants where the federal government provides a little bit of leadership and a little bit of money, but then the authority to kind of let a thousand flowers bloom and let these innovations bubble up from the metropolitan areas so metropolitan areas like Stuart's down in Tampa came up with their own solutions, so it's not the federal government dictating what's going on or earmarking projects, they're really letting these things happen down at the local level.

MR. LEONHARDT: Are there any great examples out there, Rob, that you've seen or that anyone has seen of regional transportation networks not in a place like New York or Washington that seem to be really working well right now?

MR. PUENTES: Sure, I think there are great examples around the country, but again it all depends on what it is you're looking for. But we see leadership kind of come in, and folks like Mayor Nichols and Ron Simms in Seattle have really helped provide a tremendously robust metropolitan transportation network in Seattle, we see the regional authority in San Francisco providing that kind of leadership. It's tough to pick places and I'm sure I'm going to leave some out, but I think the key thing is that they're all different and they all provide I think or they're

starting to provide the things that are particular to those individual places instead of some national top-down kind of manifestos.

SPEAKER: I think to that point one of the things that I'd like to see us do is make more investment in planning processes. We talk all the time about the need for jurisdictions to plan but we never really provide either mechanisms or resources for that planning to take place and so when I refer back to regional planning authorities in transportation we said those are really great ideas but we've never made an investment in the planning and in the regional authority and I think what happens is that that alone then causes people to retreat to just protecting their jurisdictions.

MS. MILLER: I want to throw out a couple of other thoughts though. I definitely agree with the issue about planning mechanisms when I look at a state like Kansas. In Kansas you might talk about a regional city of importance and it might be 10,000 people. So I'm telling you when you start talking about these metro issues there's just no comparison, not that in the major Kansas City area we don't have some of those same issues, but it just doesn't broadly translate.

But I think one of the things that would be helpful, if we got back to the place where we were looking from the federal government's perspective at things that are in the national interest, and don't forget there are huge investments being made both by the states and by the locals as

is appropriate. So when we're talking about this level, all of the problems don't need to be solved through Washington through money that flows through Washington or through Congress. And it gets back to Rob's point, I think in some ways just getting out of the way. One of the things we're looking at doing the way we take say federal bridge money now and we divide it among 105 counties. We have 2.7 million people in the state of Kansas and 105 counties. What we have is way too many layers of government and too much of it, but that aside, that's our own state's problem and it's a big one.

But when I look at bridge money, we're spreading it out to all of these little communities. We've got county commissioners who have counties with less than 5,000 people in them deciding how they're going to spend their federal bridge money. We're taking too little money, we're spreading it too far afield, we're not confronting the problems that really need to be handled. And what we're trying to move to in the planning processes we're doing now is starting to consolidate the federal money into fewer but bigger projects and substitute state and local money and just get them out of the federal program altogether. So I think we need to be a little bit careful too that through this process we don't think we're trying to solve all the problems. Let's look at really national problems. Let's look at where we have bottlenecks where if we made improvements

it would improve the national economy and let's -- well, not even incentivize, just force states and locals to solve some of their own problems as well.

MR. LEONHARDT: Pat, you talked a lot about climate change and one of the big uncertainties over a lot of these investments now is what's going to happen with climate policy. It's a very different decision whether you invest in certain kinds of energy things if we're going to have the cap-and-trade program or a carbon tax or if we're not.

MS. MULROY: Right.

MR. LEONHARDT: What do you want to see happen in terms of national policy? What do you expect to see happen? And how it will affect what you do?

MS. MULROY: What I expect to see happen is that there is now that Caroline Browner is overseeing all climate activity that there is a concerted effort and a coordination between various science arms of the federal government whether it's NOAA or NASA or the USGS, that there is a more strategic science that is embarked upon where we're not competing for science dollars at the federal level. Every year the science agencies go through this drill competing for science dollars who's going to get what slice of the pie. There's a lot of duplication. And there doesn't seem to be any concerted direction that the science is going in. There's

no coordination. It's sort of hit and miss. Once that science gets going and we get a better understanding of what the true impacts of climate change are going to be in this country, then we need to start looking at the most at-risk infrastructure. Whether it's the dikes in California, whether it's the potential of losing a significant part of Florida, whether it's protracted droughts that are going to wipe out whole economies, and what the possible solutions.

Let's start talking about the outrageous. Why can flood waters in one part of the country not through a series of exchanges become a water supply in another part of the country? Why do we think in these state boxes that are meaningless when it comes to watersheds, they're meaningless when it comes to water supplies? We're all interconnected. I could show you a series of exchanges between the Mississippi and California and you could start fixing some problems as you provided desperately needed flood control projects for infrastructure that may still be working today but that is going to be severely threatened by events that are going to be occurring in the next decades. If we can't think in these little local boxes anymore, we also can't think in these state boxes anymore. Water policy in this country is driven at the state level and we as water managers are frustrated by that being too small of a box for thinking. Watersheds are divided among states and countries and the

problems are going to manifest themselves in the entire watershed so to get the states through federal intervention and through federal thinking to look in a larger regional context and begin to say where to threats represent opportunities in other parts of the country, where do we have infrastructure that's at risk, where are these large population centers that -- if the levees in the California delta break, most of California's fresh water supply becomes salt water overnight. How do we not start looking at climate and saying look at the infrastructure we have that might still be working to some measure and where could we lose it overnight if we don't start looking at what those impacts potentially are?

MR. LEONHARDT: I want to open it up to questions from all you. I think we have a microphone somewhere. Is that right or no? Let's start here on the aisle. And please tell us your name. I'm sorry.

MR. CHEN: My name is Jian Chen. I'm a fund manager from the private sector and also I teach finance at Johns Hopkins. So as a taxpayer every time when I hear about government spending I become very suspicious. So when Governor Rendell talked about China having the 10 largest ports in the world or they have probably the highest capacity, the U.S. doesn't have that, and I think it's very reasonable, and China is a manufacturing nation and the U.S. is no longer at least I will consider, and I will consider the base of the economy for the U.S. is more

like service agreement, like financial sector and consulting or knowledge driven and I think all the panelists talk about infrastructure in the physical meaning but only Congresswoman Edwards talked about information infrastructure or information highway. And I think you can ask people about whether they are willing to pay more for infrastructure improvements, but when you ask them are you willing to pay \$100 more every month to improve the water system with the probability of 1 percent (inaudible) in the next 10 years, probably they won't do that. People make the best decisions for themselves and I still think that a market-driven economy is the best system to drive the best allocation of resources and what is the most precious resource right now is capital. So basically I think there doesn't need to be a government kind of mandate to do the infrastructure. They can propose projects and let the private sector, the banks -- you can support the banks to issue bonds to finance all these projects.

MR. LEONHARDT: Let me panelists respond to that.

SPEAKER: I'd like to just throw I guess I'd say something back out at you because you just made a comment that is something I've been thinking a lot about which is that individuals can decide how best to spend their money. So when you raise taxes and you give it to the government we're not going to spend the money as well. And I'm not an

economist, I'm not a finance person. Maybe these are just wild and crazy thoughts I have when I can't sleep at night. But I think one of the problems with our country is that we for too long have accepted the idea that individuals can make the best decisions about how to spend their money because when individuals decide how to spend their money, they buy a vacation home, they get new clothes, they get another television set, on and on and on. It might help our economy but it's consumerism, it's not necessarily bad, but what happened to the idea of making common investments for the common good? You build schools, you have hospitals, you have community features, you have transportation, and I really disagree I guess with the point that you just made. I think that that thought process has led us to this place that says we don't make investments for the broader good, people take their own money and they buy what they think is important to them and I think we end up where we are in our country which personally I think is not a very good place to be. So I'd say that.

SPEAKER: Stated in a slightly different way, there are certain infrastructure items which are economic enablers.

SPEAKER: Absolutely.

SPEAKER: You're not going to get a return on your investment. You can't meet the Wall Street quarter to quarter make a

return on your investment syndrome. Those are the places where public dollars are critically needed and that's where -- quite frankly the reason we have decaying bridges and the reason our water systems are falling apart.

SPEAKER: A few years ago Brookings did a report about the region and it was called The Region Divided about the Washington region and really what was very clear is that in places where there were deep investments in transportation infrastructure, those places actually were thriving economically and you could see the pockets of disinvestment around the Beltway here in the Washington metropolitan area precisely because there had been public spending for public investment that bolstered the economy. And the fact is that we haven't made those deep investments and expenditures over several generations and how it's catching up with us. And so I think it's appropriate for the federal government at this time to step up to make those investments and to catalyze what will happen at the state and local level both so that we can get our economy back on track but also again for our 21st-century competitiveness.

MR. LEONHARDT: Back there. Yes?

MR. BATSON: My name is Mark Batson and I'm with Policy Bridge. I wanted to build on some of the things that have been said here around buying locally but also hiring locally and putting the marker down

for that. It seems as though the able-bodied men and women of our urban core have really invested in the movement for change and how have faith that the government is going to give them an opportunity to help in their recovery. And I don't think there's a better place to establish the economic multiplier than in those communities with a lot of the lower economic levels that we have now. It may not even cost as much. So I wanted to see what the panel thought about ensuring that many of the able-bodied men and women in the urban core are able to take advantage of the labor component of this.

MR. LEONHARDT: Stuart you talked about jobs.

MR. ROGEL: I think you've got to find opportunities for everybody to participate and I think that is critical. It wasn't too long ago when our economies were running at 2 and 3 percent unemployment rate, a 4 percent unemployment rate, so just from a business model standpoint, everybody needs to be ready to be able to go to work. That needs they need to be educated, they need to be trained, they need to be able to get there, and to the extent that these infrastructure projects provide job opportunities, we've got to be able to make that happen for all.

So I think some of the suggestions that have been made, there needs to be a training component, an education component, that speaks to perhaps the gentleman's earlier comment is that let's not forget

education in this whole process as a piece of infrastructure. I know it's not the topic for today, but if we don't find ways to be able to train people to take the jobs of the future, then we're not going to be able to create those jobs. It's not about chasing business, it's about training people and having people who are ready to fill the jobs that we can create in this next economy. So to that extent I think we need to provide an inclusiveness component.

MS. MULROY: One strategy we've been employing, we've got a billion-dollar project ongoing right now, the toughest construction project ever undertaken, building a pipeline underneath Lake Mead as a third intake. What was disappointing to me was that when we went out for a design-build contract, not a single American company -- RFP, not a single American conglomerate RFP. So now we have an Italian firm with some other European firms. In there in order to force them to hire American labor, we put a project labor agreement on it and that project labor agreement we used it for our second intake which we built in the mid-1990s and it allowed us to have virtually all American jobs in the local area, highly qualified. We had zero lost hours due to accidents. It was a huge success record and we came in on time and under budget. So it is a strategy that no matter what international company comes in when no American company will build, it forces them to hire locally.

MS. EDWARDS: I would say within the Democratic Caucus, our conversations over this last week have really centered around making sure that money comes in to Maryland to deal with the 9.2 percent unemployment in our construction sector that those jobs have to be created in Maryland or in Virginia or in any other state and I think that that's really tough to do, but it's not going to help very much if money is just transported to the same set of jobs that keep moving from one jurisdiction to the other, and so I think we're looking at that. We're also looking at ways that we can draw in small and minority-owned businesses into that contracting process and looking at creative ways that we can do that. And many of us are looking at investing money in training in places like in our Job Corps sites where we're training young people for those 21st-century jobs. If we're going to create a set of green-collar jobs over this next decade or so, we need to use some of the available infrastructure that we have to do that so that the folks that you're talking about who are at the center of this change aren't left out of the change.

MR. LEONHARDT: I'm told we have time for one more.  
There was a hand up here in the front. Yes, sir?

MR. PIERCE: Neil Pierce, with Washington Post Writers Group. It seems to me that the moment might be arriving for a much better national debate and consensus which I think these sessions

suggest on where infrastructure should be headed. When I look at the list of things that many of you have been mentioning and we've been hearing otherwise, we obviously have an interest in economic growth, we have the question of the National Infrastructure Bank and how that could pull together some of the goals. Clearly we want efficiency, mode neutrality between transit and roads and others is an issue that has been raised increasingly, the British are pretty good at this and we might be picking up on that. Climate is very clear both in terms of the dangers in terms of our own infrastructure and our national climate goals. Our energy objectives as a country now to have less dependence on foreign oil. Issues like housing location related to infrastructure and equity issues which are easy to be missed. Intermodal issues. It just seems to me that somehow out of the debates that we're now into whether it's through the creation of National Infrastructure Bank or through ideally some form of joint presidential and congressional leadership the time may be right to think through and say explicitly what we as a country need to be setting as our goals for infrastructure development in one place or in one document or at least in one set of debates so that there's a better focus and a better checklist by which individual projects all across the country can be considered.

MR. LEONHARDT: Rob, do you want to take off from that and close us out?

MR. PUENTES: I'll give it a shot. Some of this will be talked about in the memo that we ran through earlier today, but there does need to be some kind of coordination on the federal level. There is absolutely no doubt about this. The governor mentioned people are looking for this kind of oversight and accountability. I can't believe that there would be any chance to get this thing done and to the satisfaction of the American people if there wasn't also this requisite connection to, it's not going to be a feedback mechanism with the government where we approve projects and so back and forth, but some kind of oversight for how these billions and billions are being spent so that when we tee up all of these other legislative conversations that are coming up around climate and around energy and around transportation we have some kind of richness, some robustness, some empirics we could use to evaluate these kinds of proposals. The transportation bill coming up in August, the proposals are for a half a trillion dollars. It would be very difficult to have that conversation on the heels of a stimulus conversation that may or may not have done what we wanted it to do. So absolutely linking those things I think is critically important. A national commission to oversee that money would make a lot of sense. Teeing up then the National Infrastructure

Bank so we can have this rigorous conversation about where the national priorities are and then how we could tie that to some kind of empirical outcome-based decision-making I think makes a lot of sense. And then making sure that from the White House as the governor also mentioned we are coordinating all these disparate areas of infrastructure which everybody in the country knows are connected. It's only here in Washington where we keep those things separate and distinct. So there absolutely is a fundamental role I think for the federal government in doing the things that Neil mentioned.

MR. LEONHARDT: Thank you all for coming. I'm sorry I couldn't get to more of your questions. Thank you to our panelists, and I will let Bruce really close us off.

MR. KATZ: First of all, thanks to everyone for taking the time to be here both on this panel and in the audience. I'm sure Rob really set this up. I think there was a remarkable consensus that ran through the governor's comments and I think the comments of much of this panel and it very much sort of focuses on some fundamentals. The infrastructure writ large, not just this small narrow perception of roads particularly but even maybe rail and transit, but infrastructure writ large, taking in larger portions of the water issue, the energy issue, the telecommunications issue. It has the potential to have a dramatic effect on economic

competitiveness, on environmental sustainability, frankly on poverty alleviation.

What there also appears to be a consensus on is that the current system is not built to get us there, that we've allowed a political imperative rather than a market imperative, rather than a return-on-investment imperative, to basically drive many of these systems and that our governance structures are really built for a different kind of economy and a different kind of society, whether it's the artificial boundaries of states or frankly the artificial boundaries of localities. So this is a moment really and it is an historic moment given the challenges we have on the economy side and on the environmental side to rethink not segments of infrastructure, but infrastructure more broadly and then to dramatically overhaul the relationship of the federal government, the states, localities, and the private sector to deliver.

I'm struck in some respects by how much work we have to do and I'm looking at the Congresswoman now because this is a change in a culture. As much as we like to talk at the Brookings Institution about policies and programs, this is a change in an entire political culture that has to occur not just here but in state legislatures, within city councils, and so forth and so on. But this is the moment and my sense is that you can literally feel it in the air, that there is a palpable sense of possibility. You

can compare this to other portions of our history, particularly the New Deal given the complexity and the level of the challenges, but we have to find our moment, our way of responding to these challenges in a way that really matches the sophistication of our society and also takes the best learning and metrics from around the world. So an exciting moment, great panel, as always an invigorating speech by the governor, and Bloomberg, Schwarzenegger, the Twins, we will find the right character for Governor Rendell. Thank you all for coming today.

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## CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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