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OCTOBER 7-10, 2007 | VIENNA, AUSTRIA

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IBTTA International Bridge, Tunnel and Turnpike Association 75 YEARS OF DRIVING CHANGE

METROPOLITAN POLICY PROGRAM

Not so fast:
Key policy considerations for financing transportation

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Brookings Institution

Not so fast:
Key policy considerations for financing transportation

- I What is the context for the discussion?
- II Just how broken are the politics around transportation finance?
- III What are some key policy considerations for the short-term?

I What is the context for the discussion?

Pervasive desire to invest but little precision about national needs

Federal revenues are not sufficient to cover its obligations

States continue to rely on the federal government

Huge, daunting figures accompany the current conversations around investing in U.S. infrastructure.

America's Infrastructure G.P.A. = D

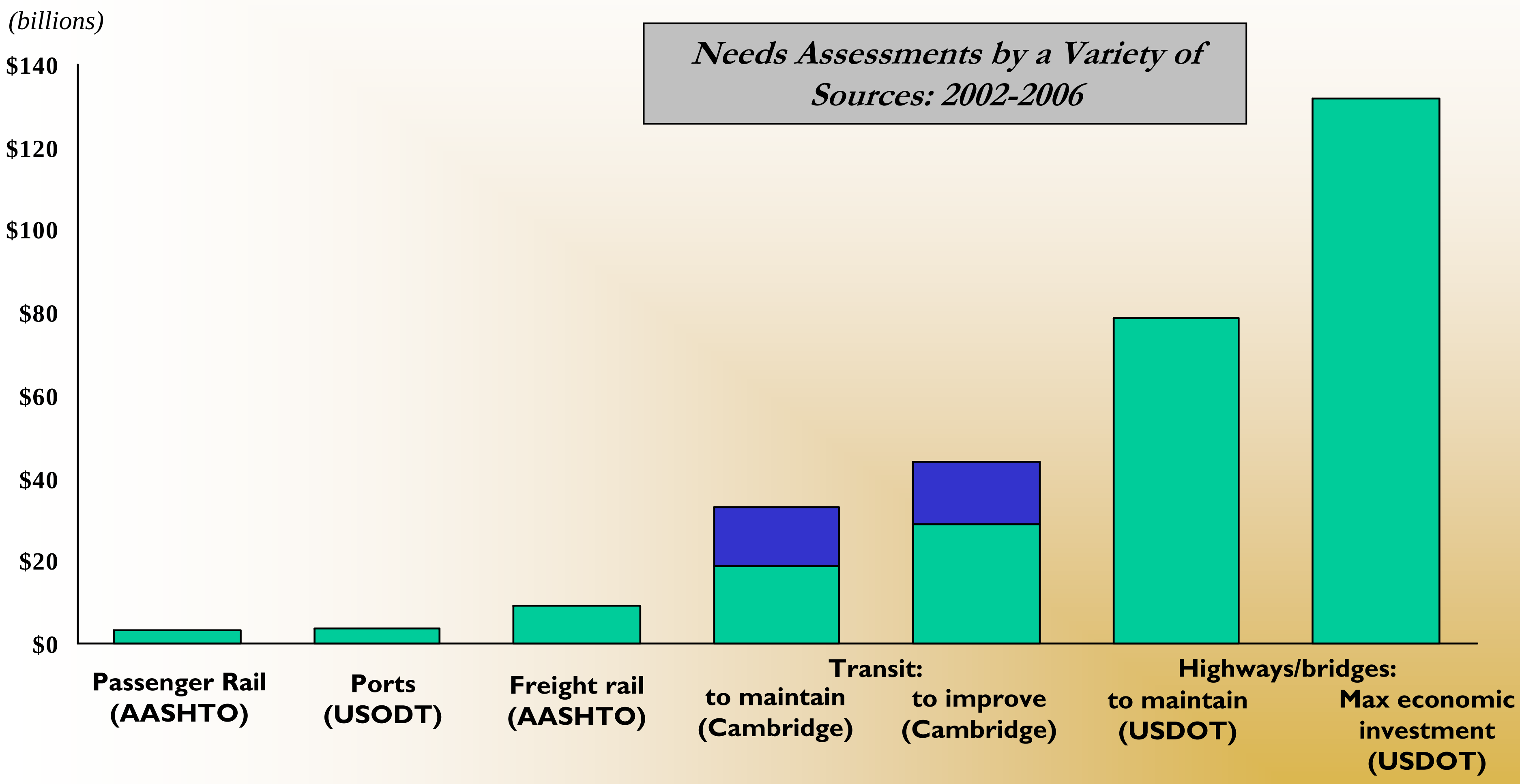
Total Investment Needs = $1.6 Trillion

(estimated 5-year need—does not include security investment needs)

A = Exceptional
B = Good
C = Mediocre
D = Poor
F = Failing
I = Incomplete

Source: ASCE Infrastructure Report Card 2005

Other "needs" assessments come from a variety of sources and are equally threatening.



The limited focus on the condition of infrastructure without regard to desired outcomes is the wrong approach

Yet these often fail to consider obviating the need for future investments, or political jurisdictions, land use, equity, and economic development.

It is assumed the federal government will continue to increase spending based on existing conditions.

However, these assessments are used to support calls for more and more federal spending.

U.S. DOT’s C&P report “makes no recommendations concerning future levels of investment.”

GAO: “there is currently no way to measure how funding … is being used to … improv[e] conditions."

Without a definition of what the federal role should be, determining the optimal level investment is not possible.

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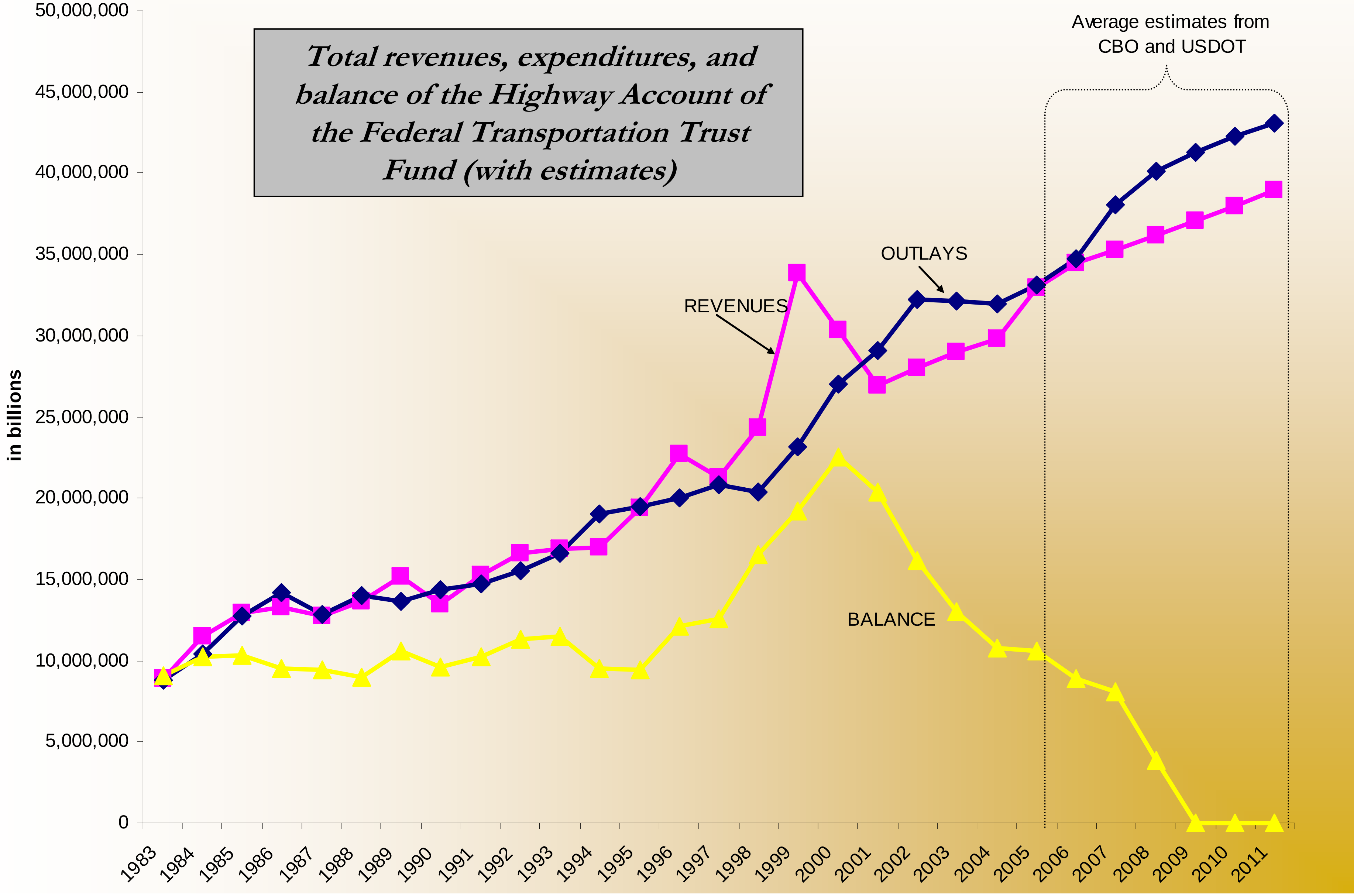
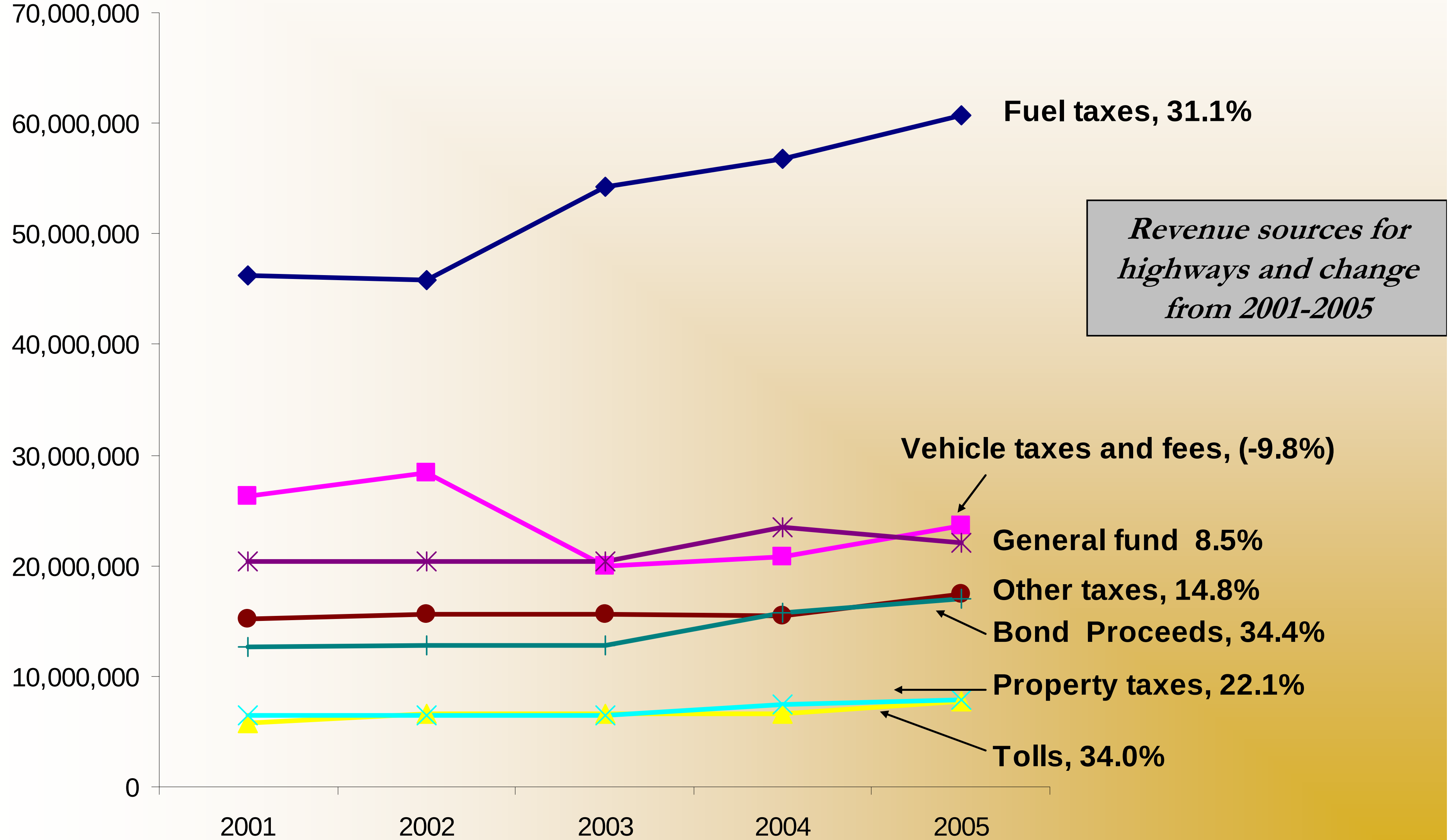
The increasing outlays and promises by the federal government exceed its ability honor those commitments.



The gas tax is still the dominant – and growing – source of federal funds.



Source: FHWA and Puentes, Brookings, *forthcoming*

I

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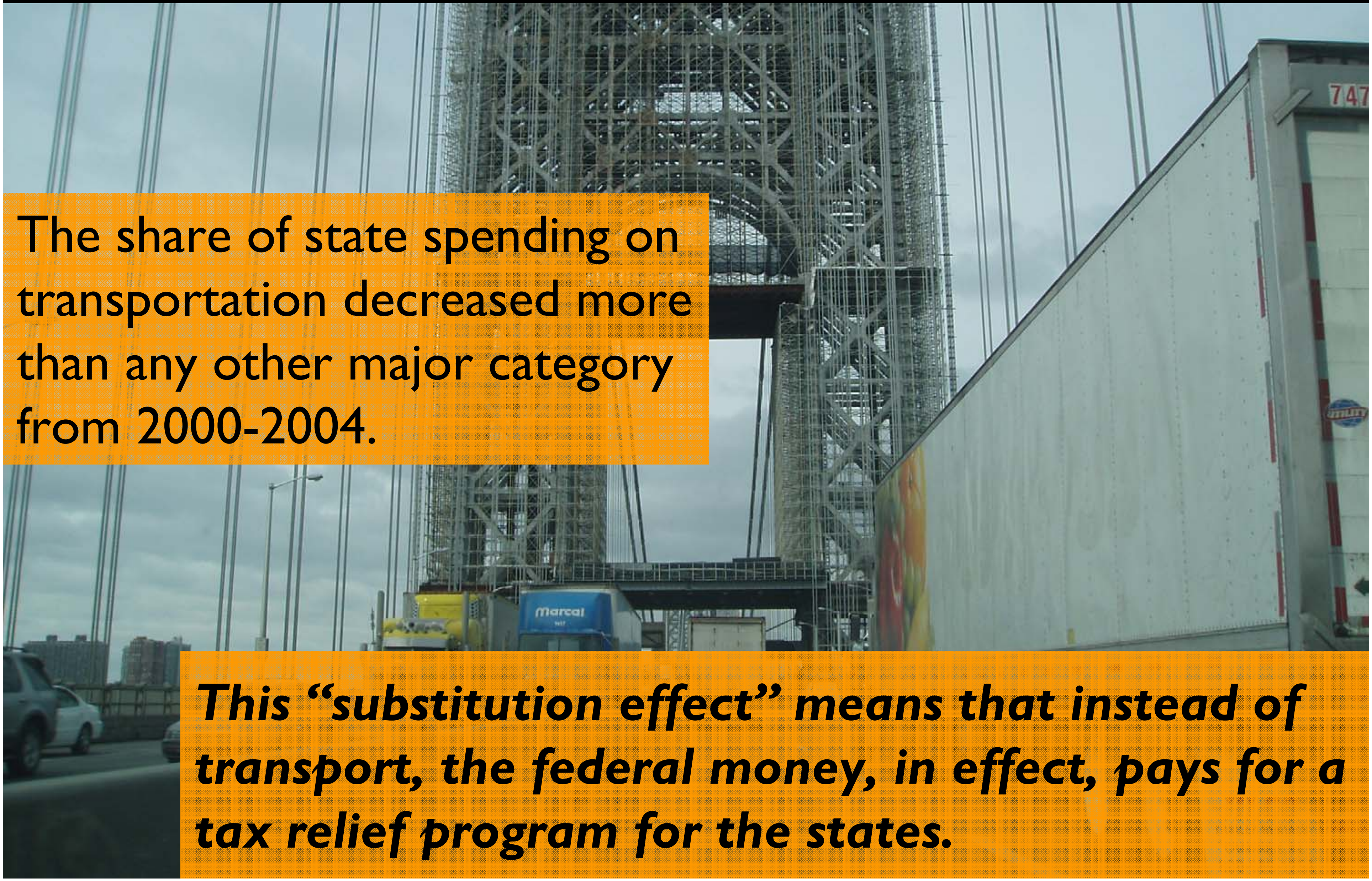
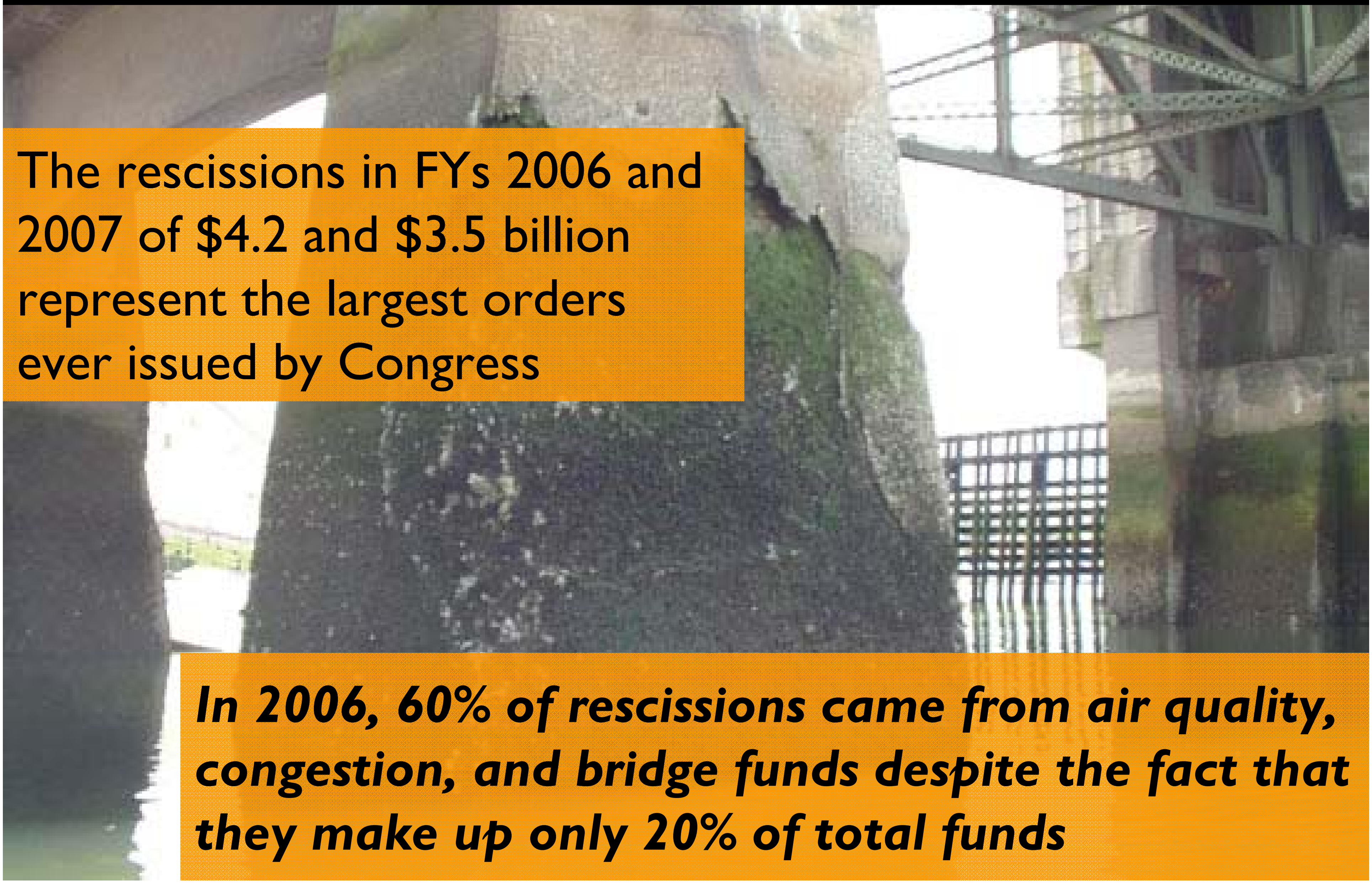
From 2004 to 2005, state-sourced funds for transportation increased by 5.9%, while federal funds increased by 11.8%.



The share of state spending on transportation decreased more than any other major category from 2000-2004.

This "substitution effect" means that instead of transport, the federal money, in effect, pays for a tax relief program for the states.

A major problem facing the states today are the "rescissions" of previously obligated federal funds.



The rescissions in FYs 2006 and 2007 of $4.2 and $3.5 billion represent the largest orders ever issued by Congress

In 2006, 60% of rescissions came from air quality, congestion, and bridge funds despite the fact that they make up only 20% of total funds

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There are 6 critical problems with the current conversations about transportation finance:

1. No emphasis on better – as opposed to more – spending.

2. No attention to reducing the *demand* for spending.

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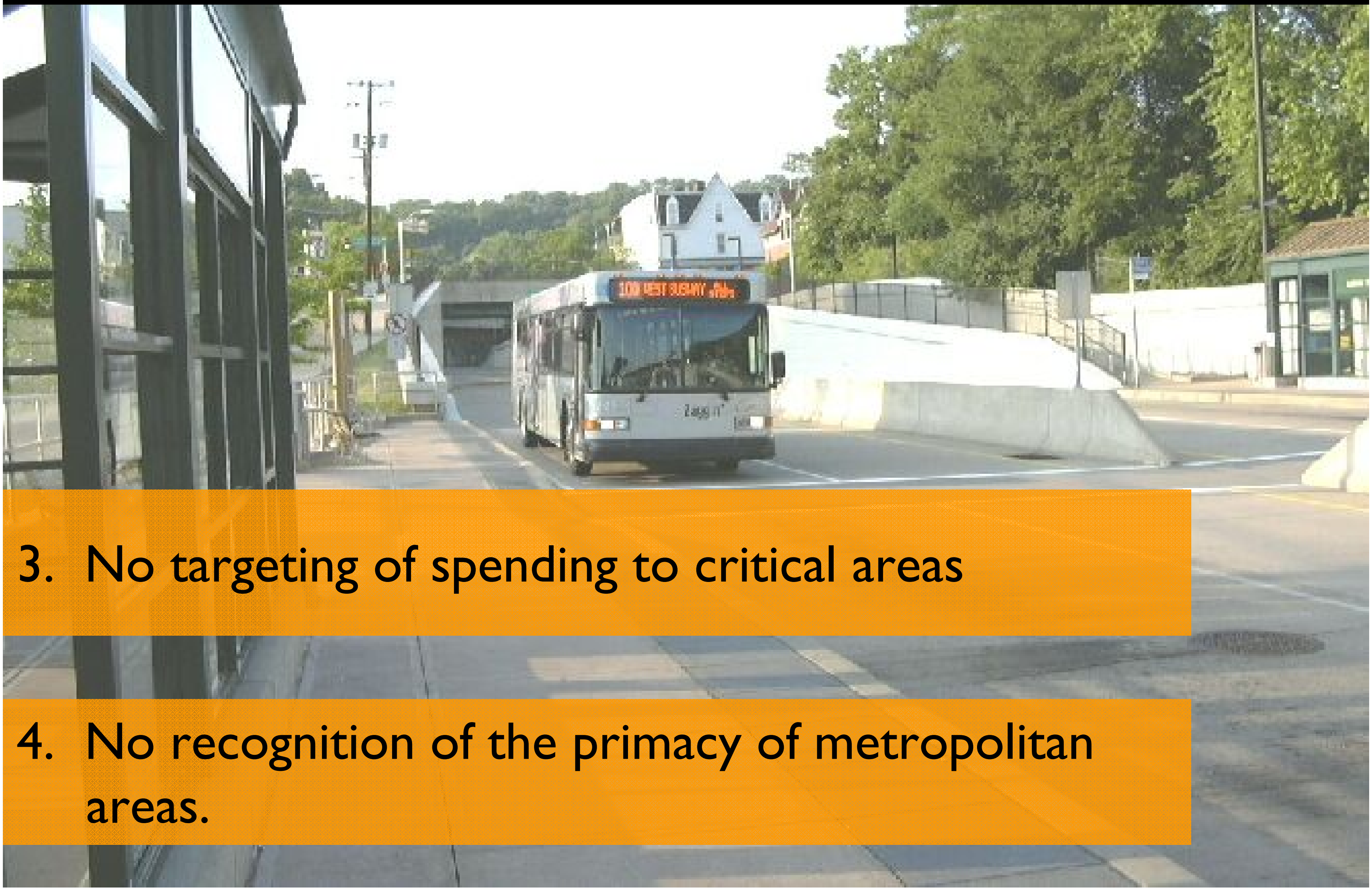

3. No targeting of spending to critical areas

4. No recognition of the primacy of metropolitan areas.

There are 6 critical problems with the current conversations about transportation finance:

5. No leadership for making hard decisions.

6. No real desire to correctly price the system.

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III **What are some key policy considerations for the short-term?**

First, rebuild the public trust before increasing spending.

WHY?

Unlike other areas of domestic policy, transportation decisions are not transparent nor are they held to any performance standards or accountability

Details:

Grantees should be required to maintain information systems that measure progress and set objectives

Only increase federal gas tax if coupled with assurances of transparency, performance and accountability

Second, develop a coherent national purpose and target spending.

WHY?

Federal transportation decisions are not tied to a national plan and undermine metro areas

Details:

Restructure federal program so it directly promotes robust, inclusive, and sustainable economic growth

Consider a national infrastructure bank (similar to European Investment Bank) to fund projects of truly national significance

Third, unleash the market to address a range of concerns.

WHY?

Many problems are due to the system not being priced correctly and inefficiencies abound

Details:

Augment federal efforts to use technology to encourage market responses such as road pricing

Provide oversight and advice, where appropriate, on the monetization of infrastructure assets like toll roads

Ensure federal transit formulas capture the pervasive market demand for development around rail stations

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