

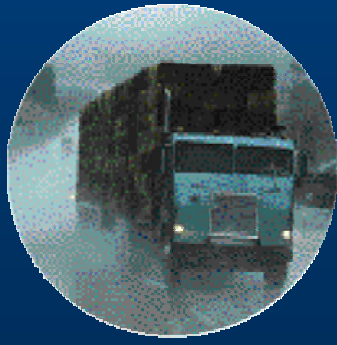
The Brookings Institution

Metropolitan Policy Program
Robert Puentes, Fellow



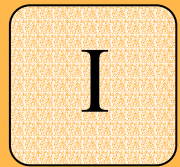
Taking the High Road: A Metropolitan Agenda for Transportation Reform

Northwestern University Transportation Seminar
April 28, 2005





A Metropolitan Agenda for Transportation Reform



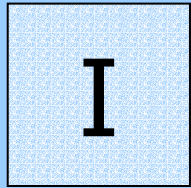
The Context for the Discussion of the Nation's Surface Transportation Policies



State and Metropolitan Responses to Federal Change



Getting Transportation Right for Metropolitan America



What is the context for the discussion of the nation's surface transportation policies?

Federal transportation policy is at a crossroads

Realities on the ground have changed dramatically

Significant transportation challenges still exist

Traditional finance structure is running out of gas

Eisenhower-era policies had clear goals and intent.

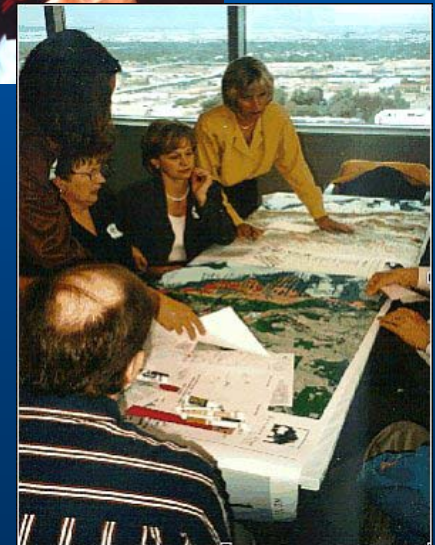
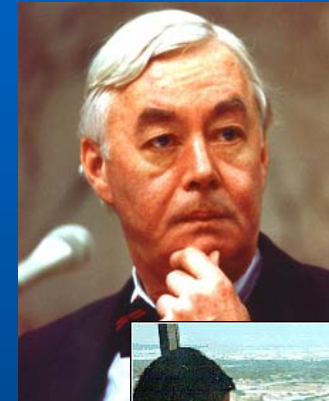


“A network of modern roads is as necessary to defense as it is to our national economy and personal safety.” – President Eisenhower (1952)



Architects of 1991's Intermodal Surface Transportation Efficiency Act (ISTEA) offered a compelling new framework.

"It is the policy of the United States to develop a ... transportation system that is economically efficient and environmentally sound... Social benefits must be considered with particular attention to the external benefits of reduced air pollution, reduced traffic congestion and other aspects of the quality of life." – ISTEA Preamble





The current debate about our nation's transportation laws is largely about money: how much and who gets it.

~~"It is the policy of the United States to develop a ... transportation system that is economically efficient and environmentally sound... Social benefits must be considered with particular attention to the external benefits of reduced air pollution, reduced traffic congestion and other aspects of the quality of life." – ISTEA Preamble~~

dropped from TEA-21

"[T]he national transportation program is adrift and sinking under the weight of parochialism and greed."

– Thomas Downs, former associate administrator of FHWA, & executive director of FTA.

American Society of Civil Engineering, October 2004

"[T]he federal-aid highway program is ... functioning as a cash transfer, general purpose grant program..."

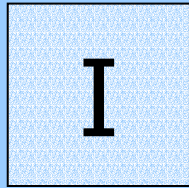
– U.S. Government Accountability Office

GAO-04-802, August 2004

"I see no broad agreement about the appropriate Federal transportation role."

– Emil Frankel, assistant secretary for transportation policy, U.S. DOT

Innovation Briefs, July 2004



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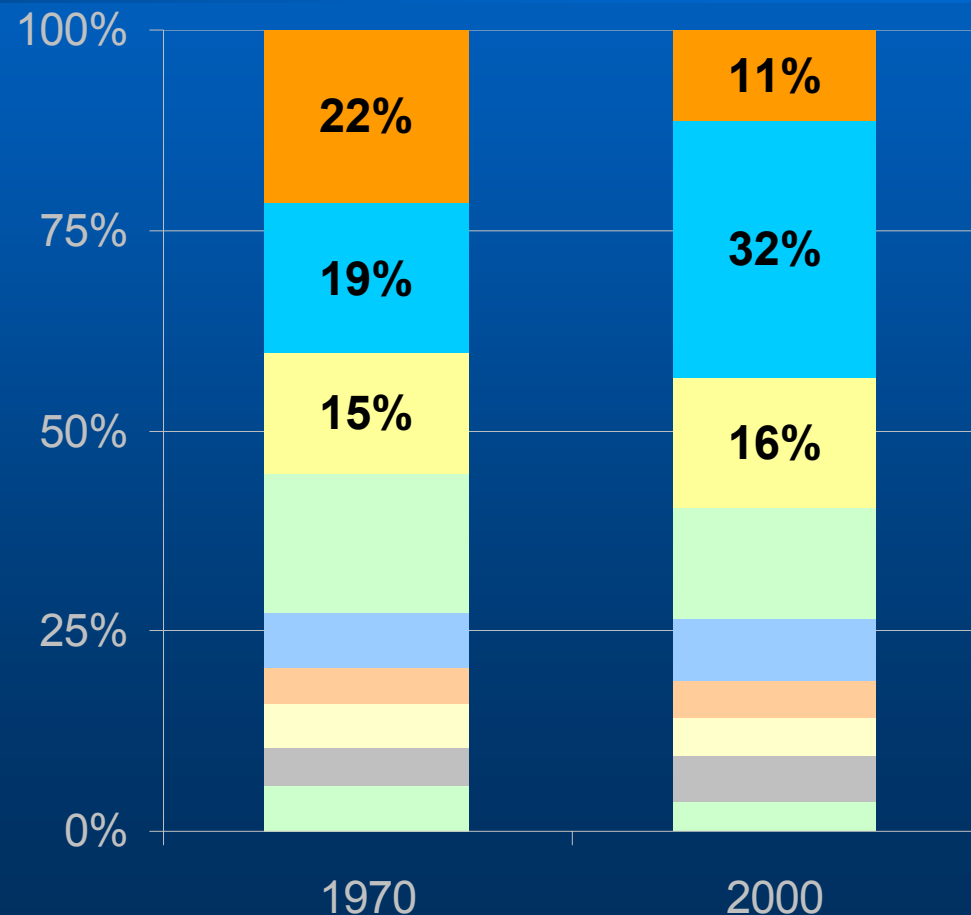
Significant transportation challenges still exist

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The nation's economy has shifted away from manufacturing and toward the service sector, resulting in a markedly different industry composition.

Employment by sector, US, 1970-2000

Source:
Bureau of Economic Analysis



Major demographic forces are changing the United States



Population Growth

Immigration

Aging

Internal Migration

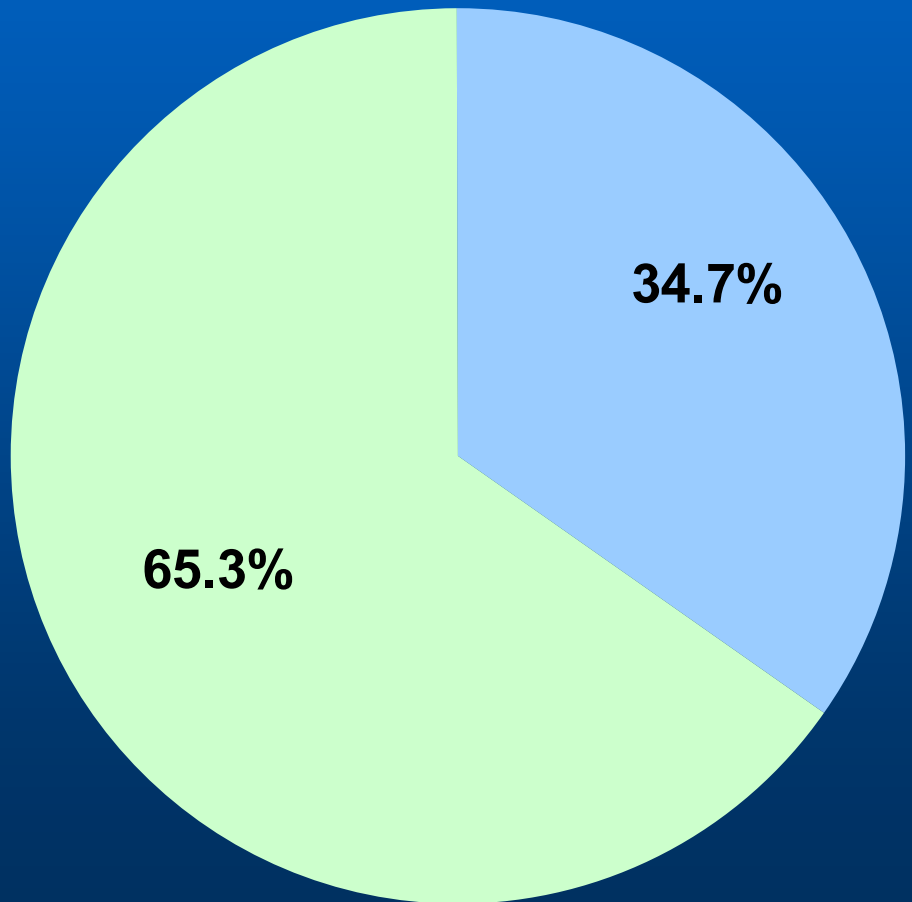


The 1990s presented the strongest growth in four decades. More than 1/3 of this population growth was driven by immigration

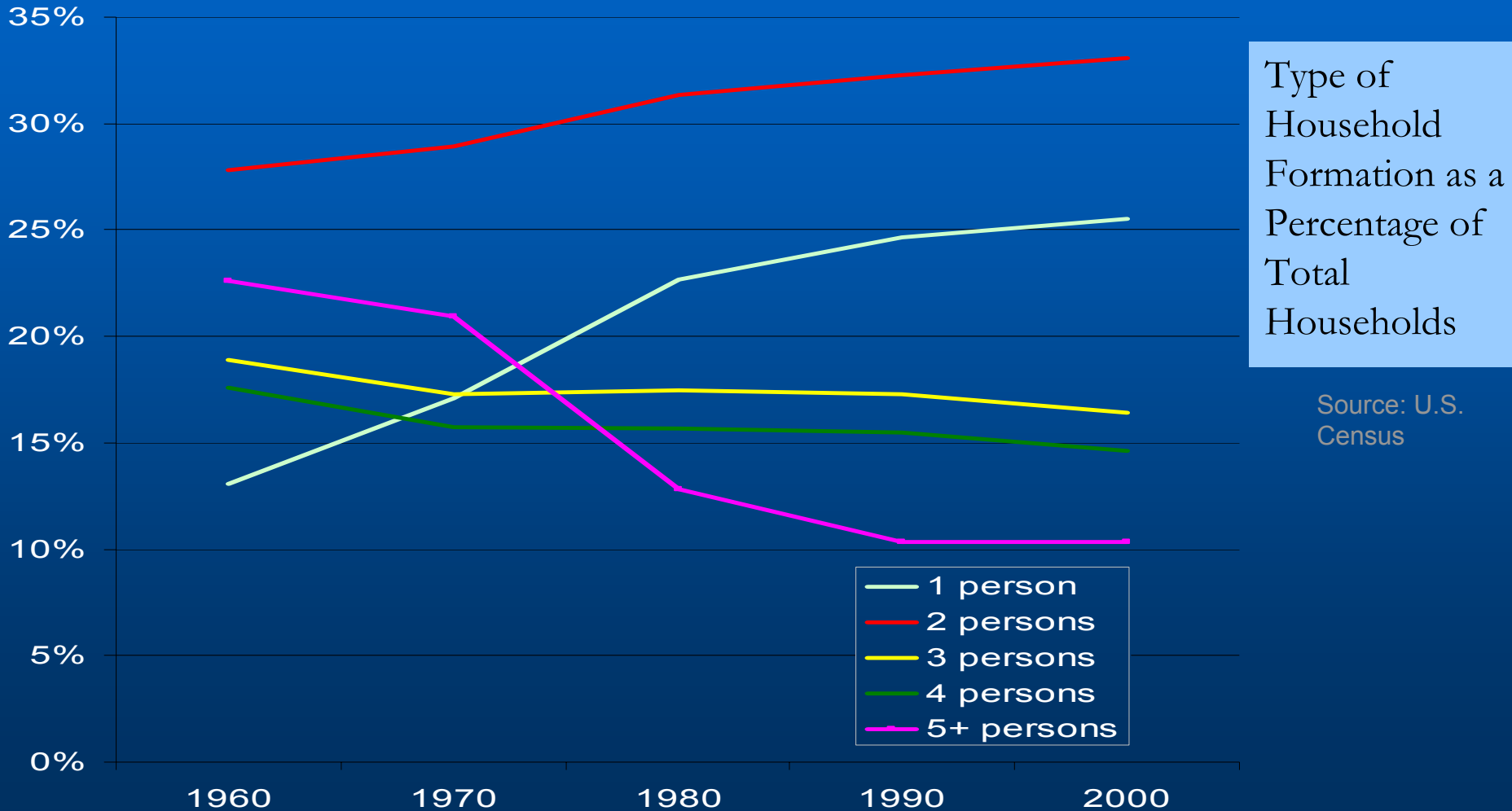
Components of population change, 1990-2000

Source: U.S. Census Bureau

- Net Immigration
- Natural Increase



Average U.S. household size has declined dramatically since 1970.

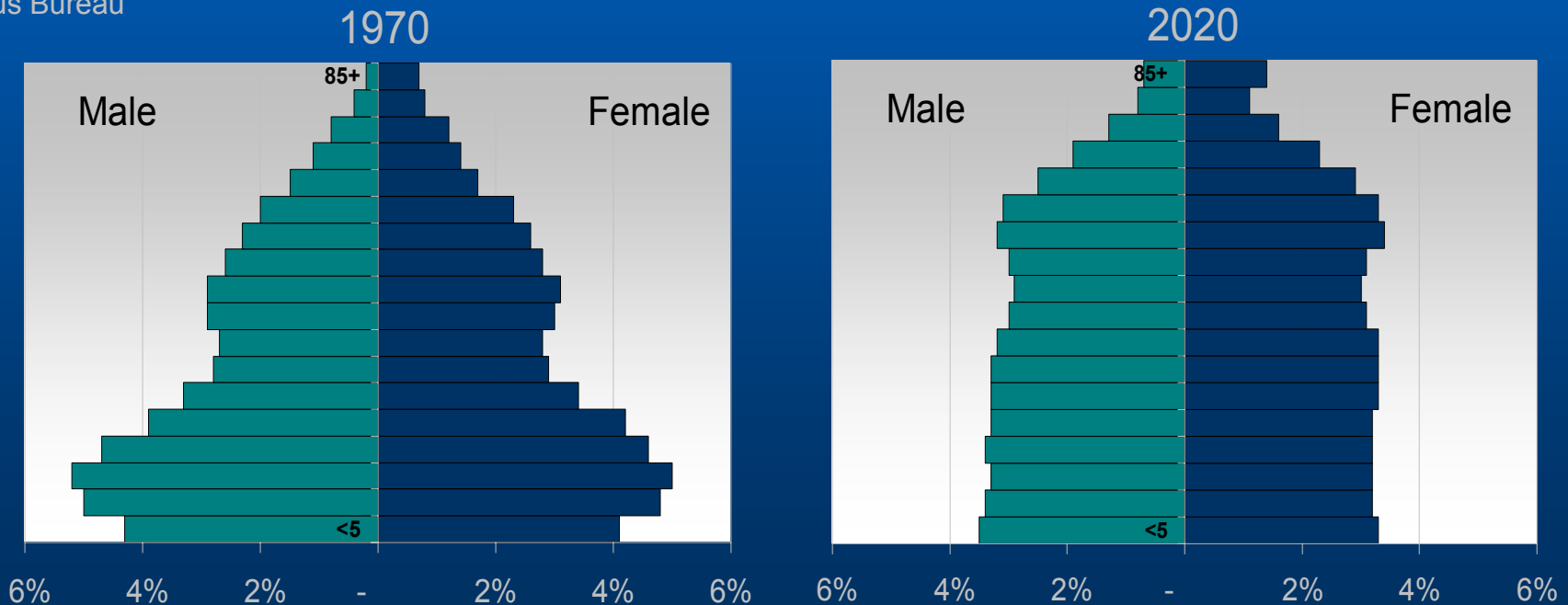




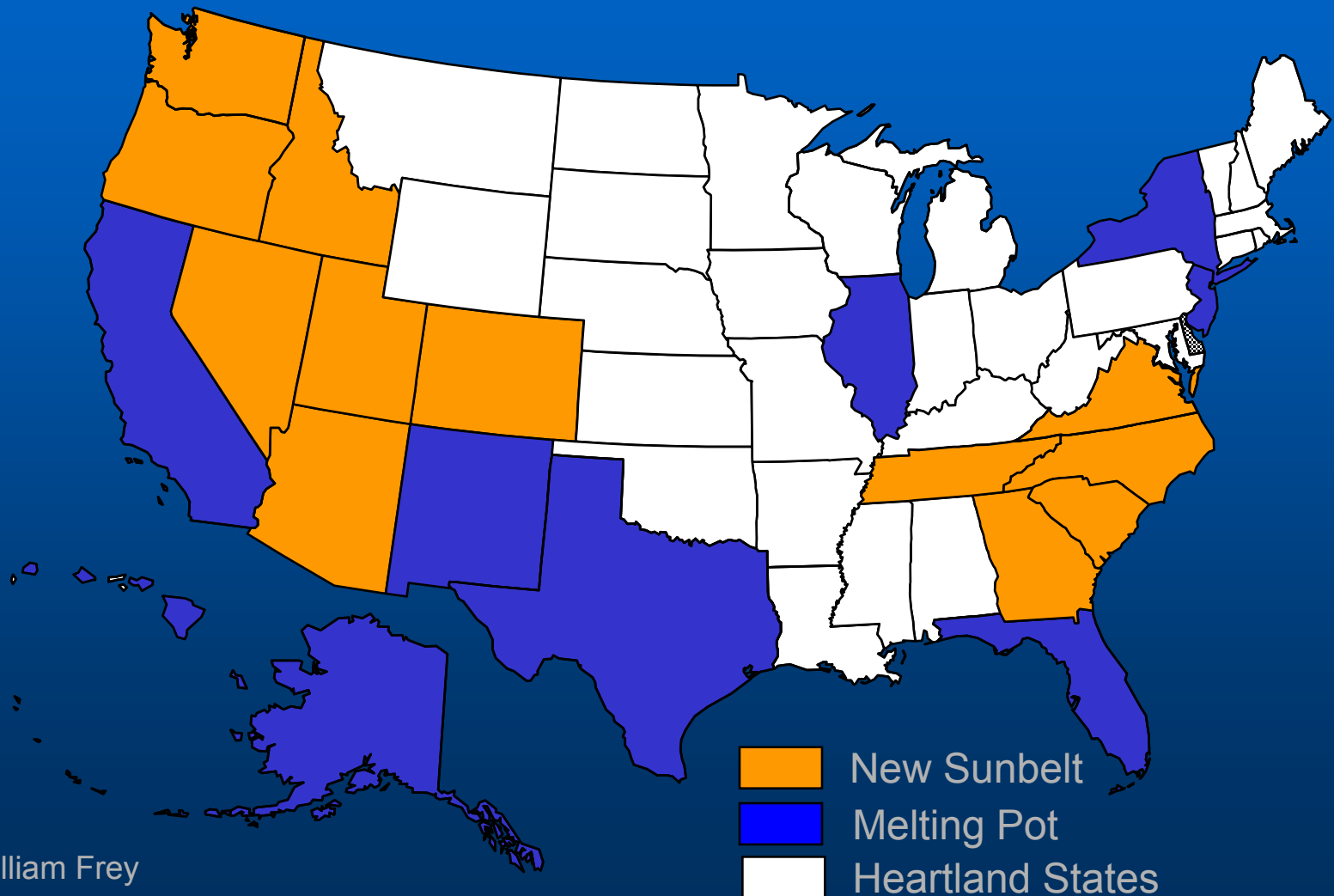
At the same time, the US population is aging

US Age Distribution, 1970 vs. 2020

Source: U.S. Census Bureau



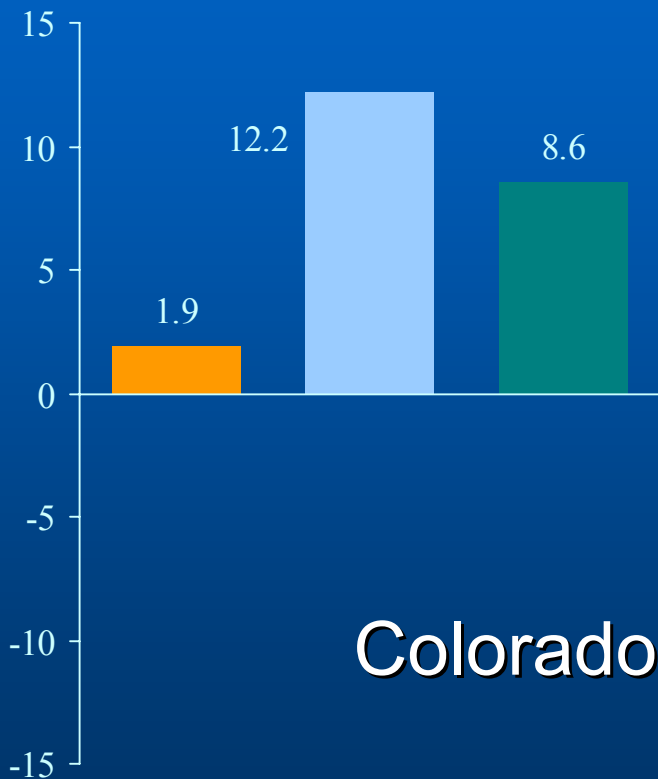
America's New Demographic Regions



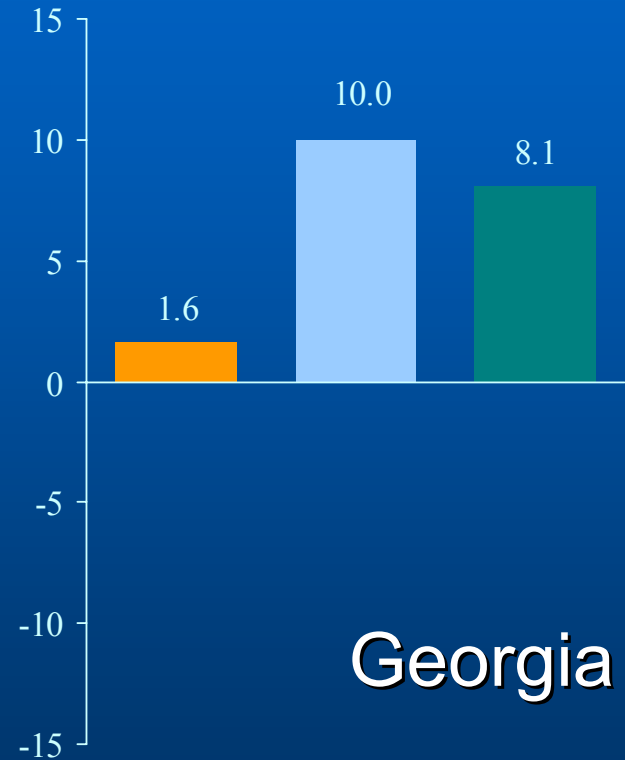
Source: William Frey



New Sunbelt: Examples



Colorado



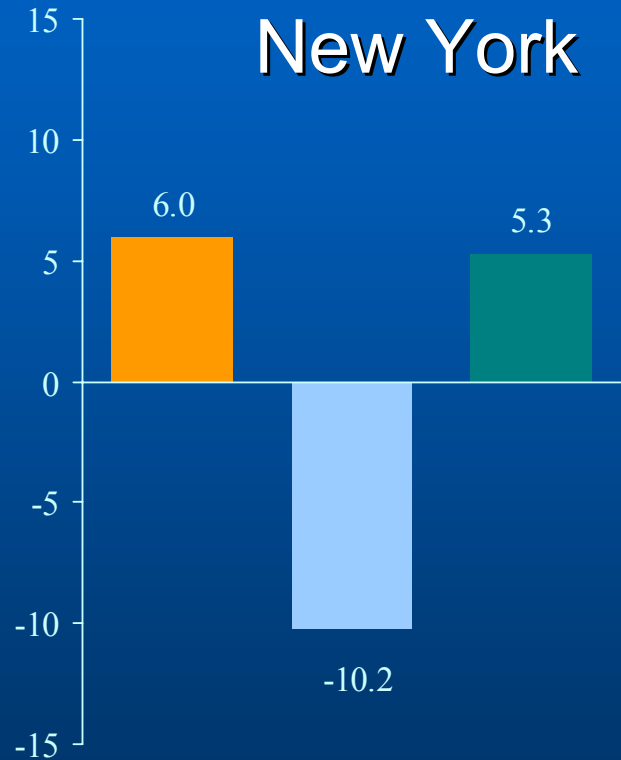
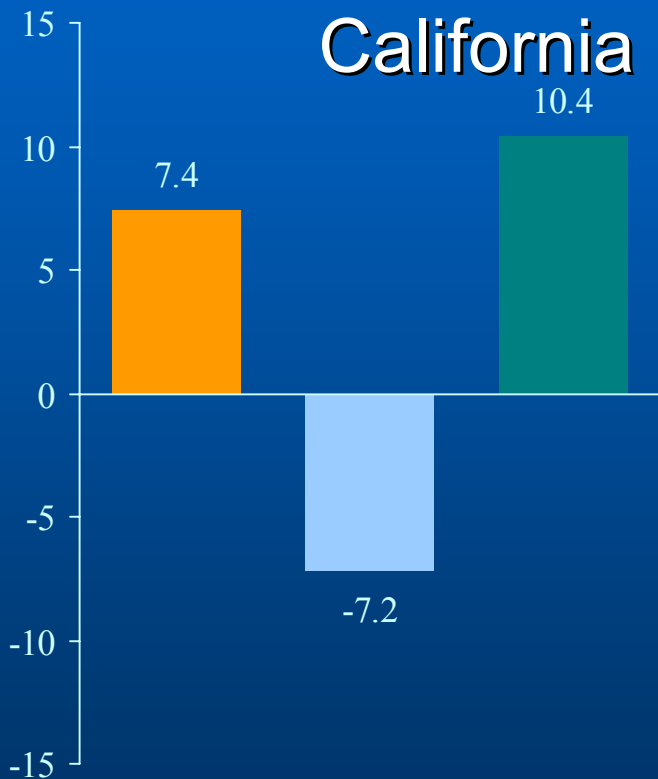
Georgia

Immigration Domestic Migration Natural Increase

Source: William Frey



Melting Pot: Examples

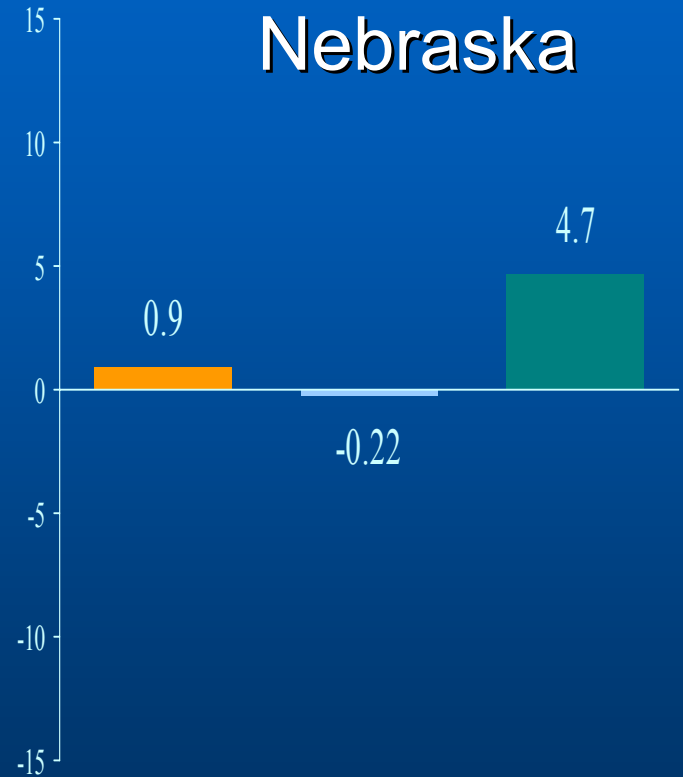
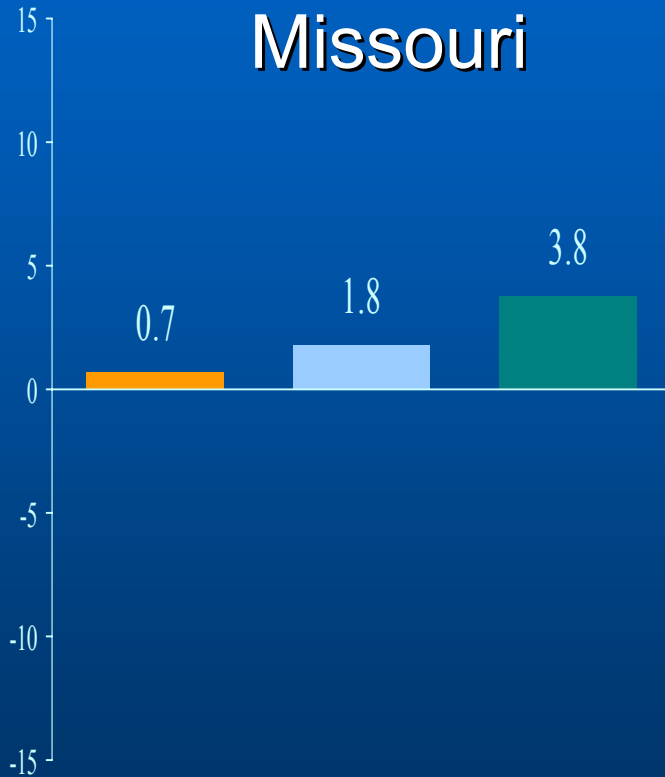


Immigration Domestic Migration Natural Increase

Source: William Frey



Heartland: Examples



Immigration Domestic Migration Natural Increase

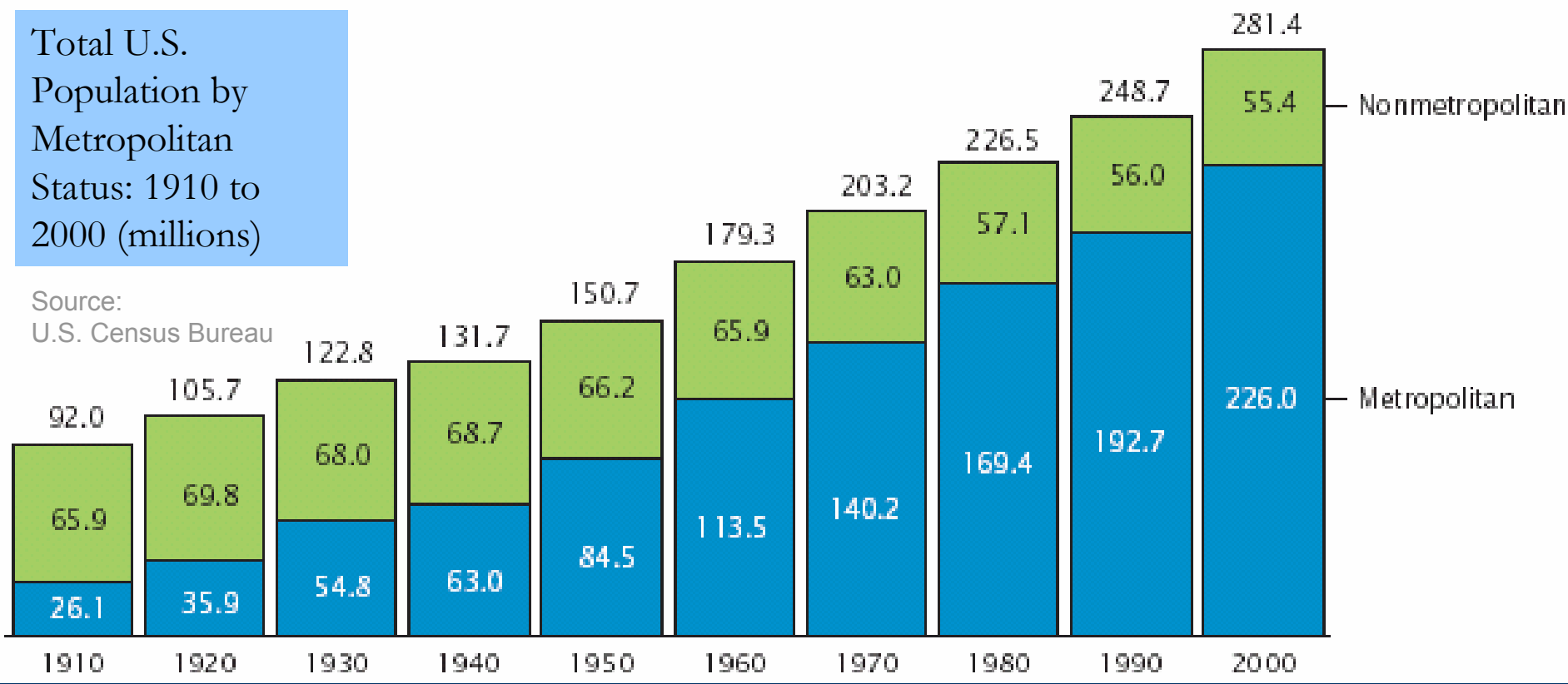
Source: William Frey



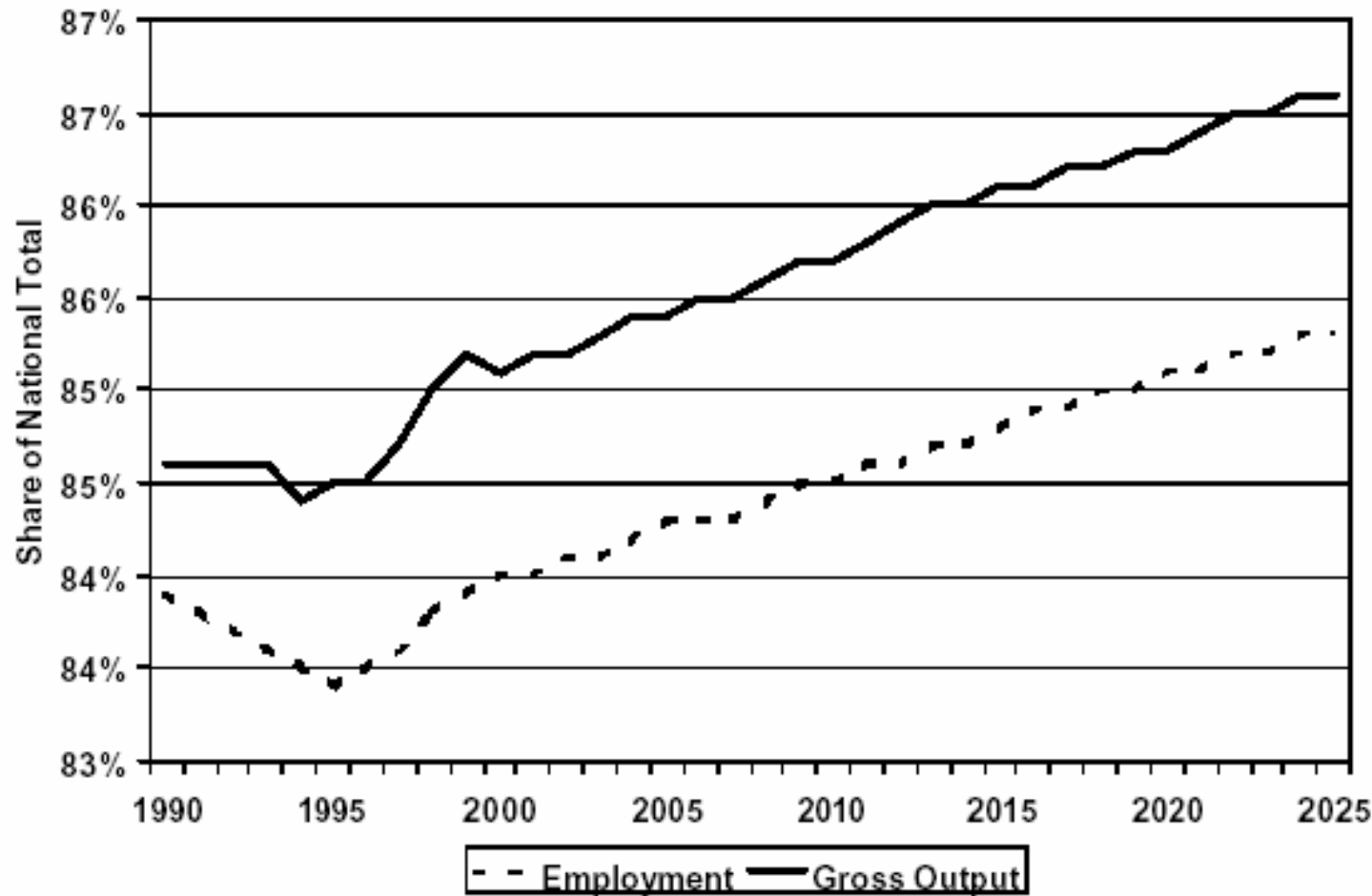
Metropolitan areas are now where 80% of Americans live....

Total U.S. Population by Metropolitan Status: 1910 to 2000 (millions)

Source: U.S. Census Bureau

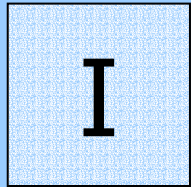


....where 84% of America's jobs are located and where 85% of America's national output is generated.



Metropolitan areas' contribution to the U.S. economy

Source:
U.S. Conference of Mayors



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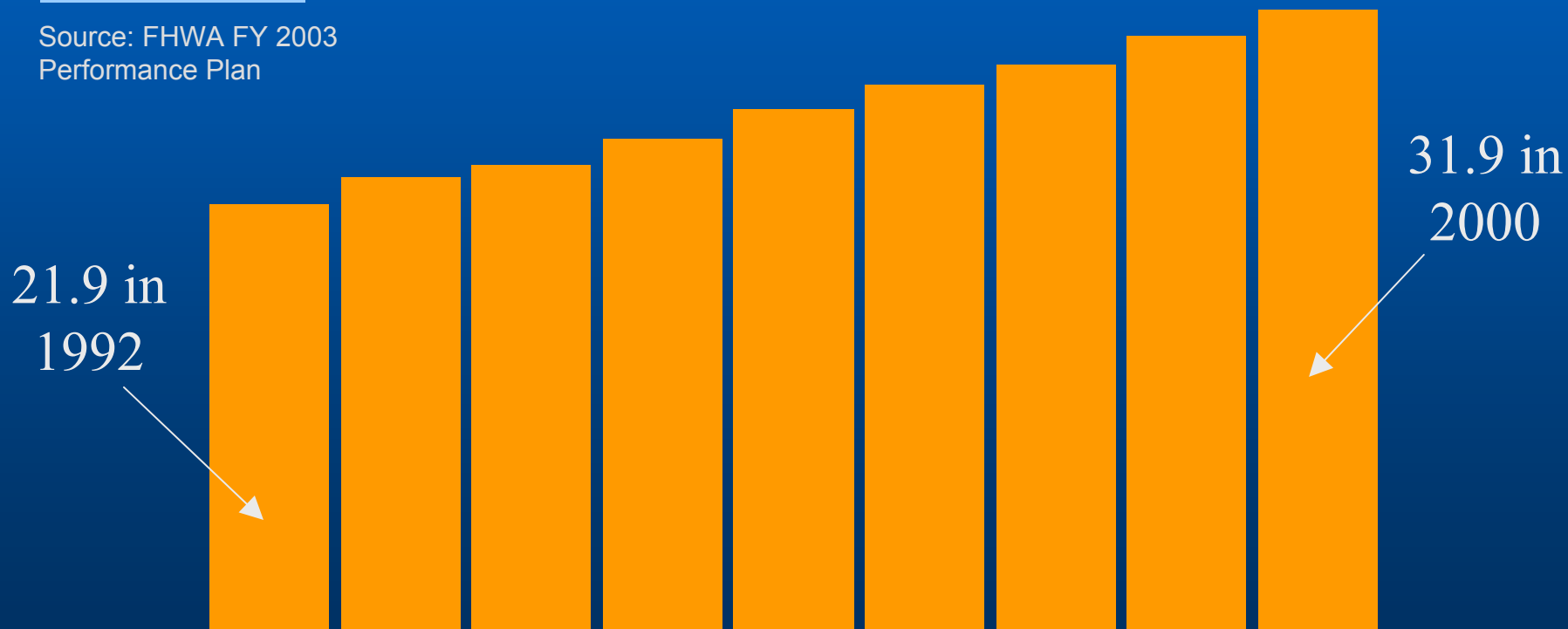
Traditional finance structure is running out of gas



A pervasive desire for congestion relief

Annual Delay
per Person

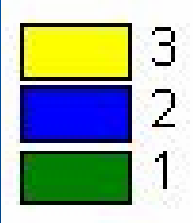
Source: FHWA FY 2003
Performance Plan



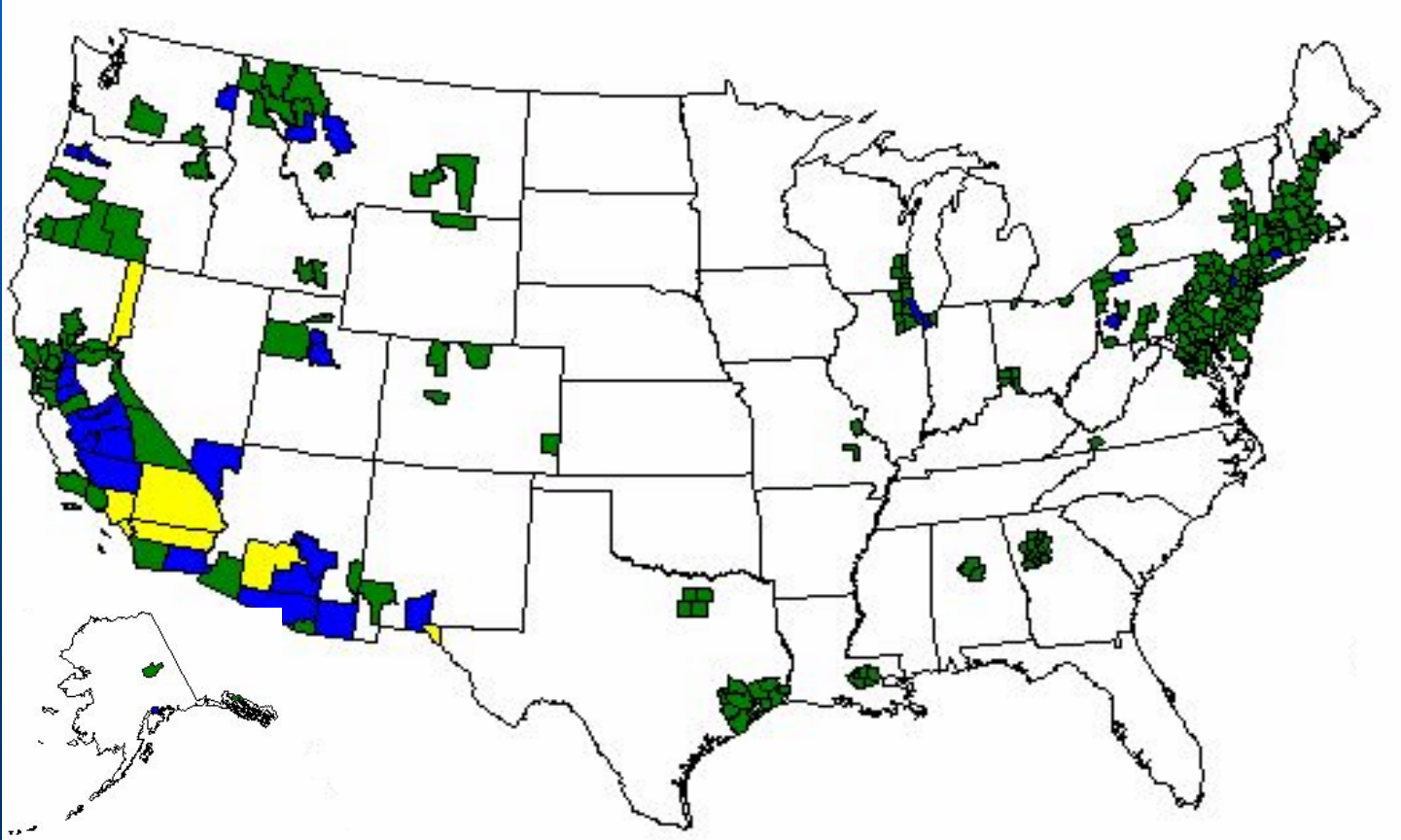


Deteriorating metropolitan air quality

Number of pollutants by county designated non-attainment



Pollutants include: ozone, carbon monoxide, nitrogen dioxide, sulfur dioxide, particulate matter, lead

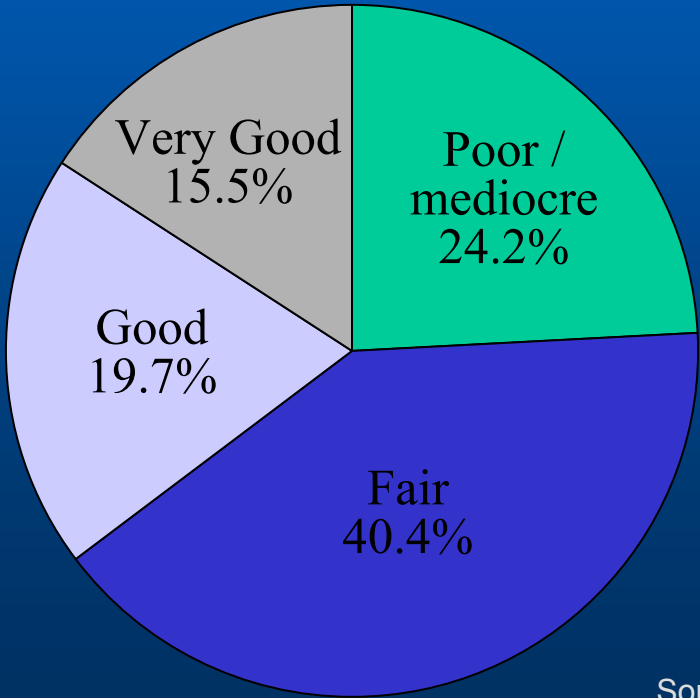


Source: U.S. EPA Green Book

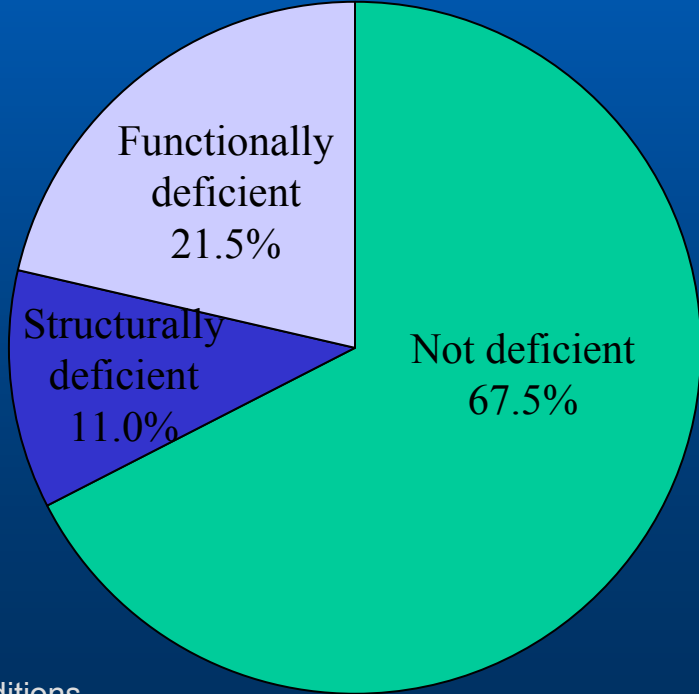


Crumbling metropolitan infrastructure and functional obsolescence

Urban Pavement Conditions



Urban Bridge Conditions



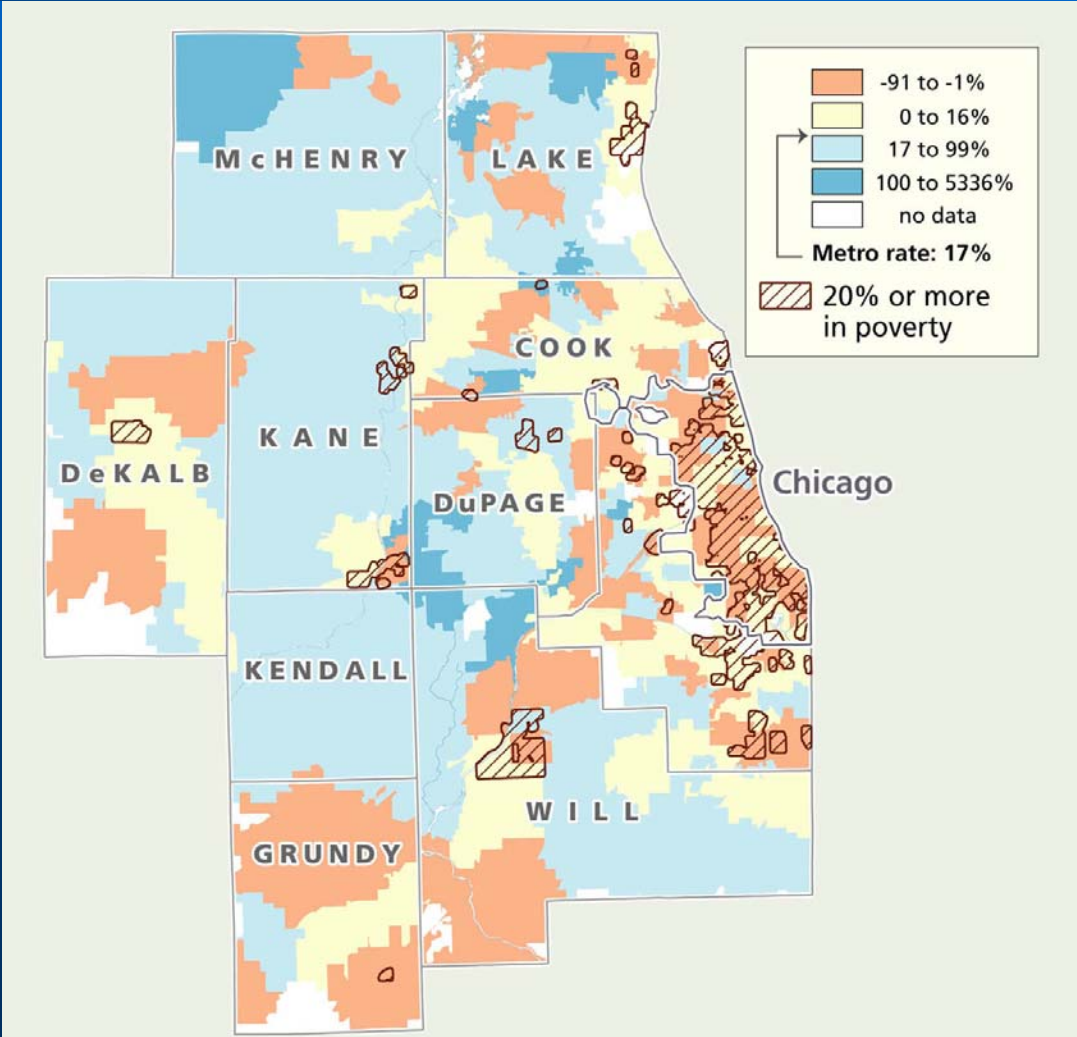
Source: FHWA 1999 Conditions and Performance Report



Continued spatial mismatch between poor urban residents and suburban job opportunities

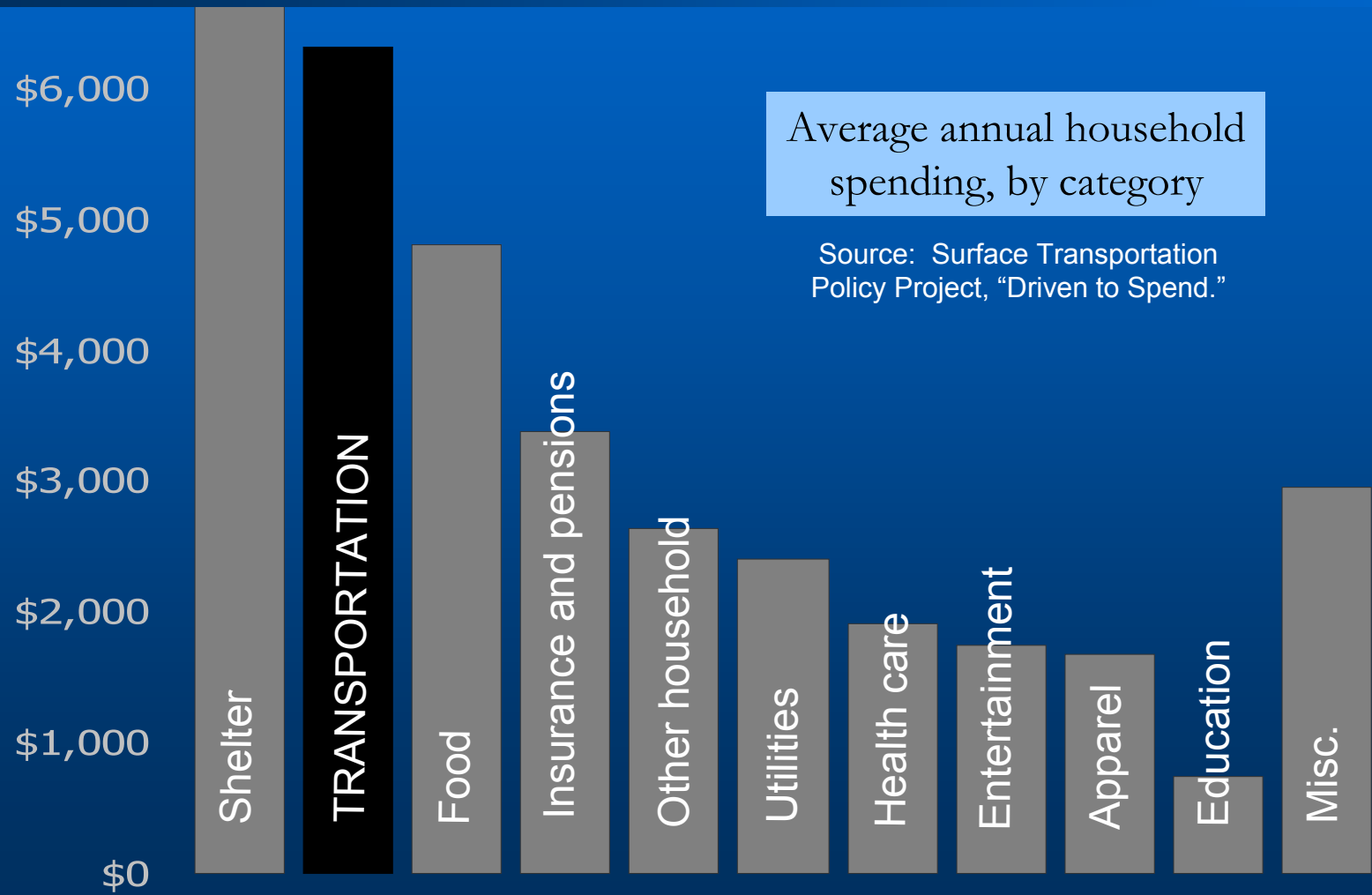
Percent growth in jobs 1994-2001, and poverty rates by census block group, 2000

Source: U.S. Census; County Business Patterns





The sticker shock of metropolitan auto-dependency

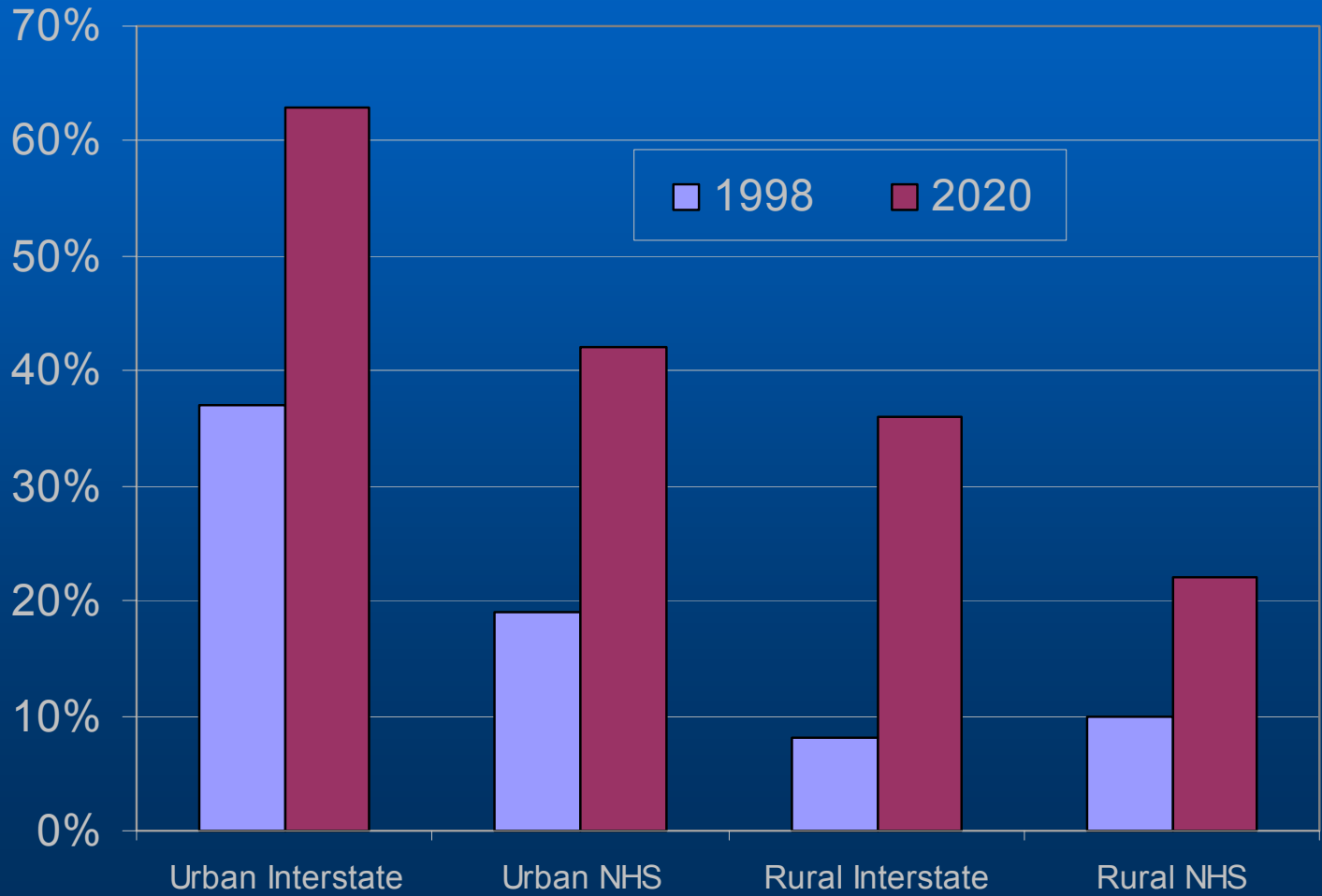


Average annual household spending, by category

Source: Surface Transportation Policy Project, "Driven to Spend."



Large increases in truck and commercial traffic



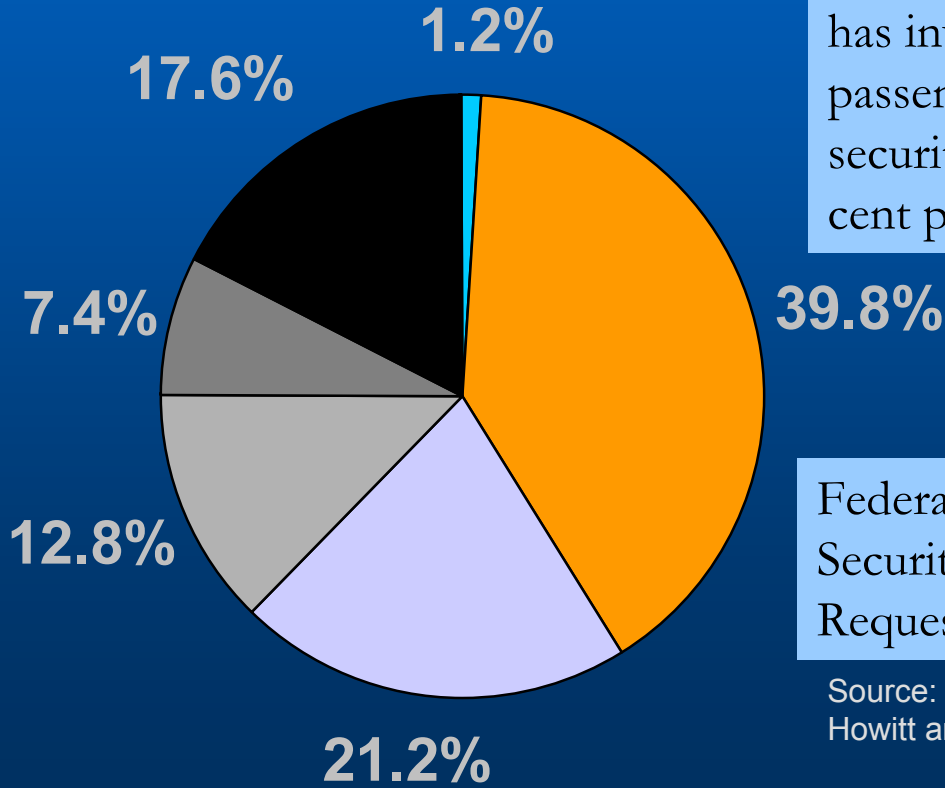
% of Highway Segments with over 10,000 Trucks Per Day

Source: Traffic Congestion and Reliability: Linking Solutions to Problems, FHWA, 2004



Even though 42% of terrorist attacks worldwide target rail systems or buses, surface transportation security is not a U.S. priority .

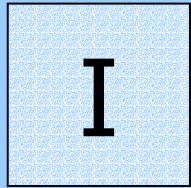
- DOT
- DOD
- HHS
- DoJ
- DoE
- All others



The federal government has invested \$9.16 per passenger in aviation security but less than one cent per transit rider.

Federal Homeland Security Funding FY 2005 Request

Source: Howitt and Makler, Brookings, 2005



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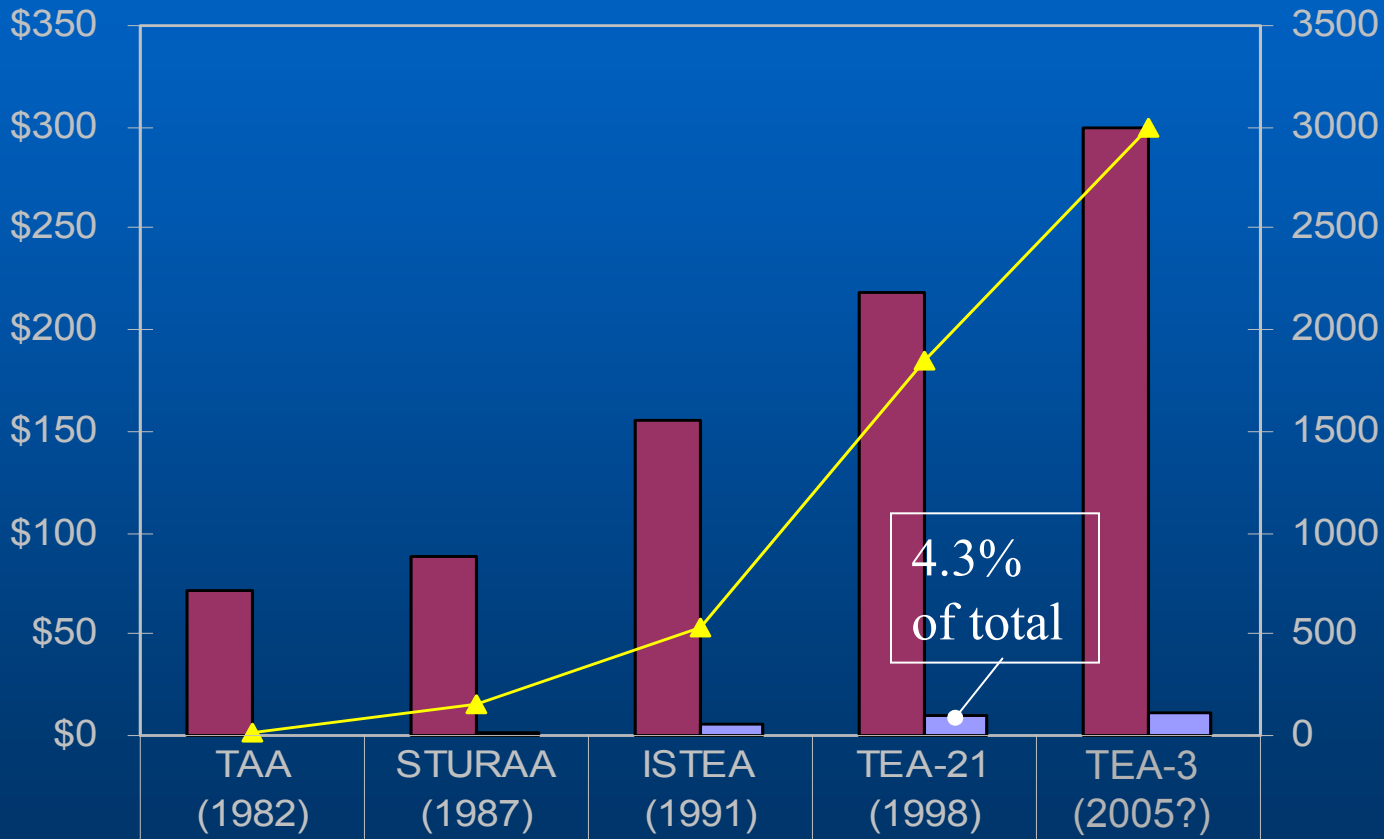
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The federal law is characterized by regular, large increases in funding.

Overview of Recent Federal Transportation Laws



 Total Amount (in billions)	\$72	\$88	\$155	\$218	\$300
 \$ of earmarks (in billions)	\$0.3	\$1.4	\$6.2	\$9.3	\$11.10
 Number of earmarks	10	152	538	1,850	3,000 +



All three reauthorization plans propose significant spending increases.

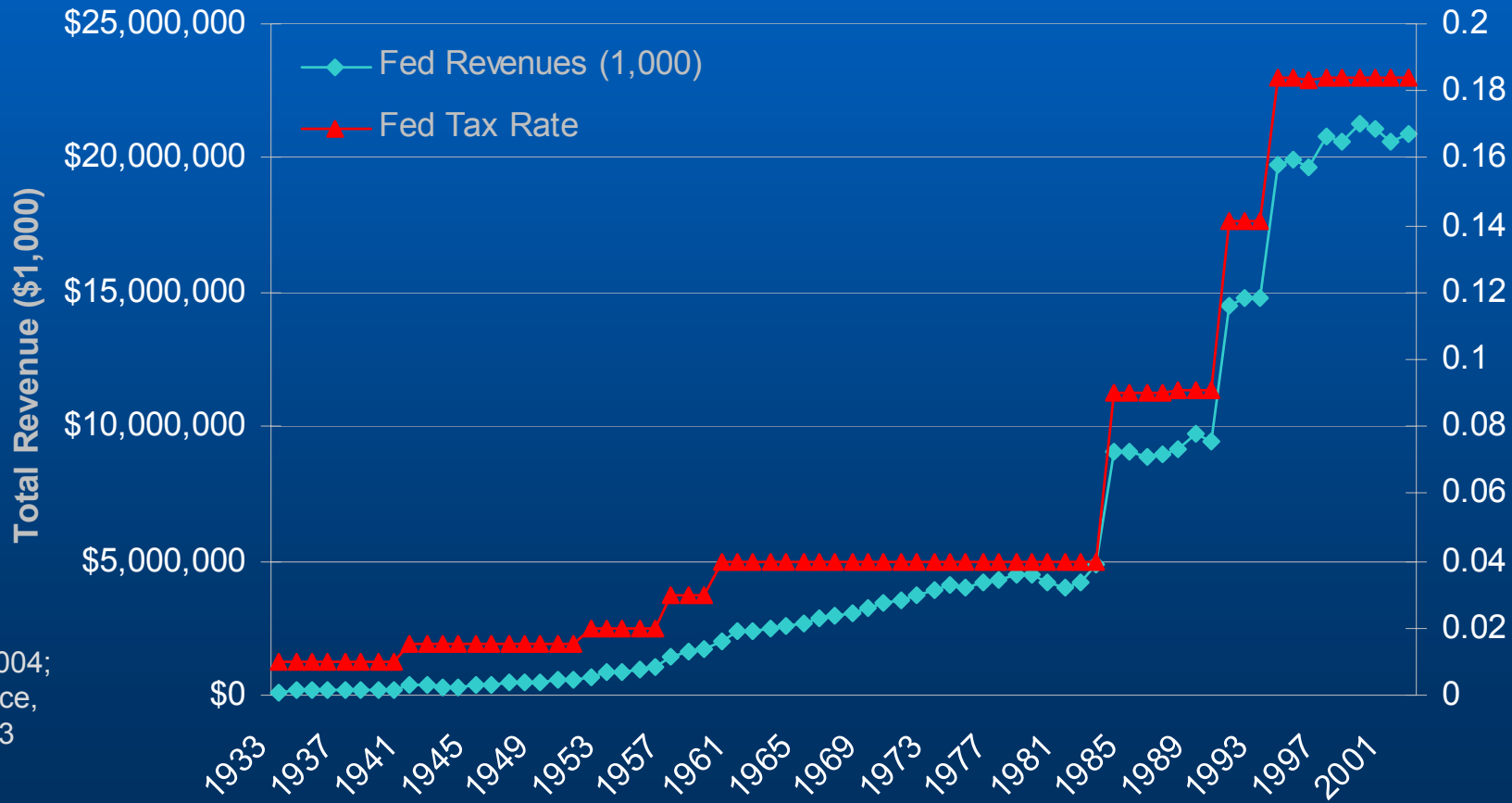
Overview of TEA-21 Reauthorization Proposals

TEA-21 Reauthorization Proposals	Proposer	Date	Total Amount (in billions)	Increase from Previous		Proposed Demonstration / High Priority Projects	
				\$	%	Number	Total Amount (in billions)
SAFETEA	DOT	May-03	\$256	\$38	17.4%	-	-
SAFETEA	Senate	Feb-04	\$318	\$100	45.9%	-	-
TEA-LU	House	Apr-04	\$284	\$66	30.3%	2881+	\$11.10 +



After years of steady growth, federal gas tax receipts have plateaued

Federal gas tax rate and revenues

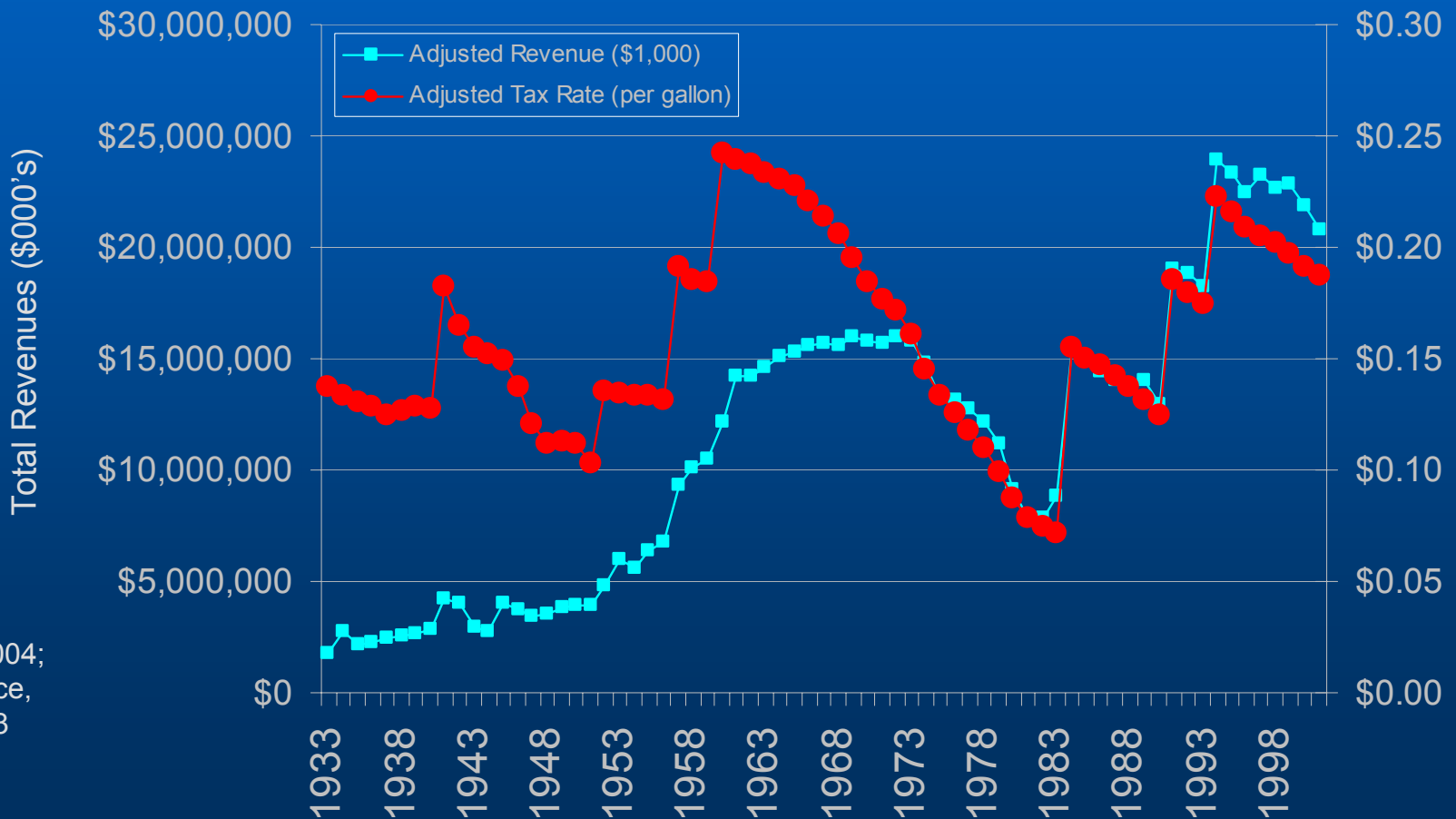


Source: IRS, 2004;
Puentes & Prince,
Brookings, 2003



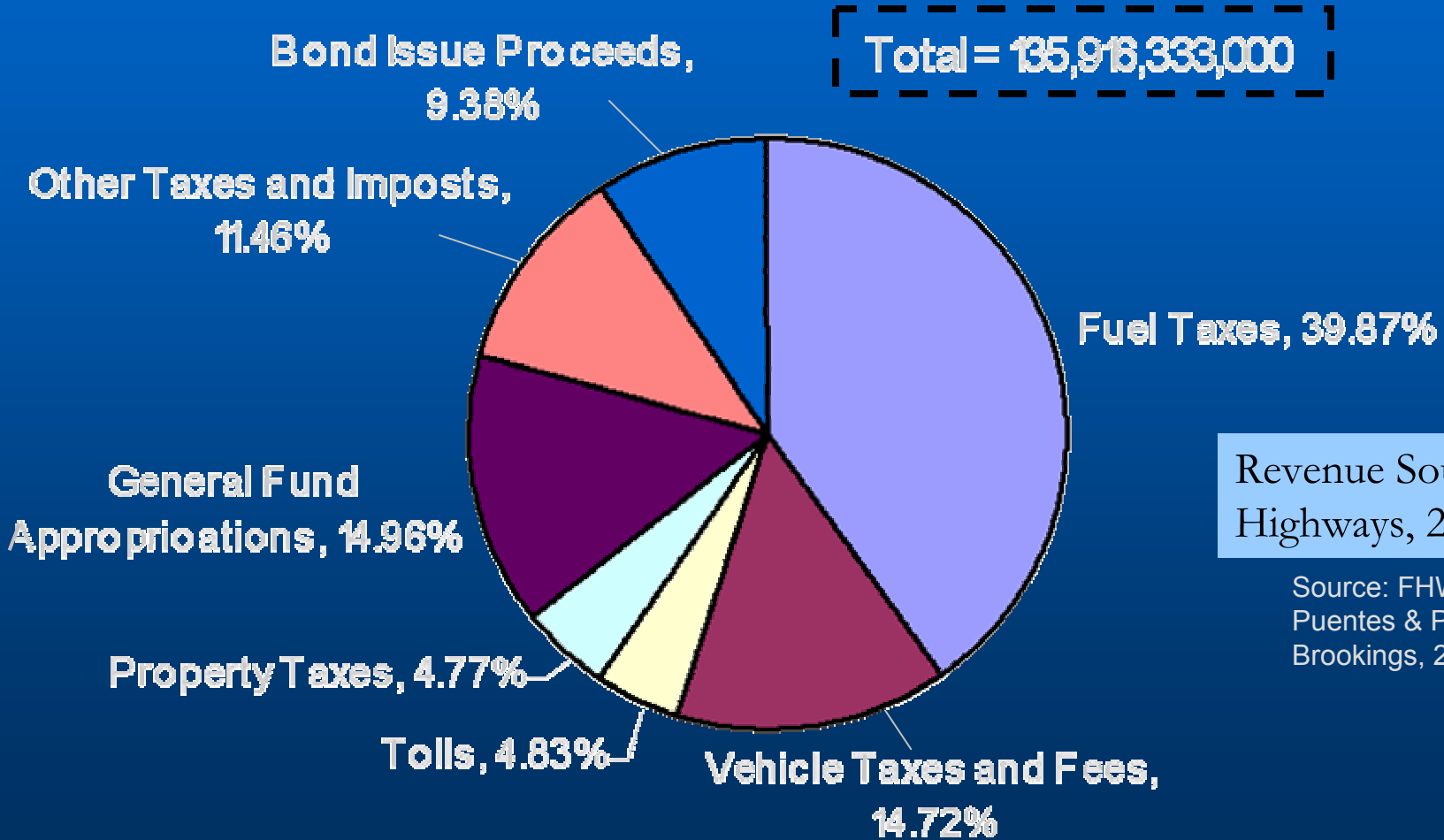
.... And are beginning to decline when adjusted for inflation.

Adjusted federal gas tax rate and revenues



Source: IRS, 2004;
Puentes & Prince,
Brookings, 2003

The majority of highway funds on all levels continues to be generated by gasoline and other fuel taxes.



Revenue Sources for Highways, 2002

Source: FHWA, 2002; Puentes & Prince, Brookings, 2003

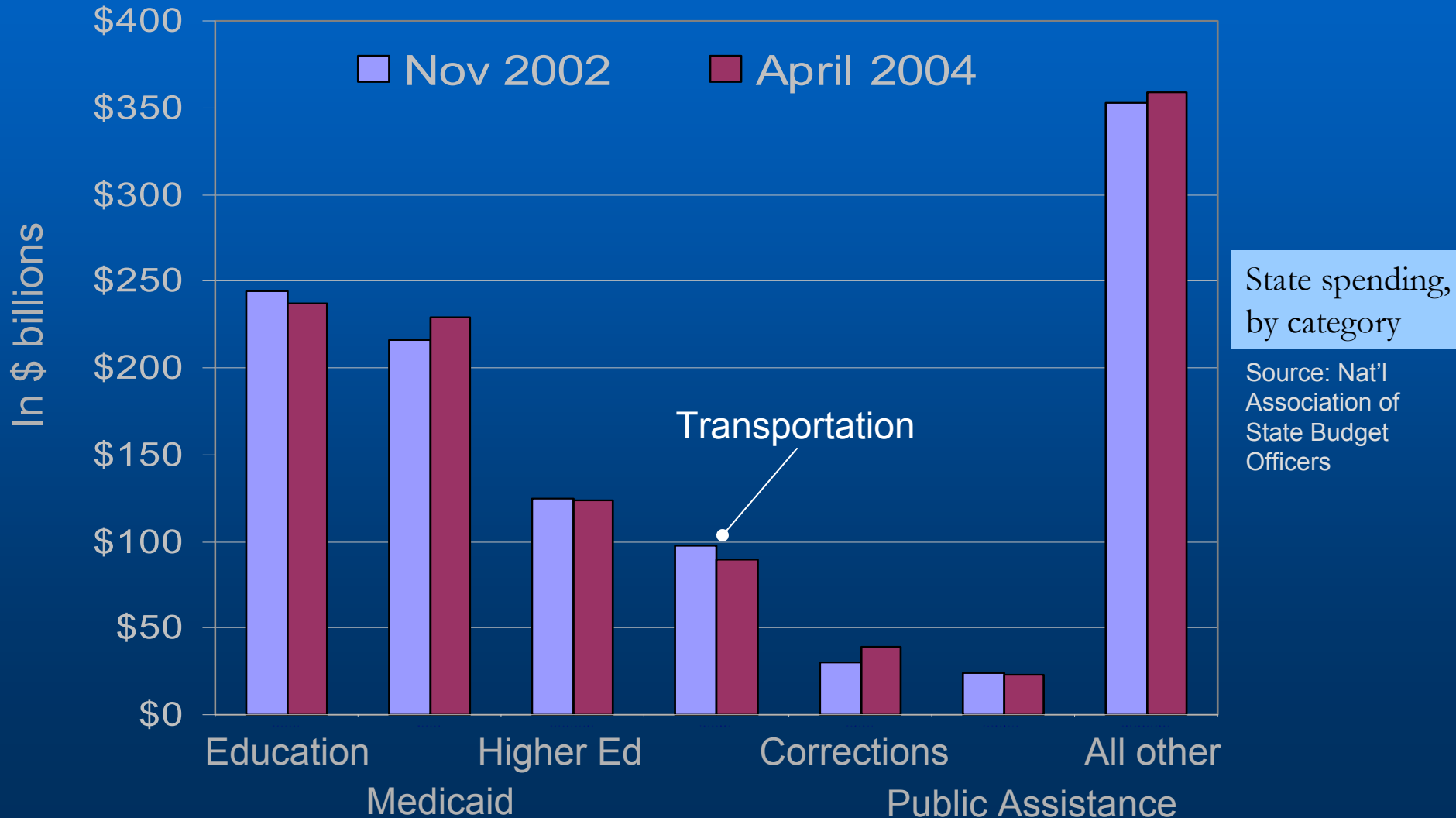


Political debates about “donor” and “donee” states dominate the national legislative discussion

		% of Apportionments to Payments 1998-2003	Cumulated % since July 1956	Rank, Population change 90-00
Top 5 states	Alaska	640.0%	667.3%	17
	South Dakota	236.8%	208.7%	44
	Rhode Island	232.0%	224.1%	47
	Montana	230.9%	236.3%	42
	North Dakota	227.8%	205.5%	50
Bottom 5 states	New Jersey	91.6%	98.7%	14
	Arizona	91.1%	108.6%	5
	Florida	90.1%	89.6%	3
	Georgia	90.1%	91.8%	4
	Texas	89.5%	86.3%	2

Source: FHWA, 2002; Wachs, 2003

Spending on the state level is declining. Since 2002, state spending on transportation decreased by nearly \$9 billion.

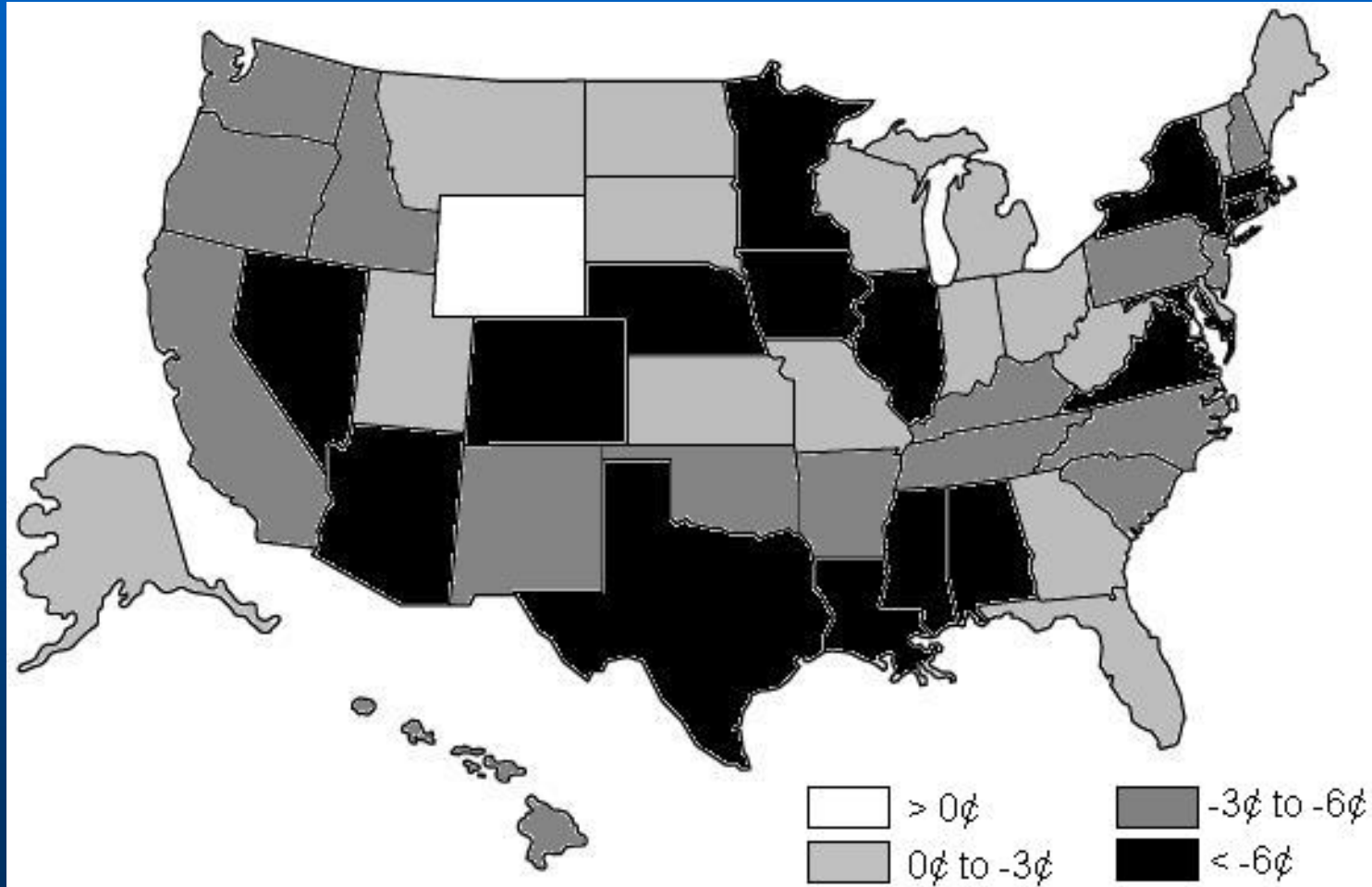


Of the 32 states that have increased their gas tax since 1991, only one* raised it as fast or faster than inflation

Inflation adjusted tax rate change, 1992-2004

Source: Puentes & Prince, Brookings, 2005

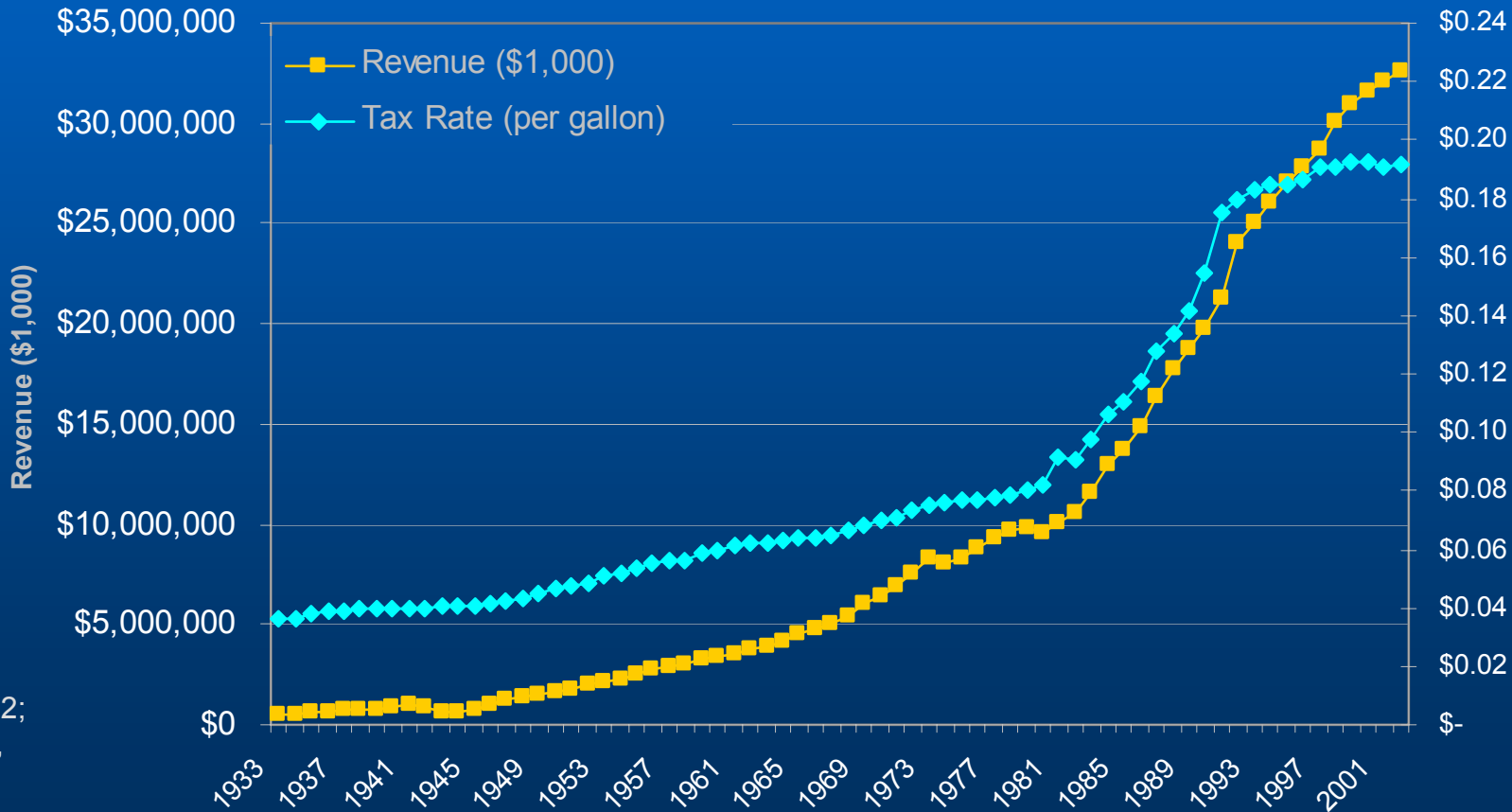
* Wyoming, which started out with the 3rd lowest rate





State gas tax revenues are slowing down as the average tax rate remains stagnant

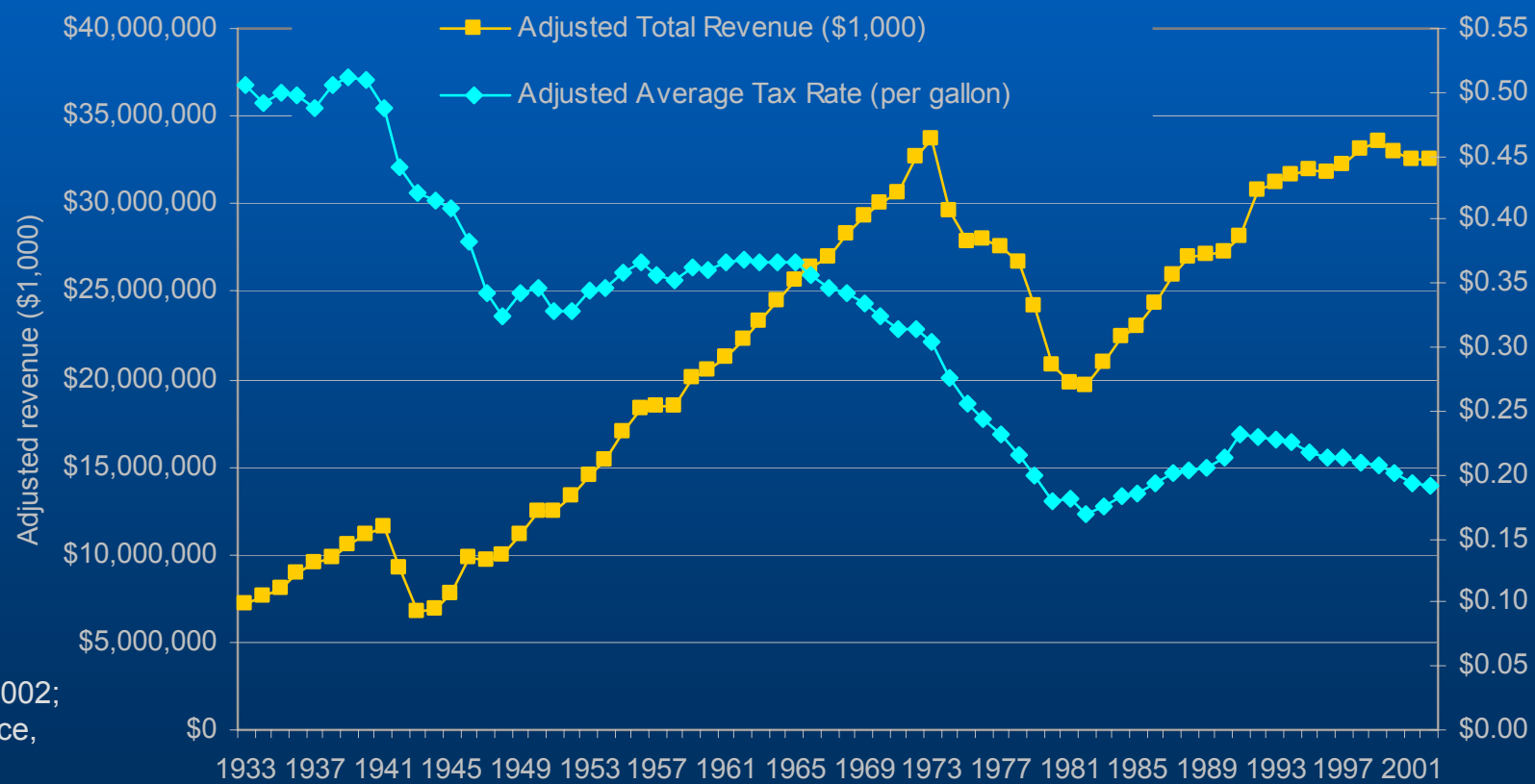
Average state revenues and gas tax rate



Source: FHWA, 2002; Puentes and Prince, Brookings, 2003

After a precipitous decline in the 1970's and 1980's, "real" state gas tax receipts are again leveling off.

Inflation-adjusted state revenues and gas tax rate



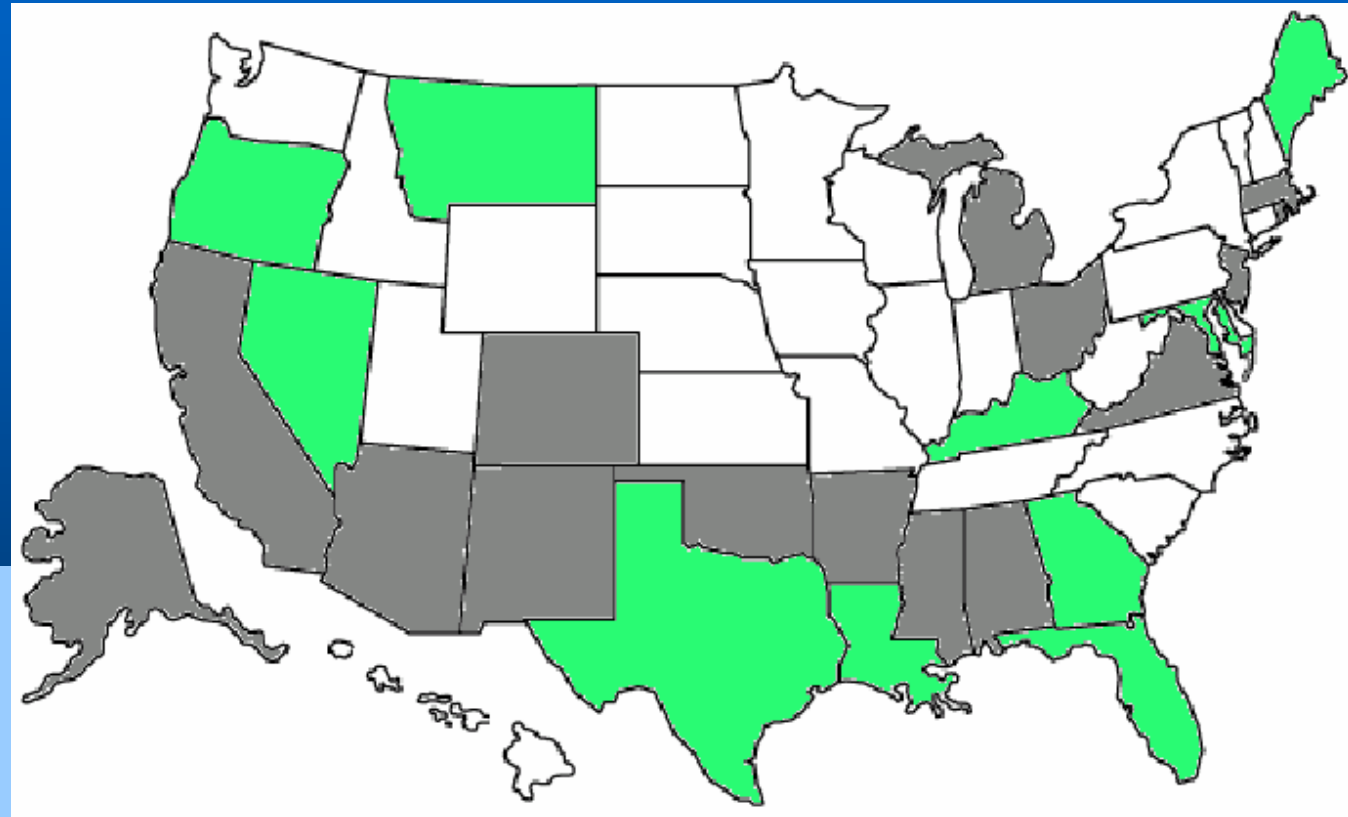
Source: FHWA, 2002; Puentes and Prince, Brookings, 2003



GARVEE-style bond issuances are concentrated in the southern half of the country.

States GARVEE and Related Bonds Issuances

Source: Puentes & Warren, Brookings, 2005



■ State has issued GARVEEs (plus PR and VI)

■ State has authority to issue GARVEEs

In 2003, 9 states principal source of highway revenue was from bond proceeds. By contrast, only 3 states principal source was the state gas tax



Local governments are taking up the slack left by the stagnation of fuel tax revenues on the state and federal level

→ Voters approved 2/3^{rds} of the 70 ballot measures for transportation spending in 2000 and 41 in 2002.

Myers and Puentes, 2001 and STPP, 2002

→ In 2004, voters approved 23 of 31 ballot measures to launch or expand bus and rail lines in 11 states worth more than \$40 billion.

Center for Transportation Excellence, 2004

→ In 2004, voters also approved 19 of 24 other tax or bond measures for roads and bridges.

El Nasser, 2004



Local roads compose the vast majority of the nation's transportation system.

	Miles	% of total
Rural Roads		
Counties	1,628,510	41.1%
Towns, Townships, Municipalities	606,398	15.3%
States	662,855	16.7%
Federal	117,751	3.0%
Other Jurisdictions	56,254	1.4%
Urban Roads		
Counties	144,615	3.6%
Towns, Townships, Municipalities	624,163	15.7%
States	110,434	2.8%
Federal	2,819	.1%
Other Jurisdictions	12,695	.3%
TOTAL	3,966,494	100.0%

Ownership of American Roads, 2002

Source: FHWA, 2002; Wachs, 2003

75.7% of national total



The share of user fees as a percent of transportation revenues is either declining or growing very slowly

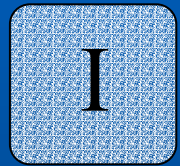
		△ 95-98	△ 98-03	△ 95-03
Federal	Highway Trust Fund	79.6%	-14.4%	53.7%
State	Fuel & vehicle taxes	18.0%	3.5%	22.0%
	Tolls	24.2%	15.7%	43.7%
	General funds	37.4%	54.2%	111.8%
	Bonds	92.2%	14.8%	120.7%
Local	Fuel & vehicle taxes	13.8%	35.7%	54.5%
	Tolls	11.2%	91.0%	112.4%
	General funds	14.1%	39.0%	58.6%
	Bonds	20.1%	15.0%	38.2%
	Property taxes	-6.3%	63.9%	53.6%

Changes in transportation revenue

Source: Federal Highway Statistics



A Metropolitan Agenda for Transportation Reform



The Context for the Discussion of the Nation's Surface Transportation Policies



State and Metropolitan Responses to Federal Change



Getting Transportation Right for Metropolitan America



ISTEA and TEA-21 marked a seachange in federal transportation policy

As a framework the laws are sound.



The laws enacted eight major changes:

1. Metropolitan devolution
2. Reliable funding
3. System preservation and maintenance
4. Funding flexibility
5. Special challenges
6. Beyond transportation
7. Citizen participation
8. Open government



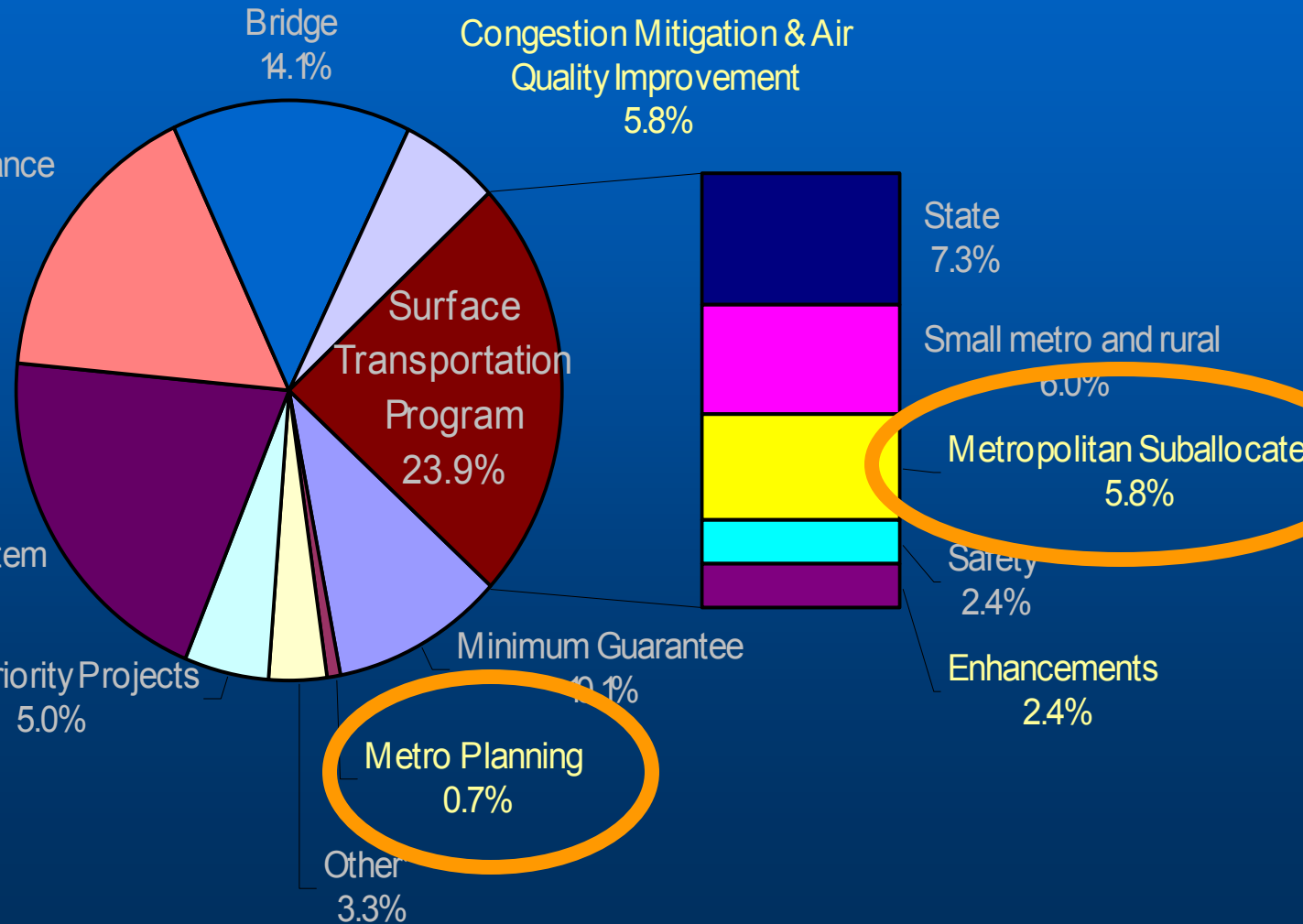
Metropolitan focused programs

- ➔ Suballocated Surface Transportation Program (STP)
- ➔ Congestion Mitigation and Air Quality (CMAQ) Program
- ➔ Planning (PL Funds)
- ➔ Transportation Enhancements



The vast majority of federal transportation funds do not go to local or regional entities.

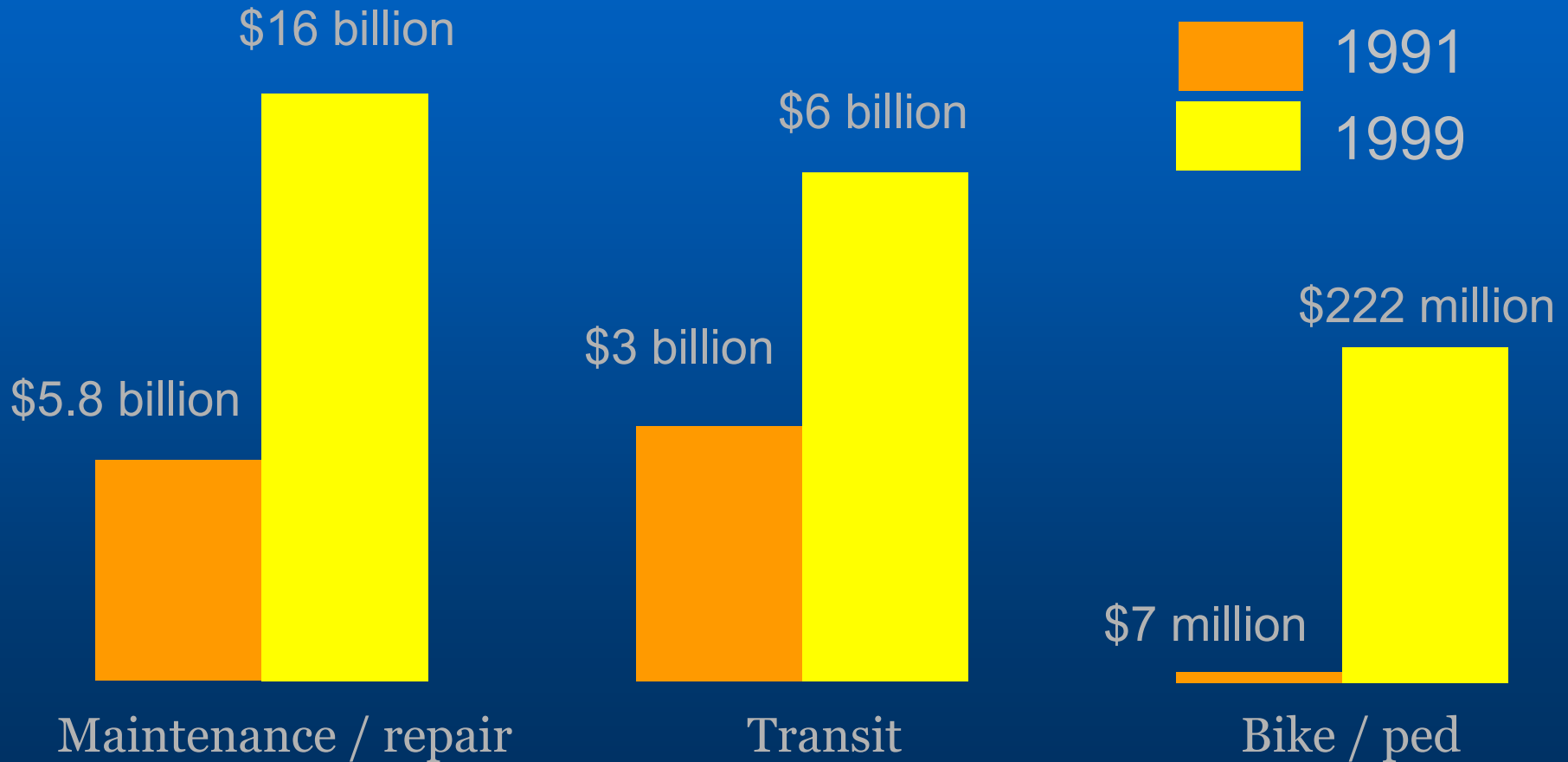
TEA-21 Highway Program Apportionments, 1998-2002



Source: Puentes & Bailey, Brookings, 2004



In some key areas, federal spending has shifted



Source: Ten Years of Progress, STPP, 2002



Travel habits are changing

- For the first time since World War II, growth in transit ridership has outpaced the growth in driving for five straight years
- Transit ridership is at its highest levels since 1960
- Bicycle commuting grew by nearly 9% during the 1990s
- Clearly, automobile travel still dominates, but VMT is leveling off. →

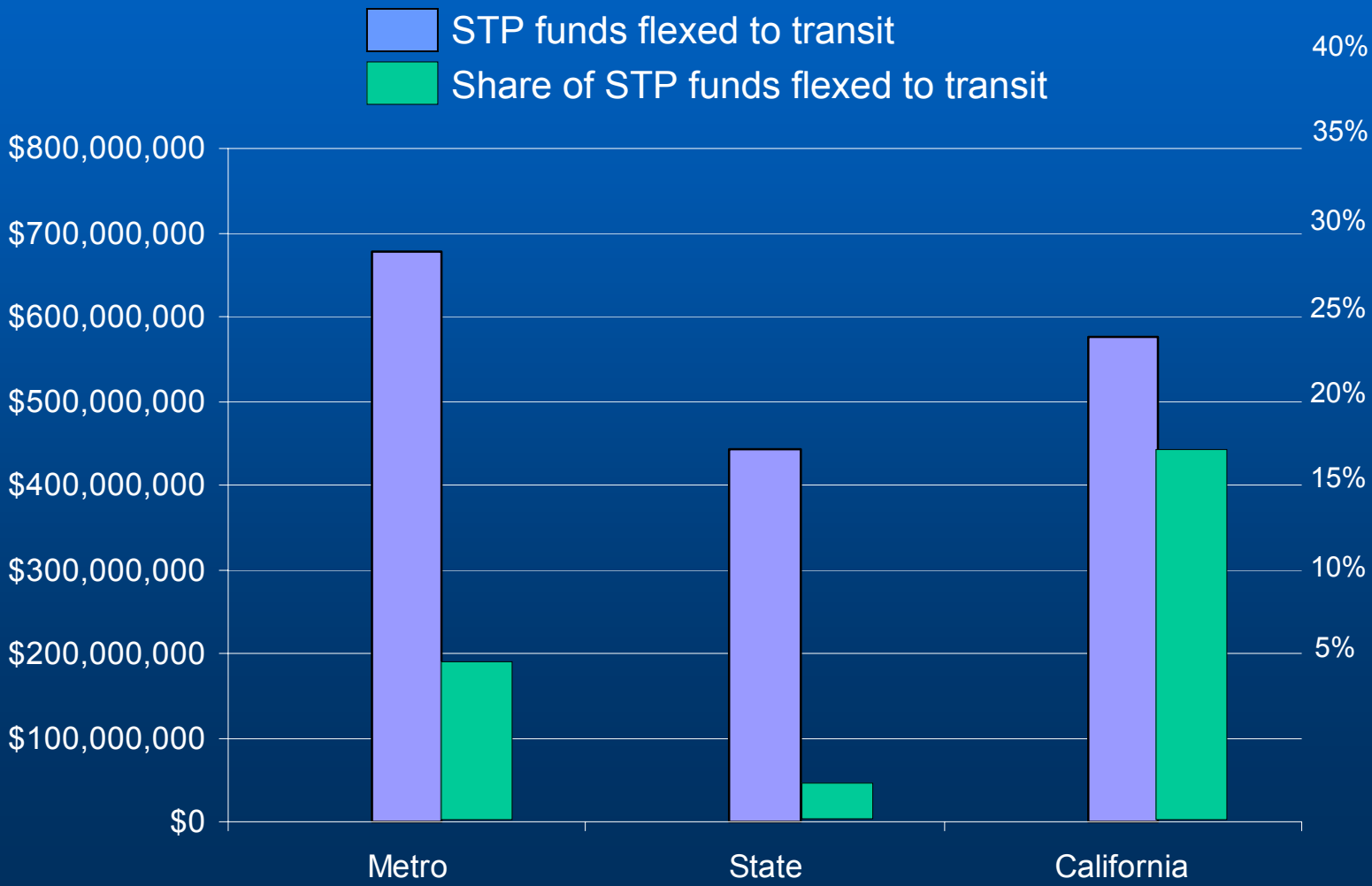
Average yearly
increase in VMT:

2000-2004:	2.0%
1990-1999:	2.5%
1980-1989:	3.2%
1970-1979:	3.7%



Have the reforms made a difference?

STP Funds Spent on Transit by Metro vs. State



Total obligations:
1998-2002

Source: Puentes & Bailey, Brookings, 2004



Have the reforms made a difference?

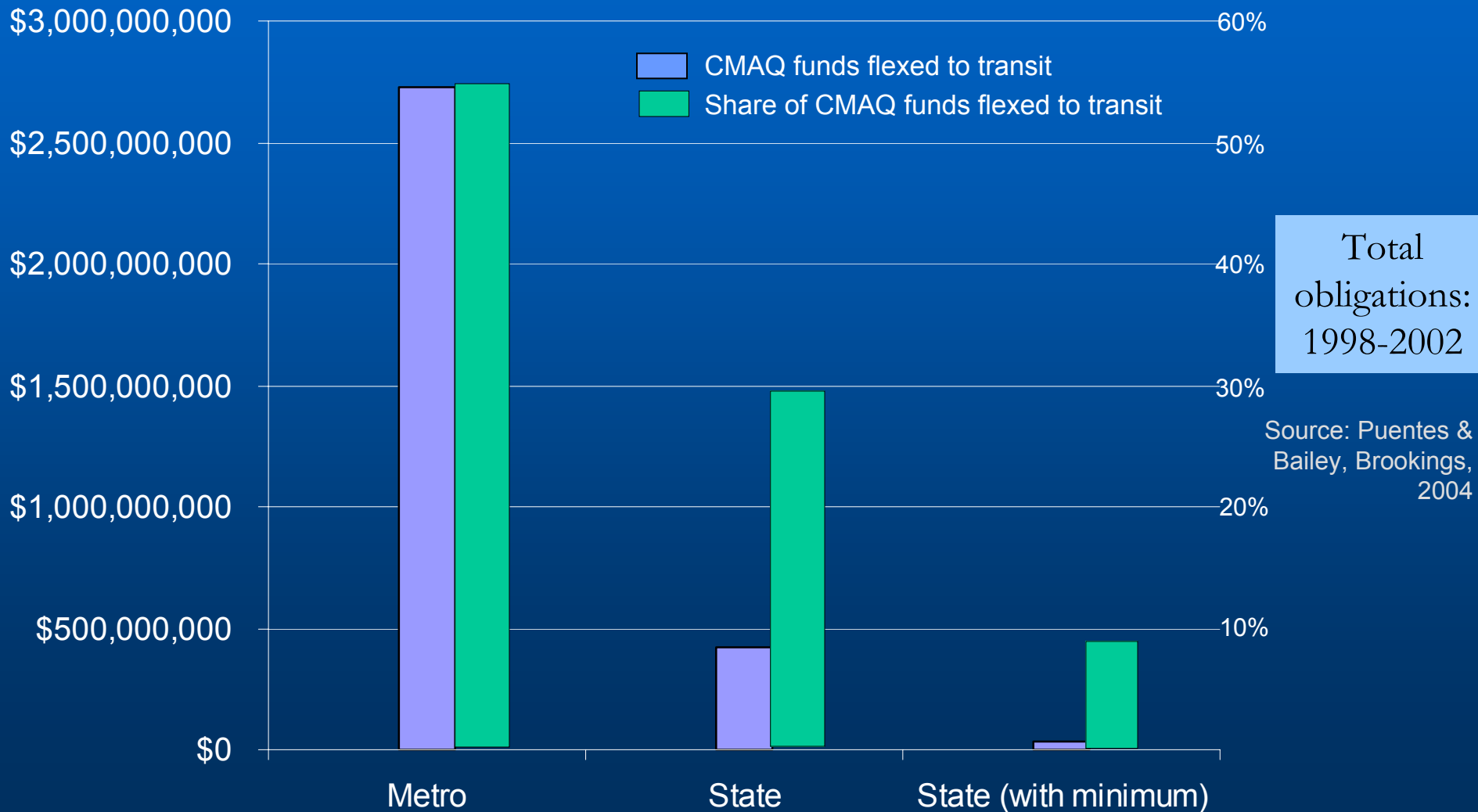
STP Funds Spent on Transit by MSA/CMSA

Metro Area	Suballocated STP Spent on Transit, 1998-2002	Metro Area	Suballocated STP Spent on Transit, 1998-2002
Portland, OR	57%	Chattanooga, TN	14%
San Francisco, CA	47%	Minneapolis, MN	13%
Seattle, WA	40%	Raleigh, NC	13%
Atlanta, GA	40%	Richmond, VA	13%
Norfolk, VA	37%	Daytona Beach, FL	12%
Los Angeles, CA	22%	Sacramento, CA	12%
Boston, MA	20%	New York, NY	11%
Orlando, FL	19%	Lexington, KY	10%
Birmingham, AL	19%	Allentown, PA	9%
Denver, CO	17%	Des Moines, IA	9%
Knoxville, TN	16%	Tampa, FL	9%
Fort Myers, FL	15%	St. Louis, MO	9%



Have the reforms made a difference?

CMAQ Funds Spent on Transit by Metro vs. State





Clearly, the reforms have made a difference

But the impact has been both profound and disappointing.



Implementation has been seriously flawed - and in basic ways unresponsive to metropolitan needs



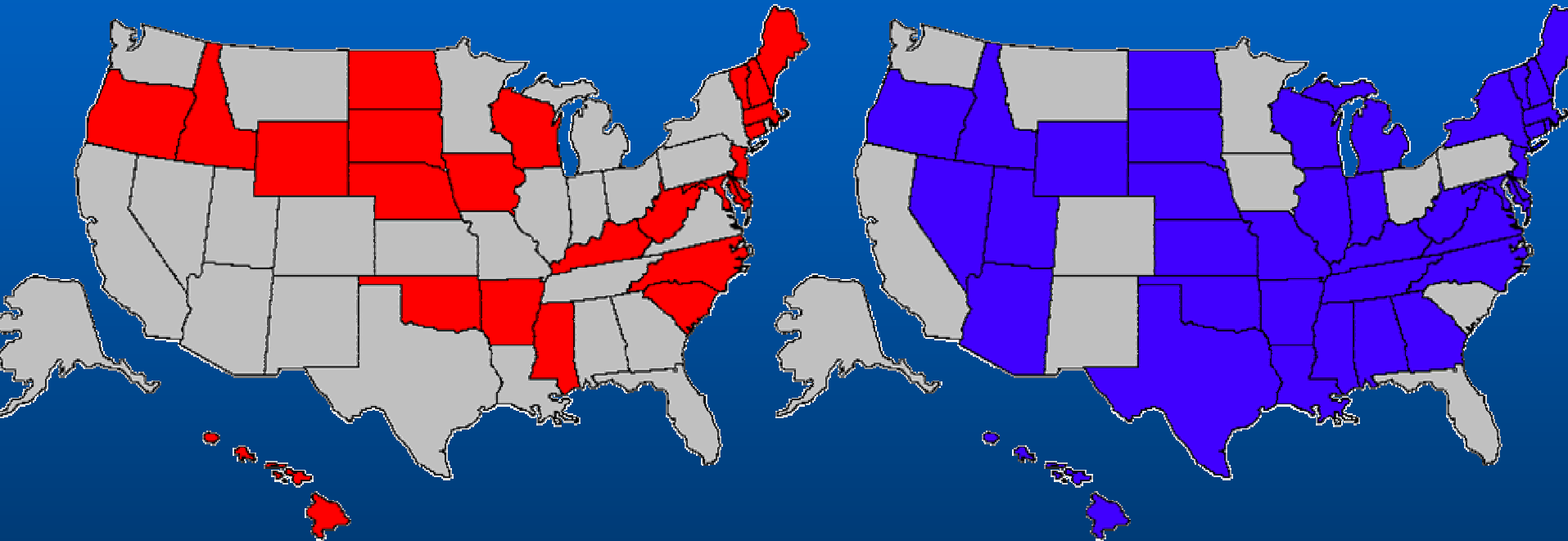
Sufficient powers have not been devolved to metropolitan areas

- Many state DOTs continue to wield formal and informal power and retain authority over funds
- Governors and state DOTs have veto authority and political leverage over metro areas
- MPOs in some large metro areas (New York, Boston, Chicago) remain state agencies

Such arrangements subvert federal intent with respect to devolution



States still retain control over metropolitan-focused programs



States that do NOT
suballocate CMAQ (in red)

States that do NOT
suballocate TE (in blue)



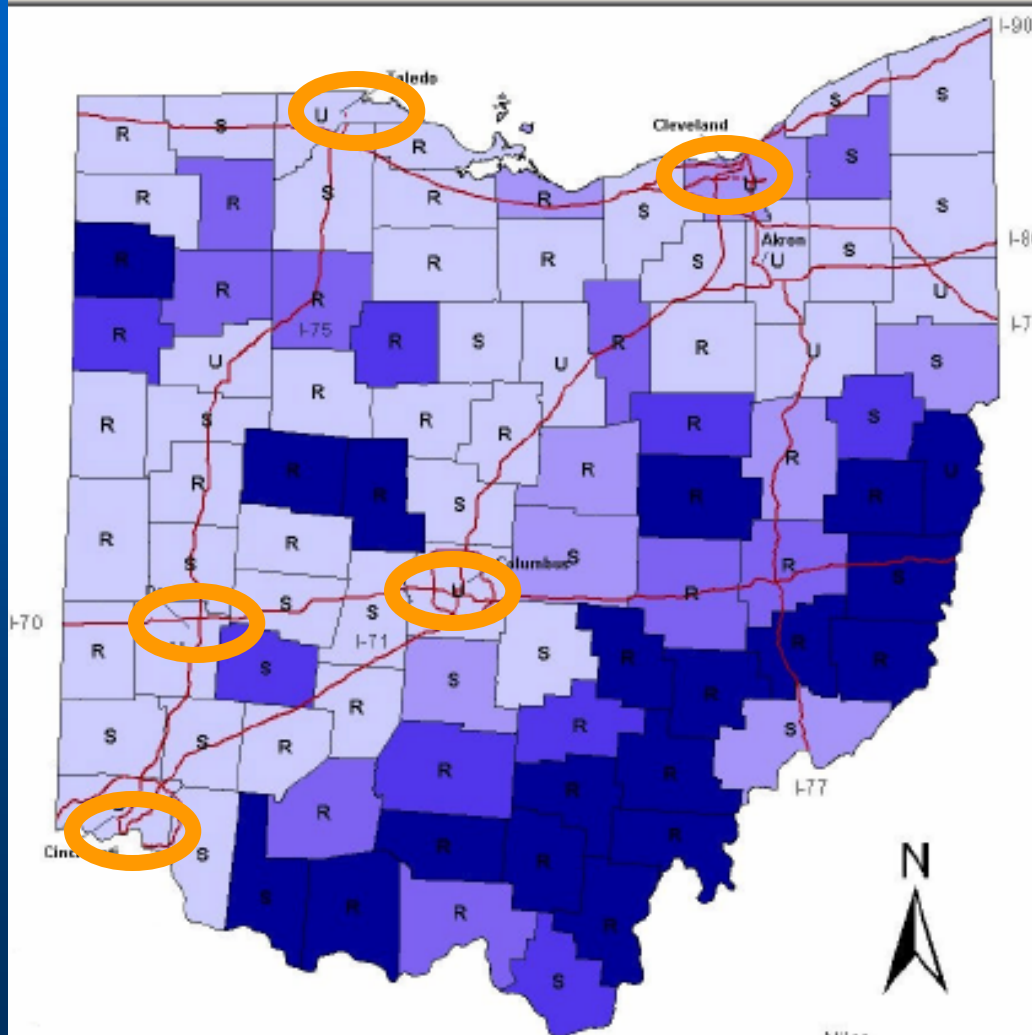
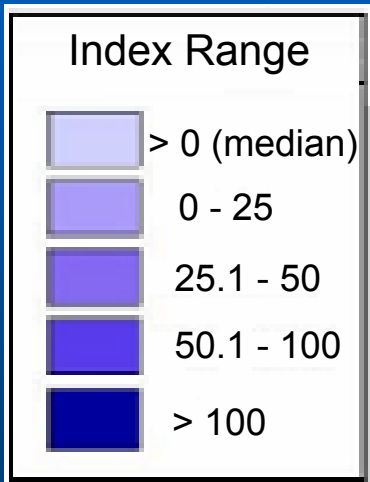
Metropolitan areas are penalized in the allocation of transportation money

- Most money flows to states
- Metro areas make decisions on 10¢ on every dollar they generate
- Some states distribute money evenly regardless of need

In the donor / donee debate, metro areas are often the donors



In the donor / donee debate within states, metro areas are often the donors.

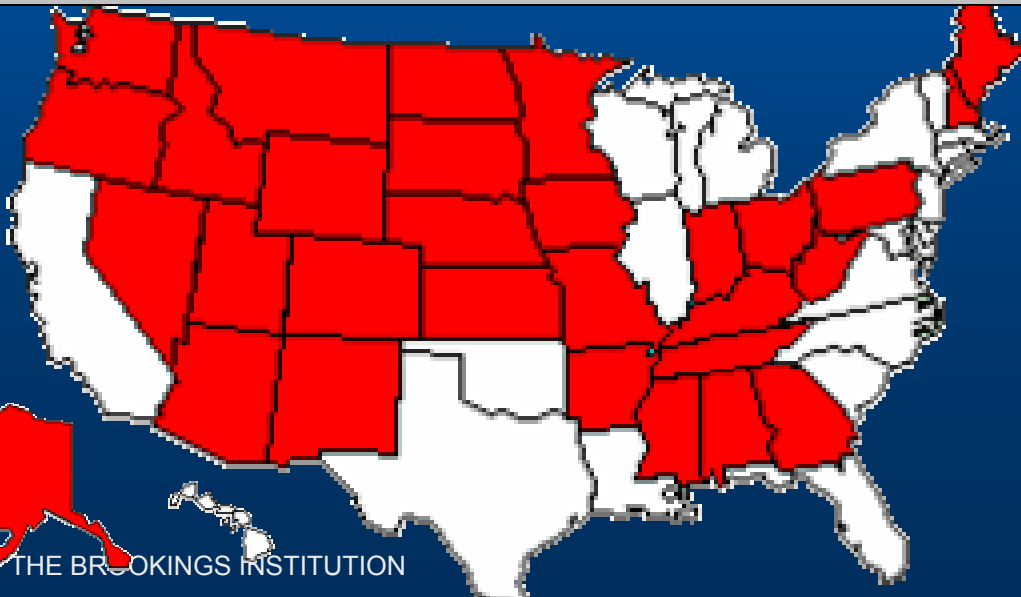


Total Spending by ODOT (1980-1988) per Average Dollar of Gas Sales: Ohio Counties (1982, 1987, 1992, 1997)

Source: Hill et al, Brookings, 2003

Highways and transit operate on an unlevel playing field

- Uneven federal / state match (e.g., 80/20 vs. 50/50)
- Uneven project justification requirements
- Restricted use of state gas taxes



30 states (in red)
restrict gas tax
spending for highway-
only purposes



Many transit agencies, like Washington's, are not able to rely on dedicated funds for capital expenses:

Type	Source	WMATA	Agencies with over 1 million	National total
Directly Generated Funds	Dedicated Sources	0%	29.68%	27.68%
State Funds	General Revenue	12.11%	2.80%	3.10%
	Dedicated Sources	0%	8.89%	8.54%
Local Funds	General Revenue	20.63%	4.79%	4.83%
	Dedicated Sources	0%	14.53%	15.27%
Federal	Formulas	67.26%	39.31%	40.58%

Sources for Capital Funds Applied

Total from Dedicated Sources	0%	53.10%	51.49%
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Source: Puentes, Brookings, 2004 and FTA NTD, 2002.



Many transit agencies, like Washington's, are not able to rely on dedicated funds for operating expenses:

Type	Source	WMATA	Agencies with over 1 million	National total
Directly Generated Funds	Fare revenue and other	61.45%	42.97%	46.15%
	Dedicated Sources	0%	7.85%	3.09%
State Funds	General Revenue	20.32%	6.54%	7.18%
	Dedicated Sources	0%	19.22%	18.10%
Local Funds	General Revenue	14.61%	7.63%	8.46%
	Dedicated Sources	1.98%	11.53%	11.64%
Federal	Formulas	1.64%	4.26%	5.38%

Sources for Operating Funds Applied

Total from Dedicated Sources	1.98%	38.60%	32.83%
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Source: Puentes, Brookings, 2004 and FTA NTD, 2002.



Metropolitan and state capacity is uneven

- Some states and metro areas have focused on transportation-only solutions
- Little emphasis on issues such as urban planning, environmental management, housing, economic development.
- And although MPOs in some metro areas do well, many struggle to fulfil their statutory responsibilities.



Citizens are still not actively engaged in transportation decision making

- Most states do not involve citizens in and “early and continuing” fashion.
- Citizens rarely have access to reliable, transparent data / information

TEA-21 failed to improve accountability and performance

Despite:

- Congress' strict standards for welfare and education reforms
- Government Performance Results Act
- and a 40 percent spending increase.....

States are not held accountable for meeting standards for accessibility, economic development, efficiency, environment, mobility, safety, or system preservation.



A Metropolitan Agenda for Transportation Reform



The Context for the Discussion of the Nation's Surface Transportation Policies



State and Metropolitan Responses to Federal Change



Getting Transportation Right for Metropolitan America



The first order of business should be to retain the
ISTEA and TEA-21 reforms

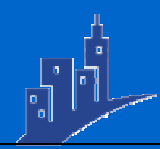


But Congress needs to go beyond past reforms

➔ Reform governance to reflect metropolitan challenges

➔ Provide enhanced tools and policies to respond to metropolitan challenges

➔ Enforce and augment requirements for accountability and reward performance



Reform governance to reflect metropolitan challenges

Recommendations:

- Expand the responsibility and capacity of MPOs
 - e.g., increase planning set-aside, strengthen performance and accountability requirements
- Ensure state decisions reflect metropolitan realities
 - e.g., representation, spending.
- Connect air, rail and surface transportation
 - e.g., integrate aviation with rail and intercity bus



Reform governance to reflect metropolitan challenges

Recommendations:

- Encourage states and metro areas to work together on major economic corridors or large regions
 - e.g., pilot program to support corridor planning, support for multi-state MPOs
- Build a field of 21st century transportation professionals
 - e.g., augment Metropolitan Capacity Building Program



Provide enhanced tools and policies to respond to metropolitan challenges

Recommendations:

- Increase the funding that flows directly to MPOs
 - e.g., greater direct suballocation (STP, CMAQ)
- Level the playing field between highways and transit
 - e.g., Retain 80/20 transit match, require long range financial requirements for road projects, provide incentives for removing restrictions on state gas taxes



Provide enhanced tools and policies to respond to metropolitan challenges

Recommendations:

- Facilitate transit-oriented development
 - e.g., key criteria for transit funding should be supportive land uses
- Use the market to mitigate congestion
 - e.g., augment road pricing programs, fully deploy electronic toll collection technologies

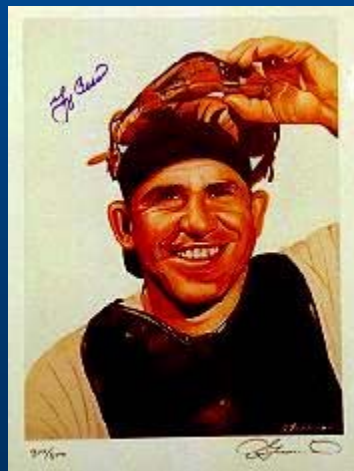



Enforce and augment requirements for accountability and reward performance

Recommendations:

- Establish a new federal framework for accountability and performance
 - e.g., disclose program and spending decisions, measure progress on indicators of national significance, establish consequences for excellent and poor performance
- Increase opportunities for citizen participation
 - e.g., provide incentives for using advanced technologies

“If you keep doing what you always did, you’ll always get what you always got.”





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September 15, 2004

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Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

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- read the paper
- Special Series on the Health of Upstate New York

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COMMUNITY AND NEIGHBORHOOD DEVELOPMENT

