“Remaking Transportation and Housing Policy for the New Century”
Congressional Testimony of
Bruce Katz
Vice President, Brookings Institution
Director, Metropolitan Policy Program

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Thank you for the invitation to speak before the Subcommittee today.

My argument today will go as follows:

First, the United States is going through a period of profound demographic, economic and cultural change, comparable in scale and complexity to the beginning of the last century. Broad *demographic forces* – population growth, immigration, domestic migration, aging – are sweeping the nation and affecting settlement patterns, lifestyle choices and consumption trends. Substantial *economic forces* – globalization, deindustrialization, technological innovation – are restructuring our economy, altering what Americans do and where they do it.

Second, these complex and inter-related forces are reshaping the metropolitan communities that drive and dominate the national and even global economy. Suburbs are growing more diverse in terms of demographic composition, economic function and fiscal vitality. Cities – while still the disproportionate home to poor families and vulnerable populations – are finding a second life, fueled by the presence of educational and health care institutions, vibrant downtowns, and distinctive neighborhoods. All American metropolitan areas are struggling to shape growth patterns that are economically efficient, environmentally sustainable and socially inclusive.

Third, federal transportation and housing policy – in design and execution -- needs to be substantially overhauled to respond to the new demographic, economic, environmental and spatial realities in our country. Policies forged in the 1950s and 1970s have little if any relevance to the challenges faced by people living and firms located in cities and suburbs today or the environmental imperatives created by global warming and climate change. In fact, many existing federal policies are ill-suited to the new metropolitan order and are either exacerbating unbalanced growth patterns or failing to leverage the economic potential of older communities.

Federal transportation and housing policy, in short, needs an extreme makeover … and I will lay out a framework and set of principles to guide reform efforts going forward.

So let's start with the big picture.

Everyone in this room can attest to the breathless pace of demographic change that is sweeping the nation.

> Our country is growing by leaps and bounds—33 million people in the past decade, 24 million in the decade before. Every state experienced population growth during the 1990s, for the first time in the twentieth century. Last year, we marked the arrival of the 300 millionth American and, incredibly, we are projected to hit the 400 million mark by 2043.
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> Our growth is being fueled in part by an enormous wave of immigration. During the 1990s, some 9.1 million immigrants arrived legally in the United States, compared to 4.5 million in the 1970s and 7.3 million in the 1980s. Immigration accounted for more than a third of the overall population surge in the 1990s. Incredibly, some 35.7 million of our residents were born outside the United States. That is 12 percent of the population, the highest share since 1930.
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> Immigration is essential to offsetting another major demographic trend—the aging of our population. Like much of the industrialized West, the U.S. population is growing older and living longer. In 2005, an estimated 35 million people were 65 years or older in the United States, accounting for 12 percent of the total population. In 2011, the "baby boom" generation will begin to turn 65, and, by 2030, it is projected that one in five people will be age 65 or older. Significantly, the population age 85 and older is currently the fastest growing segment of the older population.
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> And our family structure is changing. Women and men are delaying marriage, having fewer children, heading smaller households. The prototypical family of the suburban era, a married couple with school-age children, is now less than 22 percent of American households, down from over 40 percent in 1970. The average size of a household has declined from 3.38 persons in 1950, to 3.11 persons in 1970 to 2.59 persons in 2000.

The pace of demographic change in our country is matched only by the intensity of economic transformation.

> Globalization and technological innovation have accelerated the shift of our economy from the manufacture of goods to the conception, design, marketing, and delivery of goods, services, and ideas.
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> Between 1970 and 2000, manufacturing employment in the United States declined by 3 percent, while services employment grew by 214 percent. As a consequence, the share of American jobs in manufacturing slipped from 22 percent in 1970 to 11.5 percent in 2000 while the share of jobs in services increased from 19 percent to 32 percent during the same period.

These forces have intensified America's economic relationship with the world. Precipitous declines in the cost of transporting goods, and the relocation of manufacturing plants to developing countries, have caused America to import an ever-larger proportion of its consumption goods. Between 1990 and 2003, the value of goods imported by the United States grew at nearly double the rate of goods the country exported. Technology has also enabled business supplies and consumer products to be ordered and delivered "just in time," substantially increasing the volume of freight traffic.

Above all else, the shift to a services economy has made knowledge and innovation the primary drivers of high wage growth.

The continued decline of manufacturing has diminished labor demand in a sector that has traditionally paid good wages to semi-skilled workers. In 2000, 52 percent of manufacturing workers had no post secondary education, versus 41 percent of all U.S. workers, yet median earnings topped $31,000 (versus $25,000 nationwide).

In the services sector, a combination of factors has helped raise the premium paid to the most educated workers by a considerable amount. At the turn of the decade, upwards of 45 percent of workers in such sectors as information technology, finance and health care possessed college degrees. They earned two-thirds more than workers without degrees on average, more than double the disparity two decades earlier.

In 21st century America, in short, you "earn what you learn."

Now my second point: these demographic and economic forces are reshaping the American landscape, simultaneously positioning metropolitan areas as the engines of national prosperity and rewarding the traditional physical assets of cities and urban places.

As in Europe and the developing world, metropolitan areas drive and dominate national economies.

Our 362 metropolitan areas house 83 percent of the nation's population, generate 85 percent of the nation's economic output and are home to 88 percent of our college-educated citizens.

The top 100 metro areas alone claim more than 65 percent of our population, 70 percent our national economic output and 74 percent of our college-educated citizens. These areas harbor the leading edges of our economy: technology, business, finance and professional services. They are also our immigrant gateways, our ports of entry, our centers of knowledge and innovation.

In essence, the shift to an economy based on ideas and innovation has had profound agglomeration effects, changing the value and function of density. We know that employment density and cities with efficient transport systems contribute to labor productivity. Residential and employment density also enhances innovation, partly by enabling a "quality of place" that attracts knowledge workers and partly by enabling interactions and knowledge sharing among workers and firms, within and across industries.

Our nation's ability to compete globally rests largely on the ability of major metropolitan areas in the country to realize their full economic potential.

The metropolitan areas driving the American economy are complex, dynamic places, a far cry from the suburban image fixed in our collective mind.

Today, five in ten Americans live in suburbs, up from three in ten in 1960. With suburbs taking on a greater share of the country's population, they are beginning to look more and more like urban areas. In many metropolitan areas, the explosive growth in immigrants in the past decade skipped the cities and went directly to the suburbs. As Brookings demographer William Frey has shown, racial and ethnic minorities now make up more than a quarter (27 percent) of suburban populations, up from 19 percent in 1990. Every minority group grew at faster rates in the suburbs during the past decade. The percentage of each racial/ethnic group living in the suburbs, therefore, increased substantially – 38 percent of African Americans now live in suburbs; 50 percent of Hispanics, 55 percent of Asians. In 2005, poor Americans living in America's suburbs outnumbered those living in our cities by more than 1 million.

Despite the renewed relevance of central cities, the decentralization of economic and residential life continues to be the dominant growth pattern in the country. In the largest metropolitan areas, the rate of population growth for suburbs was twice that of central cities – 9 percent versus 18 percent -- from 1990 to 2000. Suburban growth outpaced city growth irrespective of whether a city's population was falling like Baltimore or staying stable like Kansas City or rising rapidly like Denver. Even Sunbelt cities like Phoenix, Dallas and Houston grew more slowly than their suburbs.

The city of Atlanta, for example, grew by 6 percent in the 1990s, a total of 22,000 people. Yet its suburbs grew by 44 percent or 1.1 million people. Similarly, the city of Chicago saw 4 percent growth in the 1990s, or 112,000 people. Yet its suburbs grew by 15 percent or 650,000 people.

As a consequence, population has become increasingly decentralized over the last three decades. In 1970, according to the Harvard Joint Center on Housing, half of all households in the nation's 91 largest metro areas lived within 8.9 miles of the central business district. By 2000, that boundary moved out to 12.2 miles.

As people go, so do jobs. That's a cliché, but it is absolutely true. The suburbs dominate employment growth and are no longer just bedroom communities for workers commuting to traditional downtowns. Rather, they are now strong employment centers serving a variety of functions in their regional economies.

The American economy has largely become an exit ramp economy, with office, commercial and retail facilities increasingly located along suburban freeways. Across the largest 100 metro areas, on average, only 22 percent of people work within three miles of the city center. Incredibly, more than one third of jobs are located more than ten miles away from traditional downtowns.

In many metros, entry-level and low-wage jobs are more widely dispersed than high-wage jobs. For example, the Urban Institute has found that District of Columbia accounts for 34 percent of its region's high-wage jobs (paying over $75,000 annually), but only 20 percent of low-wage jobs (paying under $35,000 annually). In fact, in the Washington metro area as a whole, low-wage jobs are twice as dispersed spatially as are high-wage jobs.

In many metropolitan areas, this new spatial geography of work and opportunity is uneven and unbalanced. Although American popular culture tends to paint a picture of the monolithic "suburb", the reality on the ground is infinitely more complex.

At one end of the continuum lie suburbs built in the early or mid part of the 20th century that are experiencing central city-like challenges – aging infrastructure, deteriorating schools and commercial corridors, inadequate housing stock. Like cities, these older communities require reinvestment and redevelopment. Many of these older suburbs are also becoming home to the working poor. These families are struggling as their wages have not kept pace with the rising costs of housing, childcare, transportation and other necessities of daily living. The city-versus-suburb idea makes little sense in trying to describe these places, because their differences from the cities are becoming less important than their similarities.

At the other end of the suburban continuum lies the newest ring of suburbs that is emerging at the fringe of metropolitan areas. These places – Loudoun County in Northern Virginia, Douglas County outside Denver, the Route 495 corridor around Boston – are growing at a feverish pace. Yet it is a particular kind of growth – unplanned, low-density, and auto-dependent. For residents in these communities, suburban prosperity has come with the heavy, unanticipated price of traffic congestion, overcrowded schools, disappearing open space and diminished quality of life.

The patterns of extensive growth in some communities and significantly less growth in others are inextricably linked. Poor schools in one jurisdiction push out families and lead to overcrowded schools in other places. A lack of affordable housing in thriving job centers leads to long commutes on crowded freeways for a region's working families. Expensive housing – out of the reach of most households – in many close-in neighborhoods creates pressures to pave over and build on open space in outlying areas, as people decide that they have to move outwards to build a future.

As suburbs have become more complex, cities have become more economically and socially relevant. A growing society and a knowledge-oriented economy – along with shifts in attitude about urban living and the decline in urban crime – fundamentally remake the function of cities and revalue their physical assets and attributes. A diverse population and a diversified economy demand greater choices – among jurisdictions, among neighborhoods, among building types – in where people live and where firms locate. And the physical layout of most American cities – mixed use downtowns, pedestrian friendly neighborhoods, adjoining rivers and lakes, historic buildings, and distinctive architecture – is uniquely aligned with the preference of the innovative economy and talented workers for density and amenities.

With this market "wind at their back," cities are mostly growing again after decades of decline. The top 50 cities grew by close to 10 percent during the 1990s – compared to a gain of 6 percent in the 1980s and, incredibly a loss of population in the 1970s.

Atlanta, Chicago, Denver, and Memphis literally "turned around" by converting a 1980s population loss into a 1990s population gain.

Immigrants are fueling population growth in cities and, in the process, renovating housing, revitalizing neighborhoods and spurring entrepreneurial activity. The Hispanic population in the top 100 cities grew by 43 percent during the 1990s, or 3.8 million people. The Asian population in the top 100 cities grew by 40 percent during the 1990s, or 1.1 million people.

With the decline in crime, young people – most of whom grew up in suburbs – are highly motivated to experiment with urban lifestyles popularized on television shows like "Seinfeld," "Sex and the City," and "Friends."

Beyond demographics, cities have gained a strong footing in the "Ideas Economy." Some 60 percent of the jobs in America's cities fit squarely into "new economy" categories compared to only 40 percent in suburban communities.

Other signs of urban resurgence abound:

- Poverty rates declined in cities during the 1990s;

- The number of people living in high poverty neighborhoods – and the number of high poverty neighborhoods – declined precipitously during the past decade;

- Homeownership went up…jobs grew…unemployment fell…incomes increased…the numbers of minority and women owned businesses soared.

The resurgence of American cities, of course, is not complete. Cities still house disproportionate shares of low-income families; among large cities, the city poverty rate is more than double the suburban poverty rate. Just over half of the households who have “worst case housing needs” (those who pay more than 50 percent of their income for rent or live in substandard housing) reside in central cities.

The concentration of poverty is partly a result of the concentration of low-rent housing, subsidized and otherwise. Central cities remain the primary source of affordable rental housing within most metropolitan regions. Nationally, 45 percent of all renters and two thirds of poor renters live in central-city jurisdictions.

The resurgence of American cities is also uneven. American cities are not monolithic. For every Charlotte experiencing 37 percent growth in city population, there is a Cincinnati experiencing a 9 percent loss. For every Phoenix experiencing 25 percent growth in residents who are married with children, there is a Philadelphia experiencing a 14 percent decline in this critical group.

Even a casual visit to Hartford or St. Louis or Camden reminds us of the devastating impact of decades of persistent poverty and institutionalized racism.

Along these lines, Brookings recently commissioned a review of the economic and social performance of 302 U.S. cities and found that 65 of these communities, mostly in the Northeast and the Midwest, are still struggling to make a successful transition from a manufacturing-based economy to a knowledge-based one. While these “weak market cities” have pockets of real estate appreciation and revitalization, on they whole they remain beset by slow (or negative) employment and business growth, low incomes, high unemployment, diminishing tax bases, and concentrated poverty – remnants of five decades of globalization and technological change.

Finally, the resurgence of American cities is fragile and greatly affected by the ebbs and flows of national economic fortune. Recent census information shows that numerous cities that experienced population growth in the 1990s (e.g., Chicago, Boston, San Francisco) have since lost population. In some cities, this sudden shift in city population trends could reflect the rapid appreciation in city housing prices; in other cities, it might be a sign of regional economic weakness. In any event, this recent information reminds us that the resurgence of American cities is not a foregone conclusion.

Now my final point: the profound demographic, economic, and spatial change in the United States demands that we design and embrace a new, unified, competitive vision for transportation and housing policy.

This vision must be rooted in the empirical reality of a changing nation and a globalizing economy.

It must be grounded in what we know about the relationship of infrastructure and housing to community building and economic prosperity.

It must be respectful of the wide variance in population and economic growth between disparate parts of our nation.

And it must help shape growth patterns that are economically efficient, fiscally responsible and environmentally sustainable.

A federal reform agenda should have five principal goals:

First, federal transportation and housing policy should promote the economic performance and efficiency… and environmental sustainability…of metropolitan areas.

As discussed above, metropolitan areas are now the competitive units in the global economy. The economies of these metropolitan areas, particularly in international gateways like Seattle, Chicago, New York, Atlanta and Boston, are now literally choking on congestion, suffering from uneven growth patterns and a spatial mismatch between where jobs are growing and where affordable housing is located.

Traffic congestion has become a way of life in nearly every major metropolitan area. The latest data from the Texas Transportation Institute shows that traffic congestion continues to get worse. The annual delay per rush hour traveler has grown to 47 hours from just 16 in 1982. There are now 51 metropolitan areas where that figure is more than 20 hours. There were only 5 of these metropolitan areas in 1982.

The reasons for why we are all stuck in traffic are easy to recite.

With population growth, there are a lot of cars on the road. According to Federal Highway Administration statistics, there were about 232 million cars and trucks in the U.S. in 2003, about 17 percent more than just ten years prior.

With the restructuring of the economy, there are also a lot of trucks on the road. According to the U.S. Department of Transportation, truck traffic makes up more than 30 percent of the traffic on some portions of the Interstate System. Since 1980, the number of truck miles has doubled, and is expected to continue to grow substantially over the next 20 years.

Yet congestion is not just the price of population growth and economic restructuring. Our settlement patterns – sprawling metropolitan areas where residential communities are separated from commercial, retail and industrial areas – contribute substantially to congestion. In all metropolitan areas, the new geography of work is transforming our daily commuting patterns. The highest share of metropolitan commutes now begins and ends within suburbs. Nearly 40 percent of metropolitan commutes are suburb-to-suburb, while just over a quarter of commutes are within cities, and only 17 percent are the traditional suburb-to-center city route.

The location of affordable housing also plays an important role. Since the supply of affordable housing in limited in scale and often confined either to central cities and older suburbs or jurisdictions at the periphery, many low wage workers live far from educational and employment opportunities and are forced to travel long distances to their place and employment.

The dispersed and decentralized shape of our metropolitan areas dictates that we drive our cars further and more often that ever – to get to work and to carry out the other necessities of daily living.

The number of vehicle miles traveled increased by a whopping 30 percent from 1993 to 2005, mostly due to the dramatic increase in truck traffic. And the amount of gasoline consumed increased by 23 percent. Americans now report that they spend over 62 minutes each day in a car. That's up from just 49 minutes in 1990 – a 27 percent increase.

The price of congestion – and the distended nature of our metropolitan life – is exceedingly high. Factoring in wasted fuel, metropolitan congestion is now costing Americans about $63.1 billion each year, up from about $10 billion in 1982, or nearly 0.7 percent of the nation's gross domestic product. In individual metros, the consequences of increased business costs, lost revenue, and lost productivity is creating a drag on economic growth and job creation. The New York metro alone estimates a net loss in regional economic output of up to $4 billion annually.

The imbalance between jobs and housing also places enormous stresses on a region's employers by limiting the pool of workers who can live within a reasonable commuting distance.

The impact on families is particularly acute. Transportation is now the second largest expense for most American households, consuming on average 19 cents out of every dollar. Only housing-related costs eat up a larger chunk of expenditures (33 cents), with food a distant third (13 cents).

The cost of transportation relates directly to housing affordability: a Center for Housing Policy report found that for every dollar a working family saves on housing by moving into less urban areas, they end up spending 77 cents more on transportation. Once an individual's commute has surpassed 12-15 miles, the increase in transportation costs usually outweighs the savings on housing.

And the environmental costs are felt across the globe. As traffic congestion increases, air quality worsens. Moreover, the vast quantities of fossil fuels that Americans consume just to drive from place to place are contributing to global warming and climate change through the emission of carbon dioxide and other greenhouse gases. According to the United States Energy Information Administration, Americans account for around one quarter of worldwide greenhouse gas emissions, with the transportation sector representing the single largest end-use source of emissions.

Promoting economic efficiency and environmental sustainability will require major shifts in federal transportation and housing policy. It is clear that we will not build our way out of congestion. The emphasis must now shift to a series of other priorities:

> Maintaining and preserving the existing highway system, which serves a preponderance of the population and where substantial investment has already been made;
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> Filling the gaps in the current system by connecting the modes and, in a limited number of circumstances, connecting suburban areas; and
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> Mitigating congestion (or slowing the rise in congestion) through tolling, other market mechanisms, and ample investment in technology.

Yet promoting metropolitan economic efficiency and environmental sustainability cannot be just about improving highways:

> As commuting patterns and labor markets have become more complex, the federal government must promote new, bold visions for the role of transit in affecting the location of future residential and commercial development;
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> As the economy has become more global, the federal government must designate multimodal strategic freight nodes and corridors that encompass ports, airports, key rail yards, warehouse centers, connecting and arterial roads, rail lines and waterways; and
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> As the relationship between physical growth and economic and environmental objectives becomes more salient, the federal government must use housing policy … and the location of affordable housing in particular … to open up opportunities for working families of modest means and drive new development patterns that reduce dependence on the car and the demand for lengthy automobile trips.

Second, federal transportation and housing policy must expand choices for a changing nation.

It is clear that current transportation and housing policies deny choices to tens of millions of Americans.

Despite some advances in ISTEA and successor transportation laws, federal transportation policy continues to favor road projects over all other transportation alternatives, and even continues to favor the expansion of road capacity at the fringe of metropolitan areas and beyond, extending the size of metropolitan areas and complicating the daily commutes and lives of tens of millions of Americans.

Federal housing policy, by contrast, continues to favor the concentration of affordable housing in central cities. Until recently, federal public housing catered almost exclusively to the very poor by housing them in special units concentrated in isolated neighborhoods. Even newer federal efforts – for example, the low-income housing tax credit program – are generally targeted to areas of distress and poverty, not to areas of growing employment. We now know that concentrating poor families in a few square blocks undermines almost every other program designed to aid the poor – making it harder for the poor to find jobs and placing extraordinary burdens on the schools and teachers that serve poor children.

The effect of all these policies: they lower the costs – to individuals and firms – of living and working outside or on the outer fringes of our metro regions, while increasing the costs of living and working in the core. They push investment out of high-tax, low-service urban areas and into low-tax, high-service favored suburban quarters, while concentrating poverty in the central city core. And they deny choices to people and firms, whose preferences are changing markedly in this country.

So where should federal transportation and housing policies head?

As described above, a new federal transportation agenda must be more balanced and flexible, providing metropolitan areas with the predictability of resources required for long term planning and the flexibility necessary to tailor transportation solutions to individual markets. Federal law should treat highway and transit projects equally in terms of financing and regulatory oversight. New resources, including tax credits, should be made available to stimulate development around existing light rail and other rail projects. At the same time, transportation reform should encourage greater use of market mechanisms – such as tolls and value pricing – to ease congestion on major thoroughfares at peak traffic times. London's recent experimentation with congestion pricing, in particular, offers lessons for large American cities and metropolitan areas.

At the same time, a new federal housing agenda must expand housing opportunities for moderate- and middle-class families in cities and close-in suburbs while creating more affordable, "workforce" housing near job centers. Ideally, federal policies should help regional elected leaders balance their housing markets through zoning changes, subsidies and tax incentives so that all families – both middle class and low income – have more choice about where they live and how to be closer to quality jobs and good schools.

To enhance housing choice, the federal government should invest more substantially in vouchers. A national goal of a million more vouchers over the next decade sets an ambitious, but achievable, target. Vouchers have consistently proven to be the most cost effective and market-oriented of federal housing programs and, more than any other housing program, enable low-income parents to base their housing decisions on the performance of local schools.

The federal government should also make it easier to allocate low income housing tax credits to areas of growing employment, not only to areas of distress and poverty. And existing funds should be invested in creating a network of regional housing corporations to develop and preserve affordable housing in suburban areas. A national network of regional housing corporations can build on the achievements of community development corporations, many of which can naturally graduate to operate at the metropolitan level.

Third federal transport and housing policy must help cities realize the full economic and fiscal potential of their physical assets…and help suburbs grow in more livable and sustainable ways.

As discussed above, cities matter again given the shift towards knowledge and innovation in our economy. Yet the current patterns of infrastructure – freeways that carve up neighborhoods, interstates that prevent access to valuable waterfront or downtown property – undermine cities, particularly industrial cities that are struggling to transition to the next economy. And the over-concentration of affordable rental housing chokes off private sector investment as well as strands low-wage and minority workers far from good schools and quality jobs.

Yet more and more cities are beginning to recognize the passive and active recreational value of waterfronts, as well as their attractiveness to developers interested in generating new mixed-use urban environments. Such projects add commercial and residential development of mixed types, by taking advantage of the unique features downtown (e.g. the river, entertainment venues, etc.)

In recent years, cities like Boston, Akron, and Portland have taken steps to tear down freeways that have long scarred the urban landscape. Milwaukee, for example, used federal money to take down a little-used spur of the never-completed Park East Freeway to reclaim 11 blocks of downtown land.

Cities have also, armed with federal HOPE VI investments, transformed the worst public housing in the country; since the mid 1990s dozens of projects have been demolished and remade as economically integrated communities of choice and connection.

To enable cities to thrive, the federal government must actively help cities realize the economic potential of their physical landscape. The federal government should identify those portions of the interstate system that, because of employment and residential decentralization, no longer serve central transportation goals and are capable of being decommissioned. A transformational infrastructure effort, similar to HOPE VI, should be initiated and targeted to economically struggling cities.

The federal government should also continue its efforts to demolish and redevelop distressed public housing and promote economic integration in federally assisted housing. The successful HOPE VI program should be renewed for another decade of investment and its reach should be extended beyond public housing to distressed housing projects financed by the federal government. The federal government should also make it easier in all housing programs to serve families with a broader range of incomes, particularly in neighborhoods with high concentrations of poverty.

As for suburbs, a cores and corridors approach is needed to at once create corridors of activity particularly along aging commercial strips that have seen investment and activity bypass them out to the suburban fringe, and to focus growth in cores that can actually support high quality transit.

Such holistic investments will not only go a long way to mitigating the growth in traffic congestion, it will have a transformative effect on local communities that have too long tried to go it alone.

The federal government can help suburbs achieve this new vision, by providing incentives for smart state policies and enabling laws that span municipalities like overlay districts, corridor planning, and transit districts.

The federal government can also support suburban vitality by overhauling federal housing policies to avoid concentration of subsidized housing in struggling older suburbs and expand housing choice in newer, employment rich areas of opportunity.

Fourth, transportation and housing policy must reflect the primacy of metropolitan areas and align the governance of federal programs to the geography of regional economies, commuting patterns, and social reality.

Despite some efforts to devolve greater responsibility for planning and implementation to metropolitan planning organizations (MPOs) in the 1990s, federal law largely empowers state departments of transportation to make most transportation decisions. These powerful bureaucracies are principally the domain of traffic engineers and continue to allocate transportation funds in ways that work against the interests and needs of metropolitan areas. Incredibly, metropolitan areas make decisions on only about 10 cents of every dollar they generate even though the bulk of funds for transportation programs are raised in metropolitan areas and the fact that local governments within metropolitan areas own and maintain the vast majority of the transportation infrastructure.

The governance of federal housing programs is arguably even more misaligned, with power and responsibility provided to either state governments or parochial local governments or authorities. Despite the metropolitan nature of residential markets, the federal government has devolved responsibility for the administration of housing voucher programs to thousands of local public housing authorities. The Detroit metropolitan area, for example, has more than 30 separate public housing authorities, greatly limiting the residential mobility of poor families. The hyper-fragmentation of governance makes it difficult for low-income recipients to know about suburban housing vacancies, let alone exercise choice in the metropolitan marketplace.

The federal government should continue to expand the responsibility and capacity of metropolitan planning organizations in both the transportation and housing arenas. These institutions are, after all, in the best position to integrate transportation decisions with local and regional decisions on land use, housing and economic development. These institutions are also more representative of citizen and business interests than specialized transportation or housing agencies because they are generally governed by elected representatives from city and county governments.

Marge Turner and I recommend in a separate paper, released today by Brookings, that existing MPOs should receive federal funding (and technical assistance) to prepare regional housing strategies that complement the regional transportation plans already mandated by federal law. This requirement would begin the process of linking regional housing and transportation and could encourage some metropolitan regions to begin addressing regulatory barriers and other rental housing supply constraints.

Over time, we would go further and require that regional housing strategies ensure that all communities in a metropolitan area, including the prosperous ones, participate in the production of housing for families with a broad range of incomes. Within this new regional planning framework, cities and urban counties would continue to receive HOME and CDBG, but would be required to implement housing programs in ways that further and are consistent with regional housing strategies. MPOs would have the authority to certify compliance, and cities and counties that were found in non-compliance with these metropolitan strategies would be given a designated period of time to correct the identified deficiencies. Failing that, the jurisdictions would no longer be eligible to receive either federal housing production funds or federal transportation resources.

Marge and I also recommend that the federal government shift governance of the housing voucher program to the metropolitan level. Our vision is that competitions would be held in dozens of metropolitan areas to determine what kind of entity -- public, for-profit, nonprofit or combination thereof – is best suited to administer the program. Perhaps the Appropriations Subcommittee could act this year to test out this idea in 3 or 5 metropolitan areas.

Finally, federal transportation and housing policy should hold state, metropolitan and local partners to higher standards of managerial efficiency, programmatic effectiveness, and fiscal responsibility.

In recent years, federal transportation and housing programs have been characterized by lax oversight and the absence of an accountability system that rewards places that perform well and punishes places that do not.

To that end, transportation and housing reform should establish a framework for accountability that includes tighter disclosure requirements, improved performance measures, and rewards for exceptional performance.

In the housing arena, for example, Marge Turner and I recommend that a bonus pool of funding should be established to reward states and jurisdictions that achieve national objectives such as systematically removing regulatory barriers, expanding the production of affordable rental housing in areas of low poverty and pursuing metropolitan housing strategies that marry the efforts of cities and suburbs. A similar performance bonus system could be established in transportation programs as well.

In addition, we need to commit our transportation system to transparency in data, information and spending decisions to rebuild trust with the public. We need to have a better sense of where our transportation dollars go. Incredibly, the federal government requires private financial institutions to disclose where they lend but does not require public bureaucracies to disclose where they spend. We desperately need a sunshine law for transportation to better inform decision-making at the state and regional levels. Paralleling other domestic programs, transportation planning and spending decisions should be disclosed in a transparent, accessible, frequent and continuous manner. This spending should be tracked against important indicators such as congestion mitigation, improving public health and air quality, lowering transportation costs, and expanding transportation options.

Reforms should also increase funding for independent, rigorous, and objective research that evaluates the benefits and drawbacks of existing programs and policies, distills replicable innovations, explores the relation between housing, transportation and other areas of domestic policy, and supports the development of next generation financing, location and other mechanisms. Congress could specifically direct the Government Accountability Office to analyze the potential costs savings associated with linking transportation and housing programs in ways that promote more environmentally sensitive, energy efficient and health-enhancing growth patterns.

Conclusion

Let me conclude with these thoughts.

Our nation has changed in dramatic ways in a very short period of time. And it will continue to change. In 2030, fully half of the American built environment will have been constructed since the year 2000.

So the question for the nation is not whether we grow, but how we grow, where we grow and what we grow.

The answers to those questions will have enormous implications for the health of our environment, the quality of our communities and, perhaps most significantly at a time of globalization, the vitality and prosperity of our economy.

I believe that transportation and housing policy will play important roles in shaping the physical landscape and economic and environmental destiny of this nation.

I also believe that transportation and housing policy must change…must change radically…if we are going to build a prosperous, sustainable and inclusive future.

Thank you.