Blueprint for American Prosperity
Unleashing the Potential of a Metropolitan Nation

A Bridge *to Somewhere*

RETHINKING AMERICAN TRANSPORTATION FOR THE 21ST CENTURY

Metropolitan Policy Program
at BROOKINGS

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The Blueprint for American Prosperity

The Blueprint for American Prosperity is a multi-year initiative to promote an economic agenda for the nation that builds on the assets and centrality of America's metropolitan areas. Grounded in empirical research and analysis, the *Blueprint* offers an integrated policy agenda and specific federal reforms designed to give metropolitan areas the tools they need to generate economically productive growth, to build a strong and diverse middle class, and to grow in environmentally sustainable ways. Learn more at **www.blueprintprosperity.org**

The Metropolitan Policy Program Leadership Council

The *Blueprint* initiative is supported and informed by a network of leaders who strive every day to create the kind of healthy and vibrant communities that form the foundation of the U.S. economy. The Metropolitan Policy Program Leadership Council—a bipartisan network of individual, corporate, and philanthropic investors—comes from a broad array of metropolitan areas around the nation. Council members provide us financial support but, more importantly, are true intellectual and strategic partners in the *Blueprint*. While many of these leaders act globally, they retain a commitment to the vitality of their local and regional communities, a rare blend that makes their engagement even more valuable. To learn more about the members of our Leadership Council, please visit **www.blueprintprosperity.org**

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RETHINKING AMERICAN TRANSPORTATION FOR THE 21ST CENTURY

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In an era of declining revenues, of continued transportation problems, and a fiercely competitive global economic environment, American transportation policy should be about more than just dividing the spoils.

EXECUTIVE SUMMARY

In the past, strategic investments in our nation's transportation infrastructure—the railroads in the 19th century, the interstates in the 20th—turbocharged growth and transformed the country. But more recently, America's transportation infrastructure has not kept pace with the growth and evolution of its economy. At the precise time when the nation desperately needs to prioritize its limited investments and resources, the federal transportation program has lost focus.

The time is long past due for a national transportation vision that recognizes America's economic challenges and opportunities and where those challenges and opportunities are located. Specifically, the top 100 metropolitan areas together take up only 12 percent of the land in the United States, but account for 65 percent of our population, 68 percent of jobs and 75 percent of the nation's economic output. This is in part due to their high concentrations of the nation's key economic assets, such as infrastructure. Here, these largest metro areas handle 72 percent of the nation's seaport tonnage, 92 percent of air passengers, and 93 percent of rail travelers. In short, metro areas are the economic engines of the U.S., drawn by the clustering of people, the movement of goods, and the agglomeration of economic activity.

If talented people, quality jobs, innovative firms, advanced universities, planes, trains, and automobiles make the world go round—then metropolitan areas are the axis. They need a strong, deliberate and strategic federal partner (working closely with states and the private sector) to do what is necessary to keep America competitive and sustainable.

In other words, our nation needs a new federal transportation program that keeps pace with today's economic, social, and environmental landscape and helps the U.S. prosper. Yet, the nation's transportation program falls short of this vision.

This report provides a framework for understanding the myriad policy problems that undergird the federal transportation program today and how those structural issues hamper the ways federal, state, and local leaders work together to meet our nation's most critical transportation challenges. ***A Bridge to Somewhere: Rethinking American Transportation for the 21st Century*** then offers the kinds of reforms needed to unleash the economic potential of metropolitan areas and, by extension, the rest of the nation.

AMERICA'S CHALLENGE

Fortunately, interest in improving national transportation policy could not come at a better time. The massive demographic, economic, and social changes underway today present the nation with a complex and, at times, conflicting set of transportation challenges that continue to plague the largest metropolitan areas.

- **A collective "infrastructure epiphany" has arisen about the need to reinvest in America's aging and outdated transportation network.** Only one-third of roads in urban areas are in good condition, transit systems are aging, and tens of thousands of bridges are structurally deficient.
- **The movement of people within and between metropolitan areas has become challenging due to ever-present traffic congestion and unconnected modes.** About half of Americans do not have access to a range of travel options to avoid these delays.
- **The interstate and intermodal movement of goods is projected to get more difficult.** Due to the changing nature of the American economy, congestion in and around the nation's metropolitan ports and other freight corridors is consistently worse than the overall transportation network.
- **There is growing concern about a "perfect storm" of environmental and energy sustainability, and the role transportation plays.** The continued growth in driving is projected to cancel out both the benefits from vehicle efficiency and fuel alternatives. At the same time, the U.S. is still overly dependent upon petroleum-based fuel imported from unstable nations.
- **Finally, a large portion of the American workforce is concerned about the size of household spending on transportation-related items—such as gasoline.** Transportation is now the second largest expense for most American households, consuming on average 20 cents out of every dollar. Only shelter eats up a larger chunk of expenditures, with food a distant third.

The massive demographic, economic, and social changes underway today present the nation with a complex and, at times, conflicting set of transportation challenges.

THE LIMITATIONS OF EXISTING FEDERAL POLICY

The conversations about these critical challenges are taking place in a fiscally-constrained environment that should be the motivating factor and opportunity for real reform. The question of how to pay for transportation—both in the short and long term—is vexing policy makers nationwide. So prevalent is this concern, in fact, it spawned two national commissions, several congressional hearings, and a sustained drumbeat for more funding.

The problem is that while there is a pervasive desire to invest, a growing mountain of evidence and analysis shows that the real challenges facing the network are far more fundamental. In short, the current slate of federal policies—and the lack of clear policy in specific areas—appear to exacerbate the ability for federal, state, and local leaders, with their private sector partners, to meet our competitive and environmental challenges.

Without a vision, goals, purpose, or means for targeting, the U.S. approach to transportation has been to keep throwing money at the problem.

First, for the vast majority of the program the federal government is absent when it should be present. The federal transportation system lacks any overarching vision, goals, or guidance. It is no wonder, then, that the U.S. Government Accountability Office recently referred to transportation as a "cash transfer, general purpose grant program."

Second, as a program with its roots in the 1950's the federal surface transportation program is woefully outdated. Federal transportation policy has only haltingly recognized metropolitan areas' centrality to transportation outcomes, and continues to favor roads over transit and other non-motorized alternatives to traditional highway building.

The third major policy problem is that the lack of a 21st century approach to government means the program is underperforming and failing to maximize efficiencies. Formal benefit/cost analyses are not used and regular evaluations of outcomes are typically not conducted. The tools that are employed today for tracking federal transportation spending and performance data are archaic and out of step with today's needs.

Without a vision, goals, purpose, or means for targeting, the U.S. approach to transportation has been to keep throwing money at the problem. Little attention is being given to managing the demand for revenues, how existing funds are spent and for what purpose, or how these spending decisions affect metropolitan areas.

Taken together, the absent federal leadership in certain areas means that the broad issues that transcend state and metropolitan areas go unaddressed; outdated policies pursued under federal law work against many states and

metropolitan areas' efforts to maintain modern and integrated transportation networks; and underperforming grantees means the transportation program has little ability to strongly shape economic competitiveness, environmental quality, and the nation's quality of life.

A NEW FEDERAL APPROACH

If our transportation policy is going to achieve critical national objectives in an era of fiscal constraints it is going to need to focus and prioritize.

Yet the national goal should not be a transportation goal, nor should it be to deliver transportation projects faster. Transportation is a means to an end, not the end itself. The nation should settle for nothing less than evidence-based, values-driven decisionmaking. This means the development of a three-pronged strategy for our national transportation program:

1. The federal government must LEAD in those areas where there are clear demands for national uniformity or else to match the scale or geographic reach of certain problems. There are several core steps that the federal government can take here:

- ***The U.S. needs to define, design, and embrace a new, unified, competitive vision for transportation policy—its purpose, its mission, its overarching rationale.*** The focus should be on investing in infrastructure that supports the competitiveness and environmental sustainability of the nation, rather than on funding individual states or singular needs.
- ***Congress should authorize a permanent, independent commission—the Strategic Transportation Investments Commission (STIC)—to prioritize federal investments.***

The Strategic Transportation Investments Commission would develop a national priority map that would become the basis of a multi-year federally driven program prioritized on a cost-benefit basis taking into account multimodal interactions.

The identification of these important federal investments should be based on the overarching vision and goals set above.

The charge of this commission is more limited than that proposed by the National Surface Transportation Policy and Revenue Study Commission in 2008. Instead of focusing on all specific investments and projects that use federal money, the STIC would focus on three specific program areas of national importance: the preservation and maintenance of the interstate highway system, the development of a true national intermodal freight agenda, and a comprehensive national plan for inter-metro area passenger travel.

In this regard, the STIC should evaluate proposals for expansion of the interstates competitively and federal funds should be directed to projects where there is a clear demonstration that they will return value for money, the same it currently is for transit projects. To ensure the efficient inter-metropolitan movement of people and goods, the STIC must identify gateways and corridors of national significance. Prime candidates are the congested ports in the largest metropolitan areas and those corridors that connect large places less than 500 miles apart.

These investments would be subject to benefit/cost analysis and outcome measures that go beyond traditional metrics like number of passengers or cost effectiveness and consider energy and environment, access and social benefits, land use and others.

2. The federal government should EMPOWER states and metropolitan areas to grow in competitive, inclusive, and sustainable ways. With the federal government focused on areas of national concern, there are other aspects of transportation policy where metropolitan areas should lead.

This means moving to a tripartite division of labor: (a) the STIC recommending major national transportation expansions and investments; (b) the states retaining the primary role on most decisionmaking and in small and medium sized metropolitan areas; (c) the major metropolitan areas are given more direct funding and project selection authority through a new Metropolitan Empowerment Program (METRO). The availability of these METRO funds not only provides financing for vital local projects but also encourages local officials to get involved in the transportation decisionmaking for their region.

But the realignment of responsibilities also means the federal government needs to go beyond funding and give metro areas the critical tools and flexibilities to lead. For instance:

- ***It needs to embrace market mechanisms and establish a national policy for metropolitan road pricing to allow for better management of the metropolitan network.***
- ***The federal government should also pursue a strategy of "modality neutrality."*** Transportation policy should enable metro areas to meet their goals on economic competitiveness, environmental sustainability, and/or equity by the best means available, rather than be constrained by rules governing a particular mode (e.g., highway, transit, bike/pedestrian, air).
- ***Lastly, the federal government needs to assist states and metropolitan areas in developing truly integrated transportation, land use, and economic development plans to serve the projected growth over the next several decades.*** Sustainability Challenge Contracts should be awarded to entice states and metropolitan areas to devise their own visions for coping with congestion and greenhouse gas emissions across transportation, housing, land use, economic development and energy policies.

3. The federal government should OPTIMIZE Washington's own performance and that of its partners to maximize metropolitan prosperity. In order to rebuild the public trust, the rationale for the federal program should be abundantly clear to the American people and to which a tangible set of outcomes must be explicitly tied.

While no simple analytical tool can provide all the answers, in this era of fiscal austerity the federal government should take steps to ensure grantees apply rigorous benefit/cost analyses to any project that uses federal funds. High performing federal grantees could be given

relief from regulatory and administrative requirements in order to accelerate project delivery where appropriate. By the same token, intervention strategies for consistent low performers should be considered. Recognizing the political hurdles in linking funding to outcomes, performance, and accountability, states should be allowed to opt-out of the revamped federal transportation program and forgo their allocation of federal trust fund revenues.

Another idea is to revamp existing formulas so federal funds are not distributed based on factors that potentially increase greenhouse gas emissions, on overly simplistic equity provisions, or on the basis of earmarking. Yet in order to commit to an evidence-based program, a major overhaul is needed in how the federal government collects, assembles, and provides data and information. We desperately need a sunshine law for transportation data to better inform decisionmaking at the state and metropolitan levels and to regain the credibility of the public.

The challenge is to take transportation out of its box in order to ensure the health, vitality, and sustainability of our metropolitan areas.

A frank and vigorous conversation about transportation finance should only come *after* these accountability and performance measures are put in place. To meet the challenges of the future while also ensuring financial revenues will be available, all options toward re-invigorating transportation funding should be on the table:

FIRST, to fund the projects of national significance identified by the STIC the federal government should act as a guarantor of debt and create a National Infrastructure Corporation that would sell bonds to private investors who would take this interest income in the form of credits against federal income tax liability. SECOND, to empower states and metropolitan areas the federal fuel tax should be raised while recognizing the nation should not be tethered long term to the fuel tax for transportation revenues. THIRD, the federal government should also provide strong incentives for the adoption of market mechanisms like congestion pricing, true guidance on the use of public/private partnerships, as well as the expansion of a range of user fees.

These ideas about finance and revenue sources should not preclude a comprehensive and inclusive discussion about transportation—a discussion that includes accountability, overall intent, and connection to broader goals of economic growth and personal mobility.

We must recognize that we are on the cusp of a new wave of transportation policy. The infrastructure challenge of President Eisenhower's 1950s was to build out our nation and connect within. For Senator Moynihan and his colleagues in the 1980s and 1990s it was to modernize the program and better connect roads, transit, rail, air, and other modes. Today, the challenge is to take transportation out of its box in order to ensure the health, vitality, and sustainability of our metropolitan areas.