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Transportation Reauthorization Options

A virtual who's who of transportation associations and interest groups is calling for an entirely new federal approach in the next long-term transportation bill.

A NEW LONG-TERM federal transportation spending bill is being developed this spring, and among top industry associations, business organizations, and policy experts there is nearly universal agreement that the United States needs to rethink and reform the way it allocates and spends its surface transportation dollars.

Already a consensus is emerging from nearly a dozen reports and proposals that this transformation should at least include a substantially increased federal funding commitment; a higher gasoline tax; prioritization of road and bridge maintenance; enhancement of freight corridors; and promotion of the next-generation mode of cross-country travel, high-speed passenger rail.

But this legislative effort faces several daunting hurdles, including settling on a clear purpose and motivation for increasing federal funding; connecting transportation policies to President Obama's energy conservation goals; and, finally, getting Congress to agree on such an important, trendsetting bill by the time current transportation funding expires at the end of September.

All this is important to the real estate industry because, historically, federal transportation policies have shaped metropolitan development patterns, from sprawling suburbs near interstate highways to walkable commercial nodes around modern light-rail stations. In addition, transportation infrastructure is increasingly viewed as a key driver of economic growth because it is vital to the service, manufacturing, and retail sectors that account for more than half the U.S. gross domestic product. As noted by the U.S. Chamber of Commerce in a recent report, "Without proper infrastructure investment, our nation's economic stability, potential for job growth, and competitiveness are threatened."

The nation's transportation system and its funding appear to be at a crossroads. So many roads and bridges are crumbling and structurally deficient that the American Society of Civil Engineers (ASCE) gave U.S. infrastructure a grade of D in a report card earlier this year. The Highway Trust Fund, the federal government's primary source of funding, is on pace to run out of money next year. In addition, traffic congestion has more than doubled in the nation's largest metropolitan areas in the past two decades, according to the Texas Transportation Institute's annual reports.

As a result, "not only do we have a system that's broke, but a system that's *broken*," asserts Robert Puentes, director of the metropolitan infrastructure initiative at the Brookings Institution think tank in Washington, D.C. Adds Thomas Murphy, a senior fellow in urban development at the Urban Land Institute and former mayor of Pittsburgh, "Fundamental reform is critical not only to improving the performance of the system, but also to achieving our energy and climate goals."

Part of the blame for the system's failures is directed at the existing surface transportation spending bill, known as SAFETEA-LU—Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. (Aviation has its own federal spending bill.) While SAFETEA-LU increased the overall funding level

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somewhat, it was seen as laden with pork-barrel projects and lacking any grand strategy to tackle emerging transportation issues—from the growing interest in mass transit to the mounting desire to reduce carbon emissions. Overall, the U.S. Government Accountability Office concluded, "The current federal approach to addressing the nation's surface transportation problems is not working well."

As a result, a virtual who's who of transportation associations and interest groups is calling for an entirely new federal approach in the next long-term transportation bill. "Everyone's calling it authorization rather than reauthorization because we'd like to see it restructured and start from scratch," says Linda Bohlinger, a vice president at transportation design firm HNTB Corp. and an executive committee member of the American Public Transportation Association (APTA), one of the organizations suggesting a new course for transportation policy.

Other organizations seeking change include the American Association of State Highway and Transportation Officials (AASHTO), the American Road & Transportation Builders Association (ARTBA), two national commissions created by Congress, a smart-growth coalition called Transportation for America, and a bipartisan political coalition known as Building America's Future, created by California Governor Arnold Schwarzenegger, Pennsylvania Governor Edward Rendell, and New York City Mayor Michael Bloomberg. ULI launched its own initiative for 2009, the ULI National Transportation Policy Dialogue, consisting of a series of workshops and other programs on the nation's direction on transportation.

Though most groups want a new transportation bill in place by the time SAFETEA-LU expires at the end of September, most observers doubt that will happen. For one thing, SAFETEA-LU, as conventional as it was, still took two extra years to pass after its predecessor expired. For another thing, Congress's attention has been diverted so far this year by the economic stimulus package and the banking crisis. "It's pretty likely the new bill will not get done by the time [SAFETEA-LU] expires," maintains Jeffrey Boothe, a transportation lobbyist at Holland & Knight in Washington, D.C.

Nevertheless, U.S. Rep. James Oberstar (D-MN), chairman of the House Transportation and Infrastructure Committee, has indicated that his goal was to have a bill ready for the House floor by the end of May.

In anticipation of this upcoming congressional debate, transportation associations, interest groups, and national commissions have published their own policy positions and proposals. In a sign of how united the transportation industry is, these plans show there is plenty of consensus on what form the new bill should take. This consensus includes the following:

▷ **Raise the gasoline tax.** The current 18.4-cents-per-gallon federal gasoline tax generates almost 90 percent of the revenues for the Highway Trust Fund, but the tax has not been raised since 1993, and it is not indexed to increase with inflation. With the Congressional Budget Office predicting a deficit in the trust fund next year, there is a unified front in the transportation industry to raise the tax. The only debate is whether the Obama Administration will go along with it.

The most common suggestion is a 10-cent increase, which comes from officials at AASHTO, ARTBA, the Associated General Contractors of America, and the National Surface Transportation Infrastructure Financing Commission, one of two blue-ribbon panels created by Congress to study transportation funding. Plus, these groups believe that once the gas tax is bumped up, it also should automatically climb each year to keep up with inflation.

The political likelihood of a large hike is difficult to gauge. The last time Congress raised the gas tax, it only rose 4 cents. Already, the 10-cent increase has come under attack politically. After a February speech, Transportation Secretary Ray LaHood told reporters, "In a recession, when people are out of work, . . . the last thing any politician is going to talk about is raising taxes. I'm not for it [and] the Administration is not for it." Yet, plenty of politicians in Congress are, including Oberstar. Even some Republican resistance has melted away. As Senator Christopher Dodd (D-CT) pointed out in a recent speech, "Today, even fiscal conservatives, from senators Dick Lugar and George Voinovich to the U.S. Chamber of Commerce, support raising the gas tax in some way."

▷ **Dramatically boost federal transportation spending.** Some transportation advocates have called for basically doubling the government's current commitment. AASHTO recommended $544.5 billion over six years, a 90 percent jump over SAFETEA-LU's $286.4 billion. APTA wants $123 billion in the bill for transit, more than double SAFETEA-LU's $52.6 billion.

A doubling of the federal commitment would be unprecedented. The last two transportation reauthorizations only increased funding 10 to 15 percent, after adjusting for inflation. Yet, a bigger boost does have some political traction this year. Oberstar and U.S. Rep. John Mica (R-FL), the House transportation committee's ranking Republican, have both suggested that the next transportation bill would reach the $500 billion level, which would represent a 57 percent jump over SAFETEA-LU after adjusting for inflation. In addition, many groups point out that any increased spending should be accompanied by stronger accountability and performance measures.

▷ **Prioritize road, bridge, and transit maintenance.** No matter what the next long-term transportation bill authorizes, it will not be nearly enough to meet the nation's road and bridge repair needs. Earlier this year, ASCE estimated those needs to be $2.2 trillion. Still, almost all the transportation associations and interest groups favor giving maintenance the largest slice of any new overall funding pie. They also favor giving metropolitan areas more flexibility in targeting their federal funding. "A collective 'infrastructure epiphany' has arisen about the need to reinvest in America's aging and outdated transportation network," the Brookings Institution proclaimed recently.

▷ **Facilitate freight movement.** Container imports from foreign countries nearly doubled between 2000 and 2007, according to the U.S. Department of Transportation, and those growing volumes of freight increasingly choke the country's highways, rails, and waterways. ARTBA describes this bottleneck as a "freight tsunami," and several transportation organizations are calling for a new national program to build and expand road, rail, and port infrastructure in targeted freight corridors, paid for by user fees levied on freight shipments.

▷ **Establish high-speed passenger rail.** Fast intercity rail is "a crucial missing link" in America's travel options, according to the National Surface Transportation Policy and Revenue Study Commission, the second blue-ribbon panel created by Congress to study transportation funding. Planning for a national network of 100-mile-per-hour (160 kmph) trains has already begun, and California has approved seed money for such a system. The beginning of a federal capital pro-

What to Include in the Next Transportation Bill

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gram was included in February's economic stimulus package, and the Obama Administration's first budget included a little more. But a number of transportation groups want that augmented in the next transportation bill.

On these five major issues, widespread consensus exists in the transportation community. But numerous other issues remain unresolved. Transportation associations and interest groups basically agree on some additional goals needed in the new federal bill, but not on how to achieve them. These challenges include the following:

▷ **How to sell a big-dollar, reform-oriented transportation bill to the public.** To many transportation advocates, the new bill needs to have an identity, an image, and a clear purpose that resonates with Congress and the American public. Plenty of worthy causes exist—fixing what is broken, reducing congestion, and curbing greenhouse gases, among others—but no single message or combination of causes has yet caught on.

▷ **How to coordinate transportation investments with smart-growth policies**. Sustainability is beyond the buzzword stage. One of its supporters now occupies the White House, bringing prominent leadership to efforts to reduce carbon emissions and promote efficient land development. But different transportation groups have different ideas about turning those concepts into policies. One organization promotes "complete streets" with bicycle lanes, while another wants economic development considerations included in transit approval criteria, and so on. ULI, too, has set its sights on creating stronger links between transportation investments and land use. "Making this connection is critical to achieving energy independence and creating more sustainable communities," says ULI's Murphy.

▷ **How to make the transition from the gas tax to other funding sources.** While there is consensus on raising the gas tax, there is also an understanding that the United States can no longer depend as much on that tax. More money requires more sources for revenue. So far, most new sources under discussion involve user fees. Both national study commissions and AASHTO are pushing consideration of a vehicle-miles tax, based on how much people drive rather than on how much gasoline they consume. Other ideas include congestion pricing—tolls that rise during rush hour—and even leasing highways in public/private partnerships. The new transportation secretary has indicated his support for such creative funding approaches, but President Obama has already rejected the creation of vehicle-miles tax. For its part, ULI believes that new pricing and revenue-generating mechanisms should help promote compact land use objectives.

Overall, the agenda for the next transportation bill is long, spanning everything from raising taxes to streamlining the U.S. Transportation Department's 100-plus program offerings. In the end, transportation advocates hope the bill turns out to be landmark legislation, allowing the United States to seriously address its pressing current needs while also establishing the foundation for a 21st century of bold, new investments. UL

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