



BIPARTISAN POLICY CENTER

Challenges for Infrastructure Investments to Support Sustainable Growth

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“Transportation Infrastructure and Sustainability”

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Topics

- **Reflections on How Policies Could Support Sustainable Economic and Environmental Growth**
- **Ways in Which Current Federal Transportation Policies Impact Sustainable Growth**
- **Breakdown of Political Process – Absence of Self-Correcting Measures**
- **BPC's Vision of Essential Program Reforms**
- **Prospects for National Infrastructure Policies to Support Sustainable Growth**

Reflections on How Policies Could Support Sustainable Economic and Environmental Growth

- First, they would set out to do so
 - Economic, environmental and other outcomes would be defined
 - Programs would incentivize specified outcomes
 - Feedback loops would refine program
- “Program” would be comprehensive and inclusive
 - Multi-sector
 - Multimodal
 - Multi-dimensional
- There would be a clear and cohesive alignment of relative roles of different levels of government as well as the private sector

How Current Transportation Policies Impact Sustainable Growth (Supply and Demand) for Surface Transportation

- Ways Policies affect Supply
- Ways Policies affect Demand
- Flaws in Current System Generating Perverse Effects and Distortion of Market

Policies Affecting SUPPLY

- Grant structure/share → substitution; $S \downarrow$
- Politically driven formula/distribution of funds
 - $S \uparrow$ where D less
 - $S \downarrow$ where D higher
- Urban/suburban/exurban development (fueled by underpriced system) → $S \uparrow$ to support dispersed land use
- Absence of life cycle cost focus and bias towards construction over maintenance → $S \uparrow$ but without focus on sustainability of system

Policies Affecting DEMAND (beyond inherent market factors like population, trade)

- Weak link of gas tax to costs imposed; grant structure, pricing restrictions → underpriced system which → $D \uparrow$
- Social and environmental costs obscured from system users → $D \uparrow$
- Federal dollars and high federal match created moral hazard → $D \uparrow$ by both system owners and users (when costs seen as borne by others)

Key Flaws in Current System Generating Perverse Effects and Distortion of Market

- Outdated formulas
- Extensive earmarking
- Absence of federal goals/interests/priorities
- De factor block grant effect of program
- Modal stove-pipes; planning and process inefficiencies
- Lack of performance or accountability

Breakdown of Political Process – Absence of Self-Correcting Measures

- No post Interstate vision/national interests
- Dominance of Donor-donee battles in authorization debates
- No wake up call for federal program with bridge collapse; bankruptcy of Trust Fund, evidence of decaying infrastructure/long deferred maintenance
- Repeated unsustainable GF transfers in face of Trust Fund bankruptcy
- No urgency to respond to economic losses associated with declining system performance

BPC's vision of core program reforms to embed incentives for performance and accountability

Comprehensive restructuring of federal program to focus on **advancement of defined national goals/interests and outcomes**

Economic growth, Energy and environmental sustainability, & Safety

Structure **consolidated federal program** around five new programs

3 formula programs for preservation & performance of all modes

2 competitive, mode-inclusive programs for expanding and improving performance of system

Introduce performance into formulas and new Bonus Program for progress toward applying performance metrics for full suite of national interests

Base competitive programs on efforts and results in optimizing advancement of suite of performance metrics

Provide **bonus planning funds** for state and MPO efforts to develop comprehensive regional strategies applying outcome-oriented performance metrics

Key Elements of a Sustainable Funding Approach

- Sustainable revenue levels to support target program level; automatic adjustment with inflation and costs
- Revised program structure to weaken moral hazard and substitution effects of federal funding
- New investment decision making models to advance national interests and “value for money”
- Robust federal financial support and incentives for states & locals to implement sustainable funding sources
- Promote, advance and facilitate direct use pricing – optimizing system use and expansion
- Promotion of variable pricing so users will internalize environmental and congestion costs

Unsustainable Path - Is There a Rational Way Out?

- Leaders and Members must recognize the status quo presents high risks to economy, individuals, and even Members.
- Broader acknowledgement among stakeholders and advocates that political consensus is not possible on either “big” new bill or devolution until 2012.
- Build compelling case for implementing core reforms to **make the most effective use of existing resources of approximately \$40billion/year (or ANY amount).**
 - Introduce carefully targeted reforms of formula programs to focus on system preservation
 - Streamline programs and eligibility to focus on highest national priorities
 - Establish competitive program(s) to address critical growth and competitiveness bottlenecks
 - Introduce strategic planning improvements and incentives to support more comprehensive, integrated plans and priorities for outcome-based investment programs
 - Lay developmental background for measuring investment outcomes and exploring a new more equitable and sustainable revenue source

BPC is now preparing an update to our 2009 report to lay out the merits and key elements of such a strategy

But realistically – What are the Prospects for National Infrastructure Policies to Support Sustainable Growth?

Slim to none

- New federal authorization unlikely until after 2012 election
- Zero appetite for increasing **revenue** or scaling program to best utilize available resources
- Historic **user fee foundation** disintegrating; few political advocates for restoring
- Traditional **bipartisan** support for transportation legislation eroding
- National **carbon pricing** off agenda
- Limited interest in cohesive reforms to advance more sustainable investment strategies
- Unfocused calls for “harnessing private capital”, empowering states, and establishing new “banks” while skepticism of tolling and PPPs persist

Extra cautionary notes:

- Path for political consensus at national level at historically low level
- Divisiveness of Administration’s “**livability**” agenda vs. devolutionists
- Persistent misconstruction of **jobs/infrastructure/economic growth** links
- Simplistic calls for increasing “**private investment**”
- Calls for federal “**bank**” with no revenue source and no clear focus on true returns
- Chilling effect of severe mistrust across parties, House and Senate, and Congress and White House

Key Message for Prospects for Sustainable Investment Strategies:

Leadership for the foreseeable future lies with states, local governments, and regions who understand the necessity of sustainable strategies - and exercise the political will to move in that direction.

Thank you