Funding for Sustainable Investment

Prospects and Pitfalls

presented to

UCLA Lake Arrowhead Symposium

presented by
Cambridge Systematics, Inc.
Susan J. Binder, Senior Associate

October 17, 2010

Transportation leadership you can trust.
Different perspective on sustainability

- Predictability and consensus are basic ingredients

- The American people are not willing to pay MORE for more of the same.

- They will value responsible, smart management to achieve improved system performance. Takes leadership to understand the difference.

- At risk is the nation’s productivity and quality of life through congestion, decay of assets, and externalities.

- The Federal program, in combination with system owners and operators at all levels, has the potential to foster effective investments to achieve national goals.
Understanding needed to design a sustainable Federal program

- Understand the Federal legislative environment
- Face the reality of the current funding issues
- Understand the implications of various Federal roles
- Transportation forces at play in the meantime
- Strategically assessing the way forward
- It is much more than “writing the perfect bill.”
Surface Reauthorization is Stalled in Congress

- SAFETEA-LU expired 9/30/09
- Extensions now thru December 2010
- Apply across highway, highway safety, transit programs
- House T&I advanced incomplete bill to subcommittee
- Senate’s multiple committees have yet to release
- Traditional resources dedicated to the Federal Highway Trust Fund are tapped out at even current program levels.
Understanding the Legislative Environment

- Limited sense of urgency by both Congress and Administration. Perception of parochial interests.
- Exception is immediate job creation. ARRA stop-gap confused with overarching system performance.
- Administration acknowledges transportation infrastructure but embraces a piecemeal approach. OJT misleading.
- Uneven appetite for serious multimodal reform. Frustration with system performance seen as regional and threatening to status quo including political benefits.
- Funding challenges exacerbated by weak economy, serious debt and toxic political climate. Transportation as an expense, not an investment.
Complications on Federal Funding Choices

- US system relies on fuel and vehicle excise taxes – user fees – with great yields. Even so, not keeping pace and contrary to energy efficiency.

- Federal focus on capital investment. Now, hardly covers preservation costs. Already cumulative severe investment shortfall at all levels.

- Impossible tradeoffs between preservation and even marginal capacity. Results: delay, unsafe, energy waste.

- Dedicated transportation revenues are basic to outcome-oriented, balanced system performance approach.

- Tax increases are poison. Tolls and more direct user charges are feared.

- Winners and losers mentality: Urban regions versus states versus rural, Modal envy (highway, transit, rail, bike, ped), Among states (donor/donee)
Future Focused Federal Roles Within our Means?

- Use Federal funds for multijurisdictional facilities? Focus on barriers to nationally significant movement?
- Direct transportation investment and operations to serve national policy goals beyond transportation?
- Focus on outcomes by using Federal funds as incentives to optimize the system at national, regional, local levels?
- Tie limited earmarking to integrated modal actions, tool and capacity development.
- OR Fill the state and local funding gap from DC?
Assessing The Way Forward

- Extensions – bit by bit – and make the best out of the existing programs?

- Short-term/interim bill that signals and supports long term shift in policy direction with marginal revenue increases?

- Punt: accept the project level largess of GF year by year? Vulnerable to modal fights that will ensure LR failure.

- Grab a “full term” bill at half of size of SAFTEA-LU that relies on formula Federalism? Leave it to State and local government to try and make up the difference?
The risks of an unsustainable program

- Keep the Pressure On: strategy of “mini-extensions” that keep everything in “limbo,” exhaust and distract

- “Free for All” by Default: revert to annual appropriations model which undermines good planning & execution at the program level

- Mega Project Focus: centralized decision making, where bidding for “extra” dollars further politicizes the transportation function if not paired with predictable flow of funds

- Sacrificing Federalism:
  - Starving industry willing to get “big” money on any terms in the name of short term employment benefits
  - Accountability means micromanaging = putting assets into Federal “receivership”

- It’s the system, stupid: missing the opportunity to focus on national system goals creates devolution by default
How will it play out for the post SAFETEA-LU cycle?

Funding Realities

vs.

Program Reform

Is there a synergy between the two that can be constructively harnessed?

Or are they incompatible in the current political climate?