With Washington still embroiled in the debt ceiling debate and no momentum for a new transportation reauthorization bill, we get a glimpse this week at the potential cost of doing nothing to improve America’s infrastructure. The American Society of Civil Engineers (ASCE) issues a new report today entitled “Failure to Act: The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure.” The report indicates that not only are American households and businesses absorbing enormous costs today as a result of deteriorating infrastructure, over the next 30 years these costs could further reduce America’s productivity and competitiveness in the world, cause millions of Americans to forgo discretionary purchases in order to pay transportation costs that could have been avoided, cause the U.S. to lose out on creating jobs in high paying services and manufacturing industries, produce a significant drain on wages and productivity and result in the United States losing billions of dollars in foreign exports.

The ASCE estimates that investment of $220 billion annually is needed between 2010 and 2040. That includes $196 billion per year for highways and bridges ($161 billion for congestion mitigation and $35 billion for preservation of existing facilities) and $25 billion per year for transit capital infrastructure investment. Fixing existing deficiencies in the transportation system alone would eat up 37 percent of the highway and bridge investment and 25 percent of the transit investment.

Those existing deficiencies are already creating a drag on the U.S. economy in numerous ways, the ASCE finds. Among them:

- Increases in operating costs for trucks, cars and rail vehicles caused by facilities in poor condition.
- Costs incurred from damage to vehicles caused by deteriorated roadway surfaces.
- The imposition of additional miles traveled and time expended to avoid unusable or heavily congested roadways or due to the breakdown of transit vehicles.
- The added cost of repairing facilities after they have deteriorated as opposed to preserving them in good condition.
- Ensuring on-time arrivals and on-time delivery of freight is requiring travelers to allot more time for trips due to the increased congestion decreasing the reliability of transportation facilities.
- Environmental and safety costs are increased when travelers are exposed to substandard travel conditions that require vehicles to operate at less efficient levels.

Deficiencies in the nation’s surface transportation systems cost households and businesses nearly $130 billion last year, the report says. That included an estimated $97 billion in vehicle operating costs, $32 billion in travel time delays, $1.2 billion in safety costs and $590 million in environmental costs.

“As conditions continue to deteriorate over time, they will increasingly detract from the ability of American households and businesses to be productive and prosperous at work and at home,” the report says.
The deficiencies would cost the national economy more than 400,000 jobs in 2040. Moreover, the nation would miss out on 1.3 million more jobs that could exist in knowledge-based and technology-related economic sectors if the infrastructure were better maintained. But lower-paying service sectors of the economy such as auto repair services and truck driving would benefit with the addition of 900,000 new jobs as a result of car damage-causing bumpy roads and slowdowns in the nation’s supply chain.

Among the other findings in the report:

- Deficient surface transportation infrastructure will cost Americans nearly $3 trillion by 2040, including $1.1 trillion in added business expenses and nearly $1.9 trillion from household budgets.
- Businesses will have to divert funds that would otherwise be invested in innovation and expansion to pay for transportation delays and vehicle repairs. By 2020, the increased cumulative cost to businesses will reach $430 billion.
- The increased cumulative costs to households will be $482 billion in 2020 as transportation costs prompt Americans to forgo discretionary purchases such as vacations, cultural events, educational opportunities, restaurant meals, health-related purchases and other expenditures that impact quality of life.
- The loss of jobs in high value, high-paying services and manufacturing industries will result in income in 2040 that is $252 billion less than would be the case in a transportation-sufficient economy.
- Lost productivity and the higher costs of American goods and services will result in the U.S. losing more than $72 billion in foreign exports in comparison with the level of exports from a transportation-sufficient U.S. economy.

No Momentum for Authorization

The report comes during a time in which Congress is consumed by the debt ceiling debate and there appears to be no momentum for new legislation to authorize federal surface transportation programs and certainly no agreement on how to come up with the kind of infrastructure investment funds ASCE says are needed to avert the scenario envisioned in the report.

As Environment and Energy Daily reported Tuesday, despite House Transportation and Infrastructure Committee Chairman John Mica’s promise to mark up a six-year bill in mid-July, no committee action on the bill has been scheduled ahead of the August Congressional recess, scheduled to begin August 8. That will make it difficult for the House to even pass a bill before the latest SAFETEA-LU extension expires on September 30th. The Senate Environment and Public Works Committee, which plans a two-year authorization, has yet to release the full version of its bill or to schedule a mark-up. Even if both committees were able to pass bills prior to September 30th, their differences would have to be resolved in a conference. Other committees with jurisdiction also have to weigh in and the Senate Banking and Commerce committees have reportedly yet to draft their portions of the authorization bill.

The most likely scenario, observers say, is that another short-term extension of SAFETEA-LU will be required (programs have been operating under a series of extensions since the 2005 legislation officially expired in 2009). But even that could be politically dicey. The House and Senate last week failed to reach an agreement on a short-term extension for the Federal Aviation Administration, which forced a partial shutdown of the agency. Failure to extend surface transportation programs would stop transportation dollars from going out to states and result in the cessation of all work on roads, transit and rail.

Moreover, public policy consultant Ken Orski writes this week [3] that last week’s release of an
outline of the Senate Environment and Public Works Committee’s authorization proposal and a subsequent hearing on the bill produced considerable skepticism about the bill’s chances, mainly owing to the fact that the committee would have to find some way to make up the difference between currently expected revenues and proposed spending in the two-year bill.

That makes the House bill the more likely vehicle if Congress does get around to tackling authorization this year, Orski says.

“The House may be expected to insist on a longer-term bill and on ensuring that Congress ‘does not spend money it does not have,’” he writes. “A two-year bill, it will be argued, deprives states of the certainty they require for planning large-scale infrastructure investments, without offering any assurance that the fiscal and political environment two years down the road will allow for a more generous funding of the transportation program.”

Orski says compromise on an authorization plan is likely to be long and painful, especially if the debt ceiling negotiations are any indicator.

Speaking of the debt ceiling, The New York Times reported last week on how state and local governments are preparing for the possibility that a deal will not be reached to raise the ceiling by the Aug. 2 deadline and federal payments to states would have to be cut. That could include federal transportation funds, which come mostly from the federal gas tax and which states use to pay private contractors on transportation projects. Last month, states received $4 billion in reimbursements from transportation projects from the federal government and August is the peak of the road construction season.

Larry Ehl of Transportation Issues Daily follows up on the issue this week with a blog post in which he points out that most federal transportation funding is in a protected trust account—the Highway Trust Fund. But Ehl ponders how long it might take the President and Congress to raid the trust fund for other purposes when funding for even more critical programs is interrupted.

But Ehl says there are additional concerns beyond the funding question:

- The debt ceiling debate is “sucking up all the oxygen in terms of legislative floor time,” precluding any transportation authorization bill from getting any traction.
- The partisanship of the debt debate will further polarize other issues.
- The difficult financial environment decreases the likelihood of “a robustly funded bill and eliminates options that tap the general fund to fill (Highway Trust Fund) gaps.”

Other Items of Note

- House Transportation & Infrastructure Committee Chairman penned an op-ed for Roll Call last week in which he makes the case for supporting state infrastructure banks rather than a national infrastructure bank as part of an authorization plan. “The Federal Highway Administration estimates that for every federal dollar invested in state infrastructure banks, $9.45 in loans for transportation projects can be issued,” Mica writes. “To encourage states to better utilize SIBs, the Republican proposal increases the percentage of federal highway funding that a state can dedicate to a SIB from 10 percent to 15 percent, and states will receive a specific amount of funding that can be used only to fund SIBs. Many states currently have infrastructure banks. The proposal builds upon this existing SIB structure rather than increasing the size of the bloated federal bureaucracy, as some advocate, by creating a national infrastructure bank. States will have more flexibility to make project decisions.”
- The Atlanta Journal-Constitution reported Sunday on how Atlanta regional leaders are studying...
how the city of Denver successfully won approval of a tax increase in 2004 that is making a significant expansion of rail facilities a reality. Atlanta and other communities in Georgia face a referendum vote next year on whether to fund transportation projects with a 1 percent sales tax.

*The Pittsburgh Post-Gazette* [8] reports on how one transportation district in Pennsylvania is facing an epidemic of decaying bridges and the likelihood of additional cuts in funding to repair them.

*The Post-Gazette* [9] also editorializes this week on the work of Pennsylvania Gov. Tom Corbett’s Transportation Funding Advisory Commission to come up with a plan on how to finance infrastructure investment in the state. The plan would remove a cap on the tax on wholesale gasoline and diesel fuel and adjust license, registration and other fees for inflation. The editorial calls on the governor to “get behind the recommendations and persuade lawmakers to move them forward as soon as they return to the Capitol in September.”

Eric Madden of the American Council of Engineering Companies of Pennsylvania agrees that now is the time to move forward with an infrastructure plan. “If Pennsylvania is to remain a place where people wish to live, work, shop and play, we need to reinvest in ourselves,” Madden writes in an op-ed for *The (Harrisburg) Patriot-News* [10]. “We reinvest in our cars, our children, our homes and our own physical appearance. We do these things to retain our value, improve our worth and to basically remain competitive. We should do the same with our infrastructure.”

A new ad campaign from the *American Road and Transportation Builders Association* [11] argues that much maligned “government spending” is worthwhile when it comes to highways and urges the passage of a multi-year authorization bill for highways and transit. The print ad reads: “No other ‘government spending’ program does all these: creates and preserves American jobs; results in tangible, long-lasting capital assets; provides access to virtually every tax-generating American job; facilitates a business transaction of some kind almost every time it’s used; enables every American export and import; produces extraordinary productivity results; makes emergency response and evacuation to natural and man-made disasters possible; is critical to military mobilizations and national defense; and responds to a constitutional mandate for federal support.”

There is more on the campaign from *The Hill newspaper* [12].

The website *CarInsurance.org* offers up a list of “15 Startling Facts About America’s Infrastructure.” Among them: More than 25 percent of bridges in the United States need significant repairs or are handling more traffic than they were designed to carry. Nearly a third of all highway fatalities are related to substandard road conditions, obsolete road designs, or roadside hazards. By 2035, highway usage (and shipping by truck) is expected to double, leaving Americans to spend an average of 160 hours a year in traffic. More than half of America’s interstate miles are at 70 percent of traffic capacity, and nearly 25 percent of the miles are strained at more than 95 percent capacity. Over one third of America’s major roads are in poor or mediocre condition. By 2020, every major U.S. container port is projected to be handling at least double the volume it was designed for. Railroads are expected to need over $200 billion in investment through 2035.

The state of Nevada is using a $400,000 federal grant to study the idea of a Vehicle Miles Traveled fee, *The Nevada Appeal* reports [13]. The study is currently in its second phase with 25 test vehicles involved. State DOT officials say the system being tested is only measuring how many miles the vehicles are driven. There is no tracking of where individuals go.

A professor at Northeastern University argues in favor of something called Regional Mobility Corporations, which could use open road tolling to implement mileage-based tolls on limited access highways in Massachusetts in this guest column for the *MetroWest Daily News* [14].

Ohio Gov. John Kasich was in Toledo this week touting a plan to privatize the Ohio Turnpike, the *Toledo Blade* [15] reports. Kasich said he believes a privatization deal could generate “billions of dollars to improve highways, bridges and waterways.” But exactly how much a deal might produce for the state and which regions might benefit from transportation projects are far from certain.

The Heritage Foundation’s Ronald Utt has a *Web Memo* [16] out this month on how opting out of the federal highway program might help states.
The Transport Politic [17] examines the challenges that lie ahead for U.S. transit agencies facing the prospect of reduced federal funding.

The Infrastructurist blog analyzes [18] two proposed alternatives to the federal gas tax: a federal interstate user fee for all interstate drivers and a federal motor carrier user fee limited to commercial trucks.

The Associated Press [19] reported this week on how states have avoided tax increases this year by raising fees and fines in order to balance their budgets.

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