




CSG GROWTH & PROSPERITY >>> VIRTUAL SUMMIT OF THE STATES 2.0

Federal Transportation Reauthorization

FEDERAL TRANSPORTATION REAUTHORIZATION

Monday, April 11, 3 p.m. EDT





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IF YOU HAVE QUESTIONS DURING THE WEBINAR:

Please type your questions in the provided window on the GoToMeeting module that appears on your screen, if you need assistance asking questions, please contact helpline@csq.org or email your question directly to questions@csq.org. We will try to answer as many of your questions as possible during the Q&A section of this presentation





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The Heritage Foundation






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Money! The Fundamental Challenge Confronting the Federal Highway Program

- Trust Fund received \$31.1 billion in 2009
- Allocated \$42.4 billion in 2009
- In deficit since 2008
- Gap Covered by General Revenues
- White House and Congress oppose gas tax increase, VMT





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Current Situation in Washington

- Reauthorization 18 months overdue
- Extended until September 2011
- White House and Congress far apart on proposals
- Crowded Calendar




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Infrastructure Issues of Concern

- Bridges
- Road Conditions
- Safety
- Commute Times
- Congestion



House Republican Plan

- Limit Highway spending to trust fund revenues
- Encourage Public-Private Partnerships
- Add more items
- No tax increase

White House Plan

- Increase transportation spending 89 percent in 2012
- Spend \$500 billion over six years
- Create new Livability programs: \$48 billion over six years
- Create new Infrastructure Bank: \$30 billion...
- Add passenger rail to trust fund: \$53 billion...
- Shift more to competitive grants
- Bipartisan tax plan, to come

Problems with Current Program

- Donor/Donee Equity Issues- 28 donor states in 2009
- Lack of focus. No clear objective
- No Rational Allocation System
- Growing number of stakeholders
- Growing number of diversions

Reauthorization should sharpen program goals

- Accelerate path to greater equity
- Restore focus to cost-effective mobility
- Greater flexibility in money allocation, tolling, PPP, modal choice

How Americans get to work: 2005-2009

Mode	Percent Share
Drive Alone	76%
Carpool	10.5%
Public Transport	5%
Walked	2.9%
Other	1.7%
Work at Home	4%

Source: American Community Survey

Federal Transportation Subsidies by Mode Per 1,000 Passenger-Miles

Mode	Subsidy
Auto, Vans	-\$1.01
Buses	\$1.50
Commercial Aviation	\$4.23
General Aviation	\$66.27
Transit	\$165.61
Passenger Railroad	\$237.53

Source: U.S. DOT data, Heritage calculations

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Possible Reforms: Turn back to States

- Problem of one-size fits all program
- Diversions, mandates, micromanaging
- Transportation Empowerment Act, circa 1997
- Supported by more than 20 states: STEP 21

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Transportation Empowerment Act

- Five-year phase out of federal highway program
- Shift Federal fuel tax to states in 3 to 4 cent annual increments
- May leave some interstate highway role for federal govt.
- May leave safety role for federal govt.

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Possible Reforms: Independent Performance Audit

- Conducted in 2007 in Washington State by State Auditor
- Work done by consulting firm, competitive bid.
- Focused on cost effective **opportunities to reduce congestion**
- Reduce congestion by 15 to 20 percent for same budget over five years
- Unwelcome by DOT and legislature

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Possible Reforms: Comprehensive Financial Audits

- Conducted in Virginia in 2010 by new Governor and Transportation Secretary
- Four separate audits: two by independents, one by state agency, one by federal entity
- Audit revealed \$1.45 billion in unused or wasted funds.
- Deploy \$614 M in 12 months, another \$836 M over six years
- Announced 900 new projects to be funded
- No planned tax increase

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***Unlocking the Infrastructure Stalemate:
Is it Possible?***

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The Big Debate

- **Reauthorize Now – the pie shrinks**
 - No movement can be made on any new revenues for the Highway Trust Fund before the election
 - Deficit hawks want to reduce the overall level of HWTf-supported spending
- **Reauthorize Later – the pie???**
 - It will be easier for the administration to support new revenues but they will have less political leverage
 - The election is likely to be a referendum on our federal budget strategy – invest and grow or cut and contain

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Threshold decisions

- **How will funds be distributed?**
 - Earmarks or no earmarks
 - New formulas or old formulas
 - Flexible pool of funds or program specific funding
 - Level of state matching requirements

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Special Challenges

- Budgetary restraint expectations such as “use it or lose it”
- Increased emphasis on transit and commuter rail and bridges may conflict with MPO plans on the drawing board
- Stimulus transparency requirements likely to be expected
- Increased safety focus may require more legislative measures to boost adherence to safety standards

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Opportunities Borne of Necessity

State innovation and process improvement

- Expectations for state to streamline project planning and accelerate project delivery
- Increased focus on dollars flowing to most urgent need
- Potential/expectation for states to increase tolling on federal highways
- Expanded support for states to leverage private sector capital via state infrastructure banks, enhanced TIFIA program

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Planes, trains and automobiles

The Bill may be comprehensive

- New approaches to airport modernization may expect more private partnerships
- New approaches to rail may require competitive processes for rail line improvement or operation
- New intermodal expectations may be built in to increase the ease of freight movement from ports and across the country

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Federal Innovations May Be Surprising

Breaking the mold of state allocations

- More funds may be set aside for large scale regional projects to create regional rail or regional multi-modal connections
- City-sensitive allocations are a possibility
- High-speed rail investments may be nationally directed rather than based solely on state interest

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How should state legislators ready themselves and best engage?

Assuming extraordinary levels of private participation, expanded tolling, and streamlined process, we still need to nearly double the level of federal investment in surface transportation


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How should state legislators ready themselves and best engage?

- Mobilize your Chamber, Teamster and AFL membership — Ask them to sponsor sign-on letters that call for an increase in the gas tax (a penny gets you about \$1.6 billion) and/or redirection of subsidies for oil to pay for surface transportation (gets you about \$3.4 billion)
- Put together an “asset-at-risk” list by congressional district, post it, get press on it and distribute it.
- Hold town meetings with your constituents and update them on the federal stalemate (currently 23 percent below 2000 levels in real dollars).

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Get Ready Now

- Pass legislation to permit P3 activities, this is complicated legislation that will take time to get right, so start now.
- Pass legislation to permit tolling, also complicated so it's useful to get started
- Meet with your DOT directors and ask for suggestions of legislation needed to make it possible to creatively bid and procure road and bridge work
- Ask your DOT how you can help expand the State Infrastructure Bank's activities

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Q & A

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COMING UP TOMORROW:

Winning Strategies for Job Creation & Business Attraction, 1 P.M. EDT

Creating a Culture of Entrepreneurship, 3 P.M. EDT

Attendees will use the same login information you used today