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Transportation Policy Review

Let's Take Time to Debate Federal Reauthorization

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Once again, Congress has allowed the federal surface transportation program to expire without reauthorizing it for a new six-year period. So it's hardly surprising that nearly every transportation group has been issuing calls for speedy enactment of a multi-year bill. State DOTs would like to be able to plan, based on a reliable projection of what federal monies will be available over the next six years. Highway user groups (AAA, ATA) and business groups (NAM, U.S. Chamber) as well as highway builders (ARTBA) have all joined in this chorus.

Let me offer you the case against haste and in favor of extensive debate on reauthorization. To pass a bill within the next few months would mean enactment in some form of the only such bill that has been introduced: the $450-billion Surface Transportation Authorization Act (STAA) drafted by the House Transportation & Infrastructure Committee chaired by Rep. James Oberstar (D-Minn.).

There are two fundamental problems with STAA, as written. First, there is no funding source for what would be a virtual doubling in size of the federal program. Second, the bill would profoundly change the nature of the federal program, in ways we would come to regret. Let me address the second problem first.

STAA would bring about a very large increase in federal control of surface transportation. Readers of this newsletter are already well aware of the proposed federalization of tolling and public-private partnerships via the proposed Office of Public Benefit. The head of this office would be the national "toll czar," with the power to approve or veto every tolling agreement on any part of the federal-aid highway system (not just the Interstates, as is now the case) as well as the ability to approve or veto every P3 project that uses any amount of federal assistance or is on a federal-aid highway.

Beyond that, however, STAA would essentially federalize metro area transportation planning, requiring the kind of smart-growth/transit/VMT-reduction policy that California is attempting to implement under its SB 375 legislation. This is all part of the Administration's "livability" agenda, intended (as Secretary Ray LaHood has said) to "coerce people out of their cars." In furtherance of these aims, STAA would make nearly all federal highway funds "flexible"—i.e., able to be spent on non-highway purposes, despite these being funds generated from highway user taxes (primarily fuel taxes). And despite claims that STAA would streamline the federal program, it specifically protects and expands a host of existing programs that spend highway users' funds on bike paths, sidewalks, scenic trails, etc.

Thus, STAA represents the de-facto end of highway user taxes and of a federal role focused primarily on truly federal, inter-state transportation. Instead, federal fuel taxes would become a general public-works funding source to implement a sweeping agenda that Dr. Ronald Utt of the Heritage Foundation has characterized as "a costly exercise in lifestyle modification."

Then there is the question of funding. By proposing STAA as a $450-billion program, Rep. Oberstar hopes to accomplish the same type of deal that has taken place in each of the last three reauthorizations: to mollify the highway constituencies with more total funding so they will accept increasing fractions of the total being spent on non-highway uses. At this juncture, judging by their public statements in recent months, highway users, highway producers, and the business community seem willing to go along.

But let's take a harder look at the funding question. In a political climate in which the voters are increasing concerned about out-of-control federal budget deficits as well as tax increases during a recession, what if no major increase in transportation funding can be pulled out of a hat? In that case, these groups' push to enact "a six-year bill" as soon as possible could mean we get stuck with the worst possible outcome: all the bad policy provisions of STAA and little or no increase in total funding. That means shifting a much larger fraction of a more-or-less fixed funding pie from highway to non-highway uses.

Consider what that outcome would mean for America. Every reputable study in recent years—from the FHWA's Conditions & Performance Report to the AASHTO Bottom Line Report to the Infrastructure Finance Commission—documents the huge backlog in highway and bridge projects that should be eliminated via targeted investments. For example, the Finance Commission's "maintain" scenario estimates that current federal surface transportation revenues can cover only 41% of an estimated $78 billion per year investment need; for the "improve" scenario, those same revenues cover only 33% of a $96 billion per year investment need.

There are alternative approaches to addressing this funding gap. One, suggested last year by then-Secretary Mary Peters, is to rethink and refocus the federal role, narrowing it instead of expanding it, so as to focus on truly national—as opposed to local—transportation infrastructure. And, I will add to that, reversing the last 20 years' evolution of federal highway user taxes into an all-purpose transportation-related funding source. My preliminary calculation is that by redefining the federal program in this way we could increase needed federal highway investment by 26% at current fuel tax rates, focusing it primarily on rebuilding and modernizing the Interstate system.

So, I urge the transportation community not to rush to judgment on reauthorization. STAA as written would be the most profound change in the federal role in surface transportation since enactment of the Interstate highway program in 1956. The size and scope of the federal program need serious national debate. We should not allow the understandable desire of highway producers for funding certainty to trump the need to figure out what role the feds should actually be playing in surface transportation.