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by William G. Reinhardt, Editor/Publisher
Westfield, NJ

www.PWFinance.net
PWFinance@aol.com

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Why Obama's "Fix-It-First" Is The Wrong Approach

by Robert W. Poole, Jr., Reason Foundation

There are several reasons why President Obama's latest call for Congress to spend an extra $50 billion on infrastructure is not a serious contribution to dealing with America's surface transportation needs.

First, of course, is that the proposal made in the State of the Union address, like the previous three tries, has no credible funding source. That, alone, has made it dead-on-arrival in Congress.

The second reason is that despite repeated presidential comments about America's "crumbling" highways—and outgoing Secretary LaHood's outrageous remark that "America is one big pothole"—the state of repair of America's highways and bridges is far better today than it was 20 years ago.

In a Reason Foundation study released earlier this month, a team headed by David T. Hartgen analyzed 20 years of federal data on the conditions and performance of highways and bridges. All seven indicators showed improved performance trends over this time period on a national basis (see chart).

The only indicator that has not significantly improved in 20 years is urban congestion, and better maintenance (a la "fix-it-first") would do little to reduce congestion. What's needed for that is significant capacity expansion, such as the addition of express toll lanes.

The one problem where more maintenance and repair funding seems clearly indicated is deficient bridges. But even here, some qualification is in order. First, the figures below from FHWA combine two bridge categories—"structurally deficient" and "functionally obsolete," the former considerably more serious. The 2012 Bridge Inventory compiled by Better Roads magazine found only 63,543 structurally deficient bridges (not the 70,000 mentioned by the President) versus 72,114 functionally obsolete ones. Thus, structurally deficient bridges are only 48% of the total measured in the Hartgen study.

But even more important, "deficient bridges" is mostly a state-specific problem, rather than a national problem. Many states made huge improvements in bridge conditions over the past 20 years, notably Alabama, Missouri, Nebraska, North Dakota, and Mississippi. But 10 states actually allowed their bridge conditions to get worse over this time period, including Alaska, Hawaii, Massachusetts, and Rhode Island. And in terms of absolute numbers, the states with outsized numbers of deficient bridges include Rhode Island (53%), Pennsylvania (39%), Hawaii (38%), and New York (37%). It's states like these that need to step up their game on bridge repair, not the nation's taxpayers overall.

And the third reason why "fix-it-first" is bad national policy is that it would not maximize the productivity of additional highway investment. As a proposed national policy, fix-it-first assumes that every maintenance and repair project would have a higher benefit/cost ratio than any new-capacity project. That might be mostly true in slow-growth states like New York and New Jersey, with high amounts of badly maintained highways and bridges, but is unlikely to be true of fast-growing states like Florida, Texas, and Virginia where a lot of existing capacity is newer and better-maintained and where more capacity is needed to cope with growth and congestion.

Turning again to the Hartgen study, we find that 21 states have zero miles of rural Interstates in poor condition, but two have double-digit percentages in poor condition: Alaska (10.7%) and California (16.3%). And for urban Interstates, nine states have zero miles in poor condition, but at the other end of the scale, seven have double-digit percentages: Louisiana (10.4%), New York (11.3%), Oklahoma (13.3%), Vermont (17.5%), New Jersey (17.7%), California (24.7%), and Hawaii (25%). These figures very clearly demonstrate that poor condition is not a national problem, but is one limited to a relatively small number of states.

In its biennial Conditions & Performance Report, the Federal Highway Administration runs an array of capital investment strategies through its detailed models to identify investments whose benefits exceed their costs. Were fix-it-first a sensible national policy, these models should identify most or all justified highway and bridge investment as “rehabilitation,” rather than as “capacity expansion and enhancement.” But the actual results of this analysis are strikingly different.

Chapter 8 of the latest (2010) edition of this report describes four different investment strategies, applied to various fractions of the nation’s total inventory of highways and bridges. As an example, let’s look at the results from FHWA’s modeling of investments in all federal-aid highways. The four scenarios, in increasing order of spending level, are (1) sustain current spending level, (2) maintain current conditions and performance, (3) an intermediate improvement strategy, and (4) a full improvement strategy (i.e., all projects whose benefits exceed costs). In all four cases, rehabilitation constitutes no more than 53% of the total, with the rest devoted—cost-effectively—to capacity expansion and enhancement. And the larger the total investment, the higher the fraction that is capacity expansion.

Obviously, some much-needed projects combine repair/replacement with new capacity. Major bridge replacements, such as the Gerald Desmond Bridge in Long Beach and the Tappan Zee Bridge in New York are good examples. So is the four-state “Corridors of the Future” plan to rebuild I-70 from Kansas City to eastern Ohio with the addition of heavy-duty truck-only lanes. And there are many pure capacity addition projects that would produce large congestion-relief benefits by adding express toll lanes in highly congested metro areas.

A national policy of fix-it-first would misallocate resources very significantly, even if there were a federal funding source available for it. So we can be just as glad that this proposal will not go anywhere. As we look toward reauthorization of the federal program in 2014, we need to give states the tools they need to make highway and bridge investments tailored to the specifics of their individual circumstances. n

Fix-It-First and NIB

Many transportation advocates applauded President Obama’s Fix-It-First emphasis on funding maintenance over new capacity, but critics have already pointed to the president’s failure to name a specific source of revenue in his speech. Doubters suggest the President is not “serious” about the spending program and will likely rely on phantom “war savings” as a budget offset.

But a recent White House deficit-reduction package offered to House Republican leaders during sequester negotiations included this $50 billion Fix-It-First request as the one and only spending line item coupled with $1.8 trillion in new cuts (with no war savings). So the determination of the White House to claim victory on an infrastructure package funded without Highway Trust Fund dollars may prove serious after all.

Both the Administration's infrastructure bank and the ongoing TIFIA implementation are more or less known commodities at this point. While TIFIA has real challenges ahead, it has at least cleared the Congressional gauntlet. Its success or failure rests clearly in the administration's hands now, so the president ought to get some credit for listing it as a top priority. Administration officials confirm that getting TIFIA loans approved and out the door is a more urgent to-do item than the "aspirational" bank legislation.

Nonetheless, the bank is still very much on the table. The White House talking points strongly suggest that the president's bank proposal remains the same as he proposed in his jobs bill (all loans, no grants, $10 billion in funding for TIFIA-style leverage). And if the funding level stays at $10 billion as before, it rounds out nicely with the $40 billion spelled out for Fix-It-First to reach the $50 billion top-line number the president consistently repeats.