



January 18, 2009

The Stimulus Bill Leaves Most of the Transportation Community Dissatisfied

It looks like the economic stimulus proposal unveiled by the House Appropriations Committee on January 15 has left few in the transportation community satisfied. That's a conclusion we have drawn from informal conversations at the just concluded annual meeting of the Transportation Research Board and from reviewing the National Journal's Transportation Blog. (The stimulus program has been a focus of discussion on that blog during the past week. The blog can be found at www.transportation.nationaljournal.com). Voicing disappointment were members of the House transportation committee and a wide array of interest groups ranging from the highway users and the construction industry to transit and airport officials, labor unions and environmentalists.

According to a January 15 *Wall Street Journal* story, some members of the House transportation committee protested at a congressional Democratic caucus session last Thursday against what they deemed a grossly inadequate level of funding for transportation projects. In a radio interview on "Marketplace" the same day, Highway and Transit Subcommittee Chairman Peter DeFazio (D-OR) made no attempt to hide his displeasure. He pointed out that the transportation sector has received a scant 7% of the proposed stimulus package despite the high potential of transportation funding to create jobs and revitalize the economy.

The House transportation leaders' dissatisfaction was echoed by a wide variety of transportation stakeholders who voiced disappointment with what they felt was inadequate consideration of their particular needs. "Transportation infrastructure investment should be a core component of an economic stimulus plan," stated a Transportation Construction Coalition release, expressing the views of its leaders, the American Road & Transportation Builders Association (ARTBA) and the Associated General Contractors of America (AGC). Writing in the National Journal's Transportation Blog, Terry O'Sullivan, President of the Laborers' International Union (LIUNA) criticized the proposed level of infrastructure investment as falling "far short of needs and ...of the opportunity to invest in a way that can revive our economy and leave behind tangible assets and a positive legacy for generations to come." James C. May, President of the Air Transport Association thought the House missed a real opportunity to create new jobs by failing to invest more in the aviation sector.

Environmental spokesmen such as Deron Lovaas, Transportation Policy Director of the Natural Resources Defense Council and Geoff Anderson, Co-Chair of the liberal Transportation for America Campaign, were blunt in criticizing the House proposal, calling its allocation to mass transit and passenger rail as inadequate and disproportionately low compared to the highway allocation. Other environmental activists decried the House bill in even stronger terms, calling it "disastrous," a "capitulation" and completely lacking any emphasis on "fix-it-first," "green"

transportation projects.

The House Appropriations Committee's \$825 billion draft bill (with \$550 billion in spending initiatives and \$275 billion in tax cuts) would dedicate \$30 billion to highways, \$9 billion to public transportation, \$3 billion to airport runway projects and \$1.1 billion to Amtrak and intercity passenger rail. An additional \$7.75 billion would be spent on flood control, navigation and public lands infrastructure. The House proposal would require a certain percentage of each state allocation to be distributed to metropolitan planning organizations (MPOs), based on population. In selecting projects, the draft bill specifies that priority should be given to projects that are in an approved Transportation Improvement Program and can be contracted within 120 days. Grant recipients must certify that the projects contribute to job creation and are an appropriate use of taxpayer dollars. (The draft bill can be found at <http://appropriations.house.gov/pdf/recoveryreport01-15-09.pdf>)

Short-term vs Long-term Benefits

What kind of projects deserve to be funded has been likewise a subject of debate. Opinion is roughly divided between those who view the short term economic impact and job creation as the primary (or sole) goals of the stimulus program, and those who view the stimulus as an opportunity to invest in the country's infrastructure and achieve long-term benefits. "Unless we spend those dollars on the right things (which requires a plan) and efficiently (which requires non-political iron handed oversight) we will... fail to create the infrastructure needed to support an economy vigorous enough to repay the dollars we are spending," wrote Robert Crandall, retired Chairman of American Airlines in the National Journal's Transportation Blog. Steve Heminger, Executive Director of the SF Bay Area's Metropolitan Transportation Commission concurred, evoking the potential of the economic recovery program to launch major infrastructure projects such as those built during the New Deal, whose benefits, he pointed out, Bay Area residents enjoy to this very day.

Jeffrey Shane, former Deputy Secretary of Transportation, speculated that "a national ranking of the most productive transportation investments would look very different from the aggregation of a fifty-state wish list" but, he added, "let's give our state authorities some credit for knowing what works." Bob Poole, Transportation Director at the Reason Foundation, observed that the process inherent in the stimulus bill "substitutes political priorities for economic priorities," and the use of existing allocation formulas spreads the money across the country rather than focusing funds on high-performing projects that offer maximum pay off. Polly Trottenberg, Executive Director of the Building America's Future Coalition agreed, noting that "the political process may be producing a result which is at odds with what the public supports." She cited a Coalition-sponsored public opinion survey that stressed the importance of setting priorities and measuring outcomes.

As Steve Sandherr, AGC's Chief Operating Officer pointed out, many of the details of the stimulus bill will inevitably change over the coming weeks. In fact, as one congressional source told us, the fight has only just begun. Over the next several weeks we shall see some of the most intense lobbying in recent history. The stakes are extremely high. State and municipal governments, the non-profit sector, businesses, and the construction industry are facing tremendous economic pressures and the stimulus bill offers for some of them a rare avenue of relief. The intensity of the lobbying is magnified by the promise of unprecedented sums of money dangled in front of the stakeholders. For example, the \$39 billion stimulus allocation to surface transportation represents almost 80 percent of the entire FY 2008 appropriations for highways and transit (\$49.9 billion)

Needed: A National Strategy for Infrastructure

Could the stimulus package influence the plans for a new surface transportation authorization

later this year? One could argue that an injection of a substantial sum of stimulus money might lessen the need and the pressure for a prompt enactment of new surface transportation legislation. The longer it takes Congress to approve the stimulus bill, the easier it will be for lawmakers to put off consideration of a separate surface transportation bill. Faced with a crowded legislative agenda, congressional legislators might convince themselves that the immediate needs of the transportation program have been taken care of and can safely be postponed until 2010 or beyond. Of course, it can be argued that postponing the reauthorization by one year might not be such a bad thing after all. It would give Congress and the Obama Administration more breathing space to thoroughly reexamine the existing transportation policy and fundamentally restructure the federal program.

Contending that the economic recovery package is no substitute for a multi-year legislation will be House transportation leaders and an array of transportation interests. House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN) has already announced that he plans to introduce and pass "the largest transportation investment package since the creation of the Interstate Highway System" (as much as \$500 billion over six years). Transportation interest groups such as ARTBA, AASHTO, APTA and AGC will be solidly aligned behind the Chairman. Another strong advocate of a multi-year strategy of infrastructure investment is Pennsylvania Governor Ed Rendell. Speaking at a January 12 Brookings symposium on Infrastructure, Rendell observed that investment in infrastructure will have to continue long after the stimulus program has expired. He called for a long-term vision to finance major capital investments through a dedicated federal capital budget and a National Infrastructure Bank. (Unconfirmed reports at the end of the week had the National Infrastructure Bank proposal in real danger of being killed by opposition in the Senate Finance Committee).

The current debate surrounding the infrastructure priorities in the stimulus bill offers a preview of the debate later this year (or in 2010) about the structure and priorities of the new surface transportation legislation. But unlike the stimulus bill, the reauthorization will not have the benefit of easy, deficit-financed money. It will require either raising new funds through a politically risky gas tax increase or coming up with some new untried financing mechanisms. The authors of the transportation authorization will face a far more difficult challenge than simply allocating seemingly "free" money.

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