American Planning Association Making Great Communities Happen

Planning — February 2011

Reverse Gears: A New Reality for Public Works?

What the November elections might mean for infrastructure spending.

By John McCarron

Just when it looked like America had made up its mind about smarter and timelier investments in public infrastructure, a not-so-funny thing happened on our way to a promised land of rust-free bridges and perfect, pothole-free streets.

Last November's midterm elections and the Republican capture of the U.S. House of Representatives — not to mention several key governorships and statehouses — has triggered a dramatic rethinking of the way the nation pays for public works, from sexy intercity bullet trains to prosaic local sewers.

To be sure, some kind of reckoning was probably overdue, election or no election. Infrastructure funding just isn't there like it used to be.

It's one thing for spending advocates like the American Society of Civil Engineers to issue a grade of "D" and warn that government needs to invest $2.2 trillion in the nation's infrastructure over the next five years. It's another to reconcile that advice with recommendations delivered by President Obama's bipartisan commission on fiscal reform. The National Commission on Fiscal Responsibility and Reform reported in December that Washington needs to slash spending by $4 trillion by decade's end if it is to have any chance of getting deficits back in line with gross domestic product without reneging on entitlements like Social Security and Medicare.

Yet that GDP won't grow properly, according to the infrastructure advocates, if we keep starving the skeleton and arterial system on which our economy moves. Think traffic jams, freight rail bottlenecks, and silted-in intermodal harbors. The ASCE places our annual cost of congestion at more than $85 billion. And that doesn't include lives that will be lost as our bridges continue to collapse (think Minneapolis), our dams and levees breach (New Orleans), and our planes collide. The latter is a potential consequence of an air traffic control system that has yet to install a guidance system the likes of which can be had at any new car dealership.

This debate may sound familiar, but last November's election changed its dynamic, forcing infra-advocates to go on the defensive rather than push for nine-figure spending increases. Some of Washington's new legislators are especially down on earmarks — the designation of specific projects in specific locales that is the political grease of appropriation bills. Congress isn't likely to officially forgo them entirely, but the sentiment behind it cannot be ignored.

Goodbye, Jim Oberstar

The signal event for planners in the big turnaround, however, was the electoral defeat of Rep. James Oberstar (D-Minn.), the powerful chair of the House Transportation and Infrastructure Committee. Representing the iron and grain funnel that is Duluth, Oberstar "got" the linkage between transportation and economic growth. The 18-term congressman also was credited with opening the appropriation process to nontraditional modes such as bikeways, light rail, bus rapid transit, and even incentives for coordinated regional planning.

Yet during his final term Oberstar lost his battle to craft a six-year, $500 billion transportation reauthorization bill, a failure that forced Congress to pass a series of temporary extensions to the expired SAFETEA-LU spending plan just to keep federal matching dollars flowing. The main hang-up: how and how much to increase the federal gasoline tax.

The gas tax, the primary source of federal transportation funding, was last raised to 18.4 cents a gallon in 1993. Its yield has been declining in real dollars ever since, what with creeping inflation and improving fuel efficiency. Suffice it to say that, with a White House preoccupied by health care and a Congress anxious about unemployment and deficit spending, reauthorization with a needed gas tax hike simply didn't happen before last November's election.

Incoming committee chairman Rep. John Mica (R-Fla.) early on declared that a gas tax increase was "off the table" — a sentiment shared, at least for now, by President Barack Obama out of concern for its impact on the frail economic recovery. But Mica has talked about passing a multiyear transportation reauthorization bill "early this year," hinting that additional road and transit funds could be had by tapping "billions in special accounts." He specifically mentioned $6 billion sitting in a harbor maintenance trust.

Not so shovel-ready

All the shifting about in Washington has played hob, of course, with infrastructure planning and execution at the state and local levels. Federal matching funds typically underwrite at least half — often 80 percent — of major public works undertakings. So while states and municipalities have their wish lists (aka transportation improvement plans, or TIPs) they are hesitant to order necessary-but-pricey engineering and environmental studies without first having their federal partner in place.

This helps to explain the lack of "shovel-ready" projects eligible for the $27 billion made available to states for highway upgrades early in the Obama administration as part of its $787 billion American

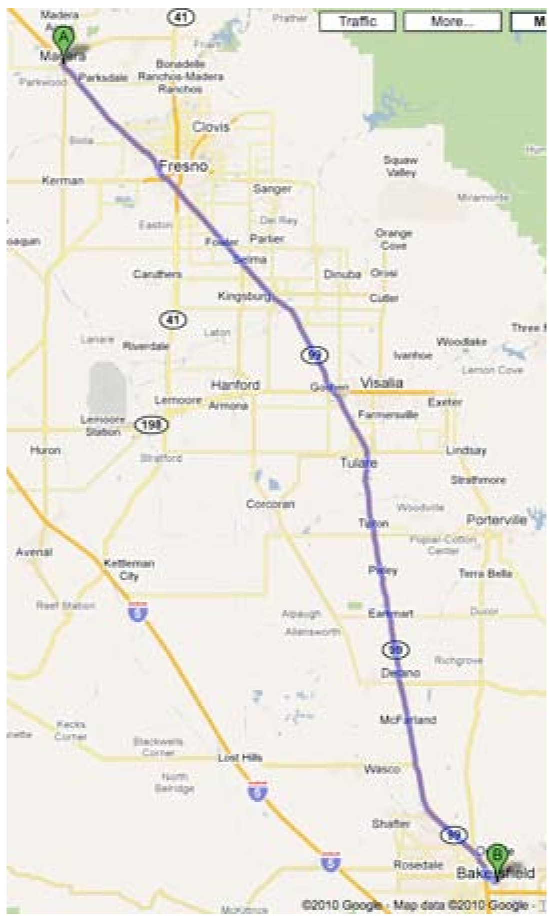
Recovery and Reinvestment Act. An orgy of 14,000 road widenings, repavings, and resignalizations was to create or save 150,000 jobs — and perhaps it still will — but local prep work has taken longer than expected and by the end of 2010 only two-thirds of that target was reached, according to Federal Highway Administration data.

Further, a growing political movement questions the fundamental wisdom of relying on public works as an economic booster shot. This attitude is new. The works-jobs linkage has been an article of faith in American governance since the New Deal. Every schoolchild is taught how President Franklin Roosevelt put millions of idle Americans to work during the Great Depression with programs such as the Works Progress Administration and Civilian Conservation Corps. Revisionists claim now that it was World War II, not FDR's "make-work" programs, that cured the economy. Some say it was both.

The newcomers in Washington venerate lower taxes, balanced budgets, and a sound dollar. "The stimulus has failed to stimulate anything but the deficit," declared Rep. Kevin McCarthy (R-Cal.), who helped draft the "Pledge to America," which calls on the 112th Congress to immediately cut $100 billion from the budget and stand firm against tax increases of any kind.

So much for President Obama's proposal last fall to create a $50 billion infrastructure "bank" to further stimulate surface transportation projects. Republican leaders are instead trying to claw back unspent funds from the original 2009 stimulus. That may prove futile because almost all the unspent money intended for public works has been technically obligated to specific projects and probably cannot be retrieved.

Train wrecks



One set of projects that are being cancelled — at least for the time being — involves proposals for intercity and high-speed passenger rail service between major Midwestern cities.

"That train is dead," exclaimed John Kasich, the Republican ex-Congressman, after being elected governor of Ohio in November and putting an immediate kibosh on plans for a $400 million Cleveland-Columbus-Cincinnati passenger rail corridor. Shortly thereafter Wisconsin's new Republican governor-elect, Scott Walker, confirmed that, per his campaign promise, plans were being halted for an $810 million Milwaukee-to-Madison line. That leg was central to the U.S. Department of Transportation's longer term designs for a Chicago-to-Minneapolis bullet train.

"This recommitment to the automobile is not well-timed," Rick Harnish, president of the nonprofit Midwest High Speed Rail Association, said in a statement critical of the cancellations. "With gasoline prices forecast to keep on rising," he adds, "it is urgent that we create other ways to get around."

No doubt governors Kasich and Walker were steeled in their resolve by New Jersey Gov. Chris Christie's decision, announced just weeks before the midterm elections, to cancel his state's participation in a new tunnel to carry passenger trains under the Hudson River and into Manhattan.

"I cannot place upon the citizens of New Jersey an open-ended letter of credit, and that's what this project represents," Christie said in scotching what was to be, at $9 billion, the largest public works project in the nation. New Jersey and New York each would have contributed a third of the tunnel's bid price, but the states would have been responsible for any cost overruns.

In Gov. Christie's rhetorical run-up much was made of Boston's experience with the Big Dig. That massive redo of America's oldest urban waterfront was initially estimated at $2.8 billion and ended up costing $14.6 billion, not including interest on construction bonds. Little wonder the project has become a "Remember the Alamo" cry among deficit hawks, regardless of any positive results that followed the project's completion. (See "Getting Around Gets Easier," January 2011.)

Advocates of the Hudson River tunnel, which would have significantly reduced commuting times for more than a half million riders, called Gov. Christie's approach "shortsightedness." Sen. Frank Lautenberg (D-N.J.) called it "one of the biggest public policy blunders in New Jersey history."

A wake-up call

Regardless of whether it was a blunder, it was certainly a wake-up call for planners and public officials, a call that echoes through the halls of Congress. The old arguments for investing in public works, like the old cost-plus ways of building them, just aren't cutting it anymore. Not when governments at every level are hamstrung by unpaid bills and bonded indebtedness, by underfunded pensions and unaffordable entitlements.

"The building binge is over," says Steve Elkins, a city council member from Bloomington, Minnesota, and immediate past chair of the transportation and infrastructure steering committee of the National League of Cities. "Now our mantra has got to be 'fix it first.' We're looking for low-cost, high-benefit projects — squeeze in an extra lane here, realign an interchange there. We took our stimulus money and did one-and-a-half projects worth of bottleneck relief."

Given what's happening in Washington, Elkins says, large hoped-for projects such as a light-rail line connecting the downtowns of the Twin Cities with their southwest suburbs "probably goes back on the shelf." Chances are that the same can now be said of big-ticket projects on TIPs lists all over the country.

David Sander, the National League of Cities' new infrastructure chair and a councilman in Rancho Cordova, California, sees this new fiscal circumstance as a sign that states and localities have entered a period of "pragmatism and devolution." His relatively young Sacramento suburb has made great use of developer contributions, not just to pay for adjacent streets and sewer hookups, but to fatten up a flexible central fund used for planned improvements all over town.

Sander worries, however, about the current attack against earmarks. He explained that strict federal allocation formulas, calibrated as they are by state and by category, don't anticipate special needs. It took a specific earmark, he says, to obtain federal dollars to jump-start a facelift of Rancho Cordova's old U.S. Route 50 commercial corridor, a once-thriving strip rendered lifeless by a paralleling interstate.

He also puts in a plug for stronger intergovernment cooperation. Only by involving two cities, two counties, and CALTRANS, he says, was Rancho Cordova able to win an extension and widening of White Rock Road into the foothills east of town. Next up: a possible toll road connecting U.S. 50 and California 99 south of town.

Toll roads, Sander concedes, are a hard political sell. Much of the voting public thinks expressways appear like manna from heaven. But user fees are an obvious alternative source of funding now that Washington is pulling back.

Missing a big sale

What galls many observers is the unfortunate timing of the federal pullback now that dollars spent on public works are buying so much more. Money is cheap because interest rates are at 50-year lows. Labor and most materials are cheap, what with the moribund state of the housing and office markets. Unemployment in the construction sector has been running about 17 percent, according to the government's Bureau of Labor Statistics. Still worried about cost overruns?

Consider this: For all the delays experienced by those not-so-shovel-ready stimulus projects, an early U.S. DOT audit determined that bids and contracts were coming in roughly 20 percent below original estimates.

"There's work that needs to be done," a rueful Lawrence Summers told Newsweek.combefore his resignation as chairman of the National Economic Council was announced last fall. "There are people there to do it. It seems a crime for the two not to be brought together."

Bullet train excess?

Then again, some think Washington's big reversal may prove a blessing in disguise if it provides a chance to rethink the nation's infrastructure priorities. Consider the momentum that had been building behind high-speed rail, not the 100-mph variety powered by existing diesel locomotion but the 220-mph high-tech bullets pioneered by Japan and France, and most recently built in China.

Some infrastructure advocates are wondering out loud about the cost-effectiveness of a technology that, in its purest form, requires dedicated rights-of-way (no sharing with freight trains), seamless tracks without grade crossings, and next-generation stations and terminals. Yet what seems a pipe dream to skeptics got real in a hurry when the Obama administration and a Democratic Congress included an initial $8 billion for high-speed engineering and feasibility work in the stimulus package launched in February 2009.

Then again, the administration's definition of "high speed" is trains that can be "reasonably expected to reach speeds of at least 110 miles-per-hour." So several proposed corridors are merely improvements on existing diesel locomotion — typically by elimination of freight conflicts — though others, like the Los Angeles-to-San Francisco route, call for full-bore 220 mph bullet trains.

There are 14 high-speed corridors in all, and in December U.S. Transportation Sec. Ray LaHood announced that the $1.2 billion spurned by Ohio and Wisconsin will be reallocated among them.

Of course, these are just startup grants. Total project cost for the LA–San Francisco line, for instance, has been estimated at $45 billion, although many think that a gross lowball number.

"We support a good intercity passenger rail system, one that is fast, efficient, and reliable," says Frank Beale, a bullet train skeptic and executive director of the Chicago area's Metropolis 2020 business leadership group. "But at what cost do you go twice as fast?"

"If I had access to that kind of money," Beale says, "I'd use it on intracity transit. It's a question of priorities. Let's first take care of what we have."

Plenty to fix

And much of "what we have," Beale reminds us, is in pretty awful shape. The Chicago area's Regional Transportation Authority has identified a $17 billion "backlog" of needed repairs to its subways, buses, and commuter rail systems ... and the "to do" list grows by about $300 million per year. Example: Chicago's not-so-rapid elevated transit lines traverse more than 500 street viaducts, many nearly a century old, several now requiring "temporary" wooden bracing.

Yet even rust-pocked Chicago gets distracted by fanciful plans. The centerpiece of the city's long-range downtown plan, a proposed West Loop Transportation Center, would be a subterranean, multimodal, multilevel, rail-bus-pedway extravaganza that all but screams "Big Dig!"

But even if America were to limit its infrastructure appetite to the things we truly need, the immediate outlook is not promising. Not when a majority of the voting public equates public works with the politics of pork. Not when the new drive for fiscal austerity is allowed to push aside the very public investments needed to restore economic productivity.

Top 10 States' Per Capita Earmarks

State	Per capita
Hawaii	$318
North Dakota	$234
West Virginia	$174
Vermont	$161
Mississippi	$142
Alaska	$140
Montana	$125
South Dakota	$112
Nevada	$79
Rhode Island	$79

Source: Taxpayers for Common Sense FY 2010

There was, arguably, a small but significant cause for optimism in last November's election returns. Amy Liu, senior fellow and deputy director of the Brookings Metropolitan Policy Program, tracked 30 sizeable public works referendums around the country and found that three-quarters of them passed. When voters see an infrastructure improvement as immediately beneficial to their own community, she argues, they seem willing to tax themselves for it.

Rebuilding public support

How, though, do we build a popular constituency for a smarter electrical grid, or a freight rail overpass, or any number of out-of-sight, out-of-mind improvements that, to the untrained eye, seem lacking in here-and-now benefit?

One way is for planners to advocate for infrastructure whenever the opportunity presents. "Planners must act as key leaders in preparing our communities to face these new challenges, and help them become places of lasting value," urges the preamble to a report issued last fall by Rebuilding America, APA's National Infrastructure Investment Task Force.

Although it was released a month before last fall's political catharsis, the report also acknowledges that "we can no longer just engineer our way out of our infrastructure problems," and "we have no choice but to evolve away from the inefficient and unsustainable practices of the past."

And this, ultimately, may be the best take-away from last November's election. The game has changed — perhaps necessarily so given the new fiscal realities. How we respond may well determine whether our country — and our country's communities — recover or regress in the competitive future that awaits.

John McCarron is a Chicago-based urban affairs writer and contributing op-ed columnist for The Chicago Tribune. *The opinions expressed in this article are his — with the exception of those quoted.*

Resources

Images: Top — Federal Recovery Act money is being used to replace four bridges in Idaho's Boise National Forest. Photo USDA Forest Service Boise National Forest. Middle — Some $5.5 billion in state and federal funds have been identified for the first leg of a planned 800-mile system connecting California's major cities. Dashed lines on the map show the two cities being connected, not the exact route. Adapted from Google Maps. Bottom — Chicago's proposed multimodal West Loop Transportation Center would combine bus rapid transit, a new subway station, and a high-speed rail terminal. Image courtesy City of Chicago.

From APA: *Rebuilding America*, APA's report on infrastructure investment, is at **www.planning.org/policy**.

See also "New House Rules Threaten Cuts in Transportation Programs," at **http://blogs/planning.org/policy**.

Tracking dollars: Estimates of infrastructure needs are detailed by the American Society of Civil Engineers at **www.infrastructurereportcard.org**.

Find documents from the president's commission on fiscal responsibility and reform at **www.fiscalcommission.gov**.

Track how federal recovery funds are being spent at **www.recovery.gov**.

Pro-infrastructure opinion and blogging are at **www.infrastructurist.com**.