

TRANSPORTATION ISSUES AND INITIATIVES: A NATIONAL PERSPECTIVE

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C. Kenneth Orski, Editor/Publisher of Innovation Briefs

Key Points

- Status of the Surface Transportation Reauthorization
- The Looming Fiscal Crisis in Transportation
- Highway Tolls are Making a Comeback
- The Rising Involvement of the Private Sector

Key Points *(continued)*

- Congestion Management
- The Funding Crunch in Transit New Starts
- What's Ahead for Amtrak?
- The Changing Federal Role in Transportation

Status of the Surface Transportation Reauthorization

- Bill (H.R. 3) has been approved in the House on March 10; it is pending in the Senate
- House bill provides \$284 billion in guaranteed funding for six years (FY 2004-2009): \$235 billion for highways, \$49 billion for transit. Bill represents a 35 percent increase in funding over TEA-21. Authorizes 3,315 earmarked projects.

Status of the Surface Transportation Reauthorization *(continued)*

- A number of issues remain to be resolved:
 - *re-opener clause (subject to White House veto)*
 - *guaranteed minimum return*
 - *number and treatment of earmarked projects*
 - *tolling provisions*
 - *private activity bonds*
 - *environmental provisions*
 - *“small starts” projects*
- These and other issues will be taken up in the House-Senate conference committee during the month of May

The Looming Fiscal Crisis in Transportation

- Gasoline taxes have not kept up with inflation and can no longer keep pace with the Nation's growing transportation needs
- Yet Congress remains reluctant to raise fuel taxes: chances of getting a gas tax hike enacted in this Congress appear virtually nil. Most state legislatures appear equally reluctant to raise fuel taxes.
- Growing numbers of hybrid vehicles and fuel efficiency improvements are expected to exacerbate the fiscal problem: lower overall fuel consumption will cut into fuel tax revenues

The Looming Fiscal Crisis in Transportation *(continued)*

- More extensive use of highway tolls appears as the most logical means of augmenting traditional highway funding
- In the longer run, entirely new approaches to funding highway programs may have to be found
- One possible approach: replace fuel taxes with a per-mile (VMT) charge, using GPS technology. This and other approaches will be considered by a congressionally sponsored blue ribbon National Commission on Future Revenue Sources.

Highway Tolls are Making a Comeback

- Interest in tolling is rising — in state DOTs, in Congress and among local officials. Why?
- First and foremost, states and local governments have no other obvious source of additional revenue to fall back upon. Given the widespread opposition to raising fuel taxes, tolls have come to be considered as the most logical source of additional highway revenue

Highway Tolls are Making a Comeback *(continued)*

- Second, variable tolls are seen as an effective tool of congestion management. This has made tolls popular with many local transportation officials who are under pressure to “do something” about traffic congestion
- Third, there is growing evidence that the public welcomes the option of priced (HOT) lanes that offer congestion-free travel. Surveys in California show that motorists of even modest means choose to use priced lanes when they are pressed for time. A recent ABC News-TIME magazine survey showed that Washington area residents by a 2 to 1 majority prefer tolls to taxes as a way to fund highway improvements.

Highway Tolls are Making a Comeback *(continued)*

- Fourth, most transportation user groups have become vocal advocates of tolling
- Fifth, tolling has received strong support from the Bush Administration. Its SAFETEA bill would permit States to toll any existing or new facility on the federal-aid highway system
- Congress has taken notice of the changing attitudes and is reducing existing statutory barriers to tolling on the federal-aid system.

Fewer tolling restrictions are under consideration

- The Senate version of the reauthorization bill would allow states to toll any *existing or new* facility on the federal-aid highway system.
- The House version would limit tolling to six pilot projects and *new* Interstate highway lanes.

The Toll Roads of the Future

- The 21st century toll roads will bear little resemblance to the turnpikes of the past half century. They will take innovative new forms and will be built under novel financial and organizational arrangements involving public-private partnerships.
 - *HOT lanes and HOT Networks*
 - *Express Toll Lanes*
 - *Toll Truckways*
 - *Electronic (boothless) toll roads*

The Toll Roads of the Future

(continued)

- What may eventually emerge is a system of roadways offering different levels of service. A basic network of toll-free highways built in the 20th century will be operated and maintained with gas tax revenue. Overlaid upon the existing road system will be a toll-financed network of variably priced lanes offering a premium level of service.
- As existing “free” roads become saturated and travel on them becomes increasingly slower and less reliable, motorists and businesses are likely to switch to the priced premium lanes in sufficient numbers to ensure their political success and financial viability.

The Toll Roads of the Future

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- The state of North Carolina has embraced tolling by launching the N.C. Turnpike Authority to finance the Triangle Parkway and other freeways with tolls—an effort that has found broad acceptance among local officials and the public.

The Rising Involvement of the Private Sector

There are signs of a mounting private sector involvement in financing, construction and operation of highway facilities, as evidenced by:

- Increasing number of proposals by private enterprises to build express toll lanes financed entirely or largely with toll revenue bonds (California, Virginia, Texas, Minnesota, Colorado, Maryland);
- A groundbreaking initiative by a private consortium to lease a publicly-owned toll facility (the Chicago Skyway)—an initiative that has aroused interest in similar deals in other jurisdictions;

The Rising Involvement of the Private Sector *(continued)*

- Growing interest in public-private partnerships: 23 states have enacted laws providing legal authority for cooperation with the private sector in implementing transportation projects.
- Supportive federal policies as evidenced by the Federal Highway Administration's Special Experimental Project initiative (SEP-15) and the Administration's legislative proposals (tolling, private activity bonds).

Congestion Management

- Traffic congestion has become a major concern in many (but not all) metropolitan areas
- Congestion mitigation requires a two-pronged approach:
 - expand physical capacity and eliminate major bottlenecks.
 - enhance system performance through improved highway management & operations

Congestion Management

(continued)

- “System Management and Operations” has become a declared new mission of the federal-aid highway program. It involves:
 - strengthening regional cooperation on incident management
 - accelerating deployment of advanced ITS technology
 - establishing appropriate performance measures
 - monitoring trends in highway performance
 - fostering a customer orientation

The Funding Crunch in Transit

New Starts

- The number of potential rail New Starts continues to expand rapidly, outpacing realistic federal funding capabilities.
- There are currently 17 rail projects with existing full funding grant agreements and another three projects recommended for funding in FY 2006. Together they represent a future federal commitment of \$4.5 billion.
- Another 19 rail projects, seeking \$7.8 billion, are being “considered” or “recommended” for funding. Only a small fraction of these latter projects can be expected to be funded with New Starts funds approved in the next reauthorization.

The Funding Crunch in Transit

New Starts *(continued)*

- The good news is that the Charlotte South Corridor line is among the three winning projects to be awarded a full funding grant agreement in FY 2006 (total commitment of \$193 million), with an initial grant of \$55 million in FY 2006
- On the other hand, the \$631 million Raleigh-Durham regional rail project has received a “Not Rated” rating, indicating that FTA “has serious concerns about the reliability of the information” submitted for evaluation. However, FTA has expressed willingness to work with the Triangle Transit Authority to more reliably estimate the anticipated benefits of the project.

What's Ahead for Amtrak?

- The President's Fiscal Year 2006 budget request zeroed out all operating subsidies for Amtrak. The Administration's proposal is seen more as a move to shock Congress into action than a serious effort to end intercity rail service.
- The White House action has already had the desired effect on Amtrak's board of directors. The Board announced a top-to-bottom review leading to the adoption and implementation of a number of "far-reaching changes, both structural and operational."

What's Ahead for Amtrak?

(continued)

- The Administration's call for reform raises a fundamental question: What kind of a passenger rail system deserves support: a coast-to-coast network of long-distance train routes, or a system of regional rail services connecting major population centers in heavily traveled corridors? Who should bear the principal responsibility for passenger rail operations and for infrastructure improvements: state governments or federal government?

What's Ahead for Amtrak?

(continued)

- Many observers contend that a continent-wide rail network is neither justified nor needed. There is not enough demand for long distance rail travel to make such a system economically feasible. Instead, what is needed is rail services connecting major population centers, where trains can compete successfully with air and car travel.

The Changing Federal Role in Transportation

- We are on the verge of a basic rethinking of the federal-state relationship in transportation
- For many years the federal transportation program had a unifying national purpose and a well-defined objective – construction of a national system of Interstate Highways. States were willing to contribute more than their proportional share in the interest of achieving a common goal of nationwide road connectivity

The Changing Federal Role in Transportation *(continued)*

- With this task completed, the federal-aid program has ceased to have a common national purpose. Instead, it has become a huge revenue sharing public works program. Each state is trying to get the largest possible share of the federal pie, pitting “donor” states against “donee” states.

The Changing Federal Role in Transportation *(continued)*

- The time may have come to rethink the state-federal relationship in transportation. The state of Texas may be a harbinger of this new intergovernmental model. The Texas legislature, faced with uncertain prospects for more help from Washington and unwilling to enact massive gas tax increases, has embraced tolling and public-private partnerships as the key mechanisms for financing future highway expansion.

The Changing Federal Role in Transportation *(continued)*

- “Regional Mobility Authorities” can act as toll agencies and partner with the private sector to finance and build new roads using streamlined project delivery methods. The law even permits the RMAs to take over certain sections of state highways and incorporate them into toll projects.

The Changing Federal Role in Transportation *(continued)*

- Many foreign countries already follow this model. In France, Italy and Spain, networks of modern toll roads are being financed, built and operated under long-term franchises by market-driven public and private utility companies.

The Changing Federal Role in Transportation *(continued)*

- For us, in this country, the challenge ahead will be to facilitate transition to a more market-based system while preserving the benefits of the existing federal system. This means encouraging growth of utility-type entities responsible for construction and operation of regional networks of toll facilities, while maintaining a basic level of service on the existing federal-aid highway system.

The Changing Federal Role in Transportation *(continued)*

- Fuel tax revenue will still be needed to ensure the continued integrity of the existing federal highway network. However, responsibility for building new road infrastructure would be shifted to toll-supported highway utility companies, thus relieving pressure to keep increasing federal and state fuel taxes.