

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011



BIPARTISAN POLICY CENTER

**DRIVING PERFORMANCE:
ISSUES AND PRIORITIES FOR THE
REAUTHORIZATION OF THE
SURFACE TRANSPORTATION PROGRAM**

**Statement of
JayEtta Z. Hecker**

**Director of Transportation Advocacy
National Transportation Policy Project
A project of the Bipartisan Policy Center**

United States Senate Banking, Housing, and Urban Affairs Committee
Hearing on
“Public Transportation: Priorities and Challenges for Reauthorization”
May 19, 2011



Chairman Johnson, Ranking Member Shelby and Members of the Committee,

I am honored to be here speaking on behalf of the Bipartisan Policy Center's (BPC), National Transportation Policy Project (NTPP). As you may recall, prior to my past 3 years with the NTPP, I had the privilege of serving the Congress and this committee as a Director of Physical Infrastructure at the GAO, directing hundreds of comprehensive studies of the nation's surface transportation programs, for over 25 years.

I appreciate this opportunity to discuss issues and priorities for the reauthorization of the surface transportation program on behalf of the Bipartisan Policy Center. My statement is drawn from both completed and ongoing research, deliberations and reports of the NTPP. In addition to the "long range vision" for a future performance-based program which we released in 2009¹, we have continued to develop more specific and pragmatic building block measures that can be taken to lay the groundwork for a new performance-based program². We are just now finalizing a comprehensive new report –which will provide specific recommendations for restructuring the current federal surface transportation programs to both focus on advancing clear national priorities –and do so within the level of revenue collected to support the federal program.

My statement is organized around three central observations and conclusions of our work:

- ***The current environment for reauthorization presents significant challenges – and opportunities,***

- ***NTPP priorities for reauthorization include promoting performance, improving planning, and developing an integrated, multi-modal focus on optimizing transportation networks, and***

¹ [PERFORMANCE-DRIVEN: New Vision for U.S. Transportation Policy](#), National Transportation Policy Project, BPC, 2009.

² Transitioning to a Performance-Based Federal Surface Transportation Policy - <http://bipartisanpolicy.org/library/report/transitioning-performance-based-federal-surface-transportation-policy>, June, 2010, How Fair Is Road Pricing? - <http://bipartisanpolicy.org/library/research/how-fair-road-pricing-evaluating-equity-transportation-pricing-and-finance>, September, 2010; Strengthening Connections Between Transportation Investments and Economic Growth - <http://bipartisanpolicy.org/library/research/transportation-investments>, January, 2011; Joint Statement with Financing Commission Members - <http://bipartisanpolicy.org/library/national-transportation-policy-project/joint-statement-undersigned-members-national-surface>, December 2010

- ***Funding challenges are profound and require immediate incentives for increases in non-federal revenue, and reestablishing the credibility of the federal program to gain support for increased federal revenues.***

Background

The Bipartisan Policy Center and the National Transportation Policy Project

The BPC was founded by four former Senate majority leaders, Tom Daschle, Bob Dole, Howard Baker and George Mitchell. BPC was created to help provide the motivation and infrastructure to forge the bipartisan consensus we believe is necessary for durable change across a range of difficult policy challenges. . The BPC works to develop and promote sound policy solutions that can attract public support and political momentum to achieve real progress in a wide range of sectors including national security, agriculture, energy, health care, financial services, debt reduction, and science. In line with the BPC's overarching purpose to develop and advance pragmatic, politically viable solutions to critical public policy problems, NTPP was designed to bring new approaches and fresh thinking to our nation's pressing transportation challenges.

The NTPP is co-chaired by four former elected officials and includes membership of renowned experts and leaders in transportation policy, as well as users of the system whose voices have not typically been heard in previous policy debates³. Your current colleague and member of this committee, Senator Mark Warner, was an original co-chair before joining the Senate. We have been pleased to continue working with him in furtherance of our shared interest in and commitment to advancing a performance-based transportation program.

Core NTPP Recommendations – Define National Goals and Develop Performance Metrics

To set the stage for my remarks, I'd like to briefly summarize the NTPP conclusions, many of which reflect a widespread consensus on the need for fundamental reform of the existing program to foster performance, accountability, and results. We concluded that the single most urgent need is for Congress to define specific goals for the federal transportation program that direct resources to the achievement of clear national interests. To best lay the foundation for a truly performance-based program, national goals need to be focused on outcomes and reflect the societal and economic rationale for a federal role in this sector that is characterized by major private and individual investments and choices as well as substantial local variations in community development patterns and preferences.

NTPP recommends the national interests in transportation investment be recognized as advancing the following fundamental national concerns:

- **Economic Growth**—Producing maximum national *economic growth* per dollar of investment

³ A list of all NTPP members is included at the end of this statement.

- **National Connectivity**—*Connecting* people and goods across the *nation* with effective surface transportation options
- **Metropolitan Accessibility** —Supporting comprehensive metropolitan efforts to provide efficient *access* to jobs, labor, and other activities throughout *metropolitan* areas
- **Energy Security and Environmental Protection**—Promote the integration of *energy security* and *environmental protection* objectives with transportation policies, programs, and investment choices
- **Safety** —Improving *safety* by reducing the number of accidents, injuries, and fatalities associated with transportation

We recognize that moving toward a performance-driven approach will challenge entrenched interests and require government institutions at all levels to change longstanding practices and ways of doing business. Beyond articulating clear goals for a new performance-based program, Congress should support an aggressive but deliberate transition to a performance-based system. This requires support for comprehensive testing and refining of outcome-oriented national metrics to capture progress toward the achievement of these five central national goals. This will require strong federal support for the improved data and tools essential for managing performance as well as pilot testing the application of broad, mode-neutral national performance metrics on the state and metropolitan level to identify and address specific implementation challenges⁴. This is the strategy Senator Warner has been advancing in a stand-alone legislative proposal.

Importance of Presidential Leadership

The nation is clearly at a pivotal moment in considering the future federal role in transportation. We have a program that is bankrupt in both funds and purpose. We remain hopeful that even though a new authorization has been deferred and extended several times, proposals will start to emerge from both the executive and legislative branch on a new path forward. Leadership from the President has always

⁴ Recognizing the criticality of defining a bold but pragmatic strategy for laying the essential foundation of a performance-based program, NTPP convened an intensive workshop of diverse experts with direct experience to chart a transition strategy. See Bellagio report - <http://bipartisanpolicy.org/library/report/transitioning-performance-based-federal-surface-transportation-policy>, June, 2010. The importance of a cautious and deliberate strategy was underscored by opening the workshop with a briefing on the sobering RAND Corporation review of the results of recent efforts to apply performance focus in 5 diverse federal programs. See “Toward A Culture of Consequences - Performance-Based Accountability in Public Services, Brian Stecher et al, 2010.

been essential for progress in this important arena – and will likely remain critical during this especially challenging period. We are impressed by a number of the principles for authorization contained in the Administration’s proposal as set forth in the President’s FY 2012 Budget that are consistent with the themes and principles of NTPP’s June 2009 report. These include the needed emphasis on asset management focusing on system preservation and state of good repair, the focus on performance and accountability as well as developing incentives for performance (e.g. Transportation Leadership Awards), a focus on multi-modalism, and a plan for significant program simplification and consolidation.

With a detailed Administration proposal yet to be released, we are not able to provide specific comments on the Administration’s strategy. While we share many of the President’s reform principles, we are not optimistic that the Congress is prepared to enact new taxes sufficient to support a program at the level proposed by the President. In the more likely outcome that new revenue sources are not enacted, our members remain firmly committed to a program that is consistent with available revenues. We also believe it will be important to support outcomes rather than any specific mode and establish a coordinated program to support sustainable revenue flows by states and metro regions – which remain at the front line of our vital transportation investments.

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With this context, I turn to the focus of this important and timely hearing – setting the context for a discussion of reauthorization generally and the focus on transit and metro regions more specifically by covering three broad issues:

1. The challenges and opportunities of the current economic and political context
2. NTPP Priorities for a new authorization in this environment, and
3. Key funding issues and challenges

Challenges and Opportunities of Reauthorization in the Current Environment

In 2007 many operated under the assumption that there would eventually be a large multi-year surface transportation bill passed by Congress. Through each successive “TEA” bill (ISTEA, TEA-21 and SAFETEA-LU) Congress has increased transportation investment, and “reforms” or innovations have generally been additive with stakeholders and states all assured a share of the increasing size of the pie.

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

The current environment is substantially different making it extremely difficult if not impossible to raise additional revenue in the near term for federal transportation investment. This new environment is shaped by several factors:

- **Prolonged economic downturn** – contributing to decreased revenues coming into the Highway Trust Fund (HTF); the Recovery Act, by making billions of dollars available for infrastructure spending with no state or local share, diffused focus on the bankruptcy of the Trust Fund ; the economic environment similarly delayed any serious political focus on badly needed reforms; and persistently high unemployment and ever increasing gas prices have made it even more difficult than it has been over the past 19 years to ask Americans to pay more in fees to begin to cover the costs of maintaining or improving our national system.
- **National debt crisis** -this issue is finally taking center stage with a BPC Commission⁵ as well as a Presidential Commission both recommending major changes to taxes and spending to restore fiscal balance; the Congress is currently engaging in a major debate about the depth and breadth of spending reductions and revenue increases to accompany the required increase in the debt ceiling; overall this environment makes it more difficult than ever to generate support for *increased* spending on any federal program, even one with promising long-term benefits such as transportation.
- **Greater hostility to taxes** - there is a broad public unwillingness to accept new or additional federal taxes making the potential for finding new revenue for transportation even more of a challenge.

The Opportunity of Constrained Resources

The new reality we confront today is clearly one of severely constrained resources for transportation investment. The Highway Trust Fund (HTF) is solvent only because of repeated infusions of over \$30 billion over the past two years. With the environment supporting debt-financed stimulus spending now past, it is more clear than ever that “funding” transportation with general revenues means more borrowing and increased public debt. With national attention on strategies for decreasing the national debt, and growing opposition to any kind of government spending, the transportation sector will have to determine how to be nimble, surviving with fewer federal resources.

⁵ Restoring America’s Future, November, 2010 <http://bipartisanpolicy.org/library/report/restoring-america's-future>

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

Our work and that of many others supports the need for higher levels of federal investment, with the evidence increasingly apparent that we are neither maintaining our core system nor preparing for the steady increases in our populations, freight flows, and growth. Few dispute that strategic investment in transportation infrastructure can be an essential element of a growing economy. However, our panel believes that continued general fund transfers – i.e. increased borrowing – is no longer an option. Until the President and the Congress are prepared to identify and enact new sustainable revenue sources to support an expanded program, we believe the program should be refocused and scaled back to a spending level aligned with existing revenue. Our program recommendations for the pending authorization focus on setting clear national priorities and limited to the level of revenue coming in to the Trust Fund -approximately \$40 billion annually. There are risks and severe economic consequences associated with lower levels of investment. However, this difficult environment where it has become clearer that every dollar should be spent wisely can also be seen as an opportunity for implementing substantial reform. Acknowledging a reality of constrained resources puts pressure on the federal government to spend wisely, to make the most of every dollar spent – and to assure critical and true national priorities are being funded. We also believe that devising a strategy when funds are so scarce highlights the importance of spurring innovation and forcing a closer look at how we might better leverage funds from non-federal sources.

Our forthcoming report will present specific and detailed recommendations for consolidating, refocusing, or eliminating all existing federal programs currently funded under the SAFETEA-LU authorization to focus directly on areas of clear national interest. Our proposed program structure will more directly align federal resources with compelling national interests, and seize this challenging juncture to move the nation towards a more performance-based surface transportation system.

Highlights of NTPP Priorities/Major Opportunities for Reauthorization

While our report won't be final for another few weeks, I'm pleased to take this opportunity to outline several priorities our proposal will include for a scaled back but well targeted federal program.

Laying the groundwork for performance measurement, reporting and accountability

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

Not surprisingly, the major priority for our proposed streamlined program will be for Congress to lay the groundwork for meaningful progress toward a true performance-based system. Consistent with both our June 2009 report and subsequent research and reports, we will call for:

- Establishment of outcome-oriented national goals of our surface transportation program
- Consolidation of formula programs into new outcome-oriented programs emphasizing maintaining and improving the performance of our existing assets
- Introducing performance-bonuses on formula programs based initially on improved data collection, planning and reporting and eventually on meeting specific measurable criteria.

Improving the programmatic and holistic focus on transportation planning

We believe a revitalized program is needed to substantially reform the federal planning process to become more outcome-oriented. Funds would be allocated by formula to states and metro regions with bonus funding available for improved planning processes, as well as supplemental grants to incentivize greater collaboration.

Consolidating Programs to Focus on Improving Metropolitan Accessibility

With our core focus on outcomes, our June 2009 long range vision recommended development of a new multi-modal "Metropolitan Accessibility" Program. Our focus was on creating an outcome-based program focused not on modes or modalities but emphasizing mode neutrality, "programs, not projects", and the use of outcome-based metrics that would capture achievement of overall desired outcomes or goals (e.g., labor market flexibility, job access, improved environmental sustainability, reduced dependence of the system on fossil fuels and safety). To promote innovation and more comprehensive regional programmatic planning, we contemplated a significant portion of the funds be provided on a competitive basis.

Given the current economic and fiscal environment with funds extremely limited and low Congressional appetite for transitioning to a new large competitive program, we envision substantially modifying this preferred long term approach. NTPP recommendations for a new metropolitan accessibility program will likely to call for a formula program with funding going to both states and metro regions. We envision a performance incentive or bonus, which in the short term will reward improved data collection,

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

broader programmatic analyses, and providing a foundation of public reporting on the performance of the broad network and projected returns from a mix of investments. We are confident that the values and principles that we articulated in the 2009 report can be applicable to such a formula program, that is, mode neutrality, a focus on preservation, restoration, and performance of existing facilities and systems, comprehensive strategic plans and capital programming, job access, and energy security. We envision existing transit programs that create new capacity, like New Starts, would be part of such a comprehensive program, which within such a constrained funding environment will be a smaller feature in most regions investment strategies – although each region will be free to make their own programmatic priorities.

The Brookings Institution has completed a body of work demonstrating the vital role the nation’s metropolitan regions play in the economic growth of our nation and the quality of life of our nation’s citizens. A recent report provides a new analysis of how investments in transit have not included an explicit focus on improving the access and use of transit to reach employment centers⁶. We agree that not only do transit investments need to more explicitly focus on this vital outcome, but a similar focus is needed on our metropolitan road network. The Brookings data reveal that only 7 % of workers in 100 largest metro areas rely on transit to get to work, underscoring the need for integrated programs and strategies to enhance the performance of entire transportation networks in our metropolitan regions.

Funding Challenges/Issues

Even as we put forward a program that assumes no new revenue in the near term, the proposal in fact incorporates several elements directly related to funding issue and challenges – both in the longer term as well as immediately.

Experts View Absence of Program Credibility as Critical Barrier to Increasing Federal Investment/Revenue

Continuing NTPP’s model of bringing together renowned experts from various fields who hold widely varying views, we convened an intensive workshop in March on “Breaking New Ground –Exploring Long Term Options for Funding the Surface Transportation Program.” Major topics included exploration of the

⁶ “Missed Opportunities: Transit and Jobs in Metropolitan America”, Brookings Metropolitan Policy Program, May, 2011.

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

- (1) Future Federal Role in Transportation (including economic and fiscal realities, national goals and political consensus on scope/purpose of federal program, and facilitating and incentivizing private, state and local funding),
- (2) Sustainable Revenue Options (including a review of the varying performance and efficiency results and pros and cons of user fee foundation, and
- (3) Institutional and structural options (including the role and relevance of the Trust Fund mechanism).

We are still developing a report based on this rich and thoughtful exchange. Some highlights, however, include the following key observations:

- ✓ Exploration of future funding options must be in context of a clear and specific set of national goals/purposes – i.e. identifying future revenue sources cannot really be separated from first defining a clear and compelling focus of the national interests and program purposes.
- ✓ The core challenge to funding achieving either public or political is restoring public confidence in the “returns” of the federal program.
- ✓ Revenue options have widely varying performance and efficiency results and as alternatives are further evaluated, assessment should heavily weigh such positive and intentional impacts.
- ✓ The funding structure, particularly the Trust Fund, needs to be reinvented for a new era, noting that like revenue sources, a funding structure may either support or impede mode and outcome-based programming and achievement toward nationally significant outcomes.
- ✓ Efforts should begin to support and coordinate state efforts to study new mileage/use-based revenue option.
- ✓ With federal resources declining, focused federal program needed to facilitate and incentivize sustainable revenue sources at state level

Comprehensive New Program Needed to Facilitate, Support and Incentivize Increased Non-Federal Investment

In addition to this issue being a major focus of the Funding Workshop, NTPP sponsored new research to develop in more detail, what a new program should be composed of, to most effectively leverage the federal revenue – and explicitly support increased and sustained revenue flows by non federal partners.

EMBARGOED UNTIL 10:00AM ON THURSDAY, MAY 19, 2011

Due to the likely continued scarcity of surface transportation funding relative to nationwide investment needs, NTPP believes there should be a substantially enhanced federal role in facilitating, incentivizing, and rewarding sustainable state, local and private funding. The greater need to maximize non-federal resources, and the national benefits that such leveraging can provide, demands a set of substantial and comprehensive loan and other financing assistance programs. A new program dedicated to maximizing the leveraging potential of federal resources could form the basis for a new, important focus on incentives. A program dedicated to maximizing the leveraging potential of federal funds could form the basis for transitioning to a national infrastructure bank.

A new program could greatly enhance the ability of the federal government to support state, local, and private funding in a way that advances national transportation goals. The essential features of such a program could include three distinct but complementary dimensions:

- Remove barriers to non-federal investment, in particular barriers to tolling and pricing;
- Expand and improve TIFIA and other financing tools to support revenue-generating projects, and
- Reward the generation of sustainable revenue and investment by non-federal entities.

Remove Barriers to Non-Federal Investment

Current limitations on tolling the existing Interstate system should be largely removed. Tolling is a potentially viable mechanism for improving performance and generating increased transportation revenues that could be used to back project financing. Similarly other federal requirements for certain projects should be relaxed to facilitate increased private investment.

Expand and Improve TIFIA and Other Financing Tools

The TIFIA program should be increased in size, while continuing to focus on credit-worthiness and the market discipline afforded by requiring significant non-federal co-investment. A new program should be included that provides technical and pre-development assistance to increase the pipeline of sound projects, as well as new financing tools or tax code incentives to stimulate infrastructure investment. A discretionary Toll and User Fee Technical Support and Discretionary Federal Funding Assistance Program should be made available to promote sound pricing projects, assisting in the development of new tolls and other user fee projects.

Tax Code Incentives could include a range of tools including increasing the volume cap on Private Activity Bonds (PABs) reestablishing the Build America Bonds program , creating Qualified Tax-Credit Bonds (QTCBs) as a new category for major surface transportation projects , and continuing to permit states to use a portion of their federal apportionments to further capitalize their State Infrastructure Banks (SIBs).

Rewarding the Generation of Revenue by Non-Federal Entities

A new program should be created to facilitate and reward states and metropolitan regions that sustain or increase the net amount of non-federal revenue they contribute to investments. In addition to including a Maintenance of Effort Funding Program, specific incentives could include Preferential Treatment for Discretionary Program Awards and Programmatic Flexibility and Regulatory Relief.

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This concludes my prepared remarks. I thank you again for the opportunity to provide BPC's perspectives and preliminary recommendations. I look forward to any questions you may have. In addition, we stand ready to support the committee in the significant challenges that lay ahead.

Attachment I

National Transportation Policy Project Members

Dennis Archer - Former Mayor of Detroit

Sherwood Boehlert - Former New York

Slade Gorton - Former United States Senator from Washington

Martin Sabo - Former United States Congressman from Minnesota

Alan Altshuler - Harvard professor (Kennedy School and Graduate School of Design); former Massachusetts Secretary of Transportation

Jack Basso - American Association of State Highway and Transportation Officials (AASHTO); former Assistant Secretary for Budget and Programs, United States Department of Transportation

Lillian Borrone - Board Chair of the Eno Transportation Foundation; former senior executive of Port Authority of New York and New Jersey

Tom Downs - Former CEO of Amtrak; former Commissioner of New Jersey Department of Transportation; former President of the Eno Transportation Foundation

Mike Erlandson - Vice President Government Affairs, SUPERVALU

Douglas Foy - Serrafix Corporation; former President of the Conservation Law Foundation

Jane Garvey - Former Administrator of the Federal Aviation Administration; JP Morgan

Gary Higdem – President, CH2M Hill Energy Operating Division

Douglas Holtz-Eakin – President, DHE Consulting LLC; former Director of Congressional Budget Office

Nancy Kete - Senior Fellow and Director of EMBARQ-The World Resources Institute's Center for Transport and Environment

Ann Klee - Vice President, Corporate Environmental Programs, General Electric

William Lhota - President and CEO of the Central Ohio Transit Authority (COTA); former senior executive at American Electric Power

Bob Lowe - President and CEO of Lowe Enterprises, Inc.

Sean McGarvey - Secretary-Treasurer, Building and Construction Trades Department, AFL-CIO

Bryan Mistele - President and CEO of INRIX

Jim Runde - Managing Director and Special Advisor, Morgan Stanley

Tom Striker - Director and Corporate Manager, Toyota Motor North America, Inc.

Chris Vincze - Chairman and CEO of TRC Companies

Martin Wachs - Director of RAND Corporation's Transportation, Space, and Technology Program; Professor Emeritus at the University of California Berkeley

Dr. John Wall - Vice President Chief Technical Officer at Cummins Engine

Lynda Ziegler – Senior Vice President at Southern California Edison