

RED MEAT & **Red Ink**:

Key Themes from *“Financing and Funding Transportation in a Transformational Period”*

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The Hangover, Part 2 (Susan Irving)

- Because the U.S. has the world's largest economy, we have been able to get away thus far with fiscal policies that no other country could do.
- While Federal spending levels are clearly a problem, the spiralling Federal deficit is more attributable to revenue declines, caused by growth in unemployed, premature retirements and financial sector meltdown.
- The fundamental issue is not the current outstanding balance of Federal debt, but the prior actions that produced it.
- Budget deficits will continue at 5% of GDP indefinitely , even under optimistic scenarios; soon will become untenable.
- Unrealistic to think we can “grow our way” out of the deficit problem.

In short, our fiscal condition may be summed up: Attention: Deficit Disorder!

A Transportation Policy “Attitude Problem” (Ron Utt)

- Historically, the transportation trust funds have “taken care of themselves” in financial terms.
- Over the years, we have allowed **Budgetary Capacity**, not **User/Payor Preferences**, to drive investment levels and resource allocation.
 - We have failed to rely on market signals as to what people truly want.*
 - We have had a transportation budget but not a transportation policy.*
- As an industry, we have neglected building a strong constituency to “sell” our message; as a result, transportation policy has a relatively low political priority.
- We need to convince people that they are getting something in return ; rather than saying “Do you realize how little you are paying?”
- **Market processes** should inform policies to optimize transportation investment—especially in this era of constrained resources.

“Selling” Transportation as a Policy Priority (Asha Weinstein Agrawal)

Both Polls and the Ballot Box indicate that the Public will support new taxes and charges for transportation *if* :

- it is **locally imposed** (at a level near enough for the voter to see the connection between the payment and the benefit)
- there is a **specific project list** or narrowly-defined purposes.
- the themes of **maintenance, safety and the environment** are emphasized.
- advocates use outreach and education to help **shape public opinion**.

Public Private Partnerships (P3's): Living in a Material World (Jane Garvey)

- P3 is a project delivery and **financing tool**; *not* a **funding source**:
 - Projects still require an underlying tax or user charge to pay the return on investment.
- Limited number of fully self-supporting projects, except perhaps for HOT Lanes.
- **Availability Payment** Approach (tax-supported P3) links Long-Term Performance of Project to the Financing Structure, promoting Life Cycle Costing.
- Can be used selectively for transit, highways, other purposes (civil infrastructure).
- Key Ingredients to a Successful P3 process are:
 - Local champion** advocating the approach.
 - Clearly-articulated **public policy objectives**.
 - Upfront legislative approval and transparent process (**reduce political risk** at both front-end and annually) for appropriations.
 - Financially sound** state/local governmental unit.

Other Red Meat Ruminations:

Key Factors Affecting Transportation Funding Strategy:

- ❑ **Fuel Efficiency Gains:** Public should be apprised of the magnitude of the revenue losses from hybrids/improved gas mileage.
- ❑ **Performance-Based Transportation Outcomes:** Public is willing to accept dynamic pricing *in exchange for enhanced service*.
- ❑ **The Equity Issue:** Show the distribution of benefits relative to who bears the costs.
- ❑ **Value Capture:** Make greater effort to capture the appreciated value at highway interchanges/stations, as source of capital funding.



Can successful political support for transportation at the state and local level be used to generate support at the Federal level?...Or does this imply that more emphasis should be devolved from Federal to State/Local governments?

More Ruminations:

- Railroads are the *original* “toll facilities” :
 - Carriers must recover both capital *and* operating costs from user charges.
 - Railroads learned painfully in recent decades that they needed to downsize their networks to remain self-supporting/profitable.
- Dedicating specific revenues to specific purposes may have short-term political appeal, but limits flexibility of transportation funding system to respond to evolving needs in the future.
- Addressing the “Infrastructure Deficit” is just as vital to the nation’s well-being as dealing with the Federal Deficit, yet no one ever talks about it.
- **VMT → VWP:** Espousing Vehicle Miles Travelled results in Villagers With Pitchforks.
- *The Vision Deficit:* In the past, the United States built the Canals, Transcontinental Railroads, Farm-to-Market roadways, Interstate Highways and the Aviation System. *Where is the aspirational view today?*