State Transportation Policy in an Urban-Metro World: A Guide for the Perplexed

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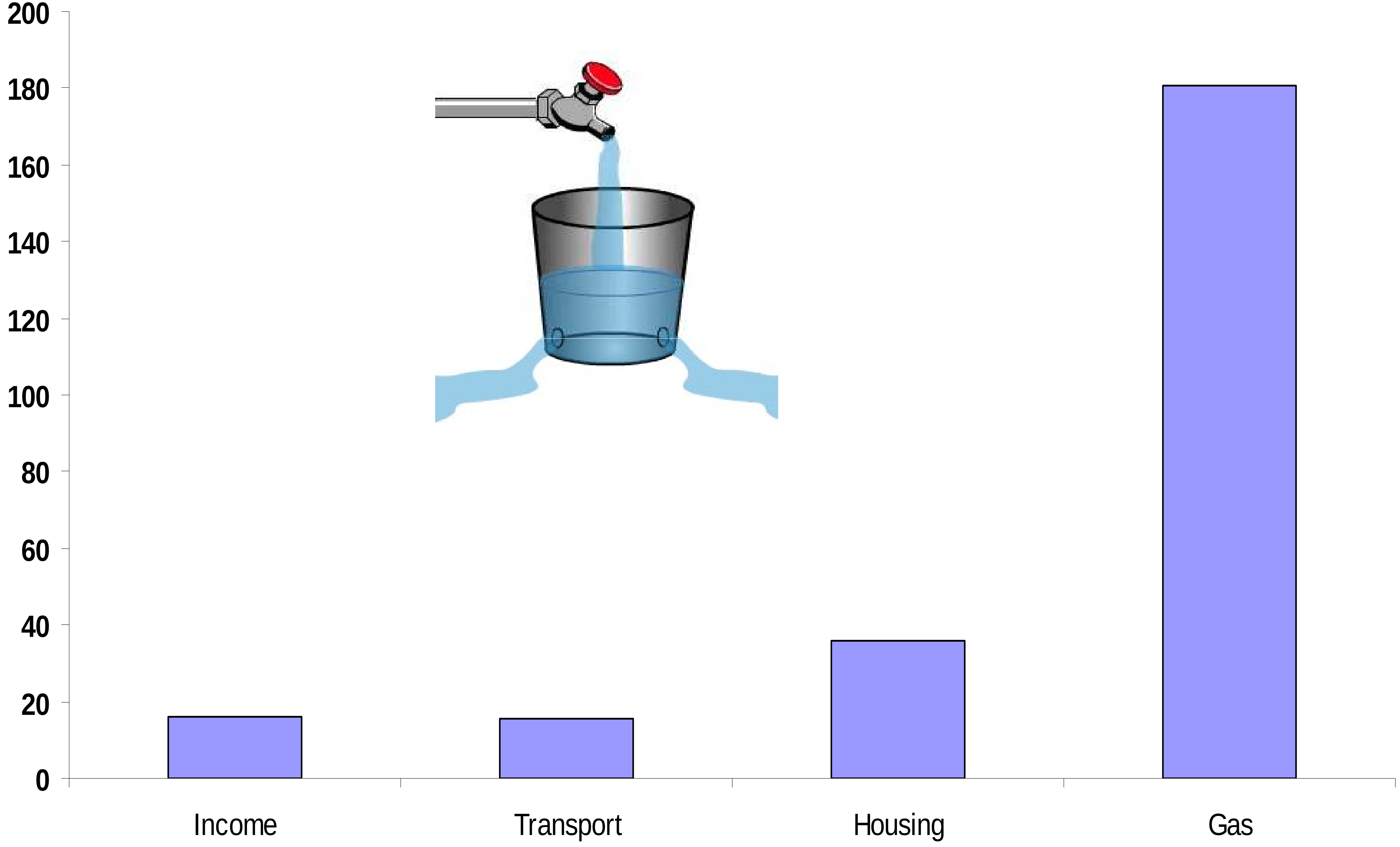
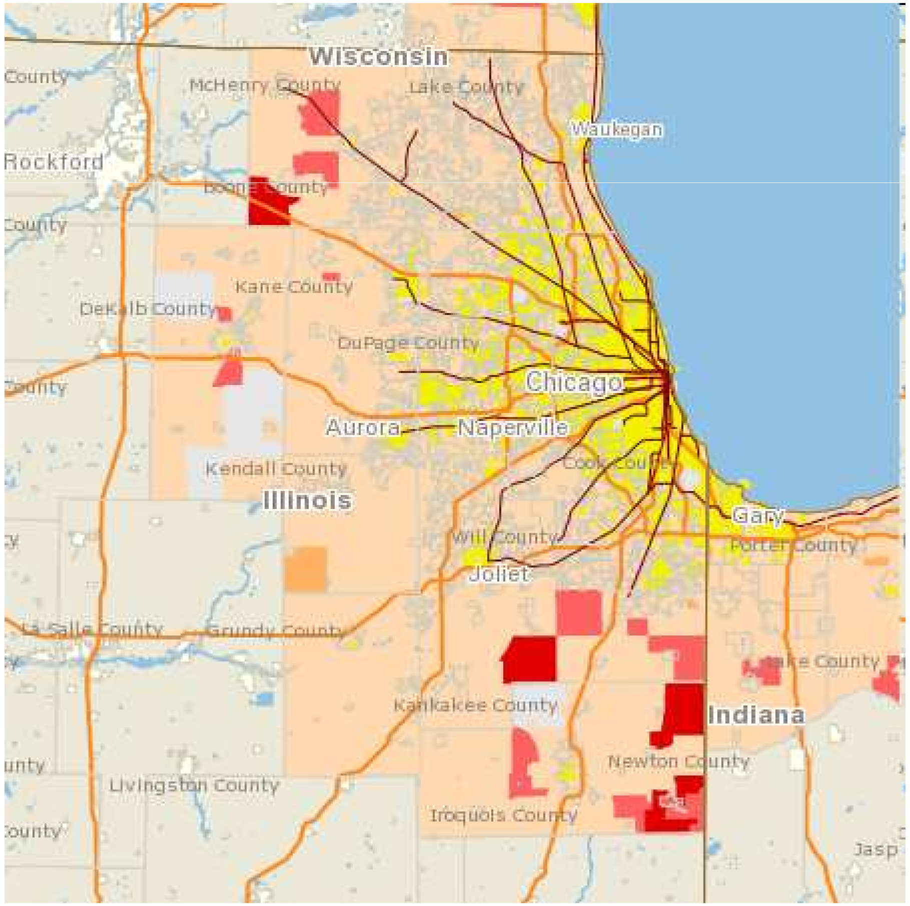
From 2000 to 2008, Gas Prices Rose 5 Times Faster than Housing Prices, and 11.5 Times Faster Than Income

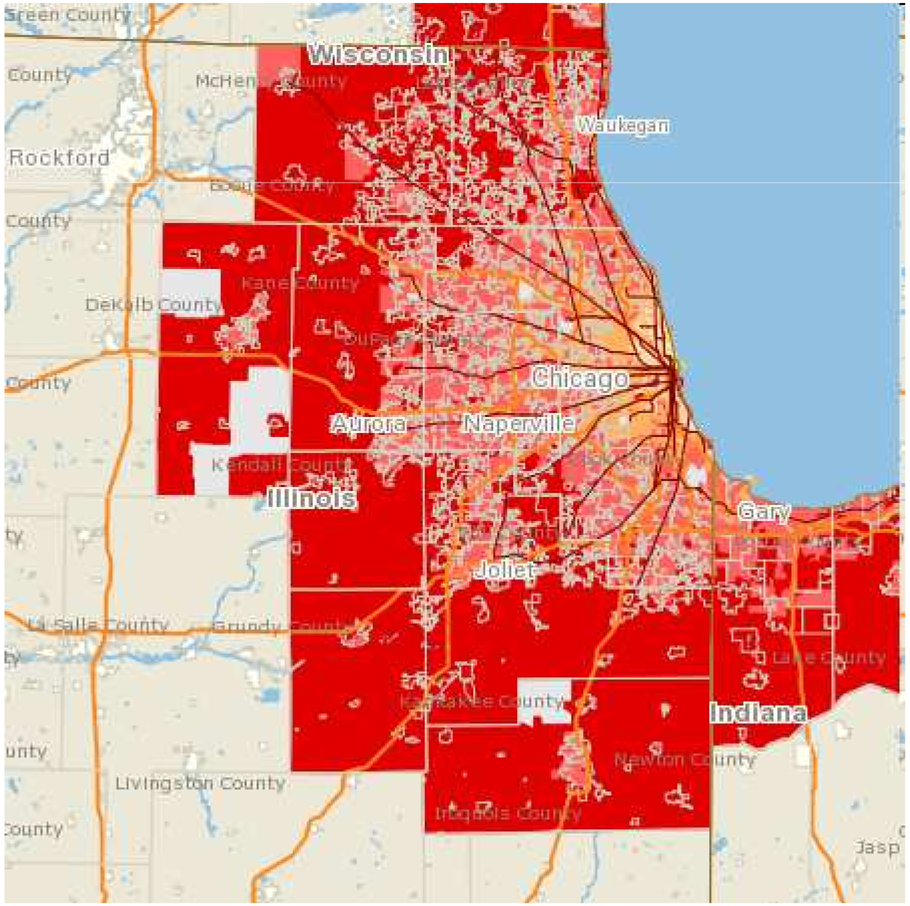


Chicagoland MSA
Effect of Gas Price Growth from $1.99 to $4.21
June 30 2000 to June 30 2008

$501 to $3969 per HH per Year

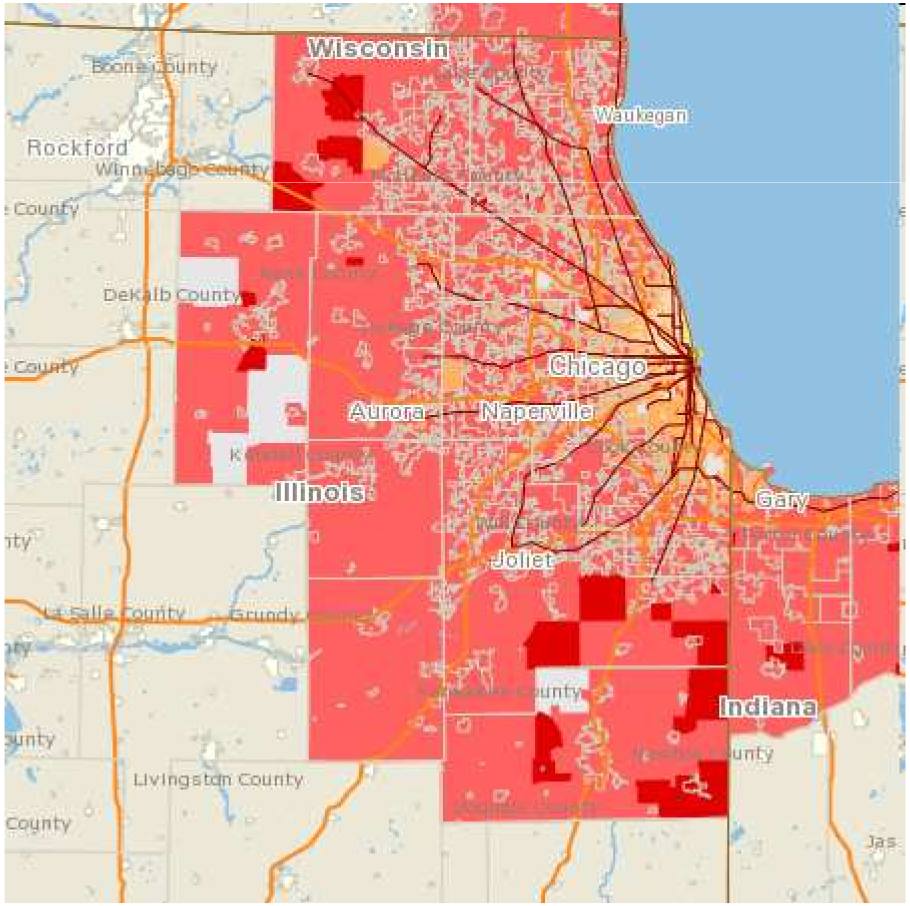


$1348 to $8246 per HH per Year

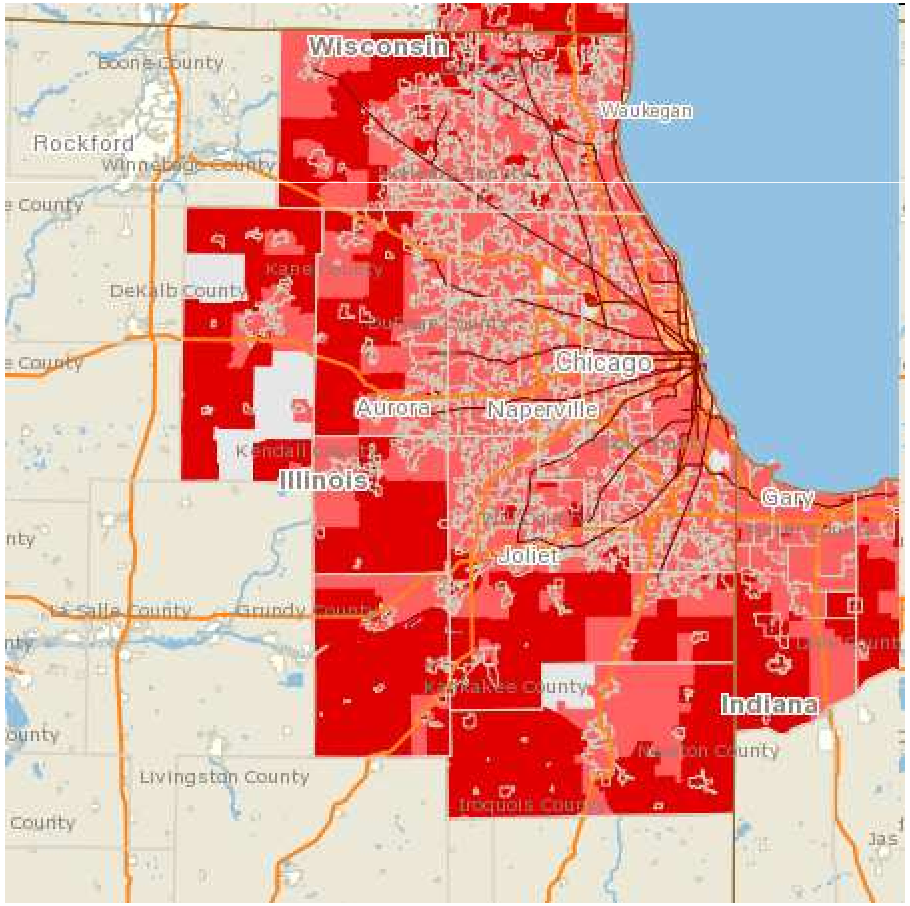


Chicagoland MSA
Growth in Total Transport Costs as Percent of AMI
June 30 2000 to June 30 2008

11.5 to 44.81 Percent of Income



16.29 to 55.33 percent of Income

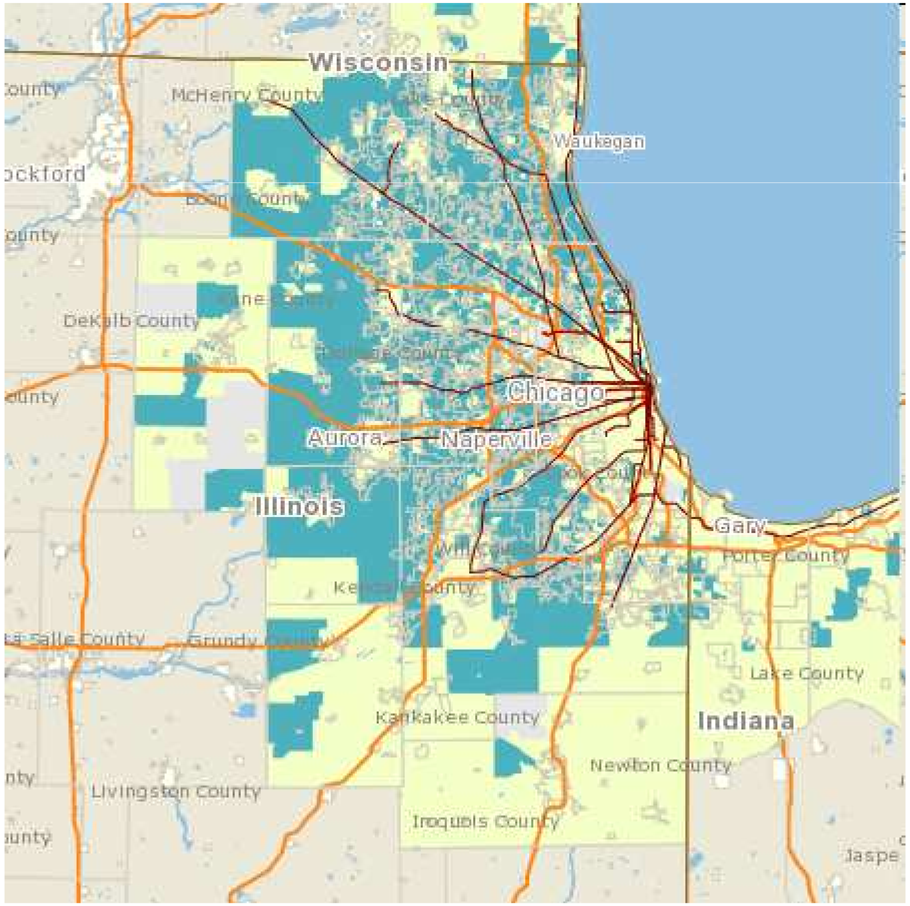


Chicagoland MSA

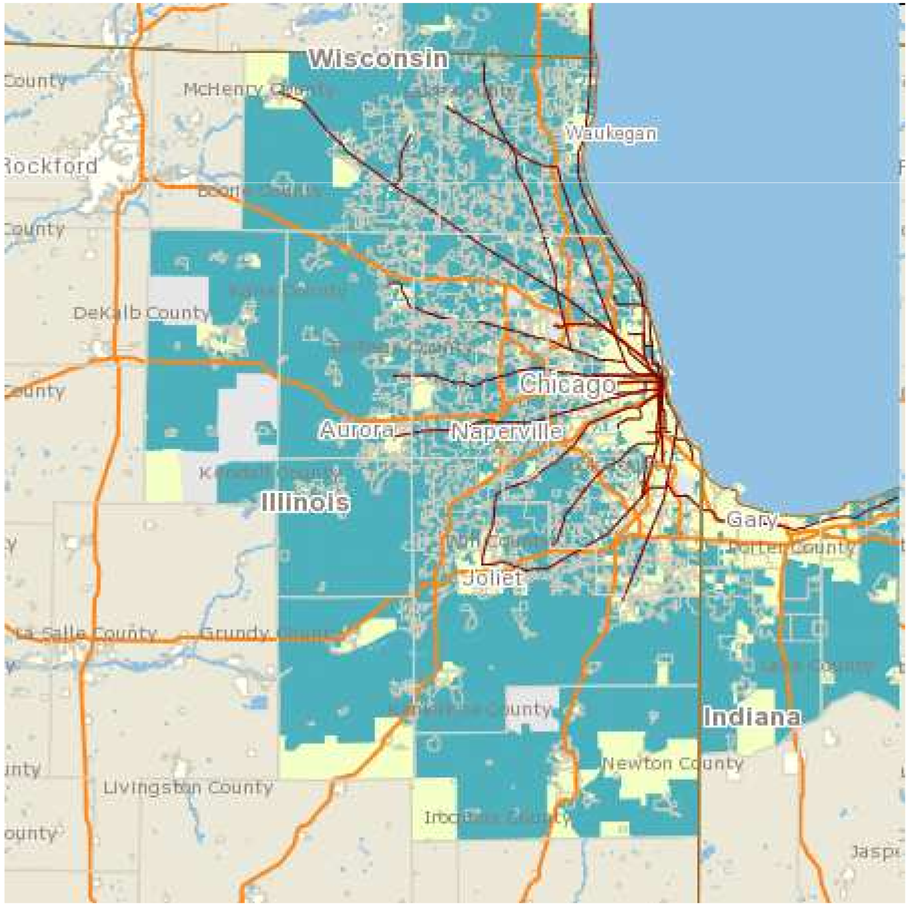
Housing Affordability at <30% of AMI vs
Housing + Transport Affordability at <45%

Drop of 977,000 HHs from Affordability When Transportation is Counted, = Drop of 29.6% of Total Stock

H = 13.25 to 72.07 Percent of AMI



H + T = 34.68 to 119 Percent of AMI



Recent Events

- Financial Services industry meltdown
- Economic Contraction
- 2008 Elections
- Federal/Congressional Action in Just 1 Year—

- Energy Independence/Security Act 12/07
- Congress Approves Stimulus Checks 2/08
- Checks arrive summer 2008
- Housing/Economic Recovery Act 8/08
- Treasury Takeover of Fannie Mae and Freddie Mac 9/08
- Amtrak Reauthorization 9/09
- Financial Stabilization Act 10/08
- Likely new stimulus package 12/08
- New Administration and Transition-Now
- Setting 111th Congress Agenda-Now
- Organizing a "2d" Investment/Recovery Oriented Stimulus for Spring 2009-Now

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Trends that Particularly Affect Traditional State Roles

- Agencies set up for one set of purposes (getting nation out of the mud, farm-market) face new realities (population mostly urban and metropolitan, globalizing economy) and challenges (handling *both* JIT logistics *and* modernized passenger services)

- Transport agency definition of economic development (throughput, congestion mitigation, time saved) doesn't correspond to localized definitions (job creation, cost of living reduction, wealth creation, taxable value created)

- Energy and climate constraints

- "No new taxes" pledges limiting solutions

- Debt for State transportation spending debt increased 4 times faster than new revenue 2005-present

- Local governments in some States provide as much or more highway funding

- Traditional revenues declining, victims of vehicle efficiency, alternative fuels, earmarking

What States Are Trying

- MA, CA, NJ using bonds to support transit oriented development
- Some states use “flexibility” to directly support streetcar, LRT or BRT
- Partnerships with both passenger and freight rail companies
- Leverage federal highway and transit block grants – GARVEEs, etc.
- New basis for revenue generation—Oregon VMT tax experiment

What States Are Attempting (NGA, National Commission, FHWA)

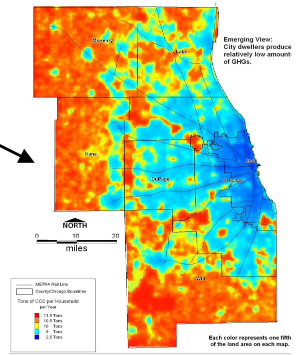
- Tax-based strategies to increase revenue (gas taxes, truck-weight fees, vehicle fees, or shifts to local sales and property taxes)
- Tolls and road-pricing strategies—existing v new capacity, price congestion, charge mileage
- Debt financing—federal& state credit enhancement
- Asset leases—P3 and concessions
- Shifting responsibilities to other levels of government—cities, MPOs, special service, charging impact fees, marginal prices, and TIFs, SSAs, BIDs
- Reducing the level of travel demand
- Managing assets more efficiently—life extension, right-sizing, reducing dependence on most expensive system elements

What States Are Trying—Travel Demand Reduction

Coordination between land use and infrastructure planning, also ties to climate strategy—

- NJ ties to city planning to preserve capacity,
- CA increased sub-allocation to MPOs who tie investment to housing,
- PA right-sizing cuts road costs in half, uses Context Sensitive Solutions to build faster, better & cheaper

Areas with highest Density & Most Travel Choices Have Lowest Carbon Footprints



- Use transit to reduce VMT—make use of federal tax credits ($100/month), MD adds state tax credit, MTC and NJ provide housing incentives near transit

Maine used CMAQ funds to extend Amtrak Downeaster Portland-Brunswick

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What States Could be Leveraging

- Current initiatives—EG Wisconsin—KRM Commuter Rail; streetcars in Madison, Kenosha & Milwaukee; bus enhancements in all cities; street connectivity everywhere
- Experiment with flexibility—increase sub-allocation in exchange for new local revenue
- Encourage local ballot initiatives & other forms of participation

- Build better capacity at regional level
- Use 100 percent CMAQ shares to jump-start local transit investments—specifically allowed in last December's energy act HR6 (i.e. no matching funds required)
- Examine purchase of service agreements, finance against pledged revenues in rail corridors

Prospects for Near-Term Federal Actions—SAFETEA-LU Reauthorization

- Last three authorizations were late
- Lag in revenues resulted in $8 Billion general fund revenue patch in September, not likely to be repeated
- Recent comment by experienced Committee staff: Not expected for several years

- ***Likely outcome***—Extension/continuing resolution

Prospect for Near-Term Federal Action—Inclusion in Stimulus Bill

- Near-term stimulus discussions focused on household impacts
- Discussions increasingly distinguish between near-term stimulus and longer-term recovery
- "First" stimulus likely to include Unemployment Compensation fixes, food stamps, Medicaid

- ***Likely outcome***— little or no investment component in near-term stimulus action

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Prospects for Federal Action—Second Stimulus Bill

- “Second” stimulus planned for this Spring
- Chances will be enhanced by Administration actions and leadership
- “Readiness” a big issue—most desirable projects may be least ready-to-go
- Several lists of ready-to-go projects circulating—AASHTO, APTA, T4America, Green Group, etc.

- ***Likely outcome***: Serious effort to pass and appropriate a bill this Spring

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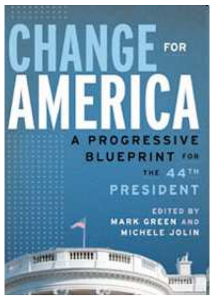
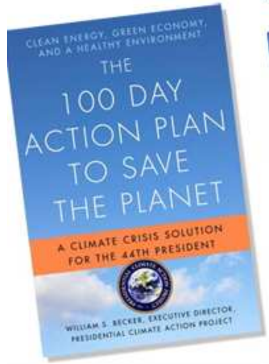
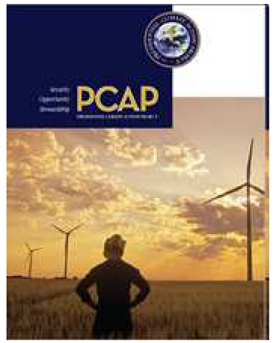
Prospects for Federal Action—Executive Actions by Incoming Administration

- Several influential projects provided “first 100 days actions” advice
- Includes executive orders, regulatory and program guidance, assessment of existing resources and authority
- EG, Center for American Progress, Presidential Climate Action Program—see Chapter 8 at http://www.climateactionproject.com/docs/pcap/Chapter_8_Transportation_11_12_08.pdf

- ***Likely outcomes***— Clarity on flexible uses of federal funds, potential incentives for State-local-regional partnerships, removal of FTA barriers to New Starts and Small Starts projects, redefinition of economic development to be less about congestion mitigation and more about economic benefit creation and capture







Prospects for Federal Action—Inter-City Travel and HSR

- Amtrak passed as Division B of HR2095 October 1 2008
- Includes reauthorization of basic service + funds for NE Corridor, some inter-city routes and HSR
- Includes funding for State corridors and congestion relief grants
- Delegates STB to work out conflicts between freight and passenger
- Creates RFP process for 11 HSR routes

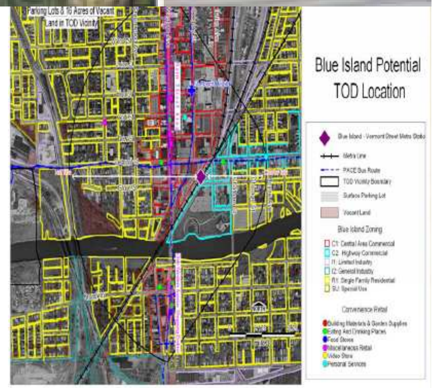
Likely outcomes—

- Highly dependent on quality of new CEO (Kummant resigned last Friday) and Board
- Ditto USDOT appointees
- Inter-state coordination will improve outcomes
- More funding possible if Spring stimulus
- States need to focus on air-rail and air-bus and partner with local government

Recommended Actions for Near-Term State Action

- Immediately determine unobligated balances of Federal resources in your States
- Ditto apportionments for FY 2009
- Ask for a revised plan from state DOTs in light of constrained resources
- Set your near-term and medium-term priorities—EG, Ohio created a 21st Century Transportation Priorities Task Force focused on "prosperity"
- Develop institutional capacity for innovative financing including partnerships with local governments and private sector

Illinois supported Suburban Transit + Cargo-oriented redevelopment



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Other Windows of Opportunity

- Housing and Economic Recovery Act, HR3221, allows use of Neighborhood Stabilization Funds for land-banking; enhanced FHA insurance can be used for “energy efficient mortgages”

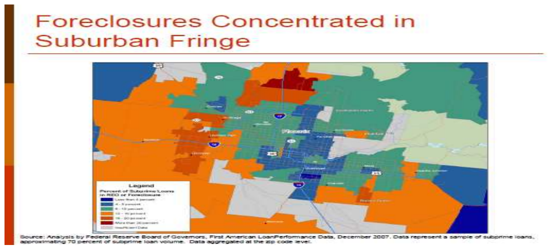
- Treasury takeover of Fannie Mae and Freddie Mac, could enable innovative mortgage products

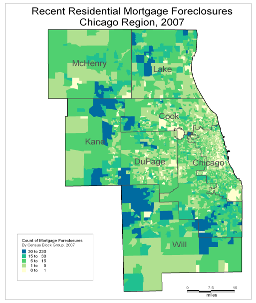
- Financial Stabilization, HR1424, could be conditioned on land use and transportation outcomes

- FAA reauthorization stalled, running on extensions, could include flexibility for air-rail and air-bus services; offers potential for partnership between states and local governments (all airports outside of Alaska, HI, NJ and MD owned by local governments and special districts)

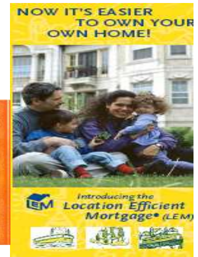
Special Considerations

- Foreclosures in metro areas increasingly suburban

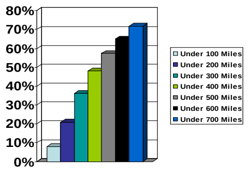


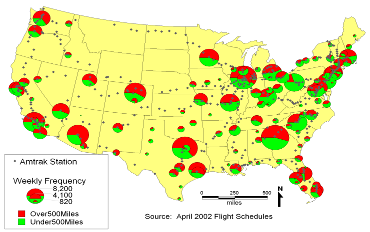


- Improved counseling to include transportation costs + linkages to alt services
- Adopt Location Efficient Mortgages®



- Continued airline distress and dependence on short-trip intercity travel





- Secure intercity coach service at airport curbs
- Develop air-rail service

- Transit operators have record demand but can't afford fuel prices
- Large operators with leasebacks of rail properties at risk from AIG failure

- Help with fuel purchases and/or price hedging (e.g. Indiana
- Help restructure transit operators to qualify for federal financial services industry bailout assistance