Taking the High Road

A Metropolitan Agenda for Transportation Reform

Bruce Katz and Robert Puentes, Editors

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CONTENTS

FOREWORD

Since the nation's founding, transportation has been vital to our prosperity, and it still is today. An active role in transportation policy and funding by our national government is vital. The last dozen years have seen strong leadership in this area, highlighted by approval of the landmark ISTEA bill in 1991 and its worthy successor TEA-21.

In my former role as chairman of the Rebuild America Coalition, an organization formed in 1987 to raise local and national infrastructure issues, I worked closely with congressional leaders on these bills. In this role, and as former mayor of Philadelphia and now as governor of Pennsylvania, I know firsthand the challenges and opportunities this national policy framework presents for our nation's cities and metropolitan areas.

Especially critical to the economic success of the nation is a bold and continued investment in transit. Throughout America, guaranteed federal funding has been of huge value because transit agencies have been able to plan and advance projects with a significant level of predictability. It is essential that such funding continue to enjoy budgetary protection just as highway funding is assured sustained support.

In December 2003 the Brookings Institution released a comprehensive report on economic and development trends in my state of Pennsylvania. Their good work received a lot of attention around the state and has helped me focus residents' attention on the need to reinvest in the economic vitality of the state's older cities, boroughs, and towns.

Taking the High Road is a collection of essays and policy briefs issued as part of the Brookings Metropolitan Policy Program's Transportation Reform Series. This volume offers provocative insights into the debate and discussion around the federal transportation law and offers a positive, progressive agenda for change. As this collection contends, unless transportation investments are considered in the context of other policies and priorities for economic growth, environmental stewardship, and reinvestment in existing places, a tremendous opportunity to strengthen this great nation will be lost.

EDWARD G. RENDELL
Governor of Pennsylvania

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PART ONE

A Metropolitan Agenda for Transportation

1 Transportation Reform for the Twenty-First Century: An Overview

Bruce Katz and Robert Puentes

In 1956 President Dwight Eisenhower signed the Federal-Aid Highway Act, creating the Interstate Highway Program, the largest public works program in our nation's history. But today, a decade after the completion of this vast network of highways, the country's transportation policy is languishing.

At its creation, the public agreed that this immense federal program was essential for the health, prosperity, and economic competitiveness of the nation. A sense of purpose and clear intent drove the program—to strengthen national defense, improve access to rural places and between cities, to create jobs and economic opportunity. The result has been the literal transformation of American life.

Congress wrestled with the program in the 1990s with passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 and the Transportation Equity Act for the Twenty-First Century (TEA-21) in 1998. These two key laws offered a new framework for thinking about transportation by assuring states and metropolitan areas of specific levels of funding and giving them the flexibility needed to design transportation mixes that met their needs. Spurred on by these reforms, a small but increasing number of states and localities began indeed to experiment with a more balanced mix including expanding and preserving highways, addressing the needs of

older and newer communities, and deciding between building roads or enlarging public transit systems.

Transportation challenges remain, however, despite the revolutionary changes in policy adopted at the federal level. For that matter, many would contend that these challenges are worse than ever. Traffic congestion has increased. It has become a way of life in nearly every major metropolitan area and lasts well beyond the traditional rush hours. While congestion is increasing, air quality continues to worsen, raising serious health concerns. The transportation network is also aging. According to the U.S. Department of Transportation, about a quarter of the roads in urban and metropolitan areas are rated as poor or mediocre, and nearly a third of urban bridges are rated structurally deficient or functionally obsolete.

Transportation investments continue to have a profound impact on the pace and shape of metropolitan growth. Currently, the federal surface transportation law does as much as any cluster of programs to influence the spatial form and social fabric of our cities and suburbs. Most notably, a growing body of research based on actual investments clearly shows that major highway projects do not necessarily create new jobs or spur economic growth so much as shift economic activity around a metropolitan area.[1] The result is that cities and older suburbs frequently look on helplessly as commercial strips decline and infrastructure crumbles while growth follows new public investments in highways out to the suburban fringe. The extension and expansion of highways truly is what the late Daniel Patrick Moynihan called it: part of the federal government's hidden urban policy.[2]

Some urban thinkers and policymakers, like the late Senator Moynihan, have long recognized that so many of our country's challenges (transportation, environment, poverty, crime) cross the borders of political jurisdictions. As such, they can only be addressed meaningfully on a regional or metropolitan level; individual communities are generally too small and do not have the scope or scale to deal with these well-entrenched issues effectively. That message is starting to resonate as many metropolitan areas have begun the difficult process of reassessing transportation plans. Metropolitan devolution in the transportation arena has, in turn, sparked renewed interest throughout the country in broader metropolitan thinking and action.[3] But federal transportation laws are still deficient in many ways, and the implementation of the nascent reforms has not been uniformly positive. The nation continues to desperately need a frank and vigorous debate over the future of transportation policy.

To stimulate and inform such a discussion, the Brookings Institution Metropolitan Policy Program (then the Center on Urban and Metropolitan Policy) began in early 2003 to issue a series of papers designed to assess transportation reform. The series sought to frame the federal transportation policy debate around the most pressing challenges facing the nation's cities, suburbs, and metropolitan areas and to provide options for reform so policymakers could build on the progress and momentum of earlier transportation laws. But beyond the federal debate, the papers laid out an agenda that responds directly to those responsible for putting transportation policy into practice—especially leaders on the state, metropolitan, and local levels.

Those exploratory essays have been updated and incorporated into this volume and focus on issues most pertinent to strengthening America's metropolitan areas, raising as well some broader and longer-term policy implications, such as relieving traffic congestion and improving transportation access for the working poor and older Americans. Written in the context of the reauthorization of TEA-21, slated for 2005, they will continue to have relevance for years to come, even if Congress delays action. This volume provides a broad understanding of the challenges and informs this and future debates on transportation reform.

A Metropolitan Agenda for Transportation Reform

Bruce Katz, Robert Puentes, and Scott Bernstein lead off in chapter 2 by stressing that the nation's transportation policy is an agenda also to strengthen and support America's metropolitan areas. Outlining the broad reforms boldly initiated on the federal level, they note that these have not been uniformly implemented. For that reason, it is incumbent on Congress to cement and advance the gains achieved in the past decade and respond more forcefully to the pressing transportation needs of metropolitan America. To that end, they offer a comprehensive policy framework that calls for a two-step approach to thinking about further reforms.

First, Congress must strive to preserve the innovative framework of ISTEA and TEA-21 and ensure that states attend to the needs of their metropolitan areas. Federal reforms that place an emphasis on system rehabilitation and maintenance, improved operations, and alternative transportation development should be retained.

Congress, however, also should continue to go beyond earlier reforms. The authors show how implementation of the reforms appears to have fallen short of initial congressional intent in many states and metropolitan areas.

Therefore, Katz, Puentes, and Bernstein argue that to get transportation policy right in specific regions, Congress must also give metropolitan areas more powers and greater tools in exchange for enhanced accountability. This would help resolve three fundamental questions still outstanding as the federal law languishes:

First, who is in charge of transportation decisions? Current law puts state departments of transportation in the driver's seat on transportation decisions. Incredibly, metropolitan areas make decisions affecting only about 10 cents of every transportation dollar they generate, even though local governments within metropolitan areas own and maintain the vast majority of the transportation infrastructure.

Congress needs to overhaul the governance of transportation programs, recognize the primacy of metropolitan areas, and align the geography of transportation decisionmaking with the geography of regional economies, commuting patterns, and social reality. To this end, it should build on reforms of the 1990s and devolve greater responsibility and resources to metropolitan entities. These institutions are, after all, in the best position to use transportation funding in tandem with land use, housing, workforce, and economic development policies. Such a policy effort should require that state decisions be tied more closely to the demographic and market realities of metropolitan areas and the vision and priorities of metropolitan leaders.

Second, what solutions fit the transportation challenges of the modern metropolis? The current system's approach to transportation solutions is narrow and outmoded. Most state transportation departments, for example, still believe they can build their way out of congestion. Yet congestion is a product of many factors: low-density settlement patterns, employment decentralization, shifting consumption patterns, and market restructuring. That's why study after study shows that building more is not the best strategy for reducing congestion.

Congress, therefore, needs to eventually move beyond transportation-only solutions. ISTEA and TEA-21 made some efforts, mostly ignored, to integrate transportation decisions with local and regional decisions on land use, housing, and economic development. Those efforts should be expanded. At the same time, the new law should encourage the greater use of market mechanisms—such as tolls and congestion pricing—to ease congestion on major thoroughfares at peak traffic times. For example, the city of London is successfully experimenting with pricing schemes in the central business district.

Finally, how do we make transportation decisionmakers accountable? Federal transportation programs return more money to state and local governments than any other federal initiative involving physical infrastructure. Yet unlike other state and local bureaucracies that receive federal funding—state welfare departments, state education departments, local public housing authorities—state transportation departments are held to few performance standards.

Congress should, therefore, act to hold all recipients of federal funding to a high standard of managerial efficiency, programmatic effectiveness, and fiscal responsibility. To that end, a new framework for accountability should be developed that includes tighter disclosure requirements, improved performance measures, and rewards for exceptional performance. Congress also needs to create a transportation system that is more responsive to citizens and business. The more citizens and businesses inform transportation decisions, the better those decisions will be.

Financing the Transportation System

Perhaps no area of transportation policy generates as much contention, raises as many questions, or has been the subject of so many intense policy debates as the financing of the system. However, despite the attention, the debates and discussion around transportation finance are rather esoteric and often get caught up in larger conversations about taxes, economic growth, and equity.

Robert Puentes and Ryan Prince tackle this issue head-on in chapter 3 with a primer and policy discussion about the gas tax. Although the federal government, every state, and some localities levy this tax, it is still not widely understood, nor is it a popular focus of policy reforms. This is because there is much confusion around how the gas tax is imposed in each state, its rate, and the way it is collected and administered. It is also generally not clear how the state gas tax revenue is spent. Some states restrict the spending of this revenue for transportation generally; still others go further and restrict its use to highways only.

Through their research, Puentes and Prince found that the majority of highway funds are derived from federal and state gas taxes. State gas taxes alone made up 20 percent of all highway revenues in 2002 and are the largest single source of highway funding for the states. But after years of steady growth, federal and state gas tax receipts have begun to plateau and are actually declining, taking into account inflation. The authors point to the many

reasons, including the states' reluctance to raise gas tax rates, and propose that this aspect of our nation's transportation finance structure is ripe for reform.

Martin Wachs builds on this analysis in chapter 4 by examining the broad trends in transportation finance. He shows that a complex partnership among many governmental bodies, continually influenced by numerous private, corporate, and civic interests, finances our nation's transportation system and that the nature of this partnership is changing. Originally offset by a variety of user fees, such as tolls and fuel taxes, the burden of financing transportation programs is gradually being shifted to local governments and voter-approved initiatives. This shift raises interesting issues for public policy. In the end, Wachs argues that expanded reliance on user fees remains the most promising way to promote equity and efficiency in transportation finance.

Several contributors go beyond the question of how transportation is paid for and examine what states are really doing with those gas tax revenues, including Puentes and Prince in chapter 3, where they note that thirty states restrict the use of their revenues to highway purposes only. Such restrictions, they argue, limit states' ability to finance mass transit, congestion and air quality improvement projects, and other options not related to highways.

In chapter 5, Edward Hill and his coauthors examine the thorny issue of how gas tax revenues are allocated spatially—across cities, metropolitan communities, and nonmetropolitan areas. Their analysis provides further evidence that the distribution of gas tax revenues within some states (in the form of transportation spending) appears to penalize cities and urban areas. Research in several states and metropolitan areas is starting to show that urban areas often act as "donor regions," contributing significantly more in tax receipts than they receive in allocations from their state's highway fund or through direct local transfers. Indeed, the geographic distribution of transportation spending has become an important and heated issue at both the national and state levels.

In the last reauthorization of the federal transportation bill, numerous states and constituencies called for a revised system of allocating states' shares of the Highway Trust Fund—more than 60 percent of which is generated by the federal gas tax. Some states argued that their shares of federal transportation dollars should be proportional to the amount of gas tax revenue they paid into the trust fund. Others wanted their shares determined by need. In the end, Congress addressed the problem of perceived

funding inequities between donor and donee states by "guaranteeing" each state a return of at least 90.5 percent of the share of its contribution to the Highway Trust Fund.

Despite the embrace of this funding philosophy at the federal level, similar rules do not exist in most states. In Ohio the result is a spatially skewed pattern of state transportation spending that is essentially anticity and even antisuburb. In effect, funds are diverted away from the very places that struggle with the greatest transportation needs and pay the most in gas taxes.

Hill and his team examined the geographic pattern of state transportation spending in Ohio and found that between 1980 and 1998, Ohio's highway dollars were spent disproportionately in rural counties, which received more funding relative to their transportation needs than urban and suburban counties. One might assume that counties with high travel demands on its roads would receive more funds to deal with the resulting wear and tear, congestion, and other challenges to its road network. In Ohio, however, urban counties consistently took home a smaller share of state highway funds than suburban and rural counties relative to their amount of vehicle traffic (vehicle miles traveled), car ownership (vehicle registrations), and demand for driving (gasoline sales). On the flip side, rural counties received more dollars for each indicator of need than did urban or suburban counties.

At the same time, urban counties in Ohio contribute significantly more gas tax revenues to state transportation coffers than they get back in return, essentially acting as donors of transportation dollars to rural county donees. Gas and vehicle registration levies, in this regard, generate approximately 60 percent of Ohio state highway funds. Of these revenues, a significant portion is redistributed to localities for building, improving, and maintaining roads. But once again, urban counties fared worse than rural and suburban counties in comparison to what they paid into the system. Highway spending in urban and suburban counties matched neither the volume of gas tax funds generated in those counties nor their levels of transportation need.

Getting the Geography of Transportation Right

Two major tenets of ISTEA helped strengthen metropolitan areas by dramatically changing the manner in which transportation projects are selected: flexible funding and flexible programs, and the suballocation of funds directly to metropolitan and local government structures. These changes were significant. Flexible federal dollars made it possible for decisionmakers to consider a range of transportation projects that were previously ineligible

for funding. Metropolitan suballocation changed the decisionmaking body for a portion of that funding and gave local officials the ability to spend federal transportation funds based on the unique needs of their region.

In chapter 6, Robert Puentes and Linda Bailey discuss the effect of the suballocation rule by analyzing spending patterns of state departments of transportation and metropolitan planning organizations (MPOs). Metropolitan areas, they contend, require greater control over the transportation spending so crucial to their dynamism. To support their case, the authors examine federal transportation policy since the end of the interstate highway era and find that only a few federal efforts explicitly serve to strengthen and support metropolitan decisionmaking.

They highlight four specific programmatic elements of the federal law that increased the ability of metropolitan areas to make transportation decisions: suballocated Surface Transportation Program dollars, the Congestion Mitigation and Air Quality program, the Transportation Enhancements program, and metropolitan planning funds. Although these are important efforts, they remain quite small, and the authors show how, taken together, federal law only gives metropolitan areas direct control over 7 percent of road and bridge funding under TEA-21.

This is disappointing, and Puentes and Bailey highlight important reasons why federal law should place more emphasis on metropolitan areas. First, local governments within metropolitan areas own the vast majority of the transportation network. Second, metropolitan transportation planning and programming is, by law, comprehensive and includes a wide range of stakeholders. Third, many states continue to penalize metropolitan areas in the distribution of transportation funds. Fourth, states are not fulfilling the promises of federal law. Last, there is a growing recognition that it takes more than transportation solutions to address transportation problems.

They then analyze spending patterns of MPOs and state departments of transportation and find that the former spend almost four times as much as the latter on transit investments—a basic local need. In the end, Puentes and Bailey argue that MPOs should be given direct control over more transportation money but not without first establishing a new framework for accountability and performance. Just increasing the amount of money these entities have to spend does not guarantee better decisions. Rather, tying these increased funds to performance goals such as enhancing accessibility, improving safety, or mitigating the increase in traffic congestion actually may do so.

In fact, MPOs are in a good position to deal with traffic congestion, which is essentially a regional phenomenon requiring regional approaches to lessen its negative impacts. Anthony Downs has literally written the book on metropolitan traffic congestion. Actually, he has done it twice with *Stuck in Traffic* (1992) and *Still Stuck in Traffic* (2004).[4] In these landmark publications, Downs examines the benefits and costs of various anticongestion strategies.

In chapter 7, Downs and Puentes examine the governance options needed for regional action and the conditions required to implement such policies. They make the case that traffic flows are regional in nature, not local or statewide. Only the coordination of transportation improvements with land use planning on the regional or metropolitan level could result in the most rational policies toward congestion. That is one of the reasons Congress established MPOs in the first place: to oversee surface transportation planning in major metropolitan areas.

But MPOs are not the only regional institutions that can carry out effective anticongestion policies. Downs and Puentes cite several examples throughout the country of other institutional arrangements, ranging from full metropolitan governments to single-purpose regional agencies and from voluntary governmental coalitions to public-private partnerships.

In the end, Downs and Puentes offer a sobering assessment of the potential for comprehensive, regionally based strategies for attacking traffic congestion as they conflict with deeply embedded attitudes favoring fragmented local governance over land uses. However, he seems convinced that the time has come to reexamine these obstacles and that ultimately broad regional solutions are inevitable.

Meeting Societal Needs in Transportation

Of course, transportation policy and spending is not just about building projects and moving vehicles. One of the most serious problems with the transportation debate so far has been the lack of focused and sustained attention to two of the nation's most pressing transportation challenges: transportation access for working families and mobility for the elderly.

To work, low-income adults need to *get* to work. However, traveling to jobs is frequently easier said than done, particularly for those without access to fast, reliable transportation. In almost every city, automobiles remain the fastest and most reliable way to get around. Moreover, the continuing decentralization of population and employment has exacerbated the isolation of many low-income families who lack reliable auto access.

In chapter 8, Evelyn Blumenberg and Margy Waller examine the serious transportation challenges facing low-income workers as they seek employment. Central to the argument is research evidence showing that the working poor require a range of transportation services to enhance their economic outcomes. Transportation is an essential link between low-income workers and jobs. They show how other strategies are important, too, such as urban reinvestment to bring jobs closer to low-income communities and housing strategies that help move low-income families closer to jobs. But, in the end, it is the transportation strategies that have the potential to immediately enhance geographic access to employment.

Blumenberg and Waller show how the transportation needs of the poor vary by metropolitan area and by neighborhood. Therefore, they provide a full menu of practical policy options, including automobile access programs, improved fixed-route transit services, and expanded paratransit and other door-to-door transit services. And although the authors' focus is on transportation, TEA-21 is not the only area of policy intervention they consider. Beyond TEA-21–related recommendations, such as augments to the Job Access and Reverse Commute program, they clearly explain how reforms incorporated into the Temporary Assistance for Needy Families program, the Workforce Investment Act, and other federal programs are also profoundly important.

Highlighting a different but potentially related issue, Sandra Rosenbloom points out in chapter 9 that the number of older Americans is expected to double over the next twenty-five years. All but the most fortunate seniors will confront an array of medical and other constraints on their mobility even as they continue to seek an active community life. Rosenbloom challenges the easy assumptions that underlie most policy debates on providing transportation to the elderly. She discusses how an aging society adds to a range of transportation problems and argues that as Congress debates reauthorization, it should consider special approaches to meet the mobility and access needs of the elderly.

To put the discussions about elderly mobility in context, Rosenbloom provides important demographic trends about elderly population growth, residential patterns, and transportation choices. Building on this, she debunks several myths about elderly travel needs and proposes a series of legislative and policy solutions that accommodate the preference of the elderly for a repertoire of travel options to give them freedom and flexibility in the face of declining skills.

Other Important Metropolitan Transportation Issues

In chapter 10, Edward Beimborn and Robert Puentes address the issue of metropolitan mobility from a different angle. They investigate the rules and regulations that govern the individual modes and find that federal transportation policy is essentially an unfair competition between highways and transit that can potentially distort local and metropolitan decisionmaking. Despite a number of reforms in the past decade, the authors show that federal rules remain stacked against transit, while planning, funding, and implementing highway projects is far easier. For example, under current law new transit programs only receive a maximum 60 percent federal share of total project funding, while the latest reauthorization language proposes a 50 percent or less match. Highway projects, on the other hand, continue to enjoy an 80 to 90 percent federal share. In addition, transit programs are subject to strict project criteria and justification, are required to address land use impacts, and are compared to and must compete with their peers before they can receive federal funding, whereas highway projects generally are not subject to such constraints.

The authors discuss these and other areas where new transit and highway programs are treated differently and how those differences lead to an unlevel playing field and inhibit comprehensive regional planning, management, and decisionmaking. A very telling example in Milwaukee demonstrates how these unbalanced rules may have skewed choices about what type of major investment project to pursue.

The last chapter makes the connection between mobility and security. Arnold Howitt and Jonathan Makler argue that although a number of positive steps have been taken in the years since the September 11 terrorist attacks, surface transportation has been effectively placed in a secondary tier of public services in terms of protective actions. Policymakers and senior public managers see highway and transit systems as genuinely vulnerable to terrorist attack; but among the many potentially exposed elements of American society, they have not been given the highest funding priority. In the end, the authors explore a number of ways in which surface transportation security needs to be enhanced to protect the mobility of the nation.

Conclusion

As the nation progresses into the twenty-first century, dramatic changes are increasingly evident. Market and demographic forces are fundamen-

tally reshaping nearly every aspect of American life as the economy continues its shift away from manufacturing and toward the service sector. These economic forces, together with major demographic trends—population growth, immigration, aging, and internal migration—are radically changing the function of both metropolitan and nonmetropolitan areas and also thus altering the role and geographic scale of our national transportation policy.

The essays in this volume focus on realistic and pragmatic policies to address these changes. Given that they were originally conceived and written before TEA-21 expired, they also serve to illustrate how congressional inaction, mired by partisan bickering, interstate squabbles, and political rancor, has dampened the climate for meaningful reform.

Further reform will not come easily to the transportation sector. The deficiencies in transportation policies and practices are deeply rooted—in constituency and money politics, in state governance, and in the history of metropolitan development. Yet change must come if our nation is going to have livable communities, competitive economies, a healthy environment, and fiscal responsibility.

Yogi Berra is purported to have said, "You've got to be very careful if you don't know where you're going because you might not get there." The nation faces multiple transportation challenges that will not be resolved by pouring more and more money into a broken system. Systemic reform is needed and probably will only happen if transportation policy is vigorously debated in the public realm. Transportation is too important to get the silent treatment.

Notes

1. Marlon G. Boarnet and Andrew Haughwout, "Do Highways Matter? Evidence and Policy Implications of Highways' Influence on Metropolitan Development," discussion paper prepared for the Center on Urban and Metropolitan Policy (Brookings, August 2000).

2. Daniel P. Moynihan, "Toward a National Urban Policy," in *Toward a National Urban Policy*, edited by Daniel P. Moynihan (New York: Basic Books, 1970).

3. Devolution, as used here, refers to the delegation of certain authorities from a centralized level of government to a lower level. "Metropolitan devolution" in transportation refers to the provision of some planning and decisionmaking power to metropolitan or regional entities.

4. Anthony Downs, *Stuck in Traffic: Coping with Peak-Hour Traffic Congestion* (Brookings and Lincoln Institute of Land Policy, 1992); *Still Stuck in Traffic: Coping with Peak-Hour Traffic Congestion* (Brookings, 2004).

2 Getting Transportation Right for Metropolitan America

Bruce Katz, Robert Puentes, and Scott Bernstein

Since the debates and deliberations began in 2003 over reauthorization of the Transportation Equity Act for the Twenty-First Century (TEA-21), Congress has struggled with how to allocate about $300 billion dollars over six years to preserve, modernize, and expand the U.S. surface transportation system. The stakes could not be higher—for the country and particularly for its congested cities and suburbs.

Metropolitan areas are literally where America lives. Not only do eight out of ten people in the United States now reside in metropolitan areas, but these crucial places drive the economy. Together, these regions not only produce more than 85 percent of the nation's economic output but also generate 84 percent of America's jobs.[1] Increasingly, the metro areas are where the business of American life is carried on.

And yet, as Congress weighs reauthorization, most U.S. metropolitan areas—meaning most of America—face a series of enormous transportation challenges:

—Congestion is worsening in metropolitan areas of every size as regional economies continue to spread out in low-density ways.[2]

—Automobile dependency is on the rise as sprawl undercuts the viability of alternatives to driving alone, such as bus transit, heavy rail, light rail, biking, or carpooling.[3]

—The infrastructure network is aging, with about a quarter of the roads in urban and metropolitan areas rated in poor or mediocre condition, and nearly a third of urban bridges rated structurally deficient or functionally obsolete.[4] Yet, in many places, transportation decisionmaking still favors new construction, typically on the suburban and exurban fringe.

—There is also a growing spatial mismatch between jobs and workers as employment decentralizes and poverty remains concentrated in central cities.[5]

—Americans are now spending more on transportation than ever before, primarily because our sprawling metropolitan communities require families to drive longer and more often to satisfy their daily needs.[6] Since 1991 the nation's total transportation bill has grown faster than inflation.

—In addition, state governments—the major source of funding for local transportation needs—face unprecedented revenue shortfalls. At the same time, states and cities are being forced to spend millions to protect transportation hubs, such as ports and railways, from terrorism.[7]

In this context, the ongoing debate about the federal laws and programs governing highway, transit, air, and rail systems could not come at a more critical time for the nation's metropolitan areas. To put it bluntly, federal transportation programs return more money to state and local governments than any other federal initiative involving physical infrastructure, and they influence, as much as any cluster of programs, the spatial form and social fabric of our cities and suburbs.[8]

Furthermore, this is a time of substantial, though uneven, innovation in the transportation sector. Congressional reforms in the 1990s—the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 and TEA-21 in 1998—gave states and metropolitan areas the certainty in funding and the flexibility in program design necessary to attempt new transportation solutions. Spurred by these reforms, a small but increasing number of states and metropolitan areas are experimenting with transportation policies that offer a more balanced mix between highway expansion and highway preservation, and between road building and transit expansion.

Thus the nation deserves more than a cursory debate and discussion about the federal transportation law. Therefore Washington should seize the opportunity to truly get transportation policy right for metropolitan America.

This chapter argues that Congress must strive to preserve the innovative framework of past reforms and go further to devolve power and decisionmaking on localities. In this respect, numerous encouraging examples of state, local, and metropolitan innovation provide a sound basis for retain-

ing federal reforms that have worked. At the same time, the mixed record among states in implementing ISTEA and TEA-21 exposes the need for additional federal reform that gives metropolitan areas greater powers and more tools in exchange for enhanced accountability.

The State of Federal Transportation Law

Understanding where federal transportation policy should go to better serve the needs of localities requires first understanding where transportation policy has been. ISTEA and TEA-21, in this respect, took the first steps in revolutionizing federal transportation policy by recognizing and responding to the reality of metropolitan America. Overall, the laws enacted eight major changes.

Metropolitan Devolution

The reforms established a voice for metropolitan areas by devolving greater responsibility for planning and implementation upon metropolitan planning organizations (MPOs). These regional bodies were originally research organizations charged with advising state departments of transportation (DOTs). By enhancing the powers and responsibilities of MPOs, ISTEA and TEA-21 enabled metropolitan areas to tailor transportation plans to the realities of their distinct markets. MPOs are held accountable through a regular certification process intended to ensure adherence to statutory economic and environmental performance measures, to principles of effective citizen engagement, and to compliance with other applicable federal laws, including both the National Environmental Policy Act and Title 6 of the Civil Rights Act.

Reliable Funding

The reforms substantially increased federal funding across the board and guaranteed that federal gas tax revenues could not be diverted from surface transportation projects. The Minimum Guarantee Program ensures that a large portion of federal Highway Trust Fund dollars flows back to the states, based not on needs but rather on their share of contributions to the fund. The laws also required fiscal responsibility by confining metropolitan transportation plans to the actual availability of sufficient funds to complete, operate, and maintain projects.

System Preservation and Maintenance

ISTEA and TEA-21 recognized the importance of reinvesting in existing transportation systems and provided for their preservation. They stressed the use of advanced technologies for efficient data collection and the application of analytical tools to evaluate strategies for effective management and operations.

Funding Flexibility

The reforms afforded states and regions greater flexibility in spending federal highway and transit funds. Before ISTEA, highway program funds generally could not be used to finance projects of another transportation mode. Now, state DOTs and MPOs can employ a portion of highway funds for transit purposes. Such authority to flexibly allocate funds has provided states and MPOs, along with local political, corporate, civic, and constituency leaders, a greater opportunity to tailor transportation spending to regional needs and market realities.

Special Challenges

The new laws established a series of targeted programs to carry out important national objectives on the metropolitan level. Federal law now sets aside a portion of transportation funds for activities that mitigate metropolitan congestion and improve air quality. The Transportation and Community and System Preservation (TCSP) Pilot Program created incentives for linking transportation and land use planning. Another program, the Job Access and Reverse Commute (JARC) Program, helped provide more transportation alternatives for low-income workers in metropolitan markets.

Beyond Transportation

The reform statutes required transportation planning to move beyond simple mobility concerns and take into account social, economic, and environmental outcomes. The laws particularly tightened the linkages between transportation spending and metropolitan air quality. Enforcement of these linkages in Atlanta and other metropolitan areas confirms that they have toughened federal environmental supervision and provided another impetus for regional collaboration.

Citizen Participation

The laws greatly expanded the public's role in transportation decisionmaking. They required broad and inclusive public participation in the transportation planning process and mandated that this engagement be "early and continuing."

Open Government

The laws created, for the first time, a Bureau of Transportation Statistics (BTS) to enhance both planning and public access to information. BTS is working to improve the geographic analysis of transportation expenditures and their effect on metropolitan areas.

Taken together, all these reforms enacted over the past fifteen years represent a marked departure from past federal policies and practices, which had generally promoted a one-size-fits-all emphasis on road construction and new highway building. Each reform reflects a more sophisticated notion of the role transportation plays in building communities that are livable, competitive, and fiscally and environmentally sustainable. Several of them parallel recent reforms in federal housing and welfare policy by rejecting "made-in-Washington" solutions and devolving greater responsibility and discretion for program design and implementation upon officials closer to transportation problems. In sum, the reforms of the last decade represent a remarkable change of direction for the nation's beleaguered transportation policy.

Reform in Action: State and Metropolitan Responses to Federal Change

Have the reforms made a difference? Change, particularly in complex systems, does not happen overnight. In light of that, the impact of recent transportation reforms has so far been both profound and disappointing.

What has been profound has been the extent to which the two recent transportation bills attempted to respond to local regions' needs. This change in approach recast transportation governance, spending patterns, and behavior all at once.

Before ISTEA, regional transportation plans and programs were completely subordinated to federal-state highway planning. After ISTEA, metropolitan areas were not only permitted but required to establish transportation goals and objectives, so that transportation decisionmaking might respond more directly to the unfolding needs of particular regions.

At the same time, spending shifted with the new laws. During the 1990s, funding available for maintenance and repair of the nation's transportation system increased from $6 billion in 1991 to over $16 billion in 1999. By 2000 the overall share of highway capital funds spent on system preservation had risen to 52.0 percent—up from 44.7 percent in 1993.[9] Federal money spent on transit almost doubled, from just over $3 billion to close to $6 billion, and the amount of federal funds spent on bicycle and pedestrian projects grew from just over $7 million to more than $222 million over the same time period.[10] Many metropolitan areas also began the difficult yet important process of reassessing transportation plans and considering a broader range of transportation solutions.

Dramatic geographic reorientation also accompanied the changes. Public transit policies long associated with older, industrial metropolitan areas in the Northeast and Midwest have become conventional elements of transportation thinking in newer, growing areas in the Southeast and the Sunbelt. Metropolitan areas as diverse as Salt Lake City, Denver, Dallas, Charlotte, Las Vegas, San Jose, and San Diego have either built or are in the process of building light-rail systems. Significantly, these projects were undertaken because officials and civic leaders in these metropolitan areas believe their competitive future will be improved by transportation systems that promote greater efficiency and more compact development patterns, and provide workers with wider transportation choices.

Because of these shifts in federal policy and state and metropolitan spending, our nation now has hundreds more miles of rail service as well as millions more "route miles" of bus service. Planning and programming have generally improved with the enhanced involvement of local governments and the general public in transportation decisionmaking.

As a result, metropolitan travel habits are changing. Since 1995 the number of transit passenger trips has increased by 20 percent.[11] Transit ridership is now at its highest level since 1960. Even bicycle commuting grew by 5 percent during the 1990s according to the Census Bureau.[12] More recent indicators are beginning to show that automobile driving may be leveling off. For example, annual vehicle miles traveled increased by only 2.0 percent since 1999. Compare this to the 2.5 percent average yearly increase in the 1990s, 3.2 percent in the 1980s, and 4.3 percent in the 1970s.[13] While it is true that automobile travel still dominates in terms of absolute numbers, recent trends do indicate that the reforms on the federal level are having a substantial positive impact.

In sum, ISTEA and TEA-21 embedded in law, for the first time, the principle that America's metropolitan reality required an integrated, balanced,

and regionally designed transportation system. As a framework, the laws are sound.

And yet the laws themselves are only part of the picture. Unfortunately, implementation of the new federal statutes has been seriously flawed—and in basic ways unresponsive to metropolitan needs. Most notably, many states have failed to utilize the tools and discretion afforded them by ISTEA and TEA-21 to meaningfully address the worsening transportation problems bogging down their metropolitan regions.

Insufficient Metropolitan Devolution

A major disappointment is the fact that, after ten years, most states have still not embraced the intent of federal law and devolved sufficient powers and responsibilities to their metropolitan areas. ISTEA and TEA-21 sought through devolution to better align the geography of transportation decisionmaking with the geography of regional economies, commuting patterns, and social reality. Thus the laws undertook to enlarge the responsibility of the regional MPOs in terms of transportation decisionmaking. However, that federal intent has largely been subverted. Although ISTEA and TEA-21 were designed to move transportation decisionmaking out of the back rooms and board rooms of the highway establishment, many state DOTs still wield considerable formal and informal power and retain authority over substantial state transportation funds. The governor and state DOT still have veto authority over MPO-selected projects. Although large MPOs (in areas with populations over 200,000) also have authority to veto projects, the reality is that the state receives and manages all the federal transportation money, as well as large amounts of state transportation money, and the state's political leverage is far greater than the MPO's.[14] In fact, a General Accounting Office report found that states often so dominate MPOs that in at least one case, the state DOT "was, in effect, the MPO."[15] The Illinois DOT, for example, is "heavily involved" in the metropolitan planning process in the Chicago region.[16] MPOs in other areas, such as Boston and New York, actually remain state agencies.[17] Such arrangements create an unfavorable climate for the flowering of federal policy reforms—and frequently cut against metropolitan interests.

Bias against Metropolitan Areas

Many states continue to penalize metropolitan areas in the allocation of transportation money. This penalty results from several biases. The first bias

arises from the fact that federal law allocates the vast majority of federal money directly to state DOTs. Only about 6 percent of federal program funds are directly suballocated to MPOs and, even then, only to MPOs serving populations of over 200,000.[18] In fact, while federal transportation spending increased from ISTEA to TEA-21, the share of funds suballocated to MPOs actually *declined* as a share of total highway spending. All told, metropolitan areas make decisions on only about 10 cents of every dollar they generate even though local governments within metropolitan areas own and maintain the vast majority of the transportation infrastructure.[19]

A second bias follows from the way states distribute transportation revenues. Some states have developed distribution formulas based on transportation-related needs or on resident population, registered motor vehicles, and highway miles. However, others (such as Tennessee, Ohio, Arkansas, and Alabama) allocate a portion of funds evenly among their counties, regardless of their size, needs, and contribution to state funding pools. This holdover from the states' past years of active rural highway construction ensures that built-out urban counties fail to receive a sensible share of funding.

Another bias owes to the simple fact that the states own a substantial portion of the roads in rural areas; by contrast, local governments generally own many of the roads and the transit systems located in metropolitan areas.[20] This arrangement saddles local municipalities with responsibility for the roads in incorporated (more urban) places while states take care of roads in rural or otherwise unincorporated places on the suburban fringe.

Funding analyses in Ohio, Colorado, and Washington show how these biases affect metropolitan areas. In Ohio, rural counties receive much higher distributions of transportation revenues than do suburban and urban counties when allocations are compared to indicators of need such as population, vehicle registrations, vehicle miles traveled, and retail sales at gasoline stations.[21] In Colorado, the Denver Regional Council of Governments found that from 1998 to 2003, the share of transportation dollars allocated to the Denver metropolitan area had declined from 46 to 28 percent.[22] The decline in proportionate allocation destined for the metropolitan area occurred despite the fact that Denver boasted more job growth, people, and gasoline consumption than other jurisdictions in the state. The Denver metropolitan area receives only 69 cents in revenues for each $1 of tax revenue contributed.[23] Projections of transportation spending in Washington State found that from 1994 to 2013, the Seattle metropolitan area would raise 51 percent of the state's total revenues and receive 39 percent in return. In other

words, Seattle serves as a net exporter of transportation (and gas tax) revenue, despite the critical role the metropolitan area plays in the state's economy.[24] An expanding set of emerging research and commentary is beginning to illustrate and explore these inequities in many other metropolitan areas, as well.[25]

Unlevel Playing Field between Highways and Transit

Another flaw in recent transportation reform that adversely affects metropolitan areas is that the rules governing transportation policy continue to favor roads over transit and other alternatives to traditional highway building. The federal government typically contributes 80 percent of the cost of road and new transit projects. However, Congress recently directed the Federal Transit Administration not to approve projects with more than a 60 percent federal share.[26] In addition, the Bush administration's fiscal year 2004 budget reaffirmed an earlier recommendation to reduce the federal match for transit projects to 50 percent beginning in 2004.[27] No such provisions burden roadway projects. This inequality between roads and transit is complicated by the fact that thirty states, unlike the federal government, prohibit the use of gas tax revenues for purposes other than road construction and maintenance.[28] Such rules make it inordinately difficult for transit projects to obtain additional funding, which they often must pursue through local ballot referenda or general revenue sources at the state and local level.

Other federal rules further tilt the playing field against transit. For example, strict project justification requirements and a demonstration of long-term financial commitment apply to new rail projects. Such oversight—while perhaps appropriate—far exceeds that applied to roadway projects. This, too, hampers development of the multidimensional transportation systems that businesses and workers require.[29]

As a result of these biases, states rarely utilize the funding flexibility allowed them by ISTEA and TEA-21. Data from the Federal Transit Administration illustrates that from fiscal years 1992 to 1997, only California, the District of Columbia, Massachusetts, New York, and Oregon transferred more than one-third of available funds from highways to transit—and six states transferred none.[30] Nationally, of the $50 billion available for innovation, only 6.6 percent ($3.3 billion) was spent on transit and other alternatives during the 1990s—and most of that shifting occurred in states with transit-intensive metropolitan areas, such as New York and California.[31]

Taken together, these biases ensure that state transportation policy pursued under federal law works against many metropolitan areas' efforts to maintain modern and integrated transportation networks.[32]

Inadequate Capacity

Another problem is that MPO as well as state capacity remains uneven. In a very real sense, the profession of transportation planning failed to keep up with statutory and on-the-ground changes in the 1990s. Even in recent years, state transportation planning has largely remained the province of transportation professionals versed in engineering and concrete pouring rather than urban planning, environmental management, housing, or economic development—and that has hampered state and local implementation of ISTEA and TEA-21's vision. Nor have circumstances been markedly better at the MPOs. In places as diverse as Albany, Dallas, Hartford, Minneapolis, San Francisco, and Seattle, MPOs are strong players in their regions and maximize their role in an effective way. These entities have built up the expertise of their staff to carry out the responsibilities of the new federal law. But other MPOs, particularly in smaller areas, struggle to fulfill their statutory responsibilities as well as implement local projects. Many lack adequate staff and financial resources. A recent analysis, for example, found that 58 percent of small MPOs (those representing populations of less than 200,000) cannot perform basic transportation modeling or forecasting. In addition, 16 percent of small MPOs do not even have a full-time transportation planner.[33] Exacerbating these problems are state lines. Thirty-eight of the nation's metropolitan areas encompass more than one state—including ten of the twenty-five largest—which significantly fragments local planning. The result is that for transportation very few effective metropolitan governance structures exist.[34]

Obstacles to Community Participation

Another disappointment is that many states and metropolitan areas alike undercut reform by flouting the spirit and intent of the new federal rules governing citizen participation. A number of states (such as Washington and Maryland) do include citizens on advisory committees that advise on selection of enhancement projects such as pedestrian and bicycle access or landscaping. In Denver and Albany, New York, MPOs have made public involvement central to their development of long-range "vision" plans. Yet, for the most part, states and metropolitan areas do not involve citizens in an "early and continuing" way in their transportation decisions, despite existing