Research

A Metropolitan Transportation Policy for National Growth

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EXECUTIVE SUMMARY

Federal funding for transportation investment has become increasingly constrained. In these circumstances, federal dollars should be targeted on those programs with the greatest impact on national economic growth.

Investments that enhance the accessibility of metropolitan markets are critical to national economic growth. The nation's largest 51 metropolitan areas generate 65 percent of the nation's output and about 70 percent of all wages. They are centers of innovation and knowledge transfer and are the engines of American economic growth and prosperity.

Federal dollars for urban investment should augment state and local funds when one can identify the national economic benefits that derive from comprehensive, strategic, and analytically driven metropolitan investment programs.

A federal transportation program focused on metropolitan access might include: (a) a mode-neutral formula program for metropolitan regions of greater than 500,000 that establish institutions that meet national economic goals; (b) a competitive program for all metropolitan capital programs that meet national economic goals; and (c) the expanded use of federal loans and loan guarantees, and new federal infrastructure financing mechanisms.

INTRODUCTION

In the past several years federal funding for surface transportation investment has become increasingly constrained. In the 2012 surface transportation authorization bill, Moving Ahead for Progress in the 21st Century (MAP-21), total funding authorization levels did not increase over the prior authorization bill for the first time in 20 years. In light of the fiscal challenges facing the nation there is no reason to believe that these constraints will disappear in the immediate future. Public investment resources will remain scarce.

In these circumstances, a redefinition of the national interest in transportation has become more urgent – federal dollars should be more directly related to national goals and should be targeted on those programs and projects that promise the greatest returns to the national economy. Among those goals should be supporting and promoting the economic growth of America's major metropolitan regions.

TRANSPORTATION AND ECONOMIC GROWTH

Transportation investment is intimately related to economic growth and competitiveness. Since before the Republic was established, transportation projects have been perceived as the foundations of a prosperous nation, whether those investments took the form of canals or national roads, railroads or ports, Interstate Highways, or airports. While spending for virtually all domestic discretionary programs has stagnated, it has become more critical that federal investments in the nation's transportation system be consistent with clearly articulated goals and purposes.

In the past, the uses of national resources have often been tied to the need to open up sections of the nation for settlement and development, to improve the access of agricultural products and natural resources to markets and ports, and to connect the regions of the country more closely together. These all remain important national goals that should continue to be served by the investment of federal transportation funds. However, in the past several decades the growth and prosperity of America's major metropolitan regions has assumed an increasingly important role in the economic growth and competitiveness of the nation.

It is increasingly recognized that investments in transportation systems, networks, and facilities that enhance the accessibility of metropolitan markets and expand labor mobility and flexibility are of critical importance to national economic growth.

FEDERAL INVESTMENT IN METROPOLITAN PROJECTS

Today, approximately 65 percent of the American people live in the 100 metropolitan regions with populations of over 500,000. Over 160 million Americans, or 54 percent of the nation's population, live in metropolitan regions of over 1 million in population. The nation's 51 metropolitan areas with populations of over 1 million generate 65 percent of the nation's gross domestic product (GDP), and about 70 percent of all wages are earned in the largest American metropolitan regions. It is projected that America's metropolitan regions will dominate the high wage-high growth sectors of the nation's economy, and industries and services that require high human capital inputs and the most diverse, flexible, and skilled labor pools are particularly likely to locate in such areas. They are centers of innovation and knowledge transfer and are, as a result, almost certain to remain and grow, as the engines of American economic growth and prosperity.

For these reasons, a strong case can be made for the investment of federal transportation dollars in comprehensive strategic metropolitan transportation infrastructure programs, designed to improve access to and within the nation's major metropolitan regions. While not all metropolitan programs and projects meet national goals, those that serve to enhance connections between labor and jobs and to increase the efficiency and productivity of a region's economy can often be viewed, as serving significant national, as well as local and regional, economic goals and purposes.

In its June 2009 report, the Bipartisan Policy Center's National Transportation Policy Project stated, "Given the importance of metropolitan regions to the nation's overall economic competitiveness and long-term prosperity, a clear national policy for meeting their changing transportation needs is essential."

The case for national investment in the transportation assets of urban areas rests on whether the particular investments support the economic growth of these regions and whether that economic growth provides broader national benefits. As noted, most of America's population and employment growth is projected to occur in the nation's major metropolitan regions. Much of that growth will occur in the knowledge, high tech, finance, and professional service industries that tend to congregate in metropolitan regions. The most important urban transportation investments can increase the productivity of this labor force and thereby bring substantial economic benefit to the nation.

The use of federal dollars to support such metropolitan investment programs should be seen as an augmentations to state and local funds, since the projects undertaken are likely to serve a mix of national, regional, and state interests, but there is a place for significant federal participation in those infrastructure projects that serve, also, national purposes. The key is to be able to define the national economic benefits that derive from comprehensive, strategic, and analytically driven metropolitan investment programs.

More often than not such investments will involve incremental improvements to the performance of existing transportation systems and facilities, since such investments often provide the greatest economic returns on relatively modest expenditures. In rarer cases will investments in mega-projects that involve the restoration or replacement of significant urban facilities or the construction of new capacity be justified.

The experience in the United Kingdom is that key transportation investments in metropolitan regions can unlock economic growth that provides significant national benefits. As an example of such an investment, the national government and the local authority, Transport for London (TfL), are proceeding with a massive new subway line from one end of the London region to the other, a projected investment of 15 billion pounds (over $20 billion US), at a time of budget austerity for the UK. The decision to proceed with this project, initially made by the Labor Government and continued by its successor national governing coalition of Conservatives and Liberal Democrats, was based on a rigorous benefit-cost analysis and on a compelling business case that this new transportation capacity would trigger economic growth in the London region by reducing congestion, enhancing accessibility, and improving the connections between a growing metropolitan population and jobs. To realize national economic benefits of a comparable nature in the United States, however, the investments should be part of strategic metropolitan capital programs that target funding to those projects and improvements that offer the greatest promise of reducing congestion and enhancing connectivity and accessibility.

If transportation investments in metropolitan regions are to offer national economic benefits, however, they need to build upon strong planning and programming mechanisms at the state and local levels that allow the prioritizing of projects and activities, based on strong benefit-cost analyses. Such state and local analytical processes are at the heart of a national program that focuses scarce resources on the "wise" investments that advance national economic purposes and goals.

It is unlikely that the metropolitan transportation investment programs that can justify federal participation will be developed without significant improvements to, and the strengthening of, the institutions that undertake capital planning and programming within the nation's major metropolitan regions. This will require a shift from a project, to a program, orientation. Transportation planning at the state and metropolitan levels has traditionally been based on individual projects. Instead, particularly, in metropolitan regions, there needs to be an emphasis on comprehensive strategic programs, in which synergistic effects are achieved among the capital investments and the operational improvements undertaken, as parts of such programs, and in which priorities can be established and funding targeted on those activities that will bring the greatest benefits.

Such strong strategic program orientations are not typical of many of the state and metropolitan planning agencies that influence how federal transportation dollars are spent; the vast majority of metropolitan planning organizations (MPOs) lack sufficient geographic reach, staff capacity, data, and analytical capacity to develop such programs, to apply performance measures to the capital programming process, and direct capital funds to the activities and investments that will bring the greatest economic returns to the region.

There are examples of strong transportation planning and capital programming processes and institutions in some of the nation's metropolitan states and regions. For example, California state law delegated to the MPOs in the State's major metropolitan regions more power to allocate funding than is typical in most other states.

They have generally been able to influence programming and project selection across jurisdictional and modal agency lines and have been able to undertake more comprehensive strategic planning than is true in most other parts of the country.

While institutional reform is critical to beneficial national investments in the transportation infrastructure of the nation's major metropolitan areas, no single planning and capital programming structure would fit all regions. Instead, it is most important to establish adequate processes that allow planning and programming and the setting of investment priorities across jurisdictional and modal lines and that promote cooperation in capital programming among the many agencies and the various levels of government in metropolitan regions.

The keys to establishing nationally critical transportation investments in metropolitan regions are strong benefit-cost analyses and the institutional capacity at the state and local levels to insure that such projects can be carried out effectively. In determining the appropriateness of national transportation investments in metropolitan regions federal resources should be directed to those transportation programs and projects that support economic development and population growth by reducing congestion and travel times and by improving transportation connectivity. These may also bring other benefits, such as improving people's access to jobs, schools, and other economic and social activities; safety and environmental benefits; and enhancing property values.

Not all investments in the transportation systems of the nation's major metropolitan regions can meet this test, and not all can be justified. However, for those airport, airport access, transit, commuter rail, highway, bridge, and tunnel projects, which expand capacity, reduce congestion and travel times, enhance access and connectivity, and thereby improve the productivity of urban work forces, it is likely that national economic benefits can be established. Certainly, in a time of fiscal constraint, capital programs and projects that enhance accessibility and travel efficiency within major metropolitan regions (often by incremental improvements to existing networks and facilities) should demand a higher priority for the investment of national resources than more speculative, "build-it-and-they-will-come," major new initiatives.

Federal investment in comprehensive metropolitan capital programs depends upon planning at the state and local levels that crosses jurisdictional lines and is not bound to modal silos at state and local levels. Such planning and capital programming acknowledge that trips often involve multiple forms of transportation, seek to strengthen modal connections in order to enhance overall accessibility, and recognize the trade-offs and relationships between the various transportation modes. To maximize economic benefits and returns, then, federal investments should be made in transportation networks and systems, rather than in specific modes and individual, modal-specific, projects.

MODALLY NEUTRAL INVESTMENT

If the investments are to be made in multi-modal investment programs, federal surface transportation funding needs to be modally neutral. Where federal surface transportation funding is already 25 to 30 percent attributable to general funds, rather than to federal motor fuels taxes and what might be considered fees on highway users, a strong argument can be made that federal surface transportation funding, particularly, to support comprehensive metropolitan transportation infrastructure investment programs, should be modally neutral in character.

The key elements of a federal transportation program focused on metropolitan access might include the following elements:

- A multi-modal formula program with funds allocated to the nation's metropolitan regions of greater than 500,000 in population with a requirement that the states and localities in such regions establish institutions and/or processes to allow comprehensive strategic capital programs to be developed that meet national economic goals;
- A focused competitive federal program to support those metropolitan capital programs that meet national economic goals; and
- The expanded use of federal loans and loan guarantees, through such programs as the Transportation Infrastructure Finance and Innovation Act (TIFIA), and new federal infrastructure financing mechanisms. Expanded federal credit should be available to states and local authorities, in order to enhance their capacity to attract private capital, through public-private partnerships, to the development of large, multi-jurisdictional, and often multi-modal, transportation projects that enhance metropolitan accessibility and economic growth.

CONCLUSION

In the 19th and 20th centuries, national transportation investments were justified on principles of improving the connections between the various regions of the country and making it easier and more efficient for agricultural products and natural resources to reach national and global markets. In the 21st century these national investments can be justified on the basis of improving the efficiency and productivity of the labor forces in the nation's major metropolitan regions. The growth of the national economy will depend on such forces, and they, in turn, depend on the existence of efficient and productive transportation systems in these areas.

The provision, maintenance, and effective operation of these urban transportation networks and facilities should properly be a central purpose of national policy.