

EXECUTIVE DIGEST

Economic Recovery

House Democrats yesterday unveiled an \$825 billion economic recovery package consisting of increased government spending and tax cuts aimed at putting millions of unemployed Americans back to work. The draft bill contains \$90 billion for infrastructure spending, including \$30 billion for highways and \$10 billion for transit and rail. *Page 1*

Iowa leaders say they're ready to move ahead with an idea to borrow \$700 million to pay for roads, bridges, public buildings, and utilities as part of an effort to stimulate the economy. *Page 11*

Transportation Funding

A report released jointly this week by AASHTO and TRIP identifies crumbling roads and bridges, growing traffic jams, crowded transit systems and rail cars, an unacceptably high rate of traffic crashes and fatalities, and insufficient funding as the top five transportation headaches ailing the nation. *Page 3*

With the steep drop in gasoline prices over the last six months, many states are considering increasing the tax motorists pay at the pump to support transportation construction, maintenance, operations, and safety. *Page 5*

The National Governors Association's Center for Best Practices this week issued a report that outlines the challenges states face in funding transportation needs, and details a number of policy solutions that states can examine. *Page 7*

A new coalition of environmental, freight, and passenger rail groups has formed to press for rail options as part of the nation's transportation policy, both in the economic recovery legislation and in authorization. *Page 7*

The budget crisis in the nation's most populous state worsened during the past week as Gov. Arnold Schwarzenegger announced plans to shutter state offices two days per month – reducing employees' salaries by 10 percent – and transportation officials prepared for a suspension of \$1.8 billion worth of construction currently in progress. *Page 12*

People

Numerous appointments to House and Senate committees were announced this week during the second week of the 111th Congress. *Page 9*

Former Republican Rep. Ray LaHood of Illinois will not take office as transportation secretary Tuesday when Barack Obama is sworn in as president. *Page 10*

The White House has named Lynne Osmus as acting administrator of the Federal Aviation Administration effective today. *Page 11*

The Minnesota Senate unanimously confirmed Tom Sorel yesterday as transportation commissioner. *Page 14*

Presidential Inauguration

Large crowds projected to attend Tuesday's inauguration of Barack Obama as the nation's 44th president have transportation officials in and around the nation's capital scrambling to deal with potential record-breaking transit ridership and highway gridlock. *Page 10*

Traffic Safety

University of Kansas Transportation Research Institute researchers are worried that American motorists are texting their way to an early grave. A recent forum has identified key threats and problems affecting American transportation, especially driver distraction due to electronic devices. People who text and talk on cellphones while driving have impaired abilities equivalent to that of a drunken driver. *Page 11*

Highway Construction

The California Department of Transportation announced Tuesday that work is now complete on the \$66 million Interstate 5/Lomas Santa Fe interchange and carpool lanes, the first project finished using proceeds of the Proposition 1B bonds approved by voters in 2006. *Page 12*

Climate Change

Lisa Jackson, President-elect Barack Obama's pick for U.S. Environmental Protection Agency administrator, said Wednesday during her Senate confirmation hearing that she would immediately revisit the Bush administration's decision to block California and 18 other states from setting tough limits on greenhouse-gas emissions from motor vehicles, and she hinted strongly that she will overturn it. *Page 13*

Toll Roads

New Hampshire transportation officials have taken the first step toward installing a tollbooth on Interstate 93 at the state's border with Massachusetts. *Page 13*

Vol. 109, No. 2

January 16, 2009

\$825 Billion Recovery Bill Introduced in House; \$30 Billion Would Fund Highway Construction

House Democrats yesterday unveiled an \$825 billion economic recovery package consisting of increased government spending and tax cuts aimed at putting millions of unemployed Americans back to work. The draft bill contains \$90 billion for infrastructure spending, including \$30 billion for highways and \$10 billion for transit and rail.

Rep. David Obey, D-WI and chairman of the House Appropriations Committee, introduced the legislation. It contains roughly \$550 billion in spending and \$275 billion in tax cuts. House committees are expected to mark up the bill next week with a floor vote to follow the week after. Senate action is anticipated in early February, with a goal of getting a final bill to President-elect Barack Obama for his signature by Feb. 13 before lawmakers take a weeklong recess for Presidents Day. House Democrats have titled their bill the “American Recovery & Reinvestment Act of 2009.” Obama is scheduled to appear today at a wind-turbine manufacturer in Bedford Heights, OH, to tout the recovery package, which is his top priority upon assuming the presidency Tuesday.

At a news conference yesterday morning in his Capitol office, Obey told reporters that without a recovery package, Americans would face a deepening recession and nationwide unemployment in the double digits. (Last month’s unemployment rate was 7.2 percent.)

The infrastructure spending would be split up with \$31 billion to modernize federal and other public buildings and facilities with investments that lead to long-term energy cost savings, \$30 billion for highway construction, \$19 billion for clean-water and flood-control investments, and \$10 billion for mass transit and intercity passenger rail.

“Transportation investment is a sure bet for rebuilding the nation’s economy now and into the future,” said John Horsley, executive director of the American Association of State Highway & Transportation Officials. “We applaud the House leadership for taking this key step and urge Congress to move with all deliberate speed to deliver a bill to President-elect Obama. State departments of transportation, working with local governments, are ready to deliver hundreds of thousands of jobs and long-term benefits through smart investment in transportation projects. This is the time to restore hope to America and build the foundation for a better tomorrow.”

The Republican Study Committee, a conservative group of House Republicans, introduced its own recovery bill this week. It focuses solely on tax cuts for businesses and families and excludes any increased government spending.

Committee Summary Details How Transportation Dollars Would Be Disbursed

A bill summary prepared by House Appropriations Committee staff cites AASHTO's recent survey of state DOTs indicating that "states have over 5,100 projects totaling \$64 billion that could be awarded within 180 days. These projects create jobs in the short term while saving commuters time and money in the long term." Highway funds would be sent to states using existing federal formulas.

The bill's transit portion includes \$6 billion in capital assistance for public-transportation agencies to purchase buses and equipment needed to increase transit ridership and improve intermodal facilities. Another \$2 billion would be provided to modernize existing transit systems, including renovations to stations, security systems, computers, equipment, structures, signals, and communications. The Federal Transit Administration would receive an extra \$1 billion to help fund new capital projects such as construction of light-rail lines. A final \$1.1 billion of the transit portion would go toward Amtrak and intercity passenger rail construction grants. That is far shy of the \$4.9 billion recommended for rail by the House Transportation & Infrastructure Committee.

At his news conference unveiling the legislation, Obey said the bill would create a "Recovery Act Accountability & Transparency Board" to oversee how the money is being spent. All money allocated to recovery projects would be tracked on a new website to be created by the Obama administration.

To ensure only worthy projects that will create jobs are funded, the bill includes language holding state and local officials accountable for certifying each expenditure.

"Governors, mayors, or others making funding decisions must personally certify that the investment has been fully vetted and is an appropriate use of taxpayer dollars," according to the Appropriations Committee's summary.

The draft bill would require that 45 percent of the highway recovery funds distributed to a state shall be suballocated within the state to metropolitan planning organizations based on population. In selecting projects to be funded, states shall give priority to projects that can award contracts within 120 days of enactment, are included in an approved Statewide Transportation Improvement Program and/or Metropolitan Transportation Improvement Program, could be completed within three years, and are located in economically distressed areas. States would not have to provide any matching dollars.

A provision of the draft bill would mandate that states obligate at least 50 percent of their recovery dollars based on awarded contracts within 120 days of enactment. Unused funds would be redistributed to other states who have fulfilled the requirement. All remaining recovery funds would have to be obligated by Aug. 1, 2010.

Construction Industry Lobbies for Recovery Bill, Citing Expected Job Losses If Not Enacted

The Transportation Construction Coalition, a partnership of 28 national associations and labor unions with a direct market interest in federal transportation spending, launched an advertising campaign last Friday to push for swift passage of an economic recovery bill containing tens of billions of dollars for transportation.

“Transportation infrastructure investment should be a core component of an economic stimulus plan to get America back on track,” states the ad, placed in many Capitol Hill publications this week. “Unlike some other transitory stimulus initiatives, transportation capital investments create tangible assets that will continue to provide public benefits and facilitate American economic activities for years to come.”

In a news release regarding the campaign’s launch, the coalition stated that “funding quick-start infrastructure projects that are ‘ready to go’ in every state will create jobs, stimulate the economy, and provide congestion relief and increased mobility for motorists, transit, rail, and airport users while creating assets and returning long-term benefits.”

The construction coalition, led by the American Road & Transportation Builders Association and the Associated General Contractors of America, placed their ads after a dismal report released by AGC on Jan. 8 that showed two-thirds of nonresidential construction companies are planning to lay off workers in the next six to 12 months due to the economic recession that has killed demand for new construction. On average, firms who responded to the AGC survey anticipate having to get rid of 30 percent of their workforce this year unless a federal recovery bill provides a funding boost to state and local construction projects.

“While the last few months have been difficult for our economy, they have been simply devastating for our construction industry,” Stephen Sandherr, AGC’s chief executive officer, said in a conference call with reporters last week. “Without a stimulus, construction companies will cut jobs, slash spending, and continue to be among the hardest-hit sectors within our economy.”

Last year, more than 70 percent of responding companies said they trimmed employees due to declining business. They cut about one-third of their staffs.

Obama’s economic advisers released an analysis of the recovery plan Saturday indicating that 678,000 construction jobs would be created as a direct result of the legislation, if passed.

More information about the recovery legislation is available on AASHTO’s website at tinyurl.com/AASHTO-recovery.

Report Describes Nation’s Top Transportation Headaches and How to Remedy Them

A report released jointly this week by AASHTO and TRIP identifies crumbling roads and bridges, growing traffic jams, crowded transit systems and rail cars, an unacceptably high rate of traffic crashes and fatalities, and insufficient funding as the top five transportation headaches ailing the nation.

The document entitled “America’s Top Five Transportation Headaches – and Their Remedies” also prescribes five solutions for the nation’s transportation headaches. Those include moving ahead with ready-to-go transportation construction projects, putting unemployed workers back on the job (particularly in the hard-hit construction sector), using the most-cost-effective construction techniques and materials, and following a transportation investment strategy that will provide the nation with a transportation system that will improve mobility, safety, and the condition of roads, bridges, and transit systems throughout the nation.

“Fast relief for transportation headaches is one of the immediate benefits we can see from the economic recovery legislation being sought by President-elect Obama. States are prepared to move thousands of ready-to-go highway projects that can support 1.8 million jobs,” said John Horsley, executive director of the American Association of State Highway & Transportation Officials. “Long term, these transportation investments will build or preserve assets that will help the economy for years.”

TRIP, which cosponsored the report with AASHTO, is a nonprofit organization based in Washington that promotes transportation policies that relieve traffic congestion, improve road and bridge conditions, improve air quality, make highway travel safer, and enhance economic productivity.

“Relieving our nation’s transportation headaches will go a long way toward relieving the nation’s economic headaches by creating jobs in the short and long term and by increasing the nation’s productivity and economic competitiveness,” said William Wilkins, TRIP’s executive director.

The top five transportation headaches are:

1. **Aging and deteriorating roads, bridges, and transit systems.** One-quarter of major urban roadways are in poor condition, 25 percent of the nation’s bridges are structurally deficient or functionally obsolete, and roughly half of the nation’s transit buses and rail cars have exceeded their service life or will do so within the next six years.
2. **Congested roads, highways, and transit systems.** The nation’s roads, bridges, and transit systems are increasingly overburdened and congested, leading to quality-of-life and economic headaches in the form of longer rush hours, costly disruptions in freight movement, and overcrowded transit buses and rail cars.
3. **Traffic fatalities and injuries.** More than 41,000 lives were lost on the nation’s roads in 2007. Although this is the lowest number of traffic fatalities in nearly 50 years, it is still unacceptable and can be further lowered by making needed roadway safety improvements.
4. **Demand is stressing the system.** Increasing demands on the transportation system, largely due to rising levels of population, travel, and economic activity, result in additional wear and tear on the our nation’s roads, bridges, and public transit systems. Since 1990, U.S. population increased by 23 percent while vehicle travel increased by 41 percent. Transit ridership has increased by 41 percent since 1995.
5. **Everyone’s costs are rising.** Drivers are losing \$249 billion each year as a result of travel on roads that are congested, deficient, or lack desirable safety features, while the cost of construction materials has increased by 55 percent over the last five years.

The top five transportation headache relievers are:

1. **Begin work immediately on “ready to go” transportation projects.** State transportation departments have 5,280 highway and bridge projects worth \$64 billion that can be under contract within 180 days.

2. **Boost transportation funding to stimulate economic growth in the short, medium, and long term.** Funding transportation improvements can support jobs and ease the high unemployment rate, particularly in the hard-hit construction sector.
3. **Recognize that the benefits of surface transportation improvements outweigh the costs.** Every dollar invested in the nation's highway system yields \$5.69 in economic benefits in reduced delays, improved safety, reduced emissions, and lower vehicle operating and maintenance costs.
4. **Use innovation and advanced technology to build highway and bridge improvements that last longer, are environmentally savvy, and take less time.** Transportation agencies and the private sector have made significant progress in developing highway and bridge designs, construction techniques, and materials that last longer and require less time for repairs.
5. **Make a down-payment on the nation's transportation needs immediately, and address long-term improvements in the near future.** Immediate transportation infrastructure investment can play a significant role in hastening the nation's economic recovery.

The 22-page report is available at tinyurl.com/transportheadaches.

Several States Consider Increasing Gas Taxes

With the steep drop in gasoline prices over the last six months, many states are considering increasing the tax motorists pay at the pump to support transportation construction, maintenance, operations, and safety.

Gas prices have fallen from a record high of \$4.11 per gallon in July for regular to \$1.80 yesterday, according to the Oil Price Information Service. That means many drivers might be less hesitant to pay slightly higher prices, and many would not even notice if their state gas tax went up due to the extreme fluctuation in gas prices seen over the last year.

Many states are considering increasing their fuel taxes to help fill growing budget gaps and potholed roads. As most state legislatures begin their sessions this month, dozens of bills to hike pump taxes have been filed across the nation. Gas-tax rates in numerous states have not been raised in more than a decade, and are often not indexed for inflation either. That has led to a decline in the purchasing power of the gas tax, leaving huge shortfalls in transportation revenue in most states.

As of October, the average state gas tax was 30 cents per gallon, according to the American Petroleum Institute. California led with 48.7 cents, though that number has since declined because part of the Golden State's gas tax is based on a percentage of the sale price.

Last year's spike in gas prices, combined with a yearlong economic recession, has led to consistent declines in vehicle miles traveled during the past year. That factor, plus the increasing popularity of hybrid and other fuel-efficient vehicles, has led Americans to purchase less gasoline, reducing transportation revenues even as construction costs have soared.