Backgrounder

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How States Can Improve Their Transportation Systems and Relieve Traffic Congestion

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Over the past several decades, federal and state transportation policies have struggled to keep pace with a rising population and increasing numbers of motorists and trucks using the roads. As a result, congestion has worsened in most major metropolitan areas, imposing extra costs on all motorists and truckers and threatening to undermine the economic vitality of many commercial centers as businesses and workers look to relocate to less congested regions.

Efforts to address this imbalance between capacity and increased usage have often failed because voters refuse to support tax increases to fund more road spending. In part, their refusal to pay for better service reflects a lack of confidence that federal and state officials would use additional tax resources effectively to provide better transportation. As a consequence, local referenda on higher transportation taxes are often defeated. Similarly, in 2005 President George W. Bush easily prevented Congress from increasing the federal fuel tax by 35 percent.

With the economy deteriorating and voters pressed by worsening employment prospects and escalating gas prices, opposition to pointless tax increases will stiffen. Perhaps elected officials may finally realize that the opposition to higher taxes stems more from a reluctance to pay Neiman Marcus prices for Dollar Store products than from any particular ideological objection to paying for transportation services.

Unless federal, state, and local officials take steps to improve management of transportation operations

Talking Points

- Voter opposition to higher taxes for transportation projects stems more from a reluctance to pay Neiman Marcus prices for Dollar Store products than from any particular ideological objection to paying for transportation services.
- The Northern Virginia suburbs of Washington, D.C., may have one of the most confusing and redundant collections of transportation bureaucracies in the nation.
- In 2007, Washington State conducted a performance audit of its transportation system to uncover its failings and to provide cost-effective solutions to reduce congestion and increase mobility.
- Under current law, the federal Highway Trust Fund is financed by federal fuel taxes. A turnback plan would eliminate the federal middleman by empowering the states to collect the federal fuel tax and use it to meet the transportation priorities of their own choosing.

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and restore voter confidence, voter skepticism will persist as congestion and safety standards worsen.

Steps to Improving Transportation

A few states are pursuing a promising course of reform that involves conducting a several-step review and restructuring process. The process is anchored by an independent performance audit of the state's transportation system to determine its strengths and weaknesses and to identify what needs improvement.

Step 1: Admitting System Failure. A good place for state officials to begin the reform process is to admit that they have in fact failed and that the state institutions assigned to solve transportation problems have not been as effective as they should have been. The state officials should also acknowledge that they may need to rebuild the entire system from the ground up so that it will serve the citizens better rather than serving leading legislators or privileged interest groups that seek to divert state transportation funds to other purposes, including unproductive pork-barrel transportation projects.

Step 2: Independent Financial Audit. After confessing these failings, the state government should commission a two-part comprehensive independent audit of state transportation operations, including the state department of transportation (DOT); the many state and federally funded affiliates of the DOT; the taxpayer-funded transportation boards, authorities, and commissions; and the metropolitan planning organizations mandated and funded under federal law.

Such an audit should have two broad components. The first component would be a comprehensive financial audit of how much money these various entities spend to perform their many activities and operations. The purpose would be to determine whether their operations are cost-competitive with prevailing best practices and whether they are properly using cost-benefit analysis to establish project priorities and make modal choices.

Step 3: Independent Performance Assessment. The second component of the audit should be a comprehensive performance assessment—similar to an assessment[1] recently conducted in Washington State in 2007—to determine whether the state DOT and its many state-funded appendages (see text box), associated entities, and transportation operations are properly focused on meaningful transportation improvements that provide the citizens with the greatest value for their tax money in terms of greater mobility. As the record will undoubtedly reveal in most states, state legislatures and governors have seldom provided their DOTs with clear and concise missions.

With no clear mission, none of the many players in a state's transportation system can be held accountable for the performance of the transportation program, thereby allowing a costly state of mediocrity to thrive. A performance audit would uncover these failings, reveal solutions, and provide leaders with a meaningful agenda to support and fulfill.

One of the more compelling components of the Washington State audit was the requirement that the independent consultants and auditors develop a series of recommendations to reduce traffic congestion within five years. The five-year plan developed by the consulting group included a series of specific projects that could reduce congestion by an estimated 15 percent to 20 percent within five years. Given that many state DOTs commit themselves to no more than attempting to *slow* the rate at which traffic congestion worsens, the Washington result demonstrates a rare commitment to actual improvement.

As part of such a reform process, elected officials should agree to a moratorium on any new transportation taxes, programs, and major projects until the audit is completed and the legislation implementing the recommended solutions is enacted.

Step 4: Implementing the Recommendations. Upon completion of the financial and performance audits, the findings would be incorporated into comprehensive legislation that establishes quantitative performance goals to guide all future transportation spending. Importantly, this legislation would

1. See Washington State Auditor's Office, *Washington State Department of Transportation: Managing and Reducing Congestion in Puget Sound*, October 10, 2007, at *http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000006.pdf* (July 17, 2008).

Overlapping Bureaucracies Discourage Accountability

Among the many findings of Washington's independent performance audit were the problems with the large number of overlapping government transportation bodies. Each has some responsibility for and controls the resources for some facet of state or regional transportation policy. This balkanized system makes combining resources of government to solve transportation problems and coordinate responses extremely difficult. Most important, such confusion over who is responsible for what makes it nearly impossible to hold any of these public entities accountable for successes and failures.

Some Virginia legislators responded to the Washington State audit by proposing an independent performance audit of Virginia's transportation system. If conducted, such an audit would quickly discover a mother lode of more than a dozen overlapping, costly, and redundant government transportation bureaucracies that spend vast sums of taxpayer money pursuing contradictory and often counterproductive transportation policies and projects. Indeed, the Northern Virginia suburbs of Washington, D.C., may have one of the most confusing and redundant collections of transportation bureaucracies in the nation.

These bureaucracies include the Metropolitan Washington Council of Governments and the National Capital Regional Transportation Planning Board (TPB), the region's metropolitan planning organization. TPB members include five counties and five incorporated cities in Northern Virginia, the District of Columbia, and three counties and six pseudo (unincorporated) cities in Maryland. In addition to participating on the TPB, each of the five Virginia counties and five cities may embark on their own transportation policies and initiatives.

Three federal agencies—the National Park Service, the Federal Transit Administration, and the Federal Highway Administration—and the Metropolitan Washington Airports Authority (MWAA) serve as ex-officio members of the TPB. Although MWAA has no experience in surface transportation issues, it recently became a major player in Northern Virginia transportation policy when it assumed responsibility for building the costly and controversial Dulles Rail project.

The state government recently added the Northern Virginia Transportation Authority to the mix, although the Virginia Supreme Court subsequently restricted its authority. Its jurisdiction overlaps the jurisdictions of the other Virginia entities on the TPB, and its transit-oriented focus is supplemented by the Northern Virginia Transportation Commission, the Potomac and Rappahannock Transportation Commission, and the Virginia Department of Rail and Public Transportation. The first two operate and fund the Virginia Railway Express.

Coexisting with these regional bureaucracies are a few more government bureaucracies with their own fiefdoms. The biggest player is the Virginia Department of Transportation, followed by the Washington Metropolitan Area Transit Authority—which operates Metrorail and the companion bus system in the Washington, D.C., metropolitan area—and the Northern Virginia Regional Commission.

A traditional financial audit of Virginia's transportation system would identify the activities performed by each of these taxpayer-funded entities, determine the dollar amount that it spends on administrative costs, and inventory its personnel expenses, including salary and benefit packages. Such information would facilitate a follow-on independent performance audit and inform taxpayers of the service tradeoffs inherent in big bureaucracies. For example, if fixing a pothole in Virginia costs $200 and the average bureaucrat in these entities earns $80,000 per annum, then the public cost of each redundant bureaucrat is 400 unfilled potholes.

hold the governor, the state DOT, and the legislature responsible for meeting these goals within an explicit time frame.[2]

Chief among the quantitative goals would be meaningful measures of mobility enhancement, including congestion relief. Texas and Georgia have implemented performance plans with similar goals. The Texas DOT is now responsible for reducing congestion in urban areas by 50 percent over the next 20 years to a statewide Travel Time Index (TTI) of 120, while the Georgia DOT must reach a TTI of 135 in the Atlanta metropolitan area (as calculated by the Texas Transportation Institute).[3]

Other mobility-related issues, such as quantifiable measures of safety and infrastructure quality, could be included in the performance measure set, while such trendy distractions as economic development, aesthetic charm, and transportation choice should be excluded.

Step 5: Informed Decision Making. Having established a detailed plan to prioritize projects by their impact on congestion mitigation, safety, and infrastructure preservation, both leaders and voters would then be in a better position to decide how much to spend based on a clear presentation of benefits from money spent on transportation. Moreover, listing priorities according their resulting benefits would enable leaders and voters to make better choices among financing options (e.g., taxes, tolls, congestion charges, and special taxing districts) and among service providers, whether they are government (state, federal, or local) entities, the private sector, regional authorities, or public–private partnerships.

Needed Federal Reforms

While there is much that state governments can do to improve mobility and alleviate congestion within their borders, current federal surface transportation policies and programs—which provide about one-third of the funding for the nation's roads—will not help to achieve this goal unless Congress dramatically changes federal transportation law. Chief among the many needed changes is redirecting federal transportation resources to benefit the motorists and truckers who pay the taxes that fund the system, rather than continuing to benefit privileged constituencies who pay their lobbyists handsome retainers to divert highway money to pork-barrel projects and ineffective programs, many of which contribute nothing to transportation, safety, or congestion relief.

As The Heritage Foundation has noted in many of its reports on transportation, these diversions have increased in recent years. The most recent highway reauthorization bill—the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)[4]—was easily the worst of the lot. It added more than 7,000 earmarks and created more than a dozen new programs, including the beginnings of an effort to federalize the nation's sidewalks.[5] SAFETEA-LU will expire in September 2009, and Congress will begin the renewal process in early 2009.

While many state officials and DOTs believe that this time they will succeed in pressuring Congress to enact a more sensible transportation bill, states have little to show for their past efforts in this direction. Their influence on such legislation pales in comparison to the influence of the many high-power lobbyists hired to undermine the program for the benefit of the influential few.

Under these circumstances, a much more productive approach would be to "turn back" the federal highway program to the states. Under current law, the federal Highway Trust Fund is financed by

2. For the details of such a program and model legislation to implement one, see Wendell Cox, Alan E. Pisarski, and Ronald D. Utt, "Rush Hour: How States Can Reduce Traffic Congestion Through Performance-Based Transportation Programs," Heritage Foundation *Backgrounder* No. 1995, January 10, 2007, at *http://www.heritage.org/Research/SmartGrowth/bg1995.cfm*.
3. David Schrank and Tim Lomax, *The 2007 Urban Mobility Report*, Texas Transportation Institute, Texas A&M University, September 2007, p. 33, at *http://tti.tamu.edu/documents/mobility_report_2007_wappx.pdf* (July 16, 2008).
4. Public Law 109–59, 109th Cong.
5. Ronald D. Utt, "Congress Gets Another Chance to Improve America's Transportation: Should It Be Its Last?" Heritage Foundation *WebMemo*, March 7, 2005, at *http://www.heritage.org/Research/index_wm.cfm*.

a federal fuel tax of 18.3 cents per gallon of gasoline and 24.3 cents per gallon of diesel fuel. The revenue from this tax is returned to the states according to a flawed formula that creates many winners and losers among the states, with Southern and Great Lakes states paying much more than they receive while New England and most Middle Atlantic states receive more than they pay. Furthermore, the federal money comes with many mandates and micromanaging directives that severely limit states' abilities to meet their transportation priorities.

A turnback plan would eliminate the federal middleman by empowering the states to collect the federal fuel tax and use it to meet the transportation priorities of their own choosing. Legislation to implement such a turnback program (S. 2823) has been introduced by Senator Jim DeMint (R–SC) and should receive the support of states looking to better utilize the financial resources often squandered by the federal government.

Fortunately, for those states, motorists, truckers, and voters seeking fundamental reform of the federal highway program, the legislation authorizing the existence of the program will expire in September 2009 and must be renewed (reauthorized) for another six years. This reauthorization process will give reformers a near-term opportunity to make the necessary changes, but if they fail, they will likely not get another chance until 2015.

Conclusion

As the Washington State experience reveals, meaningful reform will not be an easy path. Although the state's performance audit was popular with voters—it encouraged them to reject a referendum for high transportation taxes when it became apparent that the new spending plans were inconsistent with the audit's findings—many public officials were less than pleased that the audit exposed the system's many failings.

Nonetheless, the concept is spreading. In early summer, the Idaho Legislature solicited bids from independent consulting firms to perform a similar audit of the Idaho transportation system.[6] In July 2008, the Virginia House of Delegates voted 95 to 0 to conduct a performance audit of the state's DOT. Although the Virginia Senate did not approve the proposal, the current legislative impasse in the state will soon force the governor and the legislature to revisit the issue.

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6. Idaho Legislature, Office of Performance Evaluations, "Request for Information: Phase 1 Performance Audit of the Idaho Transportation Department (ITD) Idaho," June 20, 2008, at *http://www.legislature.idaho.gov/ope/RFI_ITD.pdf* (July 16, 2008).