



# Building a 21st Century Infrastructure

How Setting Clear Goals, Establishing Accountability,  
and Improving Performance Will Produce Lasting  
and Sustainable Prosperity

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By Kevin DeGood    February 2014

# Introduction and summary

*“We look at the present through a rear-view mirror. We march backwards into the future.”<sup>1</sup> — Marshall McLuhan*

In 1956, President Dwight D. Eisenhower signed the Federal-Aid Highway Act into law. This groundbreaking legislation advanced a bold, forward-looking national project to construct highways that would efficiently link cities, towns, and rural areas, ensuring essential connectivity and spurring economic growth. Today, we face fundamentally different transportation challenges. Yet our policies remain locked in an increasingly outdated post-World War II framework that is unable to address the needs of the 21st century. As a result, America’s surface transportation policy stands at a crossroads. The federal program, which supports state and local investments in highways, bridges, and public transportation systems, suffers from insufficient investment, a trust fund teetering on the brink of insolvency, and partisan gridlock. This is neither a recipe for success nor sustainable in the long term.

The ongoing debate over how to raise additional revenue for surface transportation programs often misses the deep connection between policy and funding. For years, transportation stakeholders have argued that new money would cure all ills. In reality, Congress has struggled to address funding shortfalls because there is a deficit of consensus on what the federal program should achieve. Developing a shared policy vision will not be easy. Without addressing policy differences, however, there is little chance of finding additional money for the next transportation bill.

A shrinking program will greatly limit the federal government’s ability to set national transportation policy objectives and serve as a strong partner to state and local governments. In short, a moribund federal transportation program threatens to derail our economy and prosperity in the broadest sense. By comparison, an invigorated federal program built around a shared national transportation policy vision will support our economy and produce vibrant communities for decades to come.

The choice facing Congress could not be clearer: Extend the failing status quo or increase investment to improve performance and achieve an intermodal surface transportation system that increases economic competitiveness, improves access to opportunity for diverse communities, maintains infrastructure in a state of good repair, reduces injuries and fatalities, minimizes impacts on ecological and social environments, and reduces energy consumption.

The time for decision is upon us. In June 2012, Congress passed the Moving Ahead for Progress in the 21st Century Act, or MAP-21. The surface transportation bill provided only two years of funding and is set to expire on September 30, 2014. The Congressional Budget Office estimates that gas taxes, which capitalize the Highway Trust Fund, will fall short by approximately \$15 billion in fiscal year 2015.<sup>2</sup> Since 2008, Congress has backfilled the Highway Trust Fund, or HTF, with more than \$54 billion in general fund revenues.<sup>3</sup>

Political support for additional transfers to avoid the HTF's insolvency is tenuous at best. The time for half measures and patchwork solutions has passed. Congress must take on the hard work of forging a federal transportation program that addresses current challenges and lays a foundation for sustainable and long-term prosperity.

Developing a shared vision begins with identifying current policy failures. Federal transportation policy fails in three fundamental ways. First, the program does not specify clear objectives that address today's challenges—especially rapid urbanization. Today, the United States is a predominately urban nation with a mature transportation system that connects rural areas and small towns to markets and links metropolitan areas of all sizes.<sup>4</sup> However, this was not always the case. Transportation policy crafted after World War II addressed the deficit of regional and national connectivity, but the biggest challenges today are urban congestion, a lack of transportation options, and environmental sustainability.

## Transportation and the economy

Transportation affects almost every aspect of our economy. Research shows that, in constant 2007 dollars, individuals spend approximately \$1.1 trillion on gasoline and vehicles and more than 175 billion hours traveling—time estimated to have a value of \$760 billion. Businesses, for their part, spend \$1 trillion each year shipping products. Federal, state, and local transportation spending tops \$260 billion each year. Taken together, transportation expenditures top \$2.4 trillion, or 17 percent of our gross domestic product.

All this movement relies on massive amounts of infrastructure. The national road and highway network is valued at \$2.8 trillion; private freight railroad tracks at \$340 billion; and airways, public transportation, and waterways at \$568 billion.

Source: Clifford Winston, "On the Performance of the U.S. Transportation System: Caution Ahead," *Journal of Economic Literature* 51 (3) (2013): 773–824.

Federal funds are distributed based on formulas that reflect political geography and the power of committee chairs rather than need or return on investment.

Second, metropolitan regions lack sufficient authority and funding to address critical transportation problems that occur on a regional scale. The vast majority of federal funding is distributed to states based on formulas set in law. This ensures transportation funds reward political geography rather than focus on need and the potential return on investment.

Third, the program does not hold grant recipients accountable for the performance outcomes that result from their investment decisions. Project selection authority rests with state departments of transportation and, to a lesser extent, metropolitan regions. Even though the federal government provides \$52 billion per year in surface transportation funding, states and regions are not held accountable for achieving specific performance targets informed by clear national policy objectives. Instead, federal regulations focus almost exclusively on process, ensuring funds flow to eligible activities without regard for performance.

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## Policy recommendations for MAP-21 reauthorization

The Eisenhower administration laid an infrastructure foundation that facilitated a period of great economic expansion and prosperity. However, continuing to pursue transportation policies forged in the years following World War II will not solve our current problems. Fortunately, Congress has the opportunity to enact substantive policy reform when MAP-21 expires in September. The next authorization bill should define a new vision and reform how we plan, fund, and assess the performance of the surface transportation system.

Specifically, a 21st century surface transportation system should increase economic competitiveness, improve access to opportunity for diverse communities, maintain infrastructure in a state of good repair, reduce injuries and fatalities, minimize impacts on ecological and social environments, and reduce energy consumption.

These goals should inform a broad set of progressive performance measures that track performance outcomes over time, holding grant recipients accountable for advancing national priorities. In addition, performance measures should serve as the basis for allocating federal grants and financing to those states and regions that make the most productive investments. Finally, Congress should provide increased local control and project selection authority to metropolitan regions.

In order to advance effective transportation policy that addresses current concerns and meets future needs, Congress should take the following six steps:

1. Expand performance management by including additional measures connected to national economic, social, and environmental policy goals.
2. Increase competition by distributing a larger share of federal funds through competitive programs.
3. Tie grants and financing to performance by connecting performance management to competitive federal grants and financing.
4. Increase mode-neutral shares of funds to provide states and metropolitan regions with greater flexibility.
5. Increase local control by providing more direct funding and project selection authority to metropolitan regions.
6. Increase planning funds and require scenario planning in metropolitan regions with populations of more than 500,000 people.

Together, these reforms increase competition, provide greater accountability, and improve transportation governance through expanded performance management and greater local control. All three elements—competition, performance management, and local control—are critical to achieving a 21st century transportation system. The expansion of competitive grant programs would reform the distribution of federal funds by rewarding the most-innovative projects instead of formula programs based on political geography. Performance management provides specific, quantifiable information that allows for more effective planning and a mechanism to hold grant recipients accountable. Finally, expanding local control provides metropolitan regions with the funding and authority to address urban congestion, increase access to jobs and other amenities, and improve sustainability.

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