

Follow the Money:
A New Direction for Transportation in Maryland
(Part One in the 1000 Friends of Maryland Smart Money Forum Series)

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America sees the tectonic plates shifting in two major ways:

- The economy
- The Obama administration in Washington

Both require radical re-thinking.

1000 Friends is assisting in finding the opportunities in these two action streams at least for the large fields of land use, growth management, resource conservation and environmental protection.

We believe that the smart money is on smart growth. What does that mean? It means that in an economic crisis Smart Growth is not a luxury item to be cut from the budget but it is a tool to operate more efficiently, leaner and more sustainable.

To this end we planned a series of Forums for 2009 which will review how Maryland is doing, what we have done, what we can do and what we should do.

Later this spring we will have a second Forum to review Maryland's legislative session and report on new initiatives for Smart Growth and report about lost battles and try to conclude how to go about the next legislative session in 2010.

In the fall we will revisit the topic of transportation and drill a bit further on the issue of transit. We will also check back on how we are really doing with the expenditure of transportation stimulus money.

Good transportation and environmental protection should not be mutually exclusive, quite to the contrary, we believe that mobility is only truly sustainable if we find more sustainable ways to live, work and play.

Yet, there are some ironies and inherent conflicts arising out of the federal stimulus package in the effort to spend a lot of money very quickly in order to jumpstart the economy. The reflex is, of course, more of the same, i.e. expenditures that cement the old ways rather than being transformative. The huge challenge is to be quick and transformative.

The transformative topic is land use. Consider that the developed land areas grow at about 2-3 times the rate of population growth and that vehicle miles traveled in turn track closely the sprawl pattern, i.e. until the gas price explosion last year VMT climbed much faster than population. This dramatic growth of land area used and of miles driven is certainly not sustainable, neither fiscally nor environmentally. This was also noted by Maryland's Commission on Climate Change in their 2008 report. The Commission set a policy goal to return statewide VMT to 2000 per capita levels by 2020 and ensure continuing reductions in per capita VMT of 30 per cent by 2035 and 50 per cent by 2050 from a 2020 baseline.

Another transformative topic is funding, specifically new ways to fund transit. The new buzz word is Value Capture. Funding, of course is the issue that brings us to the re-authorization of the federal transportation programs.

So in summary, the narrative for today is from how exactly Maryland wants to spend the stimulus money to how we can smoothly transition from the short-term band-aid approach to a more long-term transformative strategy to how this will all shape up in Congress.

Secretary John Porcari (Secretary, Maryland Department of Transportation)

This has been a good news, bad news year. The bad news is Maryland has cut back our capital budget. \$2.1 billion was cut from the transportation 6 year program; that includes transit, highway, port, and aviation programs. What used to be a \$10.5 billion program is now an \$8.4 billion program, and the State will have to cut another \$745 million soon. This is the most dramatic drop in funding for the capital program in recent memory; certainly since early 1980s, but probably before then.

That is why the stimulus bill is so important – though not a cure-all. Maryland’s share of the federal funds equals roughly 30% of what the State had to cut from its capital programs. Maryland’s approach to spending the stimulus dollars has been different than other states’. A few states are doing mega projects; Maryland took a different approach. Maryland’s policy is ‘fix it first’ or system preservation: every dollar will go towards rebuilding what we have. That policy is a common thread through all the transportation programs; transit, highway, aviation, port.

On one hand the stimulus funding is supposed to be a job creation program. It is about putting people to work here and now. We believe the projects we have underway, imminent, or planned to be built will create or preserve 17,000 jobs. We are tracking the jobs created for each project. We know how dire the financial circumstances are, and that the job you create today is more important than the job you create 6 months from now. So we are planning system preservation projects in every corner of the state. This approach maximizes the opportunities – it creates smaller jobs all through the state, increasing the opportunities for local firms and Maryland citizens to do the work.

We worked up the list quickly. Governor O’Malley announced the first wave of projects, a total of \$365 million. Within two weeks of the stimulus bill signing the nation’s first project was underway – a resurfacing project right here in Maryland. This project created 60 jobs; 20 of the employees were people laid off by the contractor when the economy slumped and re-hired because of the stimulus-funded project. Although moving quickly, we are not waiving any hiring requirements, such as minority enterprise laws. We are getting some approvals retroactively from the Board of Public Works to get these projects quickly underway.

We are also looking at transit projects. The retrofits at the Laurel MARC station are a national example of where these infrastructure investments make sense. It will cost \$2.9 to \$3 million to stabilize the station; including replacing the wooden platform so it is compliant with the Americans with Disabilities Act. That project is already underway. Maryland was the first State in the nation to have transit projects started.

Speed and transparency are the watchwords for our approach to spending stimulus dollars. Every one of Maryland's phase one projects were approved, and the State will be announcing phase two projects in next few days. For transit as well as highways, the State has planned a number of smaller projects.

The transit projects approved April 1st include improvements to public address and LED signage systems at MARC stations. (The department has found that the biggest customer service issues related to transit usage include getting accurate notice to customers of when trains are coming.) The funds will also be spent on purchasing thousands of hybrid buses for local transit systems throughout the state. The funds will be given directly to each county on a formula basis.

Federal discretionary funding will also be spent on environmental projects that fit within the timing of the stimulus bill. Those projects include reforestation, wetland restoration, and a number of bridge rehabilitation and restoration projects. Maryland also got \$15 million in discretionary funds for restoration at BWI Airport to replace the airside aprons. Part of that infrastructure was there in June 1950 when Eisenhower visited; it is time to replace it.

Maryland is committed to doing the stimulus projects quickly and transparently. Every project is posted on our website; just enter your zipcode and you can see the projects planned near you. (www.e-mdot.com/Planning/Economic_Recovery/Index) We will be adding construction progress updates and job counts shortly.

What do we do next? We are ready to build the transportation system of the future. The stimulus projects are the dress rehearsal for the federal transportation reauthorization legislation. We must first fix what we have and then advance through the reauthorization process some of the major projects we have planned for the future.

The key word is balanced – a balanced transportation system. In the congested Baltimore-Washington corridor we have several large transportation projects. If we did them all at one time it would take sixty to seventy years to complete. If we are going to change the system we can't do it half-hearted. We have to have consensus within Maryland on having a balance and doing things a little bit differently.

The Department of Transportation is very focused on the land use and transportation nexus. Transit oriented development (TOD) is the most obvious example of this connection. Last session we had a bill that defines TOD as a transportation use. This may not sound exciting but it is both practical and profound. We can now use transportation funding if we need to acquire land at a transit station to make TOD work. This puts TOD on equal footing with every other use for these funds.

This session we have a TOD bill that broadens the definition of what qualifies for tax increment financing (TIF). It would allow the use of TIF for some of the operating costs associated with TOD, not just the capital costs. Other revenues can be used for that TIF district, including certain local taxes, allowing greater development around TOD stations.

In the past we have implemented other successful neighborhood conservation and community reconstruction projects. Those projects include a complete streets philosophy, integrating different forms of transportation – from drivers to pedestrians – into one streetscape. The

Department would like to get back to those types of projects as soon as revenue permits. This is a priority for Governor O'Malley.

We have made a generational investment in our existing systems, and need to rebuild what we have. That includes Baltimore, Washington, and local transit systems throughout the state and requires a regional and state-wide approach. We are working in cooperation with the National Center for Smart Growth to establish the transportation policy research group to produce the first state-wide transportation model. We are looking at not just one community or one region but the entire transportation needs state-wide. This is a critical step forward because it will, for example, take into account out-of-state commuters coming in from Pennsylvania and Virginia.

There is also a lot of discussion over federal transportation reauthorization and where we should go. There are far too many siloed programs at the national level; at least 110 different programs. These ought to be collapsed into broad categories, making the funding more flexible but also more accountable. It is not difficult to institute performance measures to see what results you are getting with the funding. The reauthorization bill must be bigger in dollar terms, but you don't start the discussion with dollars. You start with allocating the funding more broadly, making it much more inter-modal, and holding States accountable with performance measures.

Mike Burke (Projects Director, U.S. Senator Benjamin L. Cardin)

The American Recovery and Reinvestment Act, commonly called the stimulus bill, talks about recovery and reinvestment. That means where we are and where we want to go as a nation.

Where we are: we are in an economic crisis. You have heard the numbers; this is the worst financial situation nationally since the Great Depression. There is a real need to put people back to work. The way we are doing this in Maryland is through job creation and jobs sustained across the state, thanks to the decision to not use stimulus dollars for a few mega projects but instead for projects across the state. We will see stimulus dollars reaching into every community to mitigate job loss.

Maryland has been a leader in identifying projects early, getting those contracts wet, and getting people back to work faster than any other state in the country. It has been done with formula funds that have a lot of strings attached and can only be used for certain programs. That included \$140 million for transportation and \$135 million for transit funding.

This will go not just to transportation in the Baltimore or Washington metro area but for programs across the landscape, including bus systems from Salisbury to Hagerstown to Bel Air. The latter investment includes a funding stream for locally operated transit programs. Those communities can buy and repair buses where existing buses have outlived their life; often the new buses are hybrid vehicles.

There are still tremendous gaps that need to be filled. For example, in Maryland there are 129 wastewater and drinking water infrastructure projects that have been selected, and awards are being made. The size of the gap between the projects that are being funded and the funding that is available is enormous; there is a \$3.9 billion need for wastewater and drinking water projects alone. The situation is the same for other programs, including transportation, health care, police, and fire protection.

But the stimulus is also about reinvestment. That means looking at where we want to redo things that we can do better. Some additional funds will be available to allow people to come back to the Department of Transportation with some big project ideas they would like to do. This is an opportunity to think outside the box and submit additional proposals that will get funded outside the existing stimulus bill. We are looking at possibilities for distributing those additional grant dollars. That is where the transformation happens.

Where do we go from here? We can't start from a blank slate. We have a transportation infrastructure; a lot of it is aging, but this is how we have built the state over the centuries. How do you rationalize a system that has grown up without a national rationale? One element is doing a better job with multi-modal components. We bring things into the port of Baltimore; there is a lot of bulk cargo coming in, and it is the cheapest and most environmentally-sensitive way to bring cargo long distances. Once we get there we have rail systems we can use, and using that system we can move things 434 miles on one gallon of fuel.

But in Baltimore we have a huge problem with our ability to maximize rail for freight because we can't double-stack trains going through the Baltimore tunnel. We need to remove those types of impediments where it makes sense to do so. We need to think about a regional distribution network – a trucking network with the roads and bridges to support it. Congestion on our roads costs us \$87 billion in lost time. We must take commuters out of their cars to remove pressure on our highways and allow us to take care of distribution needs. We will be able to do that only if we have the infrastructure to support the real movement of people through a transit system that works.

Maryland has three new starts projects that have been proposed for federal transportation funding. It is a terrific problem to grapple with. The State is ready to invest in the Red Line, the Purple Line, and the Corridor Cities project. These are all needed projects, and the way we need to go.

Unfortunately, we have a vision of what rail is, and the reality is the limitations of the Baltimore Tunnel. We also have a vision for mass transit, and the reality is the federal funding formula for it. The new starts formula is badly skewed, making it difficult to meet the requirements that determine what projects make sense. We need to look at revising the way we calculate the cost effectiveness of transit systems.

In addition, there is no national standard for rail cars. Every State, on every project, must look for a design for building the system. It makes no sense; the states are spending money not on infrastructure but in doing something that should be available off-the-shelf. We should have a national standard out there so that design costs are not eating up state transit dollars.

We need to get away from the Federal government's insistence in the past of only providing capital dollars for our systems. We provide no operational support, yet it is in our national interest to ensure these systems get used. We also need the ability to think more holistically to ensure we have the dollars to do what we need to do. The federal system must provide fewer categories and greater flexibility to ensure money is used in most efficient fashion.

There are other federal policies we need to harmonize our transportation policy with. On climate, about 30% of greenhouse gasses nationally come from our transportation system. The number is higher in this region. How do we get a handle on reducing greenhouse gas emissions

from the transportation sector? As part of reducing greenhouse gas emissions broadly, we should be looking at auctioning off pollution allowances and capturing those auction proceeds for important public policy needs. That would include funding transit needs to meet overall transportation needs.

Nationally there is an \$8 billion shortfall in the federal transportation program. Americans pay at the gas pump a tax that goes into the trust fund to pay for projects in the six year transportation bill. Those revenues have fallen far short of projections as the result of just a little dip in total vehicle miles traveled. When people aren't driving as much they aren't buying as much at the pump.

Our policy for environment and climate reasons is that we want people to buy cars that are a lot more fuel efficient. For example, the new energy bill requires car companies to raise their fuel economy standards by 40%. Yet we are still only putting in a fuel tax of 18.5 cents to the gallon as we did before. We must find a way to reconcile our desire to reduce vehicle miles traveled and to reduce the purchase of fuel so receipts continue to go down – which is what we want as a policy objective – yet that leaves an increasingly large hole in the transportation budget, and we have extraordinarily large needs.

For every mile you drive you should pay something; regardless of the type of car you are driving, you should pay something for the use of the roads. One solution is to increase the gas tax by 15 cents a gallon; yet we are still saying that over the long run we want to drive down the use of petroleum projects. We need the ability to take advantage of proceeds from climate change auctions to fund transportation needs in smart way that harmonizes both those policies.

Obama's budget is only outlined so far, but it will be in those budgets and over the next few years where we will figure out how to find the funding we need for transportation projects that fit within new parameters. These are challenging times but exciting times, as terrific opportunities exist within the challenges that lie ahead.

Ilana Preuss (Outreach and Field Director, Transportation for America)

Transportation for America is a national campaign of businesses, elected officials, nonprofit organizations, and individuals across the country working together to transform the transportation reauthorization bill. We want to truly transform it to make it easier and automatic to do the good things we know we need to do with our transportation dollars.

We are focused on this next transportation bill because it is a key time for reform. We started a year ago – last April – when we recognized a unique opportunity to have an impact right now. A lot of changes were afoot even before the economic strife occurred and gas prices were raised. Things are changing across the country in how people are getting around, where people want to live, and the choices people want to make.

Gas prices went up, and although they went back down most people assume gas prices will spike again. Right now we have economic problems and must ensure that there are transportation options for people across the board. Due to energy concerns we must make a national commitment to reduce the amount of oil we consume and to meet energy consumption goals.

The population in thirty years will also be very different. Only one quarter of households will have children. Where those people want to live and the kind of houses they want to live in will be very different than choices people made ten years ago. There will be a stronger desire for transit-oriented development, for small lots, and for mixed-use communities.

We have a transportation system that is broken; it is literally crumbling underneath of us. We have been building since the 1950s a world class transportation system and we must maintain it. We must fix what we have, but the funding system is also broken and we must find a different solution in how we pay for our transportation needs.

We also need to create jobs. Fixing highways and bridges creates a lot more jobs than making new ones – 12% more jobs. In Texas they are using the federal recovery money to build a third highway around Houston; that was not the intent of this funding.

Transportation choices also affect households; the combined cost of the household and transportation is a huge monthly expenditure. Part of the foreclosure problem was that people bought houses out on the fringe that they could barely afford. When gas prices spiked there was no room in the budget for those additional costs. Individuals must have choices in how they get around.

There was \$287 billion in the last transportation reauthorization act. We are talking about \$500 billion this year. We must pay attention to how that money is being spent and must be incredibly transparent about how it is spent at the national, state, and local levels.

Politically, there is a lot of work to do to show public support for a different approach. There is always opposition to changing the status quo; we must make sure we are showing a lot of people that this is important from the health, environmental, equity, and business competitiveness perspectives. We have had fifty years of one system. While it is a world class system we now need to build the second half of that system. We must maintain what we have and fill out gaps in capacity, but must also build out the rest of the system with rail, bus, bike paths, and sidewalks to make sure it is accessible for all citizens.

Transportation must serve multiple needs – not just getting from point A to point B. It is about creating an economic stimulus. You capture a lot more of the investment when you build transit than any other system.

There are several goals for the next transportation bill. It has been a federal aid bill to the states. Changing that mindset is a big hurdle but we believe that as a nation we need to know what we are getting out of this investment in the country. We need a world class rail network for people and freight; to maximize job creation; to empower local communities to meet national goals; to increase transparency in the process; to give Americans transportation options they need; and to maintain the existing system.

Elements of reform must include a national transportation vision with objectives and performance targets; a restructuring of federal transportation programs; reforming transportation agencies and the decision-making process; and rethinking transportation finance.

Measures of accountability should include energy security, environmental protection, economic competitiveness, equal access, system condition, and safety. There is still a question on how you ensure these standards are applied to meet these measures at both the state and regional levels.

The goal of program restructuring should be to keep it simple. We need to fix what we have, whether roads, bridges, trains, or buses. We need to improve how we invest in transit, both small and big investments. Departments across nation are cutting service and cutting jobs because they don't have operating funds for transit. The safe start program, as structured, makes it almost impossible to get a new program on the ground, yet that is a priority for many communities and is a key investment for the future of our communities.

We should prioritize high speed rail connections between major regions, yet invest in small town and rural access improvements. We need to invest more in seniors and the disabled, and in community needs, yet must let rural communities meet these needs in flexible ways. Solutions include bike paths or putting more development in town centers; to do so we must use land use decisions as a transportation solution.

We must green our freight movement and our ports. Even in an economic downturn freight distribution will go through the roof in the next several years, and we will need a diverse set of solutions to meet those needs and maintain those systems.

We need to establish comprehensive safety programs. The last transportation bill was called SAFETEA-LU, but there was no additional safety for the 41,000 people who died in auto accidents or the 2.5 million who were injured. In the last year there have been a few less deaths but only because people drove less.

We need ways to provide authority to metropolitan government organizations as well as ways to work with rural entities. There is an outcry from local governments to decide their own fate. We must figure out how to shift decision-making authority and accountability to local entities.

We all agree we need to increase revenues for transportation and that we are woefully behind. We need to diversify our revenue sources; the gas tax alone will not sustain us. Options to charge for vehicle miles traveled should be considered. We should also encourage members of Congress to consider a unified transportation trust fund; one combined fund instead of one fund for highways and a separate one for transit. But the money must be spent wisely.

We can move forward with the solutions but we have to make sure the systems are in place to ensure the money is spent wisely. If we don't have national objectives in place then creating flexible funding pots won't get us anything we want. We must ensure, especially with a unified system, that it puts the money where it needs to go.

How do we move forward together? We must be visionaries. The next transportation bill has the potential to be historic for our nation. History will say that this is when we began to invest in a system for the 21st century. We must ask what that can mean for us. What is the visionary idea? How do we want to get around? What does my business need to get around? How should my kids get around in their future?

Questions from the Audience

How will Maryland position itself to receive the additional, discretionary grants, particularly as they relate to energy and energy conservation?

Porcari: MDOT has an environmental stewardship initiative that involves the greening of our facilities. It is the first agreement between a state DOT and the EPA to cut across all the transportation modes. So MDOT is a potential grantee for these funds. We are also looking at all the discretionary funding that is in the stimulus act, such as maritime funds for the Port of Baltimore.

What about the surface transportation discretionary funds?

Porcari: We are pursuing funding in every category where we could qualify as a Department or a region. Of course, with discretionary funding the outcome is a lot less certain. High speed rail in particular is a priority, especially since Amtrak and MARC are key parts of our transit system. Wherever there is an opportunity to get funding we will compete hard for it.

The State transportation plan is worrisome; we must accommodate the needs of rural counties, and acknowledge that one size does not fit all.

Porcari: One size most certainly does not fit all. The modeling effort underway is an attempt to be more sophisticated in how we look at the impacts of a project. For example, a recent project on the Eastern Shore met all the local requirements but no consideration was given to the impact on the Bay Bridge or Route 50, which are both important considerations. Out of state commuter traffic is an important impact on our systems, but there is currently no way to model that. We cannot just think about our metro areas but look at impacts on systems throughout the state. We need more sophisticated tools to look at the secondary and even tertiary impacts of a project, and to make smart growth and transportation work in tandem.

We haven't spent much time talking about the relationship between land use and transportation. There is an incredible contradiction that we zone land use with the automobile in mind but have expensive rail systems that serve pedestrians. Once you are in your car, transit is useless. We need to direct funding to areas that reform how they manage land use to enable more people to function as pedestrians.

Porcari: Although a number of smaller projects, such as ADA accessible sidewalks, can be done in the short-term with stimulus funding, it will take the reauthorization bill to make bigger changes. The reauthorization is the single best opportunity to tie those elements together. Maryland has one fund for all transit, highway, port, aviation, and vehicle needs; at the federal level transportation modes are more siloed.

Preuss: We are looking at special innovative grants at the federal level to encourage creative solutions, like changing zoning codes to embrace new solutions. We must make federal funding more flexible.

Philipsen: In older states like Maryland our original development was based on rail. But in the cycle of investment and disinvestment, a lot of the development near rail is currently in a disinvestment cycle and development is moving out. We must bring development back to where the transit was instead of chasing development by running transit to outlying areas.

You mentioned that the outer-loop in Houston is wasteful; how do you think the inter-county connector fits into wasteful spending?

Porcari: No stimulus funding whatsoever is being spent on the inter-county connector; it has an entirely separate financing plan. You can love or hate the road, but it is under construction. The highway is connecting two major interstates and serving the BWI airport, a vitally needed

regional function. From a land use perspective, there will be a limited number of interchanges and in Montgomery County, where land use is very important, you will not see changes over time to open up the area to sprawl.

Where in the federal system does it address the needs for transportation, transit (including high-speed rail), and the connection between the two systems?

Preuss: We are proposing a restructuring of the whole transportation system nationally. Certain projects are of a national significance and need to be looked at at a higher level; high speed rail is at that level. Then we must have projects at state, regional, and local level; the decision-making needs to be very different and the solutions need to be vastly different at each of those levels.

We must move toward a geographic division instead of a modal division.

Porcari: – The funding formulas are backwards. Between Baltimore and New York we can get 90% federal matching money for a new airway; 80% federal matching money for a new highway, and no matching federal money for new passenger rail. Yet the most efficient way to move freight is to keep goods on the water, then move by rail, then by truck.

If you don't have operational dollars to add on routes you won't be able to put buses to work. Can current stimulus funds be leveraged so that some projects that need local matching funds can use stimulus dollars for the local match?

Porcari: Stimulus dollars are 100% federally funded; what is permitted and not permitted is well defined. We have been working on a case by case basis for transit, for example with bus purchases. We are making it work where we can.

'New starts' is an issue near and dear to most people's hearts. Do you believe it will stay discretionary and that demand will continue to exceed supply?

Preuss: We are still working out the details of the new proposals. We did a study on what the demand is for this program. It is at least \$240 billion, but probably higher because a lot of places don't apply for the funding since it is so competitive. We need the whole system to be redone, with one pot for maintaining our existing systems and one pot for new capacity for both highway and transit.

Philipson: There are efficiencies that are not realized because funding is in silos and is spent in an uncoordinated way, so we are not getting to the real needs.

Thank you for your leadership on the Purple Line. The problem with the stimulus bill is we can't use it for new starts and can only use it capital costs, so we are losing routes and service. How do we preserve the existing system?

Burke: The stimulus funds already serve too many masters; it is expected to get the economy moving again while being transformative; to back up bankrupt states while moving us forward without just backfilling. At most it is two years of funding. What we want to do is get money out while meeting criteria, but to do it quickly. That means we had to use the existing federal mechanisms that existed, and there is no mechanism in the federal government to get money to states for operating assistance. So the only smart option was to put the money out to make the investment in capital costs, particularly where the equipment is in poor condition. Operating assistance is a fundamental problem that needs to be addressed, but it could not in the context of the stimulus bill.

Porcari: It is a frustrating time because as ridership should be going up we are making cutbacks. But to use one-time stimulus dollars for an ongoing operating deficit is not smart, as we will only be in a bigger hole next year and the year after. We must balance the operating budget.

The urban and rural sides need to have more discussions to see each other's perspective.

Porcari: We have a 'one Maryland' approach. Think about what we did with transit; three new buses went to Garret County, because connecting people with jobs is even harder in a rural area where there are a few scattered employers you are trying to connect people with.

Philipsen: – The West Baltimore MARC station is an example of a joint effort between the City of Baltimore and MDOT that led to decreasing commutes and push towards TOD.