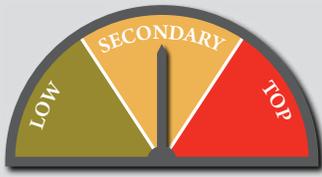


TRANSPORTATION

PRIORITY



OVERVIEW

The material describes reforms for development of transportation construction, maintenance and management, and makes recommendations. It is the second time this chapter has appeared in a Citizen's Budget.

ORIGINAL ARTICLE

The original chapter can be found at http://tax.i2i.org/files/2010/11/CB_Transportation.pdf.

Funding for state highways comes from a “Highway Users Trust Fund” separate from the General Fund. Most of its revenues come from the State’s portion of the tax assessed every time a gallon of gasoline is purchased at the pump, or from the moneys appropriated by Congress to the States. Deferred maintenance and long-deferred road expansion cry out for funding and cause officials to demand money from new taxes and other sources. Fewer new dollars would be needed, if instead of more

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funding for a broken system, the Governor could operate this vast bureaucracy in ways that materially improve productivity. More beneficial use of the current stream of funds should be the objective. Citizens know what leaders have yet to recognize: A new paradigm is possible, one that can yield more benefits at less expense.

The State must be willing to change its thinking and approach. Bold leadership and a willingness to use modern ideas will be necessary to get Colorado out of the mire of long obsolete procedures. Significant changes need to be made.

ACTION RECOMMENDATIONS

Establish a New System of Performance Measurements

1. Governments’ incentives are wrong. “In government all of the incentive is in the direction of not making mistakes,” as Ted Gaebler and David Osborne wrote in *Reinventing Government*.¹ Public works investments should be guided by clearly stated performance objectives.² Legislate that CDOT employ industry-wide measures of performance for all operational, maintenance, and construction activities. Gaebler and Osborne observed that “Most governments have no idea how much it costs to deliver the services they offer.”³ Insist that managers and workers use the information to improve effectiveness. Make the information available for public scrutiny. Report annually to the Senate and House Transportation Committees with comparative outcomes from other states.
2. Implement real world, practical accounting metrics. Gaebler and Osborne: “At all levels of government, accounting records almost entirely ignore what assets are owned, their state of repair, and their value. These systems imply that it costs nothing to use existing assets.”⁴ Operated similarly, any business or family would fail. Armed with better cost information, dedicated government managers not only will be empowered to become better managers, but also will find and implement alternative service delivery methods that will bring

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greater efficiency to public service.

Choose Projects Differently

3. It is time for Colorado Transportation Commission (CTC) to be critically reexamined and potentially restructured.

Alter its makeup to redefine its role and the process it uses

to prioritize projects. Less political influence can be achieved by applying a minimum benefit over costs to each project assessment: simply stop funding projects with ratios below the required minimum. Colorado taxpayers have been underserved by the failure to establish rational transportation policy priorities. Irrational transportation funding priorities inject special interest politics in the process, the very danger from which the CTC was created to protect Colorado. Further, capital projects can be prioritized by benefit-cost to insure maximum benefits.

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Competition Improves Quality and Reduces Costs

4. Divest or outsource maintenance and operations.
5. Establish a committee of non-CDOT staff to review and approve proposals from CDOT work groups who wish to continue to perform their same work duties at a lower cost to CDOT as independent contractors. Such a reform would support a transition towards a broader efficiency by capturing untapped staff energy and innovation.
6. **Reward CDOT employees who provide efficiency-creating ideas.** Those most familiar with government waste and in the best position to root it out are government workers. Programs should be devised that invite and reward innovative cost-saving reforms by government workers. Innumerable untapped ideas and innovations are being suffocated by the lack of a mechanism to receive, evaluate and implement them.

Transit Contribution

7. **Pass a statute requiring transit projects to enhance mobility in order to be funded.** The legislature should challenge CDOT to maintain service levels while keeping congestion levels low, roads open and safe, and a general level of mobility that most effectively moves people, goods and information. Use of the term “multi-modal” creates a perverse anti-mobility incentive within CDOT to apply

funds not necessarily to their most effective use. Offering consumers a rarely-used alternative to the automobile is hardly defensible when far greater mobility can be offered to far more citizens for far less money. The politicization of Colorado’s transportation policy has resulted in disproportionate and wasteful outlays for transit. What transit extremists advocate—making central cities as dense as they were a century ago—cannot work. A century ago transit was an effective mode of mobility. Americans in large numbers lived in tenements and worked in factories.

As Americans grew

wealthier, dependence on transit declined. As market share fell, government transit subsidies grew to be exorbitant. Currently, most bus trips receive about an 80 percent taxpayer subsidy, and rail trips are subsidized at nearly 95 percent when capital costs

are counted. Because traditional transit arose at a time when cities were more centralized, transit remains centralized in its approach. A new vision with a decentralized design is needed.

8. The Denver Regional Council of Governments (DRCOG) reports for the Denver metro area that between 2008 and 2011, of the \$1.8 billion state and federal transportation funds for transportation “two-thirds is for transit.”⁵ It is now common knowledge that RTD’s FasTracks

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67 percent tax increase, approved in 2004, cannot construct light rail anywhere near the promised cost or deliver the promised reductions in traffic congestion. RTD has violated its agreement, commitment and trust with voters. Normally, such violation voids a contract. Because RTD cannot deliver what was promised, the legislature should prohibit RTD from incurring additional expenses until a new FasTracks proposal is approved by voters.

9. Convene a grand jury or other independent body to investigate and review objectively the false claims presented to the public about mass transit. Hold officials accountable for deliberate deception.
10. Allow RTD to compete for revenues from a Mobility Fund; RTD can earn revenue from the fund based how much mobility the outlay will provide. Establish the Mobility Fund using taxes currently going to RTD.

Implement Market Reforms

11. Direct CDOT to present a proposal to the legislature within one year to implement a network of HOT lanes throughout the Denver metro area as a way to eliminate traffic congestion. Generally, congested traffic generates 2.5 times⁶ the air emissions as free-flowing traffic does.⁷ The Texas Transportation Institute⁸ reports that the annual cost of traffic congestion throughout the U.S. nearly equals the amount of money needed to eliminate it. Traffic congestion in Colorado costs drivers \$1.35 billion per year.⁹ In the Denver metropolitan

area, the annual average cost of traffic congestion is \$913 per person.¹⁰ The HOT lane network would be self-funding, should be implemented in no more than 10 years, and may necessitate the use of a public-private partnership to access capital and expertise external to CDOT. The new T-REX lane should be converted to a HOT lane as the first portion of the network, dedicating its revenues to conversion costs, expansion and to enhancing corridor capacity.

12. FasTracks implemented as bus rapid transit would cost less than half of the light rail / heavy rail plan. If operated jointly with HOT lanes, bus rapid transit would offer a revenue source and economic benefits that rail-based FasTracks cannot. The I-25 HOT lane should be converted to dynamic pricing. Dedicate its revenues first to cover conversion costs and second to corridor enhancements. Although small, it may be a potential PPP (Public Private Partnership) project.
13. Trucks and automobiles are not particularly compatible. Their use of the same facilities drives up operation and maintenance costs, as well as construction costs, while reducing safety and carrying capacity. Truck traffic counts comprise about 10 percent of vehicles but consume nearly 30 percent of highway capacity. Thus, removing trucks from some highways would increase capacity by 30 percent for automobiles. Trucks pay a lot in taxes and fees which, if isolated for exclusive use of trucks, might be enough revenue to construct truck-only lanes.¹¹ Direct CDOT to produce a report on the practicality of improving mobility on U.S. 287 to Texas by establishing new truck-fee-financed, truck-only lanes. Truckers must be consulted to know the feasibility and limits of multi-trailer rigs and whether the new lanes would merit the expense.
14. Establish a trial program using transportation vouchers to grow the number of transit providers. A statute is needed to remove regulations that prohibit entry into this market. Direct CDOT's Transit Division (or State Auditor) to commission a study and report on the feasibility of implementing the Miami decentralized transit approach in

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Colorado.

15. Regulations that prohibit transit competition should be loosened or eliminated. Regulatory protectionism benefits special interests that advocate for such regulation at the expense of consumers. Several industries for which market competition was once, incorrectly, thought to be impossible have been deregulated; these include airlines (1977), trucking (1980), railroads (1980), natural gas (1984), and long distance telephone (1984).

Change the Way the State Finances Transportation

16. Public-private partnerships (PPP), also known in Colorado as Public Private Initiatives (PPI), introduce opportunities to bring external talent, expertise, and resources to the table.

Resources are virtually unlimited and may range from capital (as with the construction of E-470) to design-build (as with T-REX) that can shave both dollars and years from a project, to operation and/or maintenance of facilities to anything, or to any combination. Various other states have experimented with PPPs, but CDOT experience has been limited. CDOT's PPI guidelines should be reformed to become simpler, more inviting, more accessible, more readily known, and more rewarding to idea-generating people. The process should be easily understood and widely publicized. One key finding from CDOT's 2001 best practices study¹² was that states such as Florida, Texas, and Virginia were able to access billions of dollars in new private capital via transportation concessions. To help CDOT become more open to PPPs and to learn how to capture their

benefits for Colorado, establish a goal (requirement) that CDOT accept one PPP per year for each of the next five years.

17. Devolve the federal gas tax. The federal government does not own any highways. The federal gas tax of 18.4 cents per gallon generates about \$40 billion per year nationally. Washington, D.C. takes a Colorado gas tax dollar but once diversions to other states, diversions to transit and the administrative burden are removed, only about 70 cents¹³ is left when it gets home. Devolution of the gas tax to the states would equal 4.82 cent per gallon¹⁴ revenue windfall to Colorado, equating to about \$100 million per year in money

paid by Colorado taxpayers. In 2003 the Colorado General Assembly passed Senate Joint Resolution 42 by a vote of 97 to 3, asking that the Federal gas tax be devolved to the states. If legislators passed the same resolution every year, other states may follow Colorado's lead. With resolutions from many states, Congress eventually might act.

ACKNOWLEDGEMENTS

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ENDNOTES

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