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7 Reasons U.S. Infrastructure Projects Cost Way More Than They Should

SCOTT BEYER 7:55 AM ET 6 COMMENTS

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This past February, while declaring that infrastructure shouldn't be politicized, President Obama underscored its increasingly ideological nature in the United States. "Infrastructure shouldn't be a partisan issue," he said in front of a recently renovated St. Paul, Minnesota, train station. "Unfortunately, there have been some Republicans in Congress who refuse to act on common sense proposals."

In theory, infrastructure is not partisan, since both parties agree that it is highly necessary, and severely under-maintained. The divide is over which level of government should operate it. Since 1956, when the federal highway fund was formed, building transportation infrastructure, in particular, has been mostly a federal task, funded at 80 percent levels by the federal gas tax. But recent estimates suggest that the fund could soon run out, prompting the President that day to propose a new $300 billion plan.

Republicans, however, have long wanted to reduce Washington's role in transportation, most recently through a bill that would nearly repeal the gas tax. They argue that by collecting this revenue and redistributing it to the states, the federal government now functions as a wasteful bureaucratic top layer, and that if states could just keep the revenue, more would go towards actual construction. A closer look at existing federal policy strengthens their point.

In 2005, the Cato Institute published Gabriel Roth's paper "Liberating the Roads," which detailed some of the federal government's inefficiencies. It included a statement by former Federal Highway Administration head Robert Farris, who estimated that Washington's role in transportation adds 30 percent to costs. This figure is remarkable, since roughly $40 billion is spent annually from the highway fund, suggesting billions in waste. By Farris' tenure in the late 1980s, Washington was already imposing expensive transportation regulations, and many have since been strengthened by Obama. Here are some particularly costly ones:

1. Davis-Bacon Laws: Passed in 1931, the Davis-Bacon Act mandates that laborers for federal public works projects receive local prevailing wages. Meant to elevate the pay of carpenters and mechanics, the law today dubiously elevates costs. The Labor Department determines these wages not through comprehensive Bureau of Labor Statistics data, but a special bureaucracy called the Wage and Hour Division. It is known for conducting byzantine local pay studies that delay construction, and favor union wage scales. Thus it has, according to a study from the conservative Heartland Institute, calculated prevailing wages at 22 percent above BLS figures, forcing higher prices.

2. Project Labor Agreements: In 2009, President Obama signed an executive order mandating that contractors for federal projects exceeding $25 million sign Project Labor Agreements, which guarantee the hiring of union workers. These prearranged deals are meant to quell labor disputes, but in practice can act more as a solution in search of a problem. According to a National University System Institute study, their use on school projects has raised construction costs by 13 to 15 percent.

3. 'Buy America' Provision: For decades, this provision has discouraged projects from being built with manufactured goods made outside the U.S. Obama strengthened it in the 2009 stimulus package to include projects besides just highways. One condition for ignoring the provision is if it increases costs by 25 percent—suggesting that its inefficiencies were already recognized, but that it was passed anyway out of political favoritism.

4. Lengthy Environmental Reviews: The National Environmental Policy Act, signed by President Nixon in 1970, requires environmental impact reviews for federal projects. While these reviews address important factors like runoff and pollution, they can also be used by NIMBYs to encourage delay and litigation. NEPA studies are also sometimes redundant in light of state-level reviews, causing the approval process for some projects to extend 10 to 15 years. Last year, President Obama bypassed Congress to strengthen NEPA through executive order.

5. Transportation Alternatives Program: Everyone can agree that walking trails, complete streets, historic renovations, landscaping, and bike lanes are public goods, but should they be paid for with highway fund money? This is the current policy of the FHWA, which funds trails and bike lanes through its Transportation Alternatives Program, often making these sorts of projects conditions for approving larger projects. Reasonable people might disagree about whether or not this violates local autonomy, or strays from the fund's original mission of enhancing mobility through roads and rail. But, by accounting for 2 percent of fund revenues, TAP undoubtedly raises expenses.

6. Administrative Costs: Currently, U.S. transportation revenue is like a boomerang, going from the states to Washington and back. Naturally, this process adds bureaucratic costs. For example the FHWA, which is partly funded by the gas tax, spends over $400 million annually on administration. This is despite the fact that, by prioritizing for the Department of Transportation which projects need funding, the agency somewhat duplicates the tasks of state DOTs. Roth estimated that since 1956, the percentage of transportation revenue spent on "administration and research" has nearly tripled, something he attributed to a stronger federal role.

7. Toll Bans: Although tolls exist along some stretches of interstate, they are generally not permitted by the federal government. This has diverted infrastructure costs away from actual users of roads, making them more widely distributed. It has also stripped the government of a key revenue source that could be used for repairs, and for cheaper borrowing.

What these policies show is that federal transportation priorities aren't solely about transportation. They address a variety of other goals, from elevating wages to increasing unionization to encouraging alternatives to lowering costs-of-living for the poor. But even those who support such goals must acknowledge that funding them through transportation policy can come at the expense of actually building or properly maintaining infrastructure.

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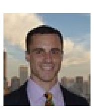

Scott Beyer is traveling the U.S. for a book on revitalizing cities. He writes at BigCitySparkplug.com.
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