

OPINION

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TODAY'S TOPIC:

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Panel to explore needed fund options

By GERALD F. NICELY

Just over a year ago, the nation was shocked as a major interstate bridge in Minneapolis collapsed into the Mississippi River, killing 13 people. In the days and weeks that followed, the safety of our bridges and roads and the issue of transportation funding were brought to the forefront of national discussion.

The state and the federal governments receive most of their transportation funding from fuel taxes. With the rising cost of fuel, fewer people are driving, and they're driving less. It is clear on both the national and state level that the gas tax, which is on a per gallon basis, can no longer keep pace with our needs. State revenues are virtually flat, construction costs are skyrocketing, and we have seen major cuts in our federal transportation appropriations as Congress struggles to deal with a highway trust fund. Delay in facing this problem only means the day of reckoning will be more painful.

In the past two years, the Tennessee General Assembly has enacted two pieces of legislation to begin dealing with Tennessee's transportation funding options. One is the Tennessee Tollway Act of 2007 which allows TDOT to undertake two separate pilot toll projects. The tolling option, which will only be undertaken with strong public and local government support, is not going to fix our financial situation, but it could help accelerate a limited number of projects.

First report in early 2009

The second action was a joint resolution passed in the 2008 session that creates a Transportation Funding Options Study Committee and directs it to report back to the General Assembly in early 2009. This committee will be composed of major stakeholders and private citizens to be appointed by the speakers of both houses and the governor. TDOT will work closely with this committee to explore any and all options.

Without presuming to prejudge the committee's report or the responses of the governor and the General Assembly, some of the alternatives on the table could be indexing of the state fuel tax to a standard measure of inflation (such as the Consumer Price Index); increasing title and registration fees; a tax on car rentals; authorization of public-private partnerships to fund transportation improvements; creation of an infrastructure bank; replacement of the per gallon gas and diesel tax with a sales tax on these products; or expansion of the Tollway Act of 2007 beyond the two pilots currently authorized. Whatever the results, I am sure that they will generate lively debate in the General Assembly and in the public at large.

There is no quick fix for the funding problems besetting our aging transportation system. Countries such as China and India are investing five to 10 times as much annually in their infrastructure, including transportation, than is the United States. We have no option but to begin seriously addressing this issue nationally and locally. Gerald F. Nicely is Tennessee's commissioner of transportation.

Infrastructure repair costs soar



The West Harpeth River bridge on Southall Road was identified last year as structurally deficient but not unsafe for driving.

OUR VIEW

Needed bridge, road repairs may end pay-as-you-go days

At last: a ranking in which the Volunteer State fares well.

As this page has ruefully noted, Tennessee stacks up poorly against other states in such areas as educational performance, long-term care options, air quality and so on. Of course, it's not about the horserace of which state is better, but about indicators of what a state does well, or not so well, for its citizens.

But as far as bridges and roads go, Tennessee is doing pretty well, thanks. A Reason Foundation study on road conditions and cost-effectiveness rated Tennessee 19th overall. The state was tied for first for condition of its rural interstate highways, and 13th in the condition of its bridges.

Chalk up this success, in large part, to the Tennessee Department of Transportation which, while some in this state say has overbuilt in recent years, does know how to maintain its infrastructure — and without overburdening taxpayers.

Now, the latter may be changing. Faced with declining repair funds and soaring material costs, TDOT is examining whether to drop its pay-as-you-go system for bridge upgrades in favor of bond issues.

That groan you hear is from taxpayers who may be familiar with bond debt from other types of construction in their respective cities and towns, and how it can take years to pay off. But TDOT may have little choice.

Tennessee ranks well in bridge condition, but in a nation that has a problem with its aging spans. Nearly 19 percent of bridges in this state are considered structurally deficient by state engineers, meaning not that they are necessarily unsafe, but in need of repairs. Engineers inspect more than half of the state's

bridges each year.

More numbers, from a recent *Tennessean* report: 1,148 of the state's 19,519 bridges are structurally deficient, and an additional 2,919 are functionally obsolete. One in five of the bridges the state manages is more than 50 years old, a benchmark for longevity.

Certainly, necessary repairs are in the near future, and the state will have to face a 70 percent increase in asphalt costs and a 105 percent rise in steel with fewer funds. The state has maintained bridge funds from vehicle registrations and the state gas tax, but the federal contribution is less because of budget cuts.

Given that the state will eventually need about \$1.75 billion to replace all the structurally deficient bridges, TDOT may be forced to borrow.

Last year, lawmakers approved an option of tolls for roads and bridges, which Tennessee has not seen since the 1920s. But local officials and their constituents appear to be balking at the idea. TDOT announced last week that it had scrapped plans to make the proposed Knoxville Parkway a toll road after commissioners in Knox and Anderson counties voted unanimously against the tolls.

In the current economy, with its high fuel prices, motorists simply may not be ready to take on another transportation expense.

Still, TDOT is in a tough spot. Borrowing may be necessary in the next few years, because the worst scenario would be for the state to let bridge and road repairs languish. One need only think back to Aug. 1 of last year, when the Interstate 35W bridge in Minneapolis fell into the Mississippi River, killing 13 people, to realize that Tennessee must not compromise safety for cost.

Borrowing for roads nearly irresponsible

By STATE SEN. JIM TRACY

Paying for the construction of state highways is a great concern for states across the nation.

State governments are trying to strike a balance of keeping up with economic development and not running up debt for future generations. Tennessee is not exempt from this conversation. As the Senate Transportation Committee chairman, it is my view that Tennessee should remain a pay-as-you-go state when it comes to paying for the construction of state highways.

State transportation revenues nationwide are not keeping pace with escalating road construction costs. Add into this equation higher gas costs that have slowed revenues from weakening sales and a declining federal funding source, and it creates the perfect storm for transportation needs. This is why all states face major shortfalls between revenue expected from existing sources and projected needs to both maintain existing infrastructure and to build new projects.

As a past president of my local Chamber of Commerce, I am well aware of the tremendous needs of economic development, especially in rural areas. The first thing industries consider when looking at potential relocation or expansion of their business is the infrastructure. If a community has good roads, a quality education system, and a first-rate public-works system, the chances of landing a new industry are greatly increased.

I fully support economic development efforts in Tennessee and have voted as such as state senator. However, we must balance economic development needs with the need to pay our bills as they come due. This means we cannot start putting Tennessee's road construction on a credit card. Some believe that we can borrow money now for road projects and pay for them later. That is a dangerous policy and borders on financial irresponsibility.

Federal funds reneged upon

Tennessee is financially sound because we don't operate like Washington, running up a tab that we can't pay or making promises that we can't fulfill. In fact, the federal government promised Tennessee its fair share of dollars for building roads. What has come of that promise? In the past four years, the federal government has rescinded more than \$200 million from Tennessee, tax dollars that will not go to building or expanding our roads.

This loss of funding presents a significant challenge to ensure Tennessee is meeting the growing needs of its citizens. In the last General Assembly, we adopted legislation to fully examine the health of Tennessee's transportation system and explore options that may be available for improvements. The group will begin work in the fall and report back to the 106th General Assembly. I look forward to working with this group and helping to come up with solutions on how we can meet our future transportation needs.

While it may be tempting to reconsider our policy of paying for road construction as it comes due, Tennessee must remain fiscally responsible. Tennessee must continue as a pay-as-you-go state. Now is not the time to adopt the Washington-style politics of making promises we may not be able to keep.

State Sen. Tracy, R-Shelbyville, is chairman of the Senate Transportation Committee.

UPCOMING TOPICS

We'd like to publish your views, 200 words or fewer. Send to letters@tennessean.com.

HOUSING: Can large, affordable-housing neighborhoods succeed, such as Habitat for Humanity's proposed Park Preserve?

FAIR: What do you think of proposals for the future of the Tennessee State Fairgrounds?

ENERGY: What do you think of current proposals for a comprehensive U.S. energy policy?

TAX: Should Tennessee end its sales-tax "holidays"?

WALK: How can Nashville become more pedestrian- and bike-friendly?

VA: Is there a solution to long waits for Iraq and Afghanistan veterans' care?

HEAT: What steps should be taken for public safety during a heat wave?

Maintenance done sooner rather than later will cost less

By BUTCH ELEY

No one would think of buying a new Mercedes and driving it for many years without conducting the routine maintenance to ensure it has a long life.

Yet, in many respects that's what's happening with our transportation infrastructure. Over the past 50 years, the federal government and states have invested greatly in creating a transformative transportation network that is a critical element of our economic engine and way of life. Government is failing to maintain those investments to ensure a long, viable life.

Tennessee has one of the best road highway and interstate systems in the country. But the state faces an enormous challenge of doing more with

less, with the demand to maintain in serious conflict with declining financial resources. Failing to solve the problem will result in our roads and bridges ending in the same shape as that neglected Mercedes — broken down long before its time.

Tennessee should adopt a strategy with two major changes. First, use bonding to provide the necessary funding for needed infrastructure. This alternative to "pay as you go" is considered blasphemy in a state that has done just fine all these years. From my perspective, this shift is inevitable; the gas tax is not keeping stride with maintenance demands.

Second, Tennessee should shed the old way of maintenance and shift to the innovative asset-management form adopted by a growing number of states.

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Let's take these one at a time.

I believe in paying as you go, and that we must adhere to living within our means and maintaining a balanced budget. But using bond proceeds should not necessarily be considered bad fiscal policy. We use bonding to construct buildings and other assets.

It makes economic sense to perform necessary maintenance now, before existing assets deteriorate to the point of major repair and before construction costs escalate. Like the old saying, "You can pay me now or pay me later."

To maximize value, Tennessee must adopt comprehensive asset management. This new approach creates better alignment between government and the private sector to conduct the work. Multiyear, comprehensive, performance-based service is better than the "patch-it"

mentality we have today.

Consider Florida, which has cut its maintenance costs 15-20 percent per year since its shift to asset management in 2000. That translates to millions of dollars saved, dollars shifted to other state priorities. By 2010, all of Virginia's interstates will be under private asset management for maintenance, which will streamline and save considerable dollars. These results are too strong for Tennessee to ignore.

We've dug ourselves into a "pay me now or pay me later" proposition. Public officials should move strategically and innovatively to ensure the great transportation investments of the past serve generations to come. Butch Eley is CEO of Brentwood-based Infrastructure Corporation of America. E-mail: beley@ica-onramp.com.



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