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Wednesday 10 March 2010

Empty promises?

In this third installment in a series of articles exploring the impact of the US economic stimulus programme on the ITS industry, Pete Goldin reports on the ongoing debate in Congress about American Recovery and Reinvestment Act

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"It is wrong to gauge the success of the transportation component of the Recovery Act on the amount of money disbursed from the Treasury" Congressman James Oberstar

A debate continues to rage in the US Congress and in the media about the effectiveness of the American Recovery and Reinvestment Act of 2009 (ARRA), and especially the timeliness of the ARRA payments. Some of the arguments seem somewhat partisan in origin while others point out flaws in the system that must be addressed.

One of the main debates is the speed and efficiency with which the ARRA funds are being paid out. The Republican side was voiced in a statement by Representative John J. Duncan, Jr., a Republican from Tennessee and a Subcommittee on Highways and Transit Ranking Member, in a statement on 10 December last year.

"All of us were disappointed that the stimulus, which was sold as an infrastructure bill, provided only about 8 per cent for infrastructure," Duncan's statement began. "And only 13 per cent of the stimulus money administered by DOT has been paid out so far."

Duncan's statement echoes comments made last summer by Representative John Mica from Florida, the Republican Leader of the Transportation and Infrastructure Committee, which prompted hearings into the matter.

"The Obama Administration and Congressional leaders led Americans to believe that half of the transportation money provided under ARRA would go to shovel-ready projects that would be under construction in 120 days," Duncan added in a follow-up interview. "In December of 2008, the American Association of State Highway and Transportation Officials had identified \$64 billion in shovel-ready projects. If there are that many shovel-ready projects, clearly we should have spent more than 13 per cent of the stimulus money by now."

On this point, Congress seems to be divided along party lines. The Democrats are taking an opposing position.

"72 per cent of the transportation stimulus money has been committed and put out to bid," counters Congressman Peter DeFazio, a Democrat from Oregon. "The projects are under construction, more than 8,000 of them. The Federal money is committed, but no, they have not written the final cheque yet because the project isn't done. We don't pay for stuff until it's done."

"Across the nation, work has begun on 8,587 projects totalling \$19.7 billion, that is 57 per cent of the total available highway and transit formula funds," adds Congressman James Oberstar, a Democrat from Minnesota and Chairman of the Transportation and Infrastructure Committee. "It is wrong to gauge the success of the transportation component of the Recovery Act on the amount of money disbursed from the Treasury. Federal funds are

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distributed to the states on a reimbursement basis, so projects are underway and people are working well before the money is disbursed on the Federal level."

According to the Oversight Hearings Summary provided by the House Committee on Transportation and Infrastructure, "The Act required that 50 per cent of the highway formula funds apportioned to States to be obligated within 120 days (June 30, 2009) after the date of apportionment. All States met this requirement."

Referring to a hearing on 29 July 2009, the Summary adds, "The hearing explored how outlays are a lagging indicator of Recovery Act progress. Reviewing outlays does not provide a good sense of Recovery Act progress because transportation projects primarily operate on a reimbursement mode. For example, States seek reimbursement for highway projects after construction is underway. Federal outlays, therefore, come months after jobs are created and necessary infrastructure projects have begun. Instead, monitoring the percentage of allocated funds associated with projects out to bid, under contract, and underway help the public measure the Recovery Act's progress."

Wrapped up in red tape

"The thing that has frustrated me the most during my service on this committee is the delays and associated cost overruns because of red tape in the project approval process," Duncan says in his statement, referring to the Transportation and Infrastructure Committee. "Most of the years added onto major infrastructure projects are due to the bureaucracy and red tape in the approval process."

Duncan's argument about red tape does not refer only to the ARRA approval process. Although he states that bureaucratic red tape is one of the main reasons for the delay in spending ARRA funding, and he believes that this is a major deficiency of ARRA, he points out that "stimulus projects still need to go through the very same bureaucratic approval process that projects funded under the regular authorisation/appropriations process go through". According to Duncan, the average road project takes 10-12 years from conception to completion because of bureaucracy.

"If the approval process is not improved it will continue to take 10 to 12 years to complete a transportation project," he continues. "It doesn't have to be this way."

"Red tape has definitely had an adverse impact on the value of the stimulus bill. Rather than funding major transportation projects that can employ people for two to three years, states are forced to spend money on quick turnaround repaving projects that only last two to three weeks, because these repaving projects do not require an extensive approval process."

On the other hand, Defazio feels that ARRA's requirement for half of the stimulus funds to go toward shovel-ready projects starting construction in 120 days was the reason many states chose projects with quick turnarounds.

"I did not agree with the 120-day shovel-ready requirements of ARRA," he says. "We have massive infrastructure needs in this country and my preference was not to mandate that this money be spent very quickly."

According to DeFazio, the shovel-ready requirement forced many states to choose resurfacing projects over major projects that take years, like replacing or rebuilding bridges, replacing interchanges and building new transit options.

"Even with the focus on those less complicated projects, states have been slow to spend their ARRA funding," Duncan says.

"There are some states that were really slow, like Florida," Defazio clarifies, pointing out that this is Congressman Mica's home state, and implying that this is an explanation for Mica's position on red tape and delays. "My state got the money out the door very quickly. Various states have better or worse departments of transportation. It was a problem at the Federal level with getting the money out."

Defazio also adds that all the ARRA funds for transportation are going to be spent by the next construction season, which he considers a "pretty good pace".

"I do have concerns about red tape, particularly as it relates to transit projects, and expedited review of new greenfield projects," Defazio agrees, "but very few of the ARRA projects - because of the mandates of the bill - are those longer-term projects that suffer from red tape. And our Surface Transportation Authorization Bill is going to dramatically streamline those processes."

"We also gave latitude to the last administration to streamline the processes, and they never used it," he adds.

Fixing the process

"Most members of Congress believe that the process is broken, but it will be difficult to find consensus on a solution," Duncan says, referring to the Federal approval process for transportation projects.

Duncan suggests speeding up the transportation project approval process by modelling spending on the expedited completion of the I-35W bridge replacement in Minnesota: "That bridge is proof that where there is the political will to stand up to environmental extremists and cut through bureaucratic red tape, transportation projects can be completed in a timely manner."

"With this project, the integrity of the approval process was maintained but the bridge was still reconstructed in a little over a year."

Duncan also recommends streamlining the environmental review process by: eliminating

duplicative reviews; allowing different agencies to review a project concurrently; expanding the list of projects that qualify for categorical exclusions; and allowing the state approval process to stand in for the Federal process, when proven to be as thorough.

"Due to the lack of policy changes in a stimulus bill, the chance for immediate change is slim," Duncan admits. "But as Congress works to reauthorize the surface transportation programmes this year, streamlining project delivery and eliminating bureaucratic red tape will be one of my priorities."

Judging ARRA success

The final question in this debate, however, might be whether ARRA has been a success or failure in the area of transportation - in spite of or because of the red tape delays cited by Duncan.

"I believe Congress must do something to put Americans back to work, but clearly the stimulus has failed," says Duncan. "In my state of Tennessee, unemployment has risen from 9 per cent when ARRA was signed into law, to 10.2 per cent today."

Again, the Democrats take an opposing position.

"There is no question that the transportation and infrastructure projects funded by the Recovery Act are doing what was intended," Oberstar counters. "These projects have created or sustained more than 250,000 direct, on-project jobs. Total employment from these projects, which includes direct, indirect and induced jobs, reaches over 760,000."

"I opposed the entire bill, and most of the bill was useless, but the transportation infrastructure spending is useful investment," Defazio adds. "What I am hearing from the transportation industry is that was nice, but it is nowhere near enough. We have spent the money, and we need more."

"I would have had a much more targeted bill channelling through a massive amount of money into long-term infrastructure projects," DeFazio continues. "We have trillion-dollar needs and these are long-term problems, so my concern is getting more investment. There should have been more investment in the bill. If I have a criticism of ARRA, it is because a pathetic amount of money in this bill went into transportation infrastructure."

On that final point, that not enough ARRA funds went to transportation infrastructure, Duncan and DeFazio seem to agree.

"ARRA was meant to provide a shot in the arm for the transportation industry," Duncan concludes, "but what they really need is the predictability of a long-term, well-funded surface transportation authorisation bill."

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"Most of the years added onto major infrastructure projects are due to the bureaucracy and red tape in the approval process" Representative John J. Duncan, Jr

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