

## Hey, Big Spender

*Obama nominee for transportation secretary may send federal funds to hometown if confirmed*

By: Lachlan Markay – May 15, 2013

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The city of Charlotte, NC, may seek federal funding through the Department of Transportation (DOT) for a transit project championed by its Democratic mayor, whom President Barack Obama has tapped to lead that department.

Anthony Foxx's critics say he has mismanaged the city's public transit projects and would pursue similar projects at the federal level. The potential for federal funds comes after months of battles over a proposed Charlotte streetcar and other public transit projects in the city.

Costs for a major light rail line in Charlotte have ballooned. Rather than trimming other public transit projects in the face of declining tax revenue, Foxx has looked to raise other taxes, alienating even ardent public transit supporters.

Foxx "will spend a god-awful amount of other people's money on stupid ideas" if he is confirmed as secretary of transportation, predicted John Hood, president of the North Carolina-based John Locke Foundation.

"If Obama is hiring Anthony Foxx because he has shown himself to be a brilliant local leader in the area of transit, the president's making a mistake," Hood said.

Foxx has clashed even with public transit proponents who note that the city does not have the revenue to fund his grandiose vision for transportation projects in Charlotte. His office did not respond to requests for comment.

One member of the area's Metropolitan Transit Commission (MTC) joked that the commission would have to "pass around a hat" to collect the revenue needed for the projects.

As part of a 1997 transit and land use plan, Charlotte proposed a half-cent sales tax to fund bus and light rail lines throughout the city. The plan was approved by referendum and survived a repeal effort 10 years later.

But revenue from the tax has been \$2.3 billion less than projected, leaving the city's transit plans woefully underfunded. The MTC projects that the city will need an additional \$3 billion fund those plans.

Foxx acknowledges the grim fiscal picture. "The transit sales tax is tapped out," he said during his 2013 State of the City address. "Financially, the rest of our transit plan is dead."

Foxx has aggressively pushed a plan for a \$119 million streetcar project in Charlotte in addition to existing public transit plans despite that admission.

Critics say Foxx has stubbornly refused to acknowledge the infeasibility of the plan.

Foxx was “faced with a choice of, ‘Do we adjust our transit dreams to fiscal realities, or do we have fiscal dreams to match out transit dreams?’ He decided for the latter course. He decided, ‘Well, we just don’t have enough money. These are all great projects, we don’t have enough money, let’s go for more,’” said Hood

Foxx attempted to insert the streetcar plan into Charlotte’s \$1 billion 2012 capital improvement plan. He looked to pay for the project through a property tax increase.

That sparked heated opposition, even among groups that supported the initial sales tax hike and public transit projects generally.

“Part of the argument was ‘let’s approve the half cent sales tax so we don’t have to use property taxes to fund transit,’” said Bob Morgan, president of the Charlotte Chamber of Commerce, which was supportive of the sales tax hike.

“Some would say that that’s an agreement with the voters that we can’t go back on, and so don’t come to me and say ‘let’s pass bonds that will be backed by property taxes to fund the streetcar,’” Morgan said.

The capital improvement plan was narrowly defeated by the city council. Charlotte’s city manager subsequently removed the streetcar from the plan in order to make it politically palatable.

Without additional tax revenue the city may seek federal support for the project, Morgan suggested. A previous streetcar project, which would be extended by the mayor’s latest effort, was funded in large measure by a \$25 million federal grant from DOT’s Federal Transit Administration (FTA).

The FTA also cut Charlotte a check for \$580 million to help fund the \$1.16 billion extension of the city’s Blue Line light rail project.

Foxx “could be in a position to help the city” with its ongoing transit funding issues if he is confirmed as transportation secretary, the *Charlotte Observer* reported on Monday.

Federal funding for the streetcar could avoid a showdown over taxes with North Carolina Republican Gov. Pat McCrory, who was a major architect of public transit projects as Charlotte’s mayor.

McCrory warned Foxx during the debate over the capital plan that a property tax hike could imperil the nearly \$300 million the state had committed to the Blue Line extension.

McCrory and others were incredulous that the city would fund additional public transit projects even as the state, which is facing its own budget crunch, funds projects planned more than a decade ago.

“During these tough budget times, the governor has continually informed leaders in Charlotte that the streetcar makes it more difficult during each continuing budget cycle to get support in the legislature for continued matching funds of the light-rail line when the city is exhibiting that they have additional money for other projects outside the approved process through the MTC,” a McCrory spokesman told the *Observer*.

Hood and other opponents of the Blue Line extension, which is scheduled to begin construction next year, criticize its exorbitant cost.

“It’s very common for forecasts of ridership to be optimistic and costs to be lower than what actually happens. That’s what happened in this case,” said David Hartgen, emeritus professor of transportation studies and the University of North Carolina, Charlotte.

Hartgen published a landmark study in 2008 that found that ridership and economic development projections surrounding the city’s light rail projects were wildly optimistic.

Randal O’Toole, a senior fellow at the Cato Institute specializing in urban growth and transportation, said such inflated projections are routine for public transit projects.

“At the time they made the decision to build the [light rail] project, the people who make the cost estimates deliberately underestimated the cost in order to skew the analysis towards building rail,” O’Toole said.

Inflated costs for the light rail projects have forced the city to chip away at other public transit options, he said.

“Almost inevitably, at some point, because of either cost overruns or revenue shortfalls or both, transit agencies that build rail hit a fiscal wall and in order to deal with that they end up cutting bus service and raising bus fares which depresses ridership,” O’Toole explained.

Charlotte has raised bus fares six times since 2004. The result is a de facto subsidy for transportation in higher-income areas subsidized by bus riders, who tend to be lower-income residents, O’Toole said.

“At least two times a week I don’t have enough [money for bus fares]. I just don’t even go out,” one unemployed Charlotte resident told a local news station after the latest fare hike.

Bus transit is more cost-effective than rail transit, noted Hood. However, “it’s not appealing to [light rail advocates] because it’s not sexy, it’s not gee-whiz, and it won’t get yuppies out of their BMWs.”

“If your interest was in advocacy for low income people and people who don’t have cars trying to get up the economic ladder, bus transit makes more sense,” Hood said.

Foxx’s continued advocacy for light rail and streetcar projects despite their financial problems and cost-overruns suggests to Hood that his nomination for transportation secretary is rooted less in a pragmatic recognition of his successes as mayor than in the political interests of the Democratic Party.

“I think he’s hiring Foxx because Foxx helped put on a pretty successful Democratic convention in 2012 in Charlotte and because he has been a loyal supporter and political ally of the Obama administration,” Hood said.

With Republicans controlling the governorship and the legislature for the first time since reconstruction, Hood added, Democrats are looking to expand their political bench in the only state the Obama campaign fought for but did not carry.

“They really want to win in the future. They want to strengthen the political base of Democrats in North Carolina. That’s why they’re giving Anthony Foxx such a high-profile job.”