

Editorial Opinion--Boston Globe

Senator Paul Tsongas

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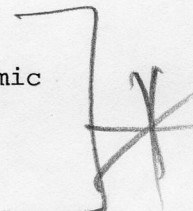
Budget Reform Could Help Repair Our Failing Public Infrastructure

Years of deferred maintenance have left our public networks of roads, bridges, and water systems on the verge of major failure. One in every ten miles of the Interstate Highway system is rated in poor condition by the Federal Highway Administration. Half of our local communities have water systems with strained or insufficient capacity. Twenty percent of the bridges nationwide are so dangerously deficient they are either restricted or closed. Estimated price tags for necessary repairs range from a conservative \$600 billion to almost \$3 trillion-the size of virtually the entire GNP.

These statistics demonstrate the magnitude of the problem. Obviously, the financial resources are simply not there to meet all of the needs. Failure to develop a plan to establish spending priorities, however, could result in a major tragedy. At the present, 150 bridges collapse each year killing <sup>a total of</sup> twelve people on average. The potential for greater cataclysm mounts the longer it takes to mount an effective strategy.

The Federal government currently lacks the basic information necessary to establish a rational program of spending priorities. While the data exists, current budget practices make no effort to display the magnitude or distribution of the Federal investment in basic infrastructure.

The best solution to this problem would be the development of a capital budget for the Federal government. A capital budget would distinguish money spent by the Federal government on investments in capital assets like roads, ports, and transit systems and contrast it with current operating expenses such as salaries or interest payments. The government's failure to make a distinction between spending for investments in public assets which will generate future economic benefits, from expenses which are spent today and gone forever, creates a basic distortion in governmental spending priorities.

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All businesses make this fundamental distinction between investment and operating expenses. Hubert Humphrey pointed out one discrepancy created by the Federal government's failure to do so:

...When one of our great American corporations announces it is expanding its capitalization and operating capacity through the issuance of securities, we consider it an example of forward looking business practice; but if the Federal government announces a new program of investment in small business loans or public works, the inevitable cry goes up of 'spending'.

Most state governments have capital budgets as do the national governments of many other countries like France and Germany. Such a budgeting scheme was first proposed here as far back as 1949. We can ill afford to wait any longer. Politically, the time may be right for its adoption. Support of the concept has come from across the political spectrum-- from myself and Speaker O'Neill to Jack Kemp and major corporate spokespersons.



The plan I advocate consists of the following components:

- (1) The President should distinguish capital expenditures from operating expenses for the 1984 budget to be submitted in January. Current information on investment and operating expenditures contained in attachments to the present budget should be expanded to show this basic distinction for each program function. *GAAP standards incorporated*
- (2) The special budget analysis entitled, "Federal Public Works Activities", should be reinstituted for the next budget year. This part of the budget was discontinued by the Office of Management and Budget in 1974. This analysis should be used to demonstrate the extent of Federal spending committed to investment in public works. It should distinguish between monies spent on new projects and funds devoted to ~~repair~~ *rebuilding* and rehabilitation. An estimate of depreciation for our public systems should be included to evaluate the adequacy of our spending levels.
- (3) A Committee composed of representatives from those agencies concerned with public works-- the Commerce Department, the Department of Housing and Urban Development, the Agriculture Department, the Office of Management and Budget, Treasury, as well as the Chairs of the Public Works Committees of the House and Senate-- should be instituted to review all spending on infrastructure needs. Such a Committee can begin to establish spending priorities among the many critical public investments that are necessary.

The loudest objections to capital budgeting have been raised by the White House. They believe that such a budget would lessen the pressure for fiscal restraint. A capital budget makes no spending decisions; it simply provides information. It is ironic that an ostensibly pro-business White House objects to putting the Federal government on the same accounting and budgeting basis used by virtually every major corporation.

As a member of the City Council in Lowell, I once voted to defer road maintenance to help ease a tight budget situation. I look back on that vote and see it to be the false economy it was. There is nothing to be saved by weakening the support system of public works that maintains all economic activity.

Let's at least begin by taking a look to see just how great the needs are and assess what we are presently doing. Sticking your head in a pothole by refusing to collect the budget information needed to understand our current position will not make a single crumbling road or failing bridge go away.