



MEMORANDUM

Date: June 9, 2015

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Infrastructure Investment**

As you know, the Board of Supervisors has, for the last three years, attempted to move the Arizona Legislature to increase funding for transportation infrastructure, capital investment, and maintenance and repair. Now, over half the states in the nation have either acted on or are moving toward increased transportation investment absent any leadership on this subject from the federal government.

For your information, I have attached a recent article by the publisher of *Governing* magazine. The article puts the current infrastructure crisis in perspective and indicates that it is a major and serious problem that threatens our future economic wellbeing.

CHH/anc

Attachment

c: Hank Atha, Deputy County Administrator for Community and Economic Development
John Bernal, Deputy County Administrator for Public Works
Tom Burke, Deputy County Administrator for Administration
Jan Leshar, Deputy County Administrator for Medical and Health Services

BETTER GOVERNMENT

Why the Fiscal Issue That Matters Most Isn't Pensions

It's infrastructure, yet pensions get more of policymakers' attention.

BY MARK FUNKHOUSER | JUNE 2015



(Flickr/Steve)

At *Governing's* Summit on the Cost of Government last September, I asked a group of city, county and state chief financial officers what they saw as the biggest challenge facing their governments. Every member of the group said it was public pensions. I have a great deal of respect for these individuals. They are dedicated public servants, and many of them are far more knowledgeable about state and local government finance than I am. But I think they're wrong. I think the No. 1 challenge facing state and local governments is infrastructure, not pensions.

First, the dollar estimates for the infrastructure deficit are simply larger than those for pensions. Don Boyd and Peter Kiernan, in a January 2014 paper, pegged the underfunding of state and local government defined-benefit pension systems at \$2 trillion to \$3 trillion. That's a lot of money for sure, but the American Society of Civil Engineers estimated the country's infrastructure deficit at \$3.6 trillion, and that was back in 2013.

Second, infrastructure issues are comparatively pervasive, even if they vary by type across the country -- the need, for example, for water-related infrastructure in California and the Southwest or for fixing aging bridges and rail systems in the Northeast. As for pensions, Alicia Munnell, director of the Center for Retirement Research at Boston College, points out that many plans are well funded and argues that we should "dispense with some of the hysteria."

Finally, the consequences of not coming to grips with the infrastructure challenge seem more dire for the country as a whole. There is, of course, the very real threat to life and property. Beyond that is the loss of economic competitiveness. Governments with modern, well maintained infrastructure are going to enable their businesses to operate more efficiently and their citizens to enjoy a better quality of life.

I see two reasons why pension problems may have captured the attention of policymakers. There are those who have made it their mission to call attention to pension problems because it fits a small-government ideological agenda. The real abuses that have occurred, such as pension "spiking" in some plans and the abject failure of some governments -- notably Illinois and New Jersey -- to manage their pension systems with any fiscal discipline, have given plenty of fuel to those folks. And fixing pensions by cutting benefits and making public employees pay more into them is simply easier than finding the new money needed to invest in infrastructure.

My hope is that CFOs and other government finance experts will consider these arguments and use their influence to heighten government's focus on infrastructure. The issues confronting pensions, while not trivial, are manageable. But while you may be able to pass a law to better fund a pension by sticking it to public employees, infrastructure is different: You cannot repeal the laws of physics.



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