As a result of the coronavirus, U.S. states alone face a depression-level budget shortfall that could total some $434 billion between 2020 and 2022, according to one estimate. Federal relief to states and localities in the new year should have one overriding purpose: to preserve basic services. This aid should not, however, attempt to repair long-standing, preexisting budget shortfalls. This holds true for transit agencies that are in imminent danger of collapse without additional federal aid. Many jurisdictions never learned their lessons from the 2008 recession, choosing to keep in place bad budgetary practices and volatile tax regimes.

Federal aid might best be in the form of loans, rather than grants—even if these loans will have to be

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*This issue brief was completed before the inauguration and updated as of January 26.
repaid gradually, given the fragility of state and local finances. Loans will encourage states and cities to be cautious in their spending. Congressional dollars also should be tied to reforms, such as ending the unlimited liability of defined-benefit public pensions and embracing mechanisms to force savings on spendthrift jurisdictions, including incentivizing the use of rainy-day funds.

In any event, what support Congress does provide should not lose sight of Covid-19 as the ultimate reason it is being extended. This suggests that a not-insignificant sum of aid should be targeted at public health, enabling states and cities to become more resilient in the face of future shocks, such as through better testing capacity and replenished stockpiles.

Joe Biden has promised to “revitalize America’s infrastructure,” and it is true enough that a lot of roads, bridges, and the like are in need of repair. Some transportation infrastructure needs reimagination—particularly in older metros such as New York—to make mass transit fiscally sustainable. But some transportation infrastructure needs a fundamental rethink.

Urban light rail is an example of the last point. Most Americans choose wheels over rails—the average ridership for U.S. light rail systems is a small fraction of what European and Canadian systems enjoy. Successful light rail networks have two basic ingredients that many U.S. cities lack right now: a high density of jobs and workers within a half-mile of transit stops; and frequent, reliable service. Any transit corridor lacking sufficient ridership to fill a bus every few minutes should not have a light rail line; for those systems that already exist, federal funding should be directed toward more frequent off-peak service or helping to reconfigure the network to denser corridors. Better yet, cities might go with a bus–rapid transit network, particularly when trying to service low-density suburbs. Federal funding for urban transit should insist that jurisdictions eliminate regulatory barriers to more housing around transit stops in the big cities where most working people live.

Federal infrastructure funding should aim to “fix it first and fix it fast.” That is, funding should emphasize maintenance over new projects; streamline projects and avoid costly overruns; and prioritize the infrastructure itself over ancillary job creation or economic development goals, which rarely pencil out for taxpayers. New or high-use infrastructure, such as airports, should be the remit of independent, focused, local public and private entities funded primarily by user fees rather than by federal tax dollars.

**Read more**

Brian Riedl, “No Rush for State Bailouts,” Eye on the News, City Journal, June 1, 2020

2. **Infrastructure**

> Help fix what’s broken and fix it fast—but avoid throwing good money on bad transportation projects.

Connor Harris, “The Economics of Urban Light Rail: A Guide for Planners and Citizens,” Manhattan Institute, May 2020
Glaeser, “If You Build It . . . Myths and Realities About America’s Infrastructure Spending,” City Journal, Summer 2016
The Biden administration’s plan recognizes that high housing costs are rooted in regulatory barriers—in particular, zoning—that limit supply where there is demand, including in America’s most in-demand metros. Minorities, working families, and low-income Americans, in particular, have fewer choices for where and how they live, thanks to various regulatory barriers that affect the supply of housing. Meanwhile, below-market “affordable housing” is often unaffordable to build—not only because of government inefficiencies, but because such developments face many of the same regulatory barriers as market-rate housing.

Removing barriers that restrict the supply and price of housing is ultimately the responsibility of states and localities. Nevertheless, the federal government’s Department of Housing and Urban Development (HUD) can give jurisdictions a forum to share the ways in which they are reducing regulations and streamlining approvals. HUD can also set clearly defined and simple metrics on housing availability and affordability; cities showing actual progress in improving their metrics will have a leg up in the competition for federal dollars, such as for Community Development Block Grants. In sum, consolidating and focusing federal housing assistance programs should be paired with zoning reform in high-cost markets.

***Endnotes***

As President Biden assumes office, his administration and the 117th Congress face several pressing tasks. Among them: accelerating the pace of recovery from the pandemic, helping to get schools reopened and students back on track, and restoring safety to the many American cities afflicted by unrest and rising violence. In these briefs, Manhattan Institute fellows offer actionable ideas for the new government—proposals for educational pluralism, executive branch prudence, economic revitalization, evidence-based criminal justice reform, fair and efficient health care, near-term fiscal relief, and long-term fiscal discipline. Each brief contains specific recommendations for Congress or the new administration, along with links to further reading. Taken together, these recommendations represent an agenda for fostering the growth and opportunity that America desperately needs in the wake of the pandemic.