Function 400:
Transportation

Limit Highway Trust Fund (HTF) Spending to Revenues

#66

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$17,000	$15,000	$15,000	$17,000	$16,000	$18,000	$19,000	$19,000	$21,000	$21,637	$80,000	$178,637

Heritage Recommendation:

Limit Highway Trust Fund (HTF) spending to the level of revenue collected. This proposal saves approximately $17 billion in 2016, and $179 billion over 10 years.[55]

Rationale:

Federal gasoline and diesel taxes are passed on to motorists, bus operators, and truckers at the pump, and then deposited into the federal HTF along with related fees. Past federal highway authorization bills increased HTF spending levels, permitting Congress to spend down the fund's accumulated balance. Beginning in 2008, Congress was spending more out of the HTF than was brought in as revenue. Since 2008, Congress has repeatedly bailed out the HTF by transferring amounts from the Treasury's General Fund, for a total bailout of about $62 billion. A six-year reauthorization bill would need to fill a $90 billion gap between spending and revenue ($15 billion a year).

Going forward, inflation, fuel economy standards, vehicle efficiency, and steady levels of vehicle miles traveled will mean lower or stagnant levels of revenue deposited into the HTF. But until recently, inflation and overspending have been the main drivers of decreased revenue and purchasing power. Congress diverts at least 25 percent of HTF dollars to non-road, non-bridge projects, including bicycle and nature paths, sidewalks, subways and buses, landscaping, and related low-priority and purely local activities.

Congress should limit HTF spending to revenues collected and refocus the federal highway program to encompass only Interstate Highway System maintenance and expansion, and a few other federal priorities, letting the states or private sector take over the other activities if they value them. Doing so would free up valuable HTF money for road and bridge projects that will benefit those motorists paying for the program in the first place.

Additional Reading:

- The Heritage Foundation, "Which Way for the Highway Trust Fund?" *Factsheet* No. 148, July 21, 2014, http://www.Heritage.org/research/reports/2014/07/which-way-for-the-highway-trust-fund.

- Ronald D. Utt, "'Turn Back' Transportation to the States," Heritage Foundation *Backgrounder* No. 2651, February 7, 2012, http://www.Heritage.org/research/reports/2012/02/turn-back-transportation-to-the-states.

Calculations:

Savings based on revenue shortfalls reported for the highway trust funds in Congressional Budget Office, "Projections of Highway Trust Fund Accounts under CBO's August 2014 Baseline," http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2014-08-HighwayTrustFund.pdf. The report contains shortfalls through 2024. We assumed the same rate of change in shortfalls (3 percent) for 2025 as projected for the 2017–2024 period.

#67

Phase Out the Federal Transit Administration (FTA)

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$2,330	$4,539	$6,730	$9,024	$11,458	$11,711	$11,961	$12,285	$12,525	$12,757	$34,081	$95,320

Heritage Recommendation:

Phase out the Federal Transit Administration (FTA) by putting it and its funding level on a five-year phase-out plan. This proposal saves 2.3 billion in 2016, and $95 billion over 10 years.

Rationale:

Called the Urban Mass Transit Administration when created in 1964, the agency now known as the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems (such as for buses and subways).

The federal government has subsidized mass transit since the 1960s, and it began using federal gas tax (user fees) paid by drivers into the Highway Trust Fund (HTF), to pay for transit in 1983. The transit diversion within the HTF marks the largest such diversion. The reasons for funding transit were to offer mobility to low-income citizens in metropolitan areas, reduce greenhouse gas emissions from cars, and relieve traffic congestion. Yet transit has failed in all of these areas despite billions of dollars in subsidies over the past few decades. Transit's use is concentrated in just six cities: Boston, Chicago, New York, Philadelphia, San Francisco, and Washington. Over half of all transit work commuting trips are to these cities, but outside these cities, people choose to travel in automobiles in overwhelming numbers.

The FTA, a federal agency, has been subsidizing purely local or regional activities when it grants subsidies for streetcars, subways, and buses. Transit is inherently local, not national, in nature, and it would be more appropriately funded at the local or regional level. Motorists in Montana or Texas should not have to see the gas tax dollars they send to Washington diverted to buses and subways, when they expect to see it spent on road and bridge improvements.

Transit should not be a federal priority, particularly given current federal budget constraints. The federal government should phase out the federal transit program over five years. It should reduce federal funding for transit by one-fifth per year, and simultaneously reduce the FTA's operating budget by the same amount. Phasing out the program would allow state and local governments the time to determine the level of funding they want to dedicate to transit going forward—if any. It would also give them time to adopt policy changes that improve their transit systems' cost-effectiveness and performance.

Additional Reading:

- Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013, http://www.Heritage.org/research/reports/2013/01/transit-policy-in-an-era-of-the-shrinking-federal-dollar.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels as found on page 1,002 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. The current spending path for the program assumes that the FY 2014 figure increases at the same rate as discretionary spending growth over the 2016–2025 period, according to the CBO's most recent August 2014 baseline. Savings represent the difference between the current spending path and the projected spending under the phase-out.

Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

#68

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$608	$871	$1,135	$1,401	$1,409	$1,417	$1,425	$1,435	$1,443	$1,450	$5,424	$12,594

Heritage Recommendation:

Eliminate the federal operating subsidy and phase out the capital programs over four years. This proposal saves $608 million in 2016, and $12.6 billion over 10 years.

Rationale:

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. It began service on May 4, 1971. In fiscal year 2014, it received an operating grant of approximately $340 million and a capital and debt service grant of about $1.05 billion. Amtrak has received over $66 billion (in 2014 dollars) in taxpayer-funded federal grants since its inception. Amtrak is not a federal agency, employing a corporate structure, and has a board appointed by the United States President; the federal government owns nearly all of Amtrak's stock.

Amtrak is characterized by an unsustainable financial situation and management that often appears more focused on lobbying Congress for more money rather than improving its performance and service for customers. Amtrak has a monopoly on passenger rail service, too, which stifles reform efforts. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs; this is an area ripe for reform. Amtrak trains are also notoriously behind schedule, evidenced by Amtrak's poor on-time performance rates. For example, the June 2014 Monthly Performance Report showed an on-time performance score of 69.7 percent, which was 6.2 percentage points less than a year prior, when just over three-fourths of trips were on time. In July 2014, Amtrak's score was 67.2 percent, 7.6 percentage points worse than in July 2013.

Congress should eliminate Amtrak's operating subsidies immediately in FY 2016, while phasing out its capital subsidies over five years, to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, change its marketing, and eliminate any money-losing lines. Simultaneously, the Secretary of Transportation should set up a task force to work with Amtrak's management to lay out a future for Amtrak, including but not limited to selling routes and equipment to the private sector, transferring Amtrak ownership to its employees, asking states to assume ownership and responsibility over routes, and discontinuing routes that are unprofitable and that a state does not want to fund. During this phase-out, Congress should repeal Amtrak's monopoly on passenger rail service, allowing private companies to enter the market and provide passenger rail service where they see a viable commercial market.

Additional Reading:

- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011, http://www.Heritage.org/research/reports/2011/06/meric-privatization-proposal-to-reform-passenger-rail-service.

- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010, http://www.downsizinggovernment.org/transportation/privatizing-amtrak.

Calculations:

Savings are expressed as budget authority and were calculated using the FY 2014 enacted spending levels as found on pages 992–994 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. Under the baseline scenario, the FY 2014 enacted operating subsidy and capital improvement costs are assumed to increase at the same rate as discretionary spending for 2016–2025, according to the CBO's most recent August 2014 baseline spending projections. Under the proposal, the operating subsidy is eliminated and the capital subsidy is phased out over five years. Savings represent the difference between the baseline and proposed scenarios.

Note: A previous version of the figures related to eliminating grants to Amtrak contained an error which overstated the proposed savings. The savings for that specific proposal, as well as the transportation savings subtotal, were updated as of June 24, 2015.

Close Down the Maritime Administration (MARAD) and Repeal the Jones Act

#69

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$150	$151	$151	$153	$156	$160	$163	$168	$171	$174	$761	$1,597

Heritage Recommendation:

Eliminate the Maritime Administration (MARAD) and repeal the Jones Act. Eliminating MARAD saves $150 million in 2016, and $1.6 billion over 10 years. No savings are included for repeal of the Jones Act.

Rationale:

Created in 1950, MARAD's purpose is to maintain a maritime fleet to be used during a national emergency. Decades later, it continues to oversee and implement outdated, Depression-era laws, which prevent foreign maritime industry companies from competing with those in the United States.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, taxpayers continue to pay for an Operating Differential Subsidy program that guarantees U.S.-flag vessel operators a payment to make up for the difference between shipping cargo on a U.S. vessel compared to a foreign vessel (the former being more expensive). Another program, the Ocean Freight Differential program, subsidizes part of the costs associated with having to transport food aid cargo on more expensive U.S.-flagged vessels, again as opposed to shipping them on foreign vessels. Finally, the Jones Act—established nearly a century ago in 1920—requires incredible standards: any cargo (or people) shipped between two U.S. cities must be on a U.S.-built and U.S.-flagged vessel with at least 75 percent of its crew from the U.S.

Congress should close down the Maritime Administration, transferring its international regulatory roles to another agency, such as the Department of State. The federal government should sell the government-owned ships in the Defense Ready Reserve Fleet and transfer funding for this program to the Department of Defense. Simultaneously, Congress should repeal the Jones Act, the Operating Differential Subsidy program, and Ocean Freight Differential program, which have spent billions of taxpayer dollars and stifled innovation of the U.S. domestic maritime industry.

Additional Reading:

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Backgrounder* No. 1048, August 17, 1995, http://www.Heritage.org/research/reports/1995/08/bg1048nbsp-how-to-close-down-the-department.

- Brian Slattery, Bryan Riley, and Nicolas Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Backgrounder* No. 2886, May 22, 2014, http://www.Heritage.org/research/reports/2014/05/sink-the-jones-act-restoring-americas-competitive-advantage-in-maritime-related-industries.

Calculations:

Only the savings from closing down the MARAD are included. These savings are expressed as budget authority and were calculated by using the FY 2015 estimated spending levels as found on page 1,027 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. The FY 2015 estimated spending level was used instead of the FY 2014 enacted level because the FY 2014 enacted level was markedly higher than the FY 2013 or FY 2015 levels. The FY 2015 estimated level was increased at the same rate as discretionary spending for 2016–2025, according to the CBO's most recent August 2014 baseline spending projections.

#70

Eliminate the New Starts Transit Program

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$1,972	$1,979	$1,983	$2,006	$2,053	$2,099	$2,144	$2,202	$2,245	$2,286	$9,993	$20,969

Heritage Recommendation:

Eliminate the New Starts Transit Program. This proposal saves $2.0 billion in 2016, and $21.0 billion over 10 years.

Rationale:

The New Starts program was created in 1991 as part of the Intermodal Surface Transportation Efficiency Act, with the purpose of giving transit agencies grants for building transit projects. In fact, it gives them the incentives to build costly transit systems they can ill afford to operate, much less fund for capital improvements.

Criteria for eligible projects includes "congestion relief," "environmental benefits," and "economic development effects," but it no longer includes "operating efficiencies," as the research of the Cato Institute's Randal O'Toole shows.[56] In some cases, such as when a streetcar receives a New Starts grant, the project will *increase* traffic congestion by blocking a lane and slowing down cars using the road. Streetcars also can duplicate existing bus routes; the H Street Streetcar recently constructed in Washington, D.C., is an example. Another D.C. example—the Silver Metro Line addition to the Washington Metropolitan Area Transit Authority's rail system—refutes the economic development effects claim. In this case, the Reston and Tysons areas were booming commercially years before the rail line was built and began operating.

As opposed to distributing New Starts funds via formulas to the states, as highway funding is deployed, Congress chose to set up New Starts as a competitive grant program to which transit agencies apply for available funds. Transit agencies, therefore, have the incentive to pursue overly expensive transit projects and expand their bus, transit, or streetcar service even without sufficient demand for more service. Further, this program can become nothing more than one that funds earmarks selected at the discretion of the executive branch, much as the Obama Administration has used New Starts to advance its "smart growth" (read: anti-driver) agenda.

Congress should terminate the New Starts program immediately, and reduce future authorizations for transit by the amount that would otherwise have gone to New Starts. Such a reform should also be a part of ending the federal transit program and allowing the states and private sector to manage and fund transit systems where they value them and can afford them. Local, not federal, taxpayers, as well as a transit system's users that benefit from the service, should fund urban transit systems.

Additional Reading:

- Randal O'Toole, "Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, http://www.cato.org/publications/policy-analysis/paint-cheaper-rails-why-congress-should-abolish-new-starts.

- Randal O'Toole, Cato Institute, testimony before the Subcommittee on Highways and Transit, House Transportation and Infrastructure Committee, December 11, 2013, http://transportation.house.gov/uploadedfiles/2013-12-11-otoole.pdf.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels as found on page 1,002 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. The FY 2014 enacted spending was increased at the same rate as discretionary spending for 2016–2025, according to the CBO's most recent August 2014 baseline spending projections.

#71

Privatize the Saint Lawrence Seaway Development Corporation (SLSDC)

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$32	$33	$33	$33	$34	$35	$35	$36	$37	$38	$165	$346

Heritage Recommendation:

Privatize the Saint Lawrence Seaway Development Corporation (SLSDC). This proposal saves $32 million in 2016, and $345 million over 10 years.

Rationale:

Created in the Wiley–Dondero Act of 1954, the SLSDC is a government-owned entity charged with maintaining and operating a part of the Saint Lawrence Seaway that is within United States territory. The seaway opened in 1959.

Canada, which also borders the seaway, privatized its section in 1998, eliminating any future taxpayer funding for its maintenance and operation activities. Privatization of this kind in the U.S. would encourage productivity and competitiveness, and mean lessening the burden on taxpayers. Congress should follow Canada's example and privatize the SLSDC—a reform that is long overdue.

Additional Reading:

- Emily Goff, "How to Cut $30 Billion More from the THUD Bill," Heritage Foundation *Issue Brief* No. 3984, July 1, 2013, http://www.Heritage.org/research/reports/2013/07/how-to-cut-from-transportation-housing-and-urban-development-appropriations.

- Chris Edwards, "Downsizing the Federal Government: Department of Transportation, Timeline of Growth," Cato Institute, undated, http://www.downsizinggovernment.org/transportation/timeline.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels as found on page 1,020 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. The FY 2014 enacted spending was increased at the same rate as discretionary spending for 2016–2025, according to the CBO's most recent August 2014 baseline spending projections.

Eliminate the Transportation Investment Generating Economic Recovery (TIGER) Grant Program

#72

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$609	$611	$612	$619	$634	$648	$662	$680	$693	$706	$3,085	$6,474

Heritage Recommendation:

Eliminate the Transportation Investment Generating Economic Recovery (TIGER) grant program, also called the National Infrastructure Investment Program. This proposal saves $609 million in 2016, and $6.5 billion over 10 years.

Rationale:

TIGER is a competitive grant program administered by the U.S. Department of Transportation. It began as part of the 2009 stimulus bill and was intended to be a temporary program that funded road, rail, transit, and port projects in the national interest.

Six years later, this "temporary" program has proved too tempting a spending opportunity for Congress and the Administration to give up, and has remained a permanent fixture. President Obama proposed doubling the program's budget to $1.25 billion in FY 2015, compared to the FY 2014 level of $600 million, which was already inflated by $125 million compared to 2013.

Through TIGER, Washington sends federal dollars to purely local, not federal, projects—one reason why it merits elimination. Past projects include a $16 million, six-mile pedestrian mall in Fresno, California, and a $10.4 million "Complete Street Initiative" (read: non-driver-friendly) project in Lee County, Florida.

Moreover, TIGER grants can amount to "administrative earmarks," because federal bureaucrats choose the criteria that a project must meet, and in turn choose which projects will receive grants. That, in turn, gives cities perverse incentives to pander to Washington, asking for money for projects that may not even be aligned with their priorities at home.

The TIGER grant program adds to government bureaucracy, duplicates programs at state and local transportation agencies, and spends money on projects of the government's choosing, not where private investors in a free market might put resources.

These projects would be more appropriately funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

Additional Reading:

- Baruch Feigenbaum, "Evaluating and Improving TIGER Grants," Reason Foundation *Policy Brief* No. 99, April 2012, http://reason.org/files/improving_transportation_tiger_grants.pdf.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels as found on page 944 of "Appendix, Budget of the United States Government, Fiscal Year 2015," March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf. The FY 2014 enacted spending was increased at the same rate as discretionary spending for 2016–2025, according to the CBO's most recent August 2014 baseline spending projections. Projected savings may underestimate actual savings from eliminating this program, as President Obama has proposed a more than doubling of the TIGER budget, but we assume here that spending remains in line with its FY 2014 level.

Endnotes: Transportation

54. David Inserra, "Brand USA: Senate Immigration Bill Extends Wasteful, Flawed Program," The Daily Signal, June 26, 2013, http://dailysignal.com/2013/06/26/senate-immigration-bill-expands-wasteful-flawed-program/.
55. Congressional Budget Office, "Projections of Highway Trust Fund Accounts under CBO's August 2014 Baseline," http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2014-08-HighwayTrustFund.pdf (accessed December 12, 2014).
56. Randal O'Toole, "Paint Is Cheaper than Rails; Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, http://object.cato.org/sites/cato.org/files/pubs/pdf/pa727_web.pdf (accessed December 12, 2014).