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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.