

# 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.<sup>56</sup> 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.