10 harms of federal infrastructure handouts

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Despite the partisan vitriol in Washington, leaders say they want to compromise on a major infrastructure bill. A few weeks ago, President Trump and congressional Democrats tentatively agreed to a $2 trillion plan over 10 years, although discussions have taken ups and downs since then.

So far, there is no deal — and that is good news. The last thing our infrastructure needs is more federal subsidies and top-down regulations. The states have their own funding sources for highways, airports, seaports and transit systems. Federal intervention just adds bureaucracy, delays and harmful micromanagement.

Here are 10 reasons why federal spending on infrastructure should be cut, not increased:

1. Deficits

The federal government is running huge deficits, including on its highway and transit trust fund. By contrast, the states must balance their books and be more prudent in matching their infrastructure spending needs with available revenues.

2. States can do it

Some members of Congress — and possibly President Trump — support a federal gas tax increase to fund highways and transit. But the states can raise their own gas taxes any time they want to, and about half of them have done so in the past five years.

States can also use income and sales tax revenues for infrastructure, and many are tapping private financing through public-private partnerships.

3. Inefficient allocation

Federal infrastructure spending misallocates funds. With highways, for example, Texas has long been short-changed: It accounts for 10 percent of federal gas taxes but only gets back 8 percent in related spending.

Yet Texas is a fast-growing state that needs more highway money. State funding of infrastructure eliminates these sorts of misallocations.

4. Distorted decisions

Most federal transit aid is for capital costs, which has induced dozens of cities to buy expensive rail systems rather than cheaper and more flexible bus systems. Many cities are now suffering from frequent rail breakdowns and huge maintenance costs.

Without federal aid favoring rail, cities would increase investment in buses, which are more efficient and better serve low-income communities.

5. Bureaucracy

The Department of Transportation (DOT) handed out $1.5 billion in “BUILD” grants to 91 out of 851 state and local applicants in 2018. The “applications were evaluated by a team of 222 career staff,” according to the DOT.

Consider that the DOT hands out $67 billion in state grants a year and you get a sense of the federal grant bureaucracy. Plus there is a vast state bureaucracy handling federal aid and related regulations.

6. Cost overruns

State officials are spendthrift when the money comes “free” from Washington, and cost overruns are common. Boston’s Big Dig highway project — 60 percent funded by federal money — went five times over budget. Recently, New York’s East Side Access rail project and the Second Avenue Subway project have also gone far over budget.

7. Regulations

Regulations tied to federal aid raise costs. For example, the Davis-Bacon labor rules increase wages on federally funded highway projects by an average of 22 percent. Similarly, federal environmental rules tied to aid push up construction costs.

The number of federal environmental laws and executive orders imposed on transportation projects increased from 26 in 1970 to about 70 today.

8. Project delays

Dependence on slow-moving federal legislation delays infrastructure projects, often for years. Charleston, S.C. has long needed to dredge its seaport for larger ships. The project is crucial to the state’s economy, but it has moved slowly as the city waits for federal money.

Other nations have shown that seaports can be funded and operated by the private sector and expanded promptly as market demand rises.

9. Accountability

American government used to be a neat layer cake with federal, state and local responsibilities clearly defined. But federal intervention in areas such as infrastructure has created a confused marble cake with less accountability.

After infrastructure failures such as the New Orleans levees and the Flint water system, politicians point fingers of blame at each other because when every level of government is involved, none is accountable.

10. Displacing private infrastructure

The most damaging effect of federal aid is that it induces the states to displace private enterprise. Most city transit systems were privately owned until the 1960s, but then the federal government started handing out aid to government-owned systems.

Most cities took over the private systems to access the aid, and today we have bloated, government-run bus and rail systems everywhere.

Similarly, many U.S. airports were originally private, including the main airports in Los Angeles, Miami, Philadelphia and Washington, D.C. But the federal government began handing out regular subsidies to government-owned airports in the 1940s, and that helped put the private airports out of business.

All major U.S. airports are government-owned today, but Europe has shown that major airports can be run as self-funded private enterprises.

Federal infrastructure subsidies are harmful. They create distortions and lock-in government ownership. Congress should cut subsidies, let states fund their own highways and encourage them to move their airports, seaports and transit systems to the private sector.

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