

O'Toole: How Congress can de-politicize wasteful and inequitable federal transportation spending

Randal O'Toole

May 14, 2015

Federal highway and mass transit trust funds expire on May 31, and the main question many in Congress are asking is where they will find the money to sustain recent levels of deficit spending. But many outside observers believe the real problem is not a shortage of funds, but how effectively and fairly those funds are spent.

This is particularly true for federal mass transit funds, large portions of which are spent on urban monuments that do little to increase transit ridership. For example, over the past two decades Dallas has spent well over \$5 billion building light-rail lines, during which time the region's per capita transit ridership declined by 20 percent and transit's share of commuting fell by 40 percent.

Federal highway funds have historically been distributed using formulas that account for such factors as state populations, land areas, and road miles. While this means some with a lot of land and not many people, like Alaska, get more than average, most states get fairly close to the national average of slightly less than a penny for every mile people drive.

State highway agencies cannot do much to control their states' land areas, populations, or the number of road-miles, so they tend to spend their money where it is needed rather than chase federal dollars. As a result, despite misleading tales of crumbling infrastructure, state highways and bridges are actually in pretty good shape, with steady declines in the number of structurally-deficient bridges and pavement roughness.

In contrast, the two most important factors determining how many federal dollars a transit agency gets are whether the agency is building an expensive infrastructure project and whether the state in which the agency is located is represented by a Democrat on the House Transportation & Infrastructure Committee.

The results are wasteful and unfair.

Over the past two decades, regions that built expensive rail projects, such as Salt Lake City and Dallas-Ft. Worth, collected far more federal capital funds per transit rider than most regions that

have stuck with economical bus transit. Salt Lake City received an average of \$2.17 per transit rider while Dallas-Fort Worth received \$1.67. Meanwhile, San Antonio received only 38 cents for every transit rider carried and Milwaukee just 26 cents. Regions that already had rail transit, like New York and Boston, also lost out.

This has led to a perverse race to build ever-more expensive projects. Light-rail construction costs grew from an average of about \$25 million a mile (in today's dollars) in the 1980s to nearly \$200 million a mile today. Such expensive projects impose huge burdens on local taxpayers who must match federal grants plus pay for cost overruns, operations, and maintenance.

The politicized nature of federal transit funding is obvious from the fact that, over the past three sessions of Congress, urban areas in states with a Democrat on the House Transportation Committee collected \$120 million to \$160 million more than they would have if funds were actually distributed based on transit ridership. During the 111th Congress, urban areas with a Republican on the committee actually received less than urban areas with no one on the committee. During the 112th and 113th Congresses, urban areas with a Republican on the committee collected a little more than average, but only about one-third as much as those with Democrats on the committee.

Congress can end this waste and inequity by changing all federal transportation funds from politically-allocated discretionary funds to formula funds. The 2012 transportation bill already changed the Bus, Ferry, and Congestion Mitigation funds from discretionary to formula funds; the 2015 bill can finish the job with the New Starts and TIGER funds.

Basing the formulas on transit ridership (or fare revenues, which are easier to verify) will give transit agencies incentives to find the best ways to attract new riders rather than build white elephants in their cities.

Except for a few rail contractors, everyone from taxpayers to transit riders and other travelers will benefit from this change.

Randal O'Toole is a senior fellow with the Cato Institute in Washington DC, and transportation policy center director at the Independence Institute, a free market think tank in Denver.