



# Executive Memorandum

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## WHY HIGHWAY DEMONSTRATION PROJECTS SHOULD NOT PENALIZE STATES

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The House of Representatives soon will consider the Building Efficiency Through Surface Transportation and Equity Act, or BESTEA (H.R. 2400), a bill to reauthorize the federal government's highway program for another six years. The Senate passed its version of the highway bill in early March. Included in the House version is a provision to set aside as much as \$9 billion (or 5 percent) of the \$179 billion in highway spending over the next five years for hundreds of earmarked "demonstration" projects throughout the country. The House should reject efforts to include these Washington, D.C.-mandated demonstration projects in the bill, and instead allow each state to use its share of the highway trust fund for projects that meet locally determined needs and priorities.

Because BESTEA stipulates that the money for these mandated demonstration projects would come out of the funds apportioned to the states, each state's allocation of the trust fund money would be reduced, on average, by the 5 percent skimmed off for these pet projects of federal lawmakers. As a result, states have fewer funds to devote to meeting locally determined priorities. Meanwhile, "donor" states, which already receive less than their fair share of the federal fuel taxes their citizens pay into the highway trust fund, are hit particularly hard.

The General Accounting Office has determined that 31 states plus the District of Columbia and Puerto Rico would have received more funding if

the now-expiring 1991 highway bill (the Intermodal Surface Transportation Efficiency Act) demonstration projects had been redistributed as federal aid highway program apportionments.<sup>1</sup> Some examples of the demonstration projects included in the last highway bill are a parking facility in Newark, New Jersey; the construction of a bike path in Tennessee; turning lanes and sign upgrades in Babylon, New York; and improved access to an industrial park in Pennsylvania. None of these projects are of any significance to the national transportation system; the decision on their construction should be left to the states, and funding should come from each state's apportionment.

In addition to misdirecting existing federal funds, earmarked demonstration projects require states to put up their own funds to match the federal grant, further limiting the ability of each state to use its own funds to meet local priorities. The funding match requirement on these low-priority projects

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1. U.S. General Accounting Office, *Highway Demonstration Projects*, GAO/RCED-93-193R, August 10, 1993.

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has led some states even to refuse to spend such federal aid on unnecessary demonstration projects. Although the 1991 highway bill contained 538 location specific projects totaling \$6.23 billion, at present approximately \$1.66 billion (27 percent) of the funds authorized for these projects remains unobligated because states do not want to waste their matching funds.<sup>2</sup>

In an effort to ameliorate the inequities created by the demonstration projects, the Senate recently included as part of its highway bill an amendment by Senator John McCain (R-AZ) that would require the mandated demonstration projects to be funded out of each state's apportionment rather than out of a separate fund taken off the top of the trust fund. Under this arrangement, the typical state would not have to bear any unnecessary loss of funding due to an inequitable and wasteful

allocation of demonstration projects among the favored Members of Congress and congressional delegations. Representatives Dan Miller (R-FL) and David Minge (D-MN) are sponsoring a similar effort to reform BESTEA.

Although the McCain-Miller-Minge effort falls short of eliminating potentially wasteful projects, it concentrates the cost of such waste on the pork-laden districts and states that obtain a disproportionate share of the projects. Moreover, it protects the needs and safety of motorists throughout the country by concentrating more decision making in the hands of the states and communities, which are best able to establish and fulfill local priorities.

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2. U.S. Department of Transportation, Federal Highway Administration, "Federal-Aid Highway Program Funds—U.S. Summary as of March 18, 1998."