

WebMemo



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Congress Considers Costly Bailouts for Amtrak, Metro

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In the few weeks left before Congress adjourns to campaign, it will consider the appropriations bills needed to fund the federal government in fiscal year 2007, which begins on October 1, as well as several other costly spending bills that would benefit influential constituencies. Chief among the latter are bills that would spend \$1.5 billion over ten years to bail out Washington, D.C.'s troubled public transit system and \$1.4 billion over six years to bail out Amtrak. These bailouts would be fiscally irresponsible and counterproductive to reform of the entities they ostensibly benefit. President Bush and fiscal conservatives should make their opposition to such wasteful spending clear.

The Metro Bailout

On July 17, 2006, the House of Representatives passed, by a one-vote margin, Representative Tom Davis's (R-VA) H.R. 3496. The bill would divert \$1.5 billion of federal revenues earned through offshore drilling to subsidize the troubled Metro transit system that serves Washington, D.C., and Davis's congressional district in suburban Virginia. The bill was sent to the Senate, where it has been referred to the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia. The subcommittee has taken no action yet, and one Senator has placed a "hold" on it. While the bill is going nowhere for now, it could be attached to any one of the must-pass bills that Congress will take up over the next few weeks.

If ultimately enacted, the Davis bill would be one of the largest earmarks ever passed—seven times

more expensive than Alaska's infamous Bridge to Nowhere earmark and twice as expensive as Mississippi's Train to Nowhere. Given the wealth of Davis's constituents—in 2004, the median household in Fairfax County, Virginia, the most populous part of Davis's district, enjoyed income of \$88,133, compared to a national median of \$44,684—the earmark would be a costly exercise in "trickle up" economics, forcing Americans across the country to subsidize the transportation needs of a small slice of one of the nation's most prosperous communities.

As troubling as this inequitable transfer would be, Mr. Davis's proposal also requires that, as a condition of Metro receiving the \$1.5 billion federal bailout, all communities in its service area establish a "dedicated funding source" (a euphemism for a tax increase) to match the federal subsidy. To date, the White House has been silent on this costly proposal, and this silence may have contributed to the bill's victory in the House last July. The President has an opportunity to rectify this by issuing a statement expressing his opposition to the Metro bailout.

The Amtrak Bailout

The Senate Committee on Commerce, Science and Transportation reported out Senator Trent Lott's

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(R-MS) "Passenger Rail Investment and Improvement Act of 2005" (S. 1516) on October 18, 2005. Senate leadership has promised a vote on the bill before the Senate adjourns for the election. Although there is no companion bill in the House, the Senate version could be attached to must-pass legislation and sent to the House or a House/Senate conference as part of a larger package.

As written, S. 1516 would spend \$11.3 billion on Amtrak over the next 6 years, including nearly \$1.8 billion in 2007 alone, which would double the \$900 million the President proposed in his budget. The bill would also substantially change the federal statutes governing Amtrak's operations in ways that would hinder reform and interrupt the modest operational reforms being implemented by Amtrak's new management. In place of the real opportunities for reform it would unravel, S. 1516 contains directives, alterations, restructurings, subsidies, studies, reports, metrics, five-year plans, transitions, and other methods of top-down micromanagement designed to create the impression that spinning wheels represent forward movement.

Accounting for less than one half of one percent of intercity passenger traffic, Amtrak is a marginal

but costly player in the American transportation system. Whereas commercial aviation received a federal subsidy of \$6.18 per thousand passenger miles in 2002 (the latest year calculated) and no subsidy in the years just prior to the 9/11 terrorist attacks, Amtrak's subsidy in 2002 amounted to \$210.31 per 1,000 passenger miles. Amtrak's losses in its most recent fiscal year exceeded \$1 billion because ticket revenues cover only about half of its costs. Most of its losses are attributable to its inefficient long distance routes. Per-passenger subsidies on some of these routes exceed \$400.

As with the Metro bailout, the Bush Administration has not expressed its views on this even more costly bailout. Without any firm opposition from the President, S. 1516 is more likely to be attached to other legislation and make its way into law. To minimize the risk that taxpayers will have to shoulder this heavy burden, the President should issue a Statement of Administration Position promising to veto the bill if it is sent for his signature.

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