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Setting Priorities for Transportation Spending in FY 2011 and FY 2012

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The House Budget Committee has announced its discretionary federal spending target for the remaining eight months of fiscal year (FY) 2011, and the House Appropriations Committee subsequently provided details on how the 12 major program areas would have to be cut to meet that target. The transportation/housing account will receive the stiffest cuts of all: Both programs will be reduced by 17 percent compared to FY 2010 levels, and to an average of 9 percent for all discretionary programs.[1]

Need to Set Priorities. With the federal transportation budget comprised of scores of separate programs and budgets of varying degrees of value and importance (bike paths, highways, trolley cars, flower gardens, truck parking lots, etc.), the Appropriations Committee and its subcommittee on housing and transportation should use this budget-cutting requirement as an opportunity to separate the wheat from the chaff and impose the severest cuts on those programs that provide the least benefits to mobility, congestion mitigation, and safety.

As The Heritage Foundation has noted in earlier reports, about one-third of federal surface transportation spending from the highway trust fund goes to purposes other than cost-effective modes that enhance mobility.[2] These include costly and underused transit investments (transit receives 20 percent of the funds but serves less than 2 percent of passengers), bike and hiking paths, metropolitan planning organizations, covered bridge restoration, historic train station conversions, cityscapes and flower plantings, earmarks, U.S. Department of Transportation (USDOT) overhead, questionable research projects, livability schemes, and low-valued university transportation research centers.

These many diversions come at the expense of existing road repair and capacity expansion to accommodate a growing population. With future federal budgets certain to limit trust fund spending to the trust fund revenues derived from user fees and excise taxes levied on motorists and truckers, the funders of the system should certainly be the ones who benefit from it, and the needed budget cuts represent a great opportunity to cull low-valued "transportation" programs from the system.

Time to Curb Wasteful Rail Spending. While trust fund spending accounts for most surface transportation spending, general revenues are used to fund several low-valued programs such as transit ($2 billion), Amtrak ($1.6 billion), and high-speed rail ($5 billion over the next five years, plus $8 billion from the stimulus bill). These costly rail programs should all be on the block. A real test of the new House majority's mettle will be how they handle Amtrak, the beneficiary of the highest per-passenger federal subsidy despite serving less than one-half of 1 percent of the traveling public in trains operating with fewer than half their seats filled.

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These announced cuts could be very painful if carelessly imposed as across-the-board cuts that reduce all transportation programs—regardless of value—by an equal percentage. A simple way to avoid this problem would be to allow the 50 state departments of transportation—which receive and spend the bulk of the trust fund distributions for allocation by federal mandates—to spend the reduced funds on transportation priorities of their own choosing to get the biggest bang from their limited bucks.

In recent reports, The Heritage Foundation has suggested "transitional" legislation to accomplish this goal.[3] Importantly, this transitional legislation could serve as a first step to "turning back" to the states the responsibilities of the federal highway program, as well as the revenue sources essential to its fulfillment.

Refocus Program by Eliminating Low-Valued Diversions. While much of the current debate focuses on the remainder of the FY 2011 budget and the as-yet-to-be-developed FY 2012 budget, another looming transportation issue is reauthorization of the federal highway program, whose legislative mandates expired in September 2009 but have since been extended on a temporary basis.

Under current law,[4] the largest diversion from the $52.7 billion in total spending authorized for FY 2009 (the most recent year for which allocative details are available) from the highway trust fund, including $2 billion in general revenues, is the $10.3 billion in direct spending for transit programs (trolleys, buses, commuter rail, etc.). Transit riders are also the greatest beneficiary of the $1.8 billion Congestion Mitigation and Air Quality program. As noted, transit accounts for only 1.8 percent of surface travel passengers, so a rebalancing of this distorted allocation should be a goal of the new Congress.[5]

Other large diversions from the fund include Enhancement ($657 million), the Appalachian Regional Commission ($470 million), Recreational Trails ($85 million), and a transfer of $1 billion from the fund to the Departments of Interior and Agriculture for roads in national parks and forests. These leakages absorbed 27 percent of highway trust fund spending in 2009.

The next largest series of diversions are the four major earmarked programs: High Priority Projects, Projects of Regional and National Significance, Transportation Projects (Section 1934 of P.L. 109-59), and the National Corridor Infrastructure Improvement Program. Combined, they spent $4.2 billion in FY 2009, bringing the diversion share to 35 percent for the programs listed so far.

In addition, $155 million was to be spent on Scenic Byways, Ferry Boats, Magnetic Levitation, and tax evasion deterrence, while $424 million will be spent just on administrative overhead by USDOT. More than $539 million will be spent on another 13 mandated programs, including bicycles, racial profiling, historic covered bridges, community preservation, innovative finance, and Safe Routes to Schools (which also supports bicycles).

1. Press release, "Chairman Rogers Outlines Subcommittee Spending Cuts for Fiscal Year 2011," Committee on Appropriations, U.S. House of Representatives, February 3, 2011, at *http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=256* (February 9, 2011).
2. See Ronald D. Utt, "Federal Highway Trust Fund: Recommit to Better Highways and Enhanced Mobility," Heritage Foundation *WebMemo* No. 2944, June 30, 2010, at *http://heritage.org/Research/Reports/2010/06/Federal-Highway-Trust-Fund-Recommit-to-Better-Highways-and-Enhanced-Mobility.*
3. Ronald D. Utt, "How to Create an Effective Transportation Program in an Age of Fiscal Austerity," Heritage Foundation *WebMemo* No. 3115, January 24, 2011, at *http://heritage.org/Research/Reports/2011/01/How-to-Create-an-Effective-Transportation-Program-in-an-Age-of-Fiscal-Austerity.*
4. All spending data are derived from Federal Highway Administration, "Highway Authorizations: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (P.L. 109-59)," April 6, 2006, at *http://www.fhwa.dot.gov/safetealu/safetea-lu_authorizations.pdf* (February 9, 2011).
5. Note that the budget proposal released by the Republican Study Committee in January (*http://rsc.jordan.house.gov/UploadedFiles/Spending_Reduction_Act--TWOPAGER.pdf*) proposes steep reductions in transit, Amtrak, and high-speed rail spending.

Bringing up the rear is $304 million for the federally mandated Metropolitan Planning Organizations, whose focus has been shifting from transportation to housing, land-use planning, lifestyle issues, and economic development.

Time to Rebalance the Program. Altogether, these diversions absorbed an estimated $19.9 billion in FY 2009 highway spending, or about 38 percent of the total. As a consequence, motorists received only about 62 percent of what they paid into the fund for general purpose roads and safety programs.

Redeploying these diverted funds back to roads used by the motorists and truckers who fund the system would yield the equivalent of a 50 percent increase in new spending for road improvements and capacity increases. Conversely, by allowing states to (temporarily) ignore these many wasteful, diversionary mandates, many states would be able to improve mobility at the lower levels of spending.

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