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Transportation Conference Bill: Some Good Reforms, but Too Much Spending

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Senate and House conferees have reached an agreement to fund surface transportation programs through 2014. The bill, MAP-21 (H.R. 4348), should be measured against how it steers the country away from its current path of reckless spending and whether it improves congestion, mobility, and safety.

Lawmakers deserve credit for including reforms such as environmental review streamlining, consolidating or eliminating programs, and giving states more flexibility on how to use their federal transportation dollars. However, the bill spends too much and does not keep spending in line with what the Highway Trust Fund (HTF) brings in through the federal gas tax.

Positive Reforms. Conferees made welcome improvements that reduce the federal government's role in transportation policy and give more freedom to states and localities, which know their transportation needs better than Washington does.

- **No earmarks.** The bill stayed consistent with the original House bill (H.R. 7) and got rid of all earmarks, sharply reversing course from its predecessor, SAFETEA-LU, and its 6,300 earmarks.[1] Eliminating earmarks removes some of the politics from the legislative process and reduces the bias toward favoring certain projects over other, potentially less important ones.

- **Consolidates and eliminates programs.** This bill consolidates over two-thirds of highway programs and eliminates unnecessary programs, saving $700 million on the Land and Water Conservation Fund alone, for example. However, it retains some competitive grants such as New Starts, allowing Washington to pick winners and losers instead of giving states that money through normal formula funding to use as they see fit.

- **Gives states flexibility.** States are currently unable to fully set their transportation priorities, because the federal government dictates how they can spend portions of their money. Their limited resources are diverted from urgent infrastructure projects to so-called enhancements, such as flower plantings, bicycle and nature trails, and roadside transportation museums.[2] This bill would send 50 percent of the funds meant for these alternative transportation programs to the local level, and the rest would go to the state. States would have the ability of opting out of spending money on pedestrian and bike trails and safety-related infrastructure. With other projects eligible for this once-sacrosanct funding, states will have more control and freedom to meet their transportation needs without the micromanagement of Congress or federal bureaucrats.

- **Streamlines the regulatory process.** The bill would speed up the environmental review process for approving projects, in part by allowing certain projects to fall under categorical exclusions. Cutting the project delivery time for these projects in half—from 15 years to about seven—would free

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up resources for others. Cutting red tape saves states both time and money and stretches their highway dollars further.

Irresponsible Spending Continues. The bill spends too much, and to pay for this overspending, it contains transfers from the general fund, which are themselves paid for through new revenue streams. Some of the policy changes that yield new revenues are unacceptable, but beyond that, new revenue should not be used for new spending. The bill also continues diverting HTF funds to costly and wasteful transit programs.

Spending Is Too High. To fund transportation programs through 2014, the bill would spend $120 billion, or $60 billion per year. Though consistent with current spending levels, it is well above what the HTF will collect: According to the Congressional Budget Office, the trust fund will run out of money in 2013, meaning spending is clearly outpacing revenues.[3] Keeping spending within the limit of the trust fund puts pressure on lawmakers to return control of transportation programs and their funding to the states.

Transfers from the general fund to pay for the bill would be offset mostly by pension and flood insurance changes. One pension-related reform would allow private businesses to invest less money in their employees' defined-benefit pension plans. This is terrible policy that would harm the position of many under-funded plans. It also increases taxpayer risk of a pension bailout through the Pension Benefit Guaranty Corporation (PBGC).[4] The other increases the premiums that an employer must pay to the PBGC for insurance. This change is good policy, but revenues should shore up PBGC instead of paying for additional spending.

Similarly, revenue gained from higher premiums to the National Flood Insurance Program (NFIP) should begin to repay the $17.5 billion the program owes to taxpayers—not to pay for more spending.[5] A different change to the NFIP would require that homes located near a levee or similar structure must have NFIP coverage. This would protect both homeowners and taxpayers. However, new revenues generated by sound policy reforms should go toward reducing the country's unsustainable deficits—not new spending.

Continues Transit Diversion. The HTF is in an unhealthy state due to declining gas tax revenues, caused in part by changes in motorist habits, gas prices, and increasingly fuel-efficient cars. The diversion of up to 35 percent of funds to non-general-purpose road projects exacerbates this problem.

Transit programs are the most egregious recipient, siphoning off 20 percent of revenues. They are incredibly costly, do not deliver on promises to reduce congestion or improve air quality, and commit state taxpayers to paying operating subsidies for years to come that they cannot afford.

Continues Subsidizing Student Loans. The bill would extend the 3.4 percent interest rate on subsidized Stafford student loans, saving the average student about $7 per month.[6] However, keeping these college loan rates artificially low and saddling taxpayers with the $6 billion price tag fails to fundamentally drive down the cost of college in the long term.

Ever-increasing federal higher education subsidies have exacerbated the college cost problem, and maintaining the 3.4 percent rate on Stafford loans is yet another federal subsidy. Part of the pension reform described above would offset the cost of extending the loan rates, but this amounts to one bad policy on top of another.

Get Serious. The federal government's overreach into transportation program and funding decisions has increased, fueled by the misguided premise that Washington must have

1. Alison Acosta Fraser, "Will Transportation Program Reauthorization Be Another Big Spending Boondoggle?," Heritage Foundation *WebMemo* No. 3482, February 2, 2012, http://www.heritage.org/research/reports/2012/02/transportation-program-reauthorization-another-big-spending-problem.
2. Ronald D. Utt, "Next Highway Reauthorization Bill Should Terminate the Transportation Enhancement Program," Heritage Foundation *WebMemo* No. 3407, November, 7, 2011, http://www.heritage.org/research/reports/2011/11/next-highway-reauthorization-bill-and-transportation-enhancement-program.
3. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 through 2022*, January 31, 2012, http://cbo.gov/ftpdocs/126xx/doc12699/01-31-2012_Outlook.pdf (accessed February 2, 2012).
4. David C. John, "Highway Bill's Pension Language Makes Taxpayer Bailout of PBGC More Likely," Heritage Foundation *Issue Brief* No. 3560, April 4, 2012, http://www.heritage.org/research/reports/2012/04/pension-funding-issues-hidden-in-transportation-highway-bill.
5. David C. John, "Senate Flood Insurance Compromise Will Reduce Taxpayer Cost of Disasters," The Heritage Foundation, *The Foundry*, June 28, 2012, http://blog.heritage.org/2012/06/28/senate-flood-insurance-compromise-will-reduce-taxpayer-cost-of-disasters/.
6. Lindsey M. Burke and Jason Richwine, "Bad Deal on Student Loans," National Review Online, June 28, 2012, http://www.nationalreview.com/articles/304225/bad-deal-student-loans-lindsey-m-burke (accessed June 29, 2012).

a say in how every transportation dollar is spent. With this has come more regulation—as well as funds being spent on programs that have little to do with general purpose roads. Some of the reforms in this bill that give states more flexibility over their money and reduce the burden of red tape are positive steps toward reversing those trends.

Lawmakers are responsible for changing course, and that means cutting spending to live within the federal government's means—in this case, within the limits of the HTF. This bill does not meet that goal. The use of new revenues—from both good and bad policy changes—to pay for the overspending is particularly unacceptable. Congress should demonstrate that it is serious about curbing its overspending habit.

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