ISSUE BRIEF

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Transportation and Infrastructure Policy: More State and Less Federal Control

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Some lawmakers on the House Transportation and Infrastructure (T&I) Committee seek to justify a deep-rooted federal role in transportation and infrastructure, citing the growing number of port, waterway, road, and bridge projects needed in the states. They would exempt transportation from any federal budget belt-tightening and instead argue for *increased* federal spending to fix states' aging infrastructure, increase mobility for goods and people, and create jobs.

Experience with the federal highway program has shown why more state—and less federal—control would be a more efficient strategy. The T&I Committee should advance policies that:

- End diversions of federal fuel tax revenues to transit and transportation "enhancements";
- Increase states' flexibility, allowing them to redeploy diverted funds to highway projects;
- Reduce barriers to expanding public–private partnerships; and
- Reject more transportation "stimulus" and exercise spending restraint.

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Current Policy Diverts Federal User Fees. Motorists and truckers pay a fixed 18.4 cents-per-gallon federal fuel tax into the Highway Trust Fund (HTF). The HTF is plagued by diversions of these user fees from general-purpose roads and bridges to transit and "transportation alternatives" (TAs), formerly called "enhancements." TAs include bicycle and walking paths, scenic overlooks, and environmental pollution mitigation. From 2009 to 2011, $27.3 billion, or 19 percent, of trust fund revenues were obligated to diversions.[1]

Transit—the largest diversion—consumed about 17 percent of trust fund revenues in 2010 alone, though it accounted for only about 1 percent of the country's surface travel.[2] Justification for subsidizing transit was that it would reduce traffic congestion and provide a practical transportation option for low-income citizens. It has failed on both counts.[3]

The current surface transportation law, called Moving Ahead for Progress in the 21st Century (MAP-21), did eliminate some TAs, such as transportation museums and acquisition of scenic or historic sites and easements, from the list of previously eligible activities, but lawmakers should go further. They should eliminate the eligibility of these programs for federal funding and turn them over to the states and localities. *If* federal lawmakers continue such low-priority programs, they should at least allow states to redeploy the diverted funds to highway and bridge projects.

States Are Addressing Funding Challenges. Recently, Congress has shored up the HTF with general fund transfers, including $18.8 billion under MAP-21. Absent policy changes, the trust fund is projected to become exhausted by fiscal year 2015.[4] Congressional support for increasing the federal gas tax is appropriately low. A tax increase at present would continue wasteful diversions at the expense of projects that actually improve mobility and safety.

State leaders, who are simultaneously dealing with tight budgets and growing infrastructure needs, are not waiting for federal lawmakers to act. They have already done the following:

- **Virginia.** In February, the General Assembly agreed to increase the state's sales tax by 0.3 percent and replace its 17.5 cents-per-gallon gas tax with a 3.5 percent wholesale tax on gasoline and a 6 percent tax on diesel. It also increased both the registration fees for hybrid or electric vehicles and the sales taxes on motor vehicles.
- **Maryland.** State Senator Thomas Miller has proposed a 3 percent sales tax on gasoline and the option of increasing the state's 23.5 cent gasoline tax by up to five cents.
- **Kansas.** Governor Sam Brownback (R) has called for combining the state's Department of Transportation and the Kansas Turnpike Authority for a projected $15 million in annual operating cost savings.
- **Indiana.** Governor Mike Pence (R) has called for spending excess state reserves on infrastructure projects.

Figuring out a workable solution for transportation needs is each state's prerogative. States are demonstrating their willingness and ability to address funding challenges, and their response builds momentum for increasing state control of transportation funding and decisions.

Public–Private Partnerships. Expanded use of public–private partnerships (P3s) could help narrow the gap between local infrastructure needs and available public funds. States benefit greatly from the job creation, increased capacity, and decreased traffic congestion that P3s yield—all for less up-front investment.

For example, Virginia invested $409 million in a P3 agreement with private companies Transurban and Fluor. In return, it gained 14 additional miles of high-occupancy toll lanes along the Capital Beltway—an increased capacity worth $2 billion—and the resulting economic benefits.[5]

While P3s are one tool for meeting funding challenges, however, they are not a cure-all. Not all projects are suited to such complex, time-intensive contracts. Other obstacles, such as federal restrictions on tolling of interstate highways, must still be addressed by states and the federal government before states can further leverage P3s.

Beware of Stimulus "Promises." Lawmakers should question claims that increased federal spending on infrastructure would lead to economic prosperity and create jobs. Academic studies examining this relationship have found that new infrastructure spending is disbursed slowly and often fails to create jobs for unemployed people, as a 2008 Heritage Foundation review of the literature reported.[6] Experience with the 2009 stimulus only confirms this weak relationship. Stimulus does not increase jobs on net, but it does worsen budget deficits.

Federal money also has strings, such as the onerous Davis–Bacon labor requirements, which slow project delivery times and increase costs. Lawmakers should free states from these burdens.[7]

Back to the States. States are increasingly facing challenges in addressing their legitimate transportation needs. Given waning HTF funds and budget pressures, states are searching for alternative funding streams. The T&I Committee should not pursue increased or even status quo federal control of transportation policy. It should begin to phase out the federal transit program and further phase out transportation alternatives' eligibility for federal funding.

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2. Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013, http://www.heritage.org/research/reports/2013/01/transit-policy-in-an-era-of-the-shrinking-federal-dollar.
3. 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.
4. Congressional Budget Office, "Projections of Highway Trust Fund Accounts Under CBO's February 2013 Baseline," February 5, 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884_HighwayTrustFundAccounts_0.pdf (accessed February 11, 2013).
5. William G. Reinhardt and Ronald D. Utt, "Can Public–Private Partnerships Fill the Transportation Funding Gap?," Heritage Foundation *Backgrounder* No. 2639, January 13, 2012, http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap.
6. Ronald D. Utt, "More Transportation Spending: False Promises of Prosperity and Job Creation," Heritage Foundation *Backgrounder* No. 2121, April 2, 2008, http://www.heritage.org/research/reports/2008/04/more-transportation-spending-false-promises-of-prosperity-and-job-creation.
7. James Sherk, "Why the Davis–Bacon Act Should Be Repealed," Heritage Foundation *WebMemo* No. 3451, January 12, 2012, http://www.heritage.org/research/reports/2012/01/why-the-davis-bacon-act-should-be-repealed.

Short of these reforms, lawmakers should give states the flexibility to spend currently diverted transportation dollars on highway programs of their choosing and eliminate barriers to tolling and other state-level funding sources. Such measures would lay crucial groundwork for ultimately turning the federal highway program back to the states, where it belongs.

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