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Infrastructure

Summary and Key Talking Points

Policy Proposals

1. Limit spending by the Highway Trust Fund to highways and focus on programs that are truly national in nature.
2. Reduce federal spending on highways and lower the federal gasoline tax.
3. Unburden infrastructure from mandates and regulations.
4. Reform the environmental review process.
5. Privatize federal transportation services.

Quick Facts

1. Roughly $10 billion per year is diverted to mass transit from gasoline taxes paid into the Highway Trust Fund even though many transit riders have never paid into the fund, and even though transit accounts for just 1 percent to 5 percent of total travel.
2. The number of the nation's National Highway System bridges that the Federal Highway Administration deems in poor condition (requiring maintenance) decreased from 5 percent in 2000 to 3 percent in 2023.
3. Overspending on mass transit projects has led to more than $200 billion in spending diversions from the Highway Trust Fund as of 2022.

Power Phrases

Recognize Ownership and Jurisdiction

- The vast majority of transportation infrastructure assets are owned, operated, and maintained by state and local governments, businesses, and individuals.
- Excessive federal involvement has led to inefficiencies, delays, and waste, rather than superior infrastructure for the nation.

Reestablish Local Decision Making and Control

- Infrastructure decisions should be made at a local or state level or by the private sector, all of which are more accountable to the public and knows their community's transportation needs better than Washington.

Ensure That Those Who Pay Benefit

- Specific transportation infrastructure funds should not be diverted to other unrelated programs. Highway motorists should not have to subsidize urban transit or bike paths.

The Issue

Transportation infrastructure is vital to the nation's economic health. Ease of movement in the air and on highways, roads, rails, bridges, and waterways contributes to the productivity of workers, manufacturers, and other businesses. Yet the current Washington-centric approach hampers transportation investment through bureaucracy, mismanagement, and record resource misallocation in spending of more than $100 billion per year. The inefficacy of federal management undermines the basis of federal transportation policy: maintaining nationally significant infrastructure to improve mobility in a cost-effective manner. Instead, workers have received longer commutes, growing congestion, and lackluster benefits for the federal taxes they pay.

Politicians often justify increased infrastructure spending with hollow promises of job creation, economic growth, and idyllic dreams that are incompatible with the day-to-day lives of most Americans. They invoke the nation's allegedly "crumbling" infrastructure to justify wasteful special-interest spending. As a result, spending from the Highway Trust Fund is diverted to low-value programs that are unrelated to highways, thereby diluting the fundamental "users pay, users benefit" model by shortchanging the motorists and truckers who pay gasoline taxes.

The question is not whether America should be investing in transportation infrastructure, but how much the federal government should be responsible for this investment and how Americans can improve their infrastructure most effectively. To achieve maximum efficiency and accountability, as many infrastructure decisions as possible should be made by the appropriate entity where most of the benefits reside. In most instances, this means at the local and state levels or by the private sector.

Moreover, these decisions should be made free from federal mandates and burdensome regulations. Local and state governments, along with businesses, are more accountable to those who rely on their infrastructure and know their transportation needs better than Washington ever could. In fact, they already enact policies independently to generate their own transportation funding. Congress and the Administration should seek to empower states and the private sector by limiting the role of the federal government to concerns that are truly national in scope.

Recommendations

In order to improve the public value of transportation infrastructure programs, Congress should:

Reform the Highway Trust Fund to reflect 21st-century realities. Reducing Highway Trust Fund spending and taxes can produce tens of billions of dollars' worth of gains in efficiency per year and empower state and local governments in the process. Reforming the Highway Trust Fund would involve:

- **Eliminating non-highway diversions,** such as mass transit, the Transportation Alternatives Program (which funds bike and foot paths), ferry boats, and more. These diversionary programs account for approximately 30 percent of trust fund spending, support modes of transportation that do not pay into the fund, are littered with pork projects, and are the root cause of trust fund insolvency.

- **Reducing federal spending on highways and lowering the federal gasoline tax.** When the Highway Trust Fund was created in 1956, many Western states did not have the resources to build or maintain their portions of the budding interstate highway system. Today, the interstate system is complete from a national perspective, and states have the capacity to maintain highways. As a result, continued federal involvement only adds a layer of bureaucratic cost and delays and makes it easier to fund marginal projects. In addition, the current leftward trend of the U.S. Department of Transportation means that decision-making must take account of "social justice" priorities. Substantially reducing the federal role and the federal gasoline tax over a period of five to 10 years would provide more room for states to manage highways with less red tape and encourage responsible highway spending.

Remove barriers to non-federal infrastructure investments. Such regulations affect a variety of sectors that can be liberated by:

- **Providing parity between municipal and private infrastructure bonds.** The federal government subsidizes state and local infrastructure projects with the tax-free treatment of an unlimited amount of municipal bonds. In contrast, the Private Activity Bond program has a cap of $30 billion in active bond value, which is miniscule compared to the scope of infrastructure needs. As a result, public financing is the default for infrastructure. Either increasing the private bond cap or placing a cap on municipal bonds would level the playing field. Eliminating preferential tax treatment altogether would be ideal.

- **Eliminating airline ticket taxes, ending airport subsidies from taxpayers, and allowing airports to fund their own infrastructure.** The aviation industry is hobbled by federal micromanagement that reduces investments at high-demand airports and massively subsidizes low-demand airports. The $4.50 limit on the Passenger Facility Charge, which was set in 2000, makes it needlessly difficult for airports to finance improvements and expansion. The federal ticket tax funds the Airport and Airways Trust Fund, which disproportionately benefits low-use airports as does the Essential Air Service program. Clearing away these rules and programs would enable more competition among airports and airlines while incentivizing investment across the aviation industry, benefiting both the sector and consumers.

- **Reforming the prohibition on interstate highway tolling.** The tolling ban, which affects highways created since the start of the Highway Trust Fund, causes overreliance on gasoline taxes and overreliance on the federal government. It also gives preferential treatment to states that were more developed during the Eisenhower Administration. Allowing all state governments to make use of highway tolls, perhaps with rules to ensure that toll revenue is used for highways, would bolster the user-pays, user-benefits principle and provide more stable revenue as the vehicle fleet shifts toward low-gasoline and no-gasoline vehicles. This would also provide an opportunity to reduce or eliminate the federal gas tax as states take more responsibility for highways.

Reform the environmental review process to increase the speed and efficiency of federally funded projects without endangering the environment. The Trump Administration made long-overdue headway on this issue, and Congress should follow suit by:

- **Establishing time limits on reviews,** which currently take several years to complete on average.

- **Requiring agencies to produce public data** on the duration and length of submitted environmental reviews. This would enable better oversight of the issue.

- **Streamlining the National Environmental Policy Act** by limiting it to major environmental issues, excluding greenhouse gases from the review process, and requiring agencies to incorporate previous analyses into similar projects.

Eliminate federal subsidies for mass transit, which encourages inefficient operations and unnecessary expansions, produces negligible public benefit, and acts as a transfer of wealth from rural and suburban areas to cities.

- **Mass transit is suited to high-density metropolitan areas.** The U.S. has only one truly high-density metropolitan area—New York City—and much lower overall population density than Western Europe, Japan, and China, which the Left cites as examples to emulate. Decades of federal transit subsidies have not changed this reality, and more subsidies will yield the same result.

- **U.S. metropolitan areas with the highest transit usage also have income levels above the national average** and should be responsible for operating and maintaining their own transit systems.

- **The increase in remote work since 2020 has caused a permanent reduction in transit usage,** further reducing the value of transit subsidies and expansions.

- **Special handouts for electric buses are a boondoggle.** Due to the extra weight of batteries, such buses cause tremendous damage to roads. The added expense of purchasing new fleets of buses and spending more on road maintenance for the sake of trivial environmental effects is profoundly wasteful.

Eliminate regulations that needlessly increase the cost of federal infrastructure projects. The Davis–Bacon Act and project labor agreements increase labor costs. The Foreign Dredge Act makes it more expensive to improve overburdened ports. Buy American rules, a blunt instrument that hit allies and China equally hard, increase the cost of materials. These types of red tape are equivalent to lighting billions of taxpayer dollars on fire every year for the sake of political special interests.

Privatize federal transportation services. The federal government is responsible for the operation of many important transportation assets. The importance of these assets makes privatization more important, not less, because it would yield better management through efficiency and market incentives. Privatization opportunities include:

- **Amtrak.** The federal government has a de facto monopoly on intercity rail service, yet it loses money every year due to a combination of poor service and excessive operational area. Proposals to expand the Amtrak network have the problem exactly backwards. Aviation is a much better method of long-distance travel in terms of time and cost, which is why rail service has such low demand across most of the country. Privatization would enable viable lines, such as the Northeast Corridor, to continue with better service and eliminate subsidies for routes with low demand.

- **Air Traffic Control.** The Federal Aviation Administration's Air Traffic Organization (ATO) is responsible for providing air traffic control services. Worldwide, it is one of the last air navigation service providers housed within an aviation safety regulatory agency. There is bipartisan agreement that air traffic control is not inherently a government function. Government bureaucracy has led to an ATO that should be run like an advanced business but instead is slow to react, mired in red tape, and managed by an often-inattentive Congress. The ATO struggles with such basic functions as hiring employees and investing in capital projects. Privatization would bring private-sector flexibility and efficiency to the essential service and allow it to innovate outside the confines of federal bureaucracy.

- **Waterways.** The federal government controls both a majority of inland waterways (managed by the Army Corps of Engineers) and the St. Lawrence Seaway (managed by the St. Lawrence Seaway Development Corporation). Federal mismanagement results in poor infrastructure quality, unnecessary taxpayer subsidies at the expense of freight competitors, and funding for pork projects that narrowly benefit areas with political connections. Privatization would ensure investments in high-demand areas, better operational efficiency, and an end to hidden cross-subsidies.

Facts + Figures

FACT: Mass transit is subsidized far beyond its use, and this excessive subsidization leads to perverse outcomes.

- Roughly $10 billion per year is diverted to mass transit from gasoline taxes paid into the Highway Trust Fund even though many transit riders have never paid into the fund, and even though transit accounts for just 1 percent to 5 percent of total travel. This transit diversion is an artifact from the 1980s, when urban House Members held highway funding hostage and demanded a set-aside for transit.

- Major transit agencies receive over two-thirds of their funding from subsidies rather than self-generated revenue. As a result, there is little incentive to focus on the needs of the public and every incentive to focus on unnecessary expansions and lavish salaries.

- Compensation costs for transit workers average over $150,000 per year in cities such as New York, Washington, DC, and San Francisco.

FACT: The state of America's major infrastructure assets has improved over time.

- Members of Congress often use language like "crumbling roads and bridges" to justify increases in federal spending. However, the number of the nation's National Highway System bridges that the Federal Highway Administration deems in poor condition (necessitating maintenance) decreased from 5 percent in 2000 to 3 percent in 2023.

- Similarly, the portion of airport runways rated in poor condition decreased from 10 percent in 1990 to 2 percent in 2020.

FACT: The Highway Trust Fund fulfilled its original purpose 30 years ago and needs to be reformed.

- The trust fund was started to facilitate a full nationwide highway system. The work of building these vital arterial highways was finished in 1992.

- Rather than declaring victory and reducing the federal role, Congress has increased spending, both in dollar amounts and in the number of things supported by the trust fund. This now includes decidedly non-federal projects, such as bike paths, sidewalks, and streetcars. Such non-highway diversions account for approximately 30 percent of trust fund spending.

- Overspending has led to more than $250 billion of deficit-funded bailouts of the highway fund. For perspective, mass transit has received roughly $200 billion in spending diversions from the fund as of 2022.

Resources

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David Ditch, A Transportation Agenda for 2021 and Beyond, Heritage Foundation *Backgrounder* No. 3552, October 29, 2020.

David Ditch, The 2018 Water Infrastructure Bill Is a Flood of Failure, Heritage Foundation *Issue Brief* No. 4907, October 9, 2018.

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