Transportation, Housing and Urban Development, and Related Agencies

Eliminate the Essential Air Service Program

RECOMMENDATION

Eliminate the Essential Air Service (EAS) program. This proposal saves $299 million in FY 2018.

RATIONALE

The EAS was established in 1978 as a temporary program to provide subsidies to rural airports following the deregulation of the airline industry. Despite its original intention as a temporary program, the EAS continues to provide millions of dollars in subsidies to these airports. Indeed, spending on the EAS has increased by 600 percent since 1996 in constant dollar terms. This is despite the fact that commuters on subsidized routes could be served by other, existing, modes of transportation, such as intercity buses.

The EAS squanders federal funds on flights that are often empty: EAS flights typically are only half full, and nearly one-third of the routes fly planes that are at least two-thirds empty. For example, the EAS provides $2.5 million annually to continue near-empty daily flights in and out of Lancaster, Pennsylvania, even though travelers have access to a major airport (Harrisburg) just 40 miles away. To remain on the dole, airports served by the EAS must serve no more than an average of 10 passengers per day. The federal government should not engage in market-distorting and wasteful activities, such as the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities, not the federal government.

ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.
- Eli Lehrer, "EAS a Complete Waste of Taxpayer Money," The Heartland Institute, undated.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. These savings include $181 million in discretionary spending from eliminating "payments to air carriers," and $118 million in mandatory spending from eliminating payments to the EAS and rural airport improvement fund.

Eliminate the Appalachian Regional Commission

RECOMMENDATION

Eliminate the duplicative Appalachian Regional Commission. This proposal saves $154 million in FY 2018.

RATIONALE

The Appalachian Regional Commission was established in 1965 as part of Lyndon B. Johnson's Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation's highway program, as well as diverting federal funding to projects of questionable merit, such as those meant to support "Heritage tourism and crafts industries."[1] The program directs federal funding to a concentrated group of 13 states where funds are further earmarked for specific projects at the community level. If states and localities see the need for increased spending in these areas, they should be responsible for funding it. This duplicative carve-out should be eliminated.

ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. Savings include $151 million in discretionary spending and $3 million in mandatory spending.

Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

RECOMMENDATION

Eliminate the subsidies for the Washington Metropolitan Area Transit Authority (WMATA). This proposal saves $155 million in FY 2018.

RATIONALE

The WMATA, Washington, DC's local transit authority, is the only transit authority to receive direct appropriations from Congress. These grants come in addition to Federal Transit Administration formula funds and generous transit benefits to federal employees, which pad the system's revenues. Even with billions in federal and local subsidies, the low-performing agency has been plagued by increasingly poor service and financial instability.

Federal subsidies for the WMATA decrease incentives for the transit agency to control costs, optimize service routes, and set proper priorities for maintenance and updates. Indeed, Metro rail ridership has plummeted every year since 2009 and has declined 11 percent in the one-year period from 2015 to 2016. Even Metro has acknowledged that "Metrorail is also struggling to provide reliable service to customers,"[2] and has faced safety concerns that have had negative impact on ridership.

These ridership and safety issues come as Metro's financial picture looks increasingly grim. The agency's budget projection shows a $290 million shortfall for 2017, even after receiving huge local and federal subsidies. This is largely due to Metro's exorbitant costs: The rail system is the most expensive to operate per passenger mile of any of the major urban rail systems, and it furnishes more employees than any other system when adjusted for ridership.

Federal subsidies for the WMATA have masked Metro's shortcomings and allowed it to reach its current dilapidated state with little consequence. Instead of fixing its manifold issues, the WMATA's strategy has been to demand more money from federal taxpayers who will likely never use the system. Congress should eliminate subsidies to the WMATA, furthering market incentives to turn the WMATA into a more effective transit agency.

ADDITIONAL READING

- Michael Sargent, "Death Spiral or Not, Washington's Metro Is a Total Disaster," *National Interest*, November 4, 2016.
- Randal O'Toole, "The Nation's Worst-Managed Transit Agency," Cato Institute *At Liberty*, October 1, 2015.
- Ronald Utt, "Washington Metro Needs Reform, Not a Federal Bailout," Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections.

Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

RECOMMENDATION

Eliminate Amtrak's federal operating subsidy and phase out the capital programs over five years. This proposal saves $526 million in FY 2018.

RATIONALE

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. It began service on May 4, 1971. In FY 2016, it received an operating grant of $289 million and a capital and debt-service grant of $1.1 billion. Since its inception, Amtrak has received about $71 billion (in 2016 dollars) in taxpayer-funded federal grants.

Amtrak is characterized by an unsustainable financial situation and management that is feckless at improving its performance and service for customers due to hamstringing by unions and federal restrictions. Amtrak has a monopoly on passenger rail service, which stifles competition that could otherwise lower costs for taxpayers and passengers. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs. Amtrak trains are also notoriously behind schedule, evidenced by Amtrak's poor on-time performance rates. Amtrak trains were on time only 78.5 percent of the time in FY 2016. The railroad's long-distance lines fared substantially worse, arriving on time less than 50 percent of the time.

Congress should eliminate Amtrak's operating subsidies immediately in FY 2018 and phase out its capital subsidies over five years to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, and eliminate money-losing lines. Simultaneously, the Secretary of Transportation should generate a proposal to privatize Amtrak's profitable routes and turn over responsibilities for state-supported routes to the states. During this phase-out, Congress should repeal Amtrak's monopoly on passenger rail service, allowing private companies to enter the market and provide passenger rail service where they see a viable commercial market.

ADDITIONAL READING

- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010.
- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's August 2016 baseline. Savings include $299 million in operating subsidies and $227 million in reduced capital grants (representing a 20 percent reduction in the projected level of $1.137 billion).

Close Down the Maritime Administration and Repeal the Maritime Jones Act

RECOMMENDATION

Eliminate the Maritime Administration (MARAD) and repeal the maritime Jones Act. Eliminating MARAD saves $416 million in FY 2018. No savings are included for repeal of the maritime Jones Act.

RATIONALE

Created in 1950, MARAD's purpose is to maintain a maritime fleet to be used during a national emergency. Decades later, it continues to oversee and implement duplicative and crony laws for the benefit of special interests.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, taxpayers continue to directly subsidize small shipyards, a handout to politically favored firms that may not be efficient or competitive. MARAD further provides taxpayer-backed loan guarantees for companies to hire U.S. shipbuilders under its Maritime Guaranteed Loan (Title XI) Program—another handout to politically connected entities. Finally, the maritime Jones Act—established in 1920—requires unreasonable and overly burdensome standards: Any cargo (or persons) shipped between two U.S. cities must be on a U.S.-built and U.S.-flagged vessel with at least 75 percent of its crew from the U.S.

Congress should close down the Maritime Administration, transferring its international regulatory roles to another agency. The federal government should sell the government-owned ships in the Defense Ready Reserve Fleet and transfer funding for this program to the Department of Defense. Simultaneously, Congress should repeal the maritime Jones Act and MARAD's wasteful subsidy programs.

ADDITIONAL READING

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Backgrounder* No. 1048, August 17, 1995.
- Brian Slattery, Bryan Riley, and Nicolas Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Backgrounder* No. 2886, May 22, 2014.

CALCULATIONS

Only the savings from closing down MARAD are included. Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. Savings include $415 million in discretionary spending and $1 million in mandatory spending.

Eliminate Capital Investment Grants

RECOMMENDATION

Eliminate Capital Investment Grants, also known as the New Starts Transit Program. This proposal saves $2.229 billion in FY 2018.

RATIONALE

Capital Investment Grants were created in 1991 as part of the Intermodal Surface Transportation Efficiency Act, with the purpose of giving transit agencies grants for building new transit projects. Because New Starts is a competitive grant program that only funds novel transit projects (not maintenance of existing systems) it gives localities the incentive to build costly and unnecessary transit systems they can ill afford to operate and maintain. This comes at the expense of maintaining existing infrastructure, exacerbating the already large maintenance backlogs in many major cities.

Criteria for eligible projects include "congestion relief," "environmental benefits," and "economic development effects," but—tellingly—no longer include "operating efficiencies."[3] In some cases, such as when a streetcar receives a Capital Investment Grant, the project will *increase* traffic congestion by blocking a lane and slowing down cars using the road. These projects are perennially over budget, further straining local and federal taxpayers alike. A review of federal studies examining the last 15 projects that were completed shows that the projects were over budget by nearly 30 percent on average. Worse, the costs for these expensive rail projects tend to detract funding from more practical services, such as buses needed by low-income residents.

Congress should terminate funding for Capital Investment Grants. Such a reform should be a part of ending the federal transit program and allowing the states and private sector to manage and fund transit systems where they are truly effective.

ADDITIONAL READING

- Randal O'Toole, "Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013.
- Randal O'Toole, Cato Institute, testimony before the Subcommittee on Highways and Transit, Transportation and Infrastructure Committee, U.S. House of Representatives, December 11, 2013.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections.

Privatize the Saint Lawrence Seaway Development Corporation

RECOMMENDATION

Privatize the Saint Lawrence Seaway Development Corporation (SLSDC). This proposal saves $29 million in FY 2018.

RATIONALE

Created through the Wiley–Dondero Act of 1954, the SLSDC is a government-owned entity charged with maintaining and operating the part of the Saint Lawrence Seaway that is within United States territory. The seaway opened in 1959.

Canada, which also borders the seaway, privatized its agency equivalent in 1998, eliminating any future taxpayer funding for its maintenance and operation activities. Privatization of this kind in the U.S. would encourage productivity and competitiveness and reduce the burden on taxpayers. Congress should follow Canada's example and privatize the SLSDC.

ADDITIONAL READING

- Chris Edwards, "Downsizing the Federal Government: Department of Transportation, Timeline of Growth," Cato Institute, undated.
- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections.

Eliminate the National Infrastructure Investment Program

RECOMMENDATION

Eliminate the National Infrastructure Investment Program, formerly known as the Transportation Investment Generating Economic Recovery (TIGER) grant program. This proposal saves $518 million in FY 2018.

RATIONALE

The National Infrastructure Investment Program provides competitive grants administered by the U.S. Department of Transportation. It began as part of the 2009 stimulus bill and was intended to be a temporary program that funded road, rail, transit, and port projects in the national interest.

Eight years later, this "temporary" program has proven too tempting a spending opportunity for Congress and the Administration to give up, and has remained a permanent fixture.

Through TIGER, Washington sends federal dollars to pay for projects that clearly fall under the purview of local government and serve no stated federal objective. Past projects include a $16 million, six-mile pedestrian mall in Fresno, California; a $14.5 million "Downtown Promenade" in Akron, Ohio; and a $27.5 million streetcar in Detroit, Michigan.

Moreover, TIGER grants amount to "administrative earmarks," because federal bureaucrats (prodded by powerful Members of Congress) choose the criteria that a project must meet, and in turn decide which projects will receive grants. That gives cities perverse incentives to pander to Washington, asking for federal money for a project they may not need just to keep another city or state from receiving the funds.

The TIGER grant program creates perverse incentives for localities, duplicates programs at state and local transportation agencies, and squanders federal resources on local projects that have little to do with interstate commerce.

These projects would be more appropriately funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

ADDITIONAL READING

- Baruch Feigenbaum, "Evaluating and Improving TIGER Grants," Reason Foundation *Policy Brief* No. 99, April 2012.

CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections.

Eliminate the Airport Improvement Program and Reform Airport Funding

RECOMMENDATION

Eliminate the Airport Improvement Program (AIP) and reform airport funding. This proposal saves $3.350 billion in FY 2018.

RATIONALE

The AIP provides federal grants for capital improvements at public-use airports. The grants are funded primarily by federal taxes on passenger airline tickets, as well as other aviation activities. AIP grants can only be used for certain types of "airside" capital improvements, such as runways and taxiways, and are tied to strict regulations that govern how airports can operate. The AIP functions as a middle-man scheme that redistributes fliers' resources from the most significant airports to those of far less significance. For example, the 60 largest airports in the U.S. serve nearly 90 percent of air travelers. Though these large airports have the greatest need for capital investment, they receive only 27 percent of AIP grants. Non-commercial airports—which serve less than 1 percent of commercial fliers and thus contribute a trivial share of revenue—receive about 30 percent of AIP grants.

Instead of continuing this redistributive scheme, Congress should eliminate the AIP, reduce passenger ticket taxes, and reform federal regulations that prohibit airports from charging market prices for their services. These reforms would eradicate the inefficient and inequitable distribution of flier resources and would allow airports to fund capital improvements in a local, self-reliant, and free-market manner. This proposal would reduce spending by $3.35 billion in 2018.

ADDITIONAL READING

- Michael Sargent, "End of the Runway: Rethinking the Airport Improvement Program and the Federal Role in Airport Funding," Heritage Foundation *Backgrounder* No. 3170, November 23, 2016.

CALCULATIONS

Savings are expressed as contract authority (listed as "grants-in-aid for airports") as found in the CBO's most recent August 2016 baseline spending projections. All $3.350 billion in savings represent mandatory spending.

Phase Out the Federal Transit Administration

RECOMMENDATION

Phase out the Federal Transit Administration (FTA) by putting the agency and its funding level on a five-year phase-out plan. This proposal saves $2.170 billion in FY 2018.

RATIONALE

Called the Urban Mass Transit Administration when created in 1964, the agency now known as the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems (such as for buses and subways).

The federal government has subsidized mass transit since the 1960s, and it began using federal gas taxes (user fees) paid by drivers into the Highway Trust Fund (HTF) to pay for transit in 1983. The transit diversion within the HTF marks the largest such diversion, accounting for nearly one-fifth of HTF spending. The reasons for funding transit were to offer mobility to low-income citizens in metropolitan areas, reduce greenhouse gas emissions from cars, and relieve traffic congestion. Yet transit has largely failed in all of these areas despite billions of dollars in subsidies. Transit use is concentrated in just six cities: Boston, Chicago, New York, Philadelphia, San Francisco, and Washington, DC.

The FTA, a federal agency, has been subsidizing purely local or regional activities when it issues grants for streetcars, subways, and buses. Transit is inherently local in nature, and it would be more appropriately funded at the local or regional level. Motorists in Montana or Texas should not have to see the gas tax dollars they send to Washington diverted to buses and subways when these funds should be dedicated to interstate road and bridge improvements.

Transit should not be a federal priority, particularly given current federal budget constraints. The federal government should phase out the Federal Transit Administration over five years by reducing federal transit funding by one-fifth per year, and simultaneously reducing the FTA's operating budget by the same proportion. Phasing out the program would allow state and local governments time to evaluate the appropriate role of transit in their jurisdictions. It would also give them the much-needed incentive to adopt policy changes that improve their transit systems' cost-effectiveness and performance.

ADDITIONAL READING

- Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013.

CALCULATIONS

Savings are expressed as budget authority (for discretionary spending) and contract authority (for mandatory spending) as projected for FY 2018 by the CBO's most recent August 2016 baseline spending projections. Savings represent a 20 percent reduction in projected budget or contract authority, based on a five-year phase-out beginning in 2018. Savings include $23 million in discretionary spending for the FTA's administrative expenses, and $2.147 billion in mandatory spending for the FTA's transit formula grants, for a total of $2.170 billion in FY 2018.

ENDNOTES

1. Appalachian Regional Commission, "ARC Project Guidelines," 2011, http://www.arc.gov/images/newsroom/publications/guidelines/ARCProjectGuidelines.pdf (accessed January 12, 2016).
2. WMATA, "FY 2017: Ridership and Revenue," October 8, 2015, http://www.wmata.com/about_metro/board_of_directors/board_docs/100815_4BFY2017BudgetRidershipandRevenue.pdf (accessed January 12, 2016).
3. Randal O'Toole, "Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, http://www.cato.org/publications/policy-analysis/paint-cheaper-rails-why-congress-should-abolish-new-starts (accessed December 8, 2015).