

Chairman Bill Shuster
House Transportation and Infrastructure Committee
2165 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Shuster:

When developing legislation to reauthorize federal surface transportation programs, we the undersigned ask you to support a policy change to change all discretionary funds into formula funds. This would allocate transportation funds more equitably and produce measurable improvements in mobility and congestion relief.

As you know, federal surface transportation funds are either *formula funds*, which are distributed to state and local governments based on such factors as population or transit ridership, or *discretionary grants*, which are distributed based on how well a project meets the goals of the grant program. We strongly recommend that all discretionary grant funds including, at minimum, the Fixed Guideway Capital Investment Grants (New Starts) and – if it is retained – the Transportation Investment Generating Economic Recovery (TIGER) program be converted to formula funds.

Formula funds were used to build the greatest and arguably the most successful public works program in history: the Interstate Highway System. Discretionary grants, on the other hand, are often spent on wasteful programs that provide negligible transportation benefits yet impose huge costs on states and local communities for decades. There is a precedent for this change, as MAP-21 converted both the Bus and Bus Facilities program and the Ferry Boat and Ferry Facilities program into formula funds.

We offer three reasons why conversion of discretionary grants to formula funds would be in the best interests of the American people and the transportation systems they use.

First, discretionary grants end up being *political grants*, giving the administration tools to build its political base. Research by both the Government Accountability Office and the Reason Foundation has shown, for example, that TIGER competitive grants have disproportionately gone to Democratic districts rather than being balanced between Democrat and Republican districts (see GAO report 14-628R, tinyurl.com/gaoontiger, and Reason policy brief 99, *Evaluating and Improving TIGER Grants*, tinyurl.com/reasonontiger.)

Second, discretionary grants give state and local governments incentives to propose the most *expensive* rather than the most *efficient* transportation projects in an effort to get a greater share of federal funds. Research by the Cato Institute has shown that local governments often choose the least cost-effective and most expensive New Starts projects rather than projects that could achieve the same goals for far less money (see Cato policy analysis 727, tinyurl.com/CatoPA727).

Third, discretionary grants are unfairly distributed to a limited number of states and metropolitan areas. Converting them to formula funds would be far more equitable on both a geographic and a population basis.

We suggest that the formula funds be distributed based on the user fees collected by state and local transportation agencies. User-fee-funded infrastructure tends to be in better condition than infrastructure funded out of tax dollars and user fees give both users and transportation providers better incentives and signals about the value and costs of transportation resources.

For this purpose, we would define user fees as fees collected from users that are dedicated specifically to the mode of transportation that generated the fees. By this definition, gas taxes, tolls, and vehicle registration fees dedicated to highways or streets and transit fares dedicated to transit are both user fees, while gasoline taxes and other highway fees that are spent on transit, bike lanes, education, or other non-highway programs are not user fees.

Converting discretionary grants to formula funds would help restore America's transportation system to being the best in the world. We hope you will consider this as you prepare the 2015 surface transportation reauthorization bill.

Yours truly,