



*Protecting Freedom, Mobility  
& Affordable Homeownership*

5134 Reynolds Avenue • Waunakee, WI • 53597 • 608-249-9188 • [americandreamcoalition.org](http://americandreamcoalition.org) • 22 January 2015

Chairman Jim Inhofe  
Senate Environment & Public Works Committee  
410 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Inhofe:

When developing legislation to reauthorize federal surface transportation programs, we the undersigned ask you to support a policy change to convert 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 the goals of the grant program. We strongly urge 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, however, are often spent on wasteful projects that provide negligible transportation benefits yet impose huge operations and maintenance costs on states and local communities for decades. There is a precedent for this change, as MAP-21 converted the Bus and Bus Facilities fund, the Ferry Boat and Ferry Facilities fund, and the Congestion Mitigation/ Air Quality fund 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](http://tinyurl.com/gaoontiger), and Reason policy brief 99, *Evaluating and Improving TIGER Grants*, [tinyurl.com/reasonontiger](http://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. 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](http://tinyurl.com/CatoPA727)).

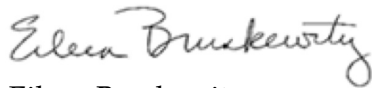
Third, discretionary grants are unfairly distributed to a limited number of states and metropolitan areas. Converting them to formula funds would be far more equitable on both a geographic and a population basis.

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.

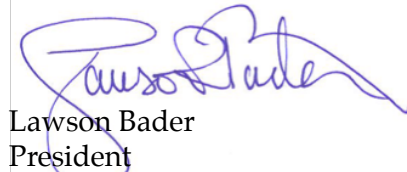
For this purpose, we would define user fees as fees collected from users that are dedicated specifically to the mode of transportation that generated the fees. By this definition, gas taxes, tolls, and vehicle registration fees dedicated to highways or streets and transit fares dedicated to transit are 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,



Eileen Bruskwitz  
Executive Director  
American Dream Coalition  
Waunakee, WI  
americandreamcoalition.org



Lawson Bader  
President  
Competitive Enterprise Institute  
Washington, DC  
cei.org



Justin Owen  
President  
Beacon Center of Tennessee  
Nashville, TN  
beacontn.org



Kim Crockett  
Executive Vice President  
Center of the American Experiment  
Golden Valley, MN  
americanexperiment.org



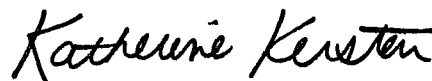
Brent Gardner  
Vice President for Government Affairs  
Americans for Prosperity  
Arlington, VA  
americansforprosperity.org



Michael Carnuccio  
President  
Liberty Foundation for America  
Oklahoma City, OK  
libertyfound.org



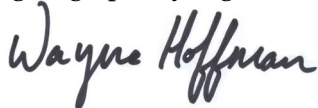
John Charles  
President  
Cascade Policy Institute  
Tigard, Oregon  
cascadepolicy.org



Katherine Kersten  
Senior Fellow  
Center of the American Experiment  
Golden Valley, MN  
americanexperiment.org



Kelly McCutchen  
President  
Georgia Public Policy Foundation  
Atlanta, GA  
georgiapolicy.org



Wayne Hoffman  
President  
Idaho Freedom Foundation  
Boise, ID  
idahofreedom.org



Jon Caldera  
President  
Independence Institute  
Denver, CO  
i2i.org



Jonathan Small  
Executive Vice-President  
Oklahoma Council of Public Affairs  
Oklahoma City, OK  
ocpathink.org



Paul Gessing  
President  
Rio Grande Foundation  
Albuquerque, NM  
riograndefoundation.org



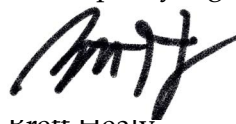
Bob Pishue  
Transportation Director  
Washington Policy Center  
Seattle, WA  
washingtonpolicy.org



Keli'i Akina  
President  
Grassroot Institute of Hawai'i  
Honolulu, HI  
grassrootinstitute.org



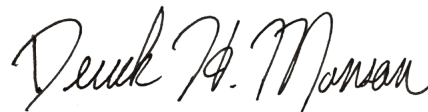
Kristina Rasmussen  
Executive Vice President  
Illinois Policy Action  
Springfield, IL  
illinoispolicy.org



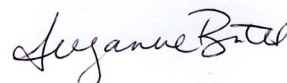
Brett Healy  
President  
MacIver Institute  
Madison, WI  
maciverinstitute.com



Matt Meyer  
President  
Opportunity Ohio  
opportunityohio.org



Derek Monson  
Director of Public Policy  
Sutherland Institute  
Salt Lake City, UT  
sutherlandinstitute.org



Suzanne Bates  
Policy Director  
Yankee Institute for Public Policy  
Hartford, Connecticut  
yankeeinstitute.org