

# WebMemo



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## President Obama Busts the Budget for Pie-in-the-Sky Amtrak and “Livability” Proposals

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President Obama’s budget proposal for fiscal year (FY) 2012 is an unabashed attempt to grow government and add \$1 trillion to the national debt. While a detailed review of the flaws in the President’s budget is beyond the scope of this paper,<sup>1</sup> one of the budget’s more fiscally irresponsible components is the proposal to increase surface “transportation” spending by more than 84 percent (from \$58 billion to \$107 billion) over FY 2010 spending levels.<sup>2</sup>

To put this in context: The President’s overall spending totals for the same period would rise by 7.9 percent, so transportation spending would rise more than 10 times faster than all programs combined. As proposed by the President, this would be a one-time blast of money. In the next fiscal year (2013), total transportation spending would decline by \$30 billion, so the new transportation plan should be seen as a “twofer” for the President, validating his borrow-and-spend policies and lavishing money on supporters before the election. One reason for the explosion in proposed transportation spending is the President’s commitment to create two new programs—Amtrak/high-speed rail (HSR) and Livability—that have strong appeal to unions and environmentalists.

**The Alchemy of Fiscal Extravagance.** As is apparent from the President’s first two years in office, he and his team believe in a primitive form of Keynesian economics, one of the tenets of which is that government can spend its way to economic prosperity. Despite the revolving collection of euphemisms to define these varied schemes—“stimulus,” “jobs,” and now “investments”—this proposal would fare

no better than the first several efforts. Notwithstanding the failure of the first several mega-billion-dollar stimulus plans, the President seems determined to find validation for his views, and taxpayers are expected to finance the search.

**The Politics of Fiscal Extravagance.** Added to this is the political allure of federal transportation spending that disproportionately benefits members of labor unions and their leaders. All workers on federally supported construction projects must be paid “prevailing” wages in accordance with the Davis-Bacon Act, and these wages are higher than those in the competitive market. Such wages are common to union contracts. A recent Heritage Foundation study found that the Davis-Bacon Act increases the cost of federal construction projects by 9.9 percent and that its repeal would create 155,000 more construction jobs at the same cost to taxpayers.<sup>3</sup>

Davis-Bacon is not the only cost problem. All federally funded transit systems are operated by unionized workers who are paid wages and benefits, and provided costly job protections under Section 13(c) of the Federal Transit Act and other federal statutes, well above those of comparable workers in the private sector, whether unionized or not.

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**The President's Amtrak Plan.** While the President promises high-speed rail (HSR) service (top speeds of at least 150 mph), most of his projects involve signal and track improvements on privately owned freight rail systems that would provide marginal improvements in the Amtrak service sharing those tracks. As Heritage has noted, the President's HSR plan is best characterized as an exercise to benefit Amtrak and for-profit freight railroads, which received 55 percent of the so-called HSR rail money included in the American Recovery and Reinvestment Act.<sup>4</sup>

Despite his State of the Union proclamation to spend \$56 billion on HSR over five years, the President's transportation budget offers no such plan. Of the \$8 billion of "HSR" money for FY 2012, "\$4 billion [\$15 billion over six years] fully funds Amtrak's national network operating, capital, and debt service requirements," while the other \$4 billion [\$38 billion over six years] "funds competitive grants for development of core express, regional and feeder corridors, to advance the President's goal to provide Americans with convenient access to a passenger rail system featuring high-speed rail service."<sup>5</sup>

The key word here is *featuring*. What does "convenient access" to something *featuring* HSR mean? As written, this program could subsidize Washington, D.C.'s deficit-ridden Metro system because it provides "convenient access" to Union Station, where Amtrak's so-called HSR Acela trains run. If so, spending on real HSR will account for (or *feature*) a

relatively minor amount of the \$38 billion that the President proposes.

**The President's Livability Plan.** Transportation Secretary Ray LaHood has been pressing for an expansive and costly "livability" effort and formally defines livability as "being able to take your kids to school, go to work, see a doctor, drop by the grocery or post office, go out to dinner and a movie, and play with your kids in a park, all without having to get in your car."<sup>6</sup> In order to achieve the LaHood vision for America, government must nudge/force/coerce people into buses or trolleys and create tighter living arrangements.

The President proposes a total of \$7.8 billion in livability spending for FY 2012 and \$48.1 billion over the next six years.<sup>7</sup> More than half of these funds would come from shifting money from roads.

**Delusional on Arrival.** There is little chance that any of this will be enacted. In the weeks and months leading up to the budget's release, the governors of three states rejected the President's Amtrak/HSR plans for their states and sent \$3.7 billion back to Washington. Reflecting how little confidence the Congress has in the President's Department of Transportation, the House of Representatives cut a greater percentage from the remaining FY 2011 transportation budget than it cut from any other account.

Nor are Republicans the only opponents of the President's transportation policy: In the last Congress, the Democrat-controlled Senate and House

1. See J.D. Foster, "President Obama's 2012 Budget Builds on Failures of the Past," Heritage Foundation *WebMemo* No. 3152, February 14, 2011, at <http://heritage.org/Research/Reports/2011/02/President-Obamas-2012-Budget-Builds-on-Failures-of-the-Past>.
2. As of February 2011, neither the President nor Congress had agreed on an FY 2011 budget. Surface transportation programs include the Federal Highway Administration, Federal Transit Administration, Federal Railroad Administration, and a new infrastructure bank. All spending totals are derived from U.S. Department of Transportation, *Department of Transportation Fiscal Year 2012 Budget Highlights*, February 2011, at <http://www.dot.gov/budget/2012/fy2012budgethighlights.pdf> (March 3, 2011). Cited hereafter as DOT Budget Highlights.
3. James Sherk, "Why the Davis-Bacon Act Should be Repealed," Heritage Foundation *WebMemo* No. 3163, February 22, 2011, at <http://www.heritage.org/Research/Reports/2011/02/Why-the-Davis-Bacon-Act-Should-Be-Repealed>.
4. Ronald D. Utt, "Will Obama's High-Speed Rail Plan Become a Subsidy for Freight Railroads?" Heritage Foundation *WebMemo* No. 2637, October 1, 2009, at <http://www.heritage.org/Research/Reports/2009/10/Will-Obamas-High-Speed-Rail-Plan-Become-a-Subsidy-for-Freight-Railroads>.
5. DOT Budget Highlights, p. 21.
6. Amy Phillips, "Transportation Officials Stress Importance of Administration's Livability Initiatives," Bureau of National Affairs *Daily Report for Executives*, September 29, 2009.
7. DOT Budget Highlights, pp.12, 14, and 16.

Appropriations committees rejected his infrastructure bank proposal. Now he is asking for it again, and the price tag is \$30 billion over six years. With federal transportation programs becoming little more than political slush funds, perhaps it's time to turn the program back to the states.

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