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# ISSUE BRIEF

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## House Transportation, Housing and Urban Development Appropriations: The Highway to Bankruptcy

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The House of Representatives will soon consider the Transportation, Housing and Urban Development (THUD) appropriations bill. The THUD appropriations bill provides funding for the Departments of Transportation and Housing and Urban Development.

The bill provides $55.3 billion in discretionary budget authority. This represents a $1.5 billion increase above the current funding level but $9.7 billion below the President's budget request. This is only half the story—literally. When other budget resources not counted in the bill are taken into account, the budget authority doubles to $108 billion.

Transportation is a critical component of the THUD appropriations bill, and transportation spending is at the forefront of the debate in Washington. The law that authorizes federal spending on highway infrastructure projects is set to expire on July 30. In addition, the Highway Trust Fund, which funds federal spending on highway projects through a gasoline tax, is nearly bankrupt and will require a bailout of more than $3 billion by October and $8 billion by January 2016 in order to continue current operations.[1] Rather than providing a roadmap to fix these problems, the THUD appropriations bill continues Washington's bloated, inefficient, and politicized role in infrastructure spending.

### Transportation, Housing and Urban Development Recommendations

In March, The Heritage Foundation published, "The Budget Book: 106 Ways to Reduce the Size and Scope of Government."[2] It includes an analysis of the entire budget and recommendations for spending priorities within the appropriations bills, including suggestions for reduced spending in various THUD programs.

**Limit Highway Trust Fund Spending to Gas Tax Revenues.** The bill assumes a highway authorization extension with funding for fiscal year (FY) 2016 at current levels, or about $51 billion in contract authority (the ability of the government to contract for work to be done). Therefore, the bill provides $41.6 billion for spending from the Highway Trust Fund on highway projects and $8.6 billion for spending on transit formula grants. However, the Congressional Budget Office projects revenues flowing into the Highway Trust Fund to be roughly $40 billion in 2016—not enough to cover the spending authorized in the bill.[3]

Congress frequently puts itself in the untenable and irresponsible position of authorizing more spending than the Highway Trust Fund can pay for. In fact, the Highway Trust Fund has been operating at unsustainable levels since 2008, requiring Congress to provide bailouts of more than $54 billion from the U.S. Treasury.[4]

To further complicate matters, transportation funding has a unique status in the budget. The funding for highways is ultimately determined

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**http://report.heritage.org/ib4414**

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TABLE 1

## House Transportation, Housing and Urban Development (THUD) Appropriations

**BY FISCAL YEAR, IN MILLIONS OF DOLLARS**

| | FY 2015 Enacted | 2016 Request | 302(b) for FY 2016 | FY 2016* |
|---|---|---|---|---|
| Discretionary Budget Authority | 53,772 | 65,000 | 55,270 | 55,262 |
| Obligation Limitations, Not Subject to Limits** | 53,485 | 69,666 | 0 | 53,460 |
| **Total Budgetary Resources** | **107,257** | **134,666** | **55,270** | **108,722** |

* Excludes emergency funds.
** Obligation limitations allow for the contract authority to be obligated, which counts as mandatory spending not subject to 302(b) caps. The resulting funds spent, or outlays, are credited to discretionary spending. There are no spending caps on discretionary outlays, only budget authority. Therefore, spending from trust funds is not restricted by budget spending cap limits.
**Note:** The congressional budget resolution passed by Congress is the mechanism for setting the overall spending caps, also known as the 302(a), as required by the Budget Control Act. The Appropriations Committee is responsible for subdividing the 302(a) allocations among the 12 appropriations subcommittees through what is known as the 302(b) suballocations. The FY 2016 302(a) spending caps, consistent with the Budget Control Act, amount to $1.017 trillion.
**Source:** U.S. House of Representatives, Committee on Appropriations, http://appropriations.house.gov/ (accessed June 3, 2015).

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by authorizing legislation, which allocates budget authority—otherwise referred to as contract authority—for highway and transit programs. The appropriator's role is to set what is known as an obligation limitation, or the amount from that level of contract authority that can be spent in any given year.

It is important to understand how federal budget policy accounts for the money spent from the Highway Trust Fund. A Heritage Foundation *Backgrounder*, "Highway Trust Fund Basics: A Primer on Federal Surface Transportation Spending," notes: "The Highway Trust Fund is unique in that its contract authority—the authority to obligate funds in advance of an appropriation act, similar to budget authority—is classified as mandatory, while its outlays are classified as discretionary spending."[5] This odd designation allows highway spending to avoid spending caps set by Congress.

As you can see from Table 1, the bill is only required to count $55.3 billion toward the congressional spending caps. At the same time, however, the bill provides another $53.5 billion in resources (obligation limitations) from the highway and airport trust funds ($50.2 billion from the highway trust fund and $3.35 billion from the airport trust fund), which is exempt from congressional spending limits.

The following should be considered for elimination:

- **Federal Transit Administration (FTA).** The bill would provide $2.13 billion in discretionary

1. Keith Hall, Director, Congressional Budget Office, letter to Sander M. Levin, Ranking Member, Committee on Ways and Means, U.S. House of Representatives, May 28, 2015, http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/SanderLevinHTFLetter.pdf (accessed June 3, 2015).
2. The Heritage Foundation, "The Budget Book: 106 Ways to Reduce the Size and Scope of Government," March 2015, http://budgetbook.heritage.org/. For additional recommendations, see Emily Goff, "How to Cut $30 Billion More from the THUD Bill," Heritage Foundation *Issue Brief* No. 3984, July 1, 2013, http://www.heritage.org/research/reports/2013/07/how-to-cut-from-transportation-housing-and-urban-development-appropriations.
3. Congressional Budget Office, "Projections of Highway Trust Fund Accounts: CBO's March 2015 Baseline," March 2015, https://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2015-03-HighwayTrustFund.pdf (accessed June 2, 2015).
4. Congressional Budget Office, "The Highway Trust Fund and the Treatment of Surface Transportation Programs in the Federal Budget," June 11, 2014, https://www.cbo.gov/publication/45416 (accessed June 3, 2015).
5. Michael Sargent, "Highway Trust Fund Basics: A Primer on Federal Surface Transportation Spending," Heritage Foundation *Backgrounder* No. 3014, March 19, 2010, http://www.heritage.org/research/reports/2015/05/highway-trust-fund-basics-a-primer-on-federal-surface-transportation-spending.

budget authority for the FTA, $160 million less than current funding. The bill also provides an obligation limitation on trust fund resources of $8.6 billion, providing overall FTA resources of $10.7 billion for FY 2016. The program should be phased out.

- **Grants to the National Rail Passenger Service Corporation (Amtrak).** The bill provides $1.14 billion in subsidies to Amtrak for FY 2016, $252 million less than current funding.
- **Shutter the Maritime Administration (MARAD) and repeal the Jones Act.** The bill provides $167 million in FY 2016 for operations and training, nearly $20 million more than current funding.
- **New Starts Transit Program.** The bill provides $1.9 billion for FY 2016, $198 million less than current funding.
- **Privatize the Saint Lawrence Seaway Development Corporation.** The bill provides $28.4 million for FY 2016, $3.6 million less than current funding.
- **Transportation Investment Generating Economic Recovery (TIGER) Grant Program.** The bill provides $100 million for FY 2016, $400 million less than current funding.
- **Essential Air Service (EAS) program.** The bill provides $155 million for FY 2016, the same level as current funding.
- **Federal Aviation Administration (FAA).** The bill provides the FAA with $15.9 billion in budgetary resources for FY 2016, including $3.35 billion subject to obligation limitation. Overall, the FAA will receive $40.5 million more than current funding for FY 2016. The FAA should be privatized.
- **Appalachian Regional Commission.** The bill provides $3.3 million for FY 2016, the same level as current funding.
- **Subsidies to the Washington Metropolitan Area Transit Authority (WMATA).** The bill provides $75 million for FY 2016, $75 million less than current funding.
- **Community Development Block Grant (CDBG) program.** The bill provides $3 billion for FY 2016, the same level as current funding.
- **Eliminate Section 8 vouchers.** The bill provides $10.6 billion for project-based rental assistance and $19.9 billion for tenant-based rental programs for FY 2016. The spending levels are $1.54 billion more than current funding.

  The Department of Housing and Urban Development (HUD) provides rental assistance to low-income individuals in various ways, including both project-based and tenant-based programs. While project-based vouchers provide subsidies to housing project owners, tenant-based vouchers provide subsidies to private landlords. The Housing Choice Vouchers program, commonly referred to as Section 8 vouchers, is the main tenant-based subsidy. HUD distributes nearly twice as much for Section 8 vouchers as it does for project-based rental assistance.

  More than $18 billion is budgeted for Section 8 voucher renewal. In general, Section 8 vouchers are limited to families with incomes at or less than 50 percent to (in some cases) 80 percent of the median income for their county or metropolitan areas. Recipients pay approximately 30 percent *of their income* toward rent, and the government-provided voucher pays the difference between that figure and the gross rent to a private landlord.[6] HUD's own research has shown that, overall, Section 8 vouchers have had no beneficial effect on self-sufficiency and welfare dependency.[7] This finding

6. See Katherine Bradley and Robert Rector, "Confronting the Unsustainable Growth of Welfare Entitlements: Principles of Reform and the Next Steps," Heritage Foundation *Backgrounder* No. 2427, June 24, 2010, http://www.heritage.org/research/reports/2010/06/confronting-the-unsustainable-growth-of-welfare-entitlements-principles-of-reform-and-the-next-steps.
7. See David B. Muhlhausen, *Do Federal Social Programs Work?* (Santa Barbara, CA: Praeger, 2013), pp. 190–204.

TABLE 2

### Unauthorized Appropriations: House Transportation, Housing and Urban Development

A total of 28 programs or accounts were unauthorized.

| Including, but not limited to: | Year last authorized |
|---|---|
| Surface Transportation Board | 1998 |
| Rental Assistance, Section 8 Voucher | 1994 |
| Community Development Fund | 1994 |

**Source:** U.S. House of Representatives, Committee on Appropriations, http://appropriations.house.gov/ (accessed June 3, 2015).

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is not surprising given that no time limits are associated with the voucher program, thus lowering families' incentive to stop relying on the subsidies.

Congress should place time limits on Section 8 voucher payments so that the program provides only a temporary benefit.[8]

- **High-speed rail.** The bill provides no direct funding for high-speed rail and explicitly prohibits its funds from being spent on California's $68 billion high-speed rail project.

  House appropriators have taken the right approach by excluding high-speed rail from the federal payroll. Capital costs for high-speed rail lines are tremendously high because they require the construction of a designated track—often through urban areas—rather than operating on existing rail lines. Globally, only two high-speed rail lines are likely to earn enough in revenues to cover operating and capital costs, each residing in the high-density nations of Japan and France.[9] Indeed, given the United States' low population density and the availability of more affordable or faster travel options (driving, air travel, etc.), high-speed rail projects would likely echo Amtrak's dependency on billions in federal subsidies.

  High-speed rail boondoggles are extremely costly and provide little benefit. The federal government should continue to abstain from funding these projects, leaving any financing to the private sector (or the state).

## Funding Expired Government Programs

When appropriation bills provide new budget authority for programs whose statutory authorization (the legal authority for the program to continue) has expired, that is known as an unauthorized appropriation. This was intended to place the jurisdiction of a program's policy objective with the authorizing committees, not the appropriators. However, Congress has made a practice of ignoring this rule, and continuing to authorize funding for programs whose authorizations have long since expired—a technical violation of the law, and a wasted opportunity to review these programs for reform or elimination.

## Conclusion

The House Transportation, Housing and Urban Development appropriations bill defines the twisted adage "putting the cart before the horse." This bill provides tremendous budgetary resources to a bankrupt Highway Trust Fund, as well as numerous programs that make ineffective and inefficient use of federal resources. Appropriators should take a new approach and wait to determine what funding levels should be provided only after the problems in the Highway Trust Fund—including solvency—are addressed. There are also numerous opportunities to save money. More than half of the funding in the Department of Housing and Urban Development could be devolved to states or eliminated outright. The THUD appropriations bill provides

8. Section 8 vouchers effectively serve as a price floor, thus distorting the rental market and raising prices, especially for those who do not receive vouchers.

9. Ronald D. Utt, "America's Coming High-Speed Rail Financial Disaster," Heritage Foundation *Backgrounder* No. 2389, March 19, 2010, http://www.heritage.org/research/reports/2010/03/america-s-coming-high-speed-rail-financial-disaster.

TABLE 3

## House Transportation, Housing and Urban Development (THUD) Appropriations

| DISCRETIONARY BUDGET AUTHORITY IN MILLIONS OF DOLLARS | FY 2015 Enacted | FY 2016 | Change in Dollars | Percentage Change |
|---|---|---|---|---|
| **Title 1, Department of Transportation** | | | | |
| Office of the Secretary | 803 | 400 | –403 | –50.2% |
| Federal Aviation Administration | 12,368 | 12,572 | 204 | 1.6% |
| Operations | 9,741 | 9,870 | 129 | 1.3% |
| Facilities and Equipment | 2,600 | 2,500 | –100 | –3.8% |
| Federal Railroad Administration | 1,626 | 1,365 | –261 | –16.1% |
| Federal Transit Administration | 2,292 | 2,131 | –161 | –7.0% |
| Capital Investment Grants (New Start) | 2,120 | 1,921 | –199 | –9.4% |
| St. Lawrence Seaway Development Corporation | 341 | 361 | 20 | 5.9% |
| Title I, Subtotal Subject to 302(b) Spending Caps | 17,801 | 17,181 | –620 | –3.5% |
| **Limitations on Obligations** | | | | |
| Federal Aviation Administration (Grants-in-Aid, Airports) | 3,350 | 3,350 | 0 | 0.0% |
| Federal Highway Administration (Highway Funding) | 40,256 | 40,256 | 0 | 0.0% |
| Federal Motor Carrier Safety Administration | 584 | 572 | –12 | –2.1% |
| National Highway Traffic Safety Administration | 700 | 687 | –13 | –1.9% |
| Federal Transit Administration | 8,595 | 8,595 | 0 | 0.0% |
| **Subtotal, Limitations on Obligations** | **53,485** | **53,460** | **–25** | **0.0%** |
| Title I, Total Budgetary Resources | 71,286 | 70,641 | –645 | –0.9% |
| **Title II, Department of Housing and Urban Development** | | | | |
| Tenant-Based Rental Assistance (Section 8) | 19,304 | 19,919 | 615 | 3.2% |
| Community Development Fund | 3,066 | 3,060 | –6 | –0.2% |
| HOME Investment Partnership Programs | 900 | 900 | 0 | 0.0% |
| Projected-Based Rental Assistance (Section 8) | 9,730 | 10,654 | 924 | 9.5% |
| Federal Housing Administration* | –8,743 | –7,627 | 1,116 | –12.8% |
| Government National Mortgage Association* | –840 | –863 | –23 | 2.7% |
| Title II, Subtotal Subject to 302(b) Spending Caps | 35,621 | 37,739 | 2,118 | 5.9% |
| Other Agencies Subject to 302(b) Spending Caps | 349 | 342 | –7 | –2.0% |
| **Total Discretionary Spending** | **53,771** | **55,262** | **1,491** | **2.8%** |
| **Total Budgetary Resources** | **107,256** | **108,722** | **1,466** | **1.4%** |

* The Federal Credit Reform Act requires federal loan guarantees, including FHA loans, to be scored in a precise way in the budget. Scored as a credit subsidy, this requires the cost of loans to be recorded as the present value of all future cash flow. Historically, this credit subsidy has been negative, delivering a profit to the federal government. The negative credit subsidy is counted as an offsetting receipt, allowing it to offset other HUD spending.
**Notes:** Not all programs included in this bill are listed. The congressional budget resolution passed by Congress is the mechanism for setting the overall spending caps, also known as the 302(a), as required by the Budget Control Act. The Appropriations Committee is responsible for subdividing the 302(a) allocations among the 12 appropriations subcommittees through what is known as the 302(b) suballocations. The FY 2016 302(a) spending caps, consistent with the Budget Control Act, amount to $1.017 trillion.
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conservatives an excellent opportunity to reduce government spending.

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