

# Transportation, Housing and Urban Development, and Related Agencies

## Eliminate the Essential Air Service Program

The EAS was established in 1978 as a temporary program to provide subsidies to rural airports following deregulation of the airline industry. Despite the original intention that it would be a temporary program, the EAS still provides millions of dollars in subsidies to these airports. In fact, spending on the EAS has increased by 600 percent since 1996 in constant dollar terms, 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 planes on nearly one-third of the routes 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 like the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities, not by 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,” Heartland Institute, undated.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	PARTIALLY INCLUDED	Cuts discretionary EAS funding by \$93 million but does not reform mandatory spending.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates EAS.

## Eliminate the Appalachian Regional Commission

The Appalachian Regional Commission was established in 1965 as part of President Lyndon Johnson’s Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation’s highway program in addition to diverting federal funding to projects of questionable merit, such as those meant to support “heritage tourism and crafts industries.”<sup>3</sup> 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 themselves. 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.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	FY 2018 elimination of ARC removed from FY 2019 proposal.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates ARC.

\$150

SAVINGS IN MILLIONS<sup>4</sup>

PRESIDENT	HOUSE	SENATE	RSC
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# Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

The WMATA, Washington, D.C.’s local transit authority, is the only transit authority to receive direct appropriations from Congress.

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. Metrorail ridership has plummeted every year since 2009 and declined 13 percent from 2016 to 2017.

These ridership and safety issues come to the fore as Metro’s financial picture looks increasingly grim. The agency’s budget projection shows a \$300 million shortfall for 2018, 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 has 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, many of whom will likely never use the system. Congress should eliminate subsidies to the WMATA and allow 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.
- Ronald D. Utt, “Washington Metro Needs Reform, Not a Federal Bailout,” Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	No cuts in WMATA funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates WMATA funding.

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

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. 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, hamstrung by unions and federal regulations, has failed to improve performance and service for customers. Amtrak’s monopoly on passenger rail service stifles competition that could lower costs for 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

notoriously behind schedule, as evidenced by poor on-time performance rates.

Congress should eliminate Amtrak’s operating subsidies 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 phaseout, Congress should repeal Amtrak’s monopoly on passenger rail service and allow 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.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	PARTIALLY INCLUDED	Reduces funding by \$757 million and seeks to reform long-distance routes and other operations.
House Budget Resolution	PARTIALLY INCLUDED	Assumes lower operating subsidies.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates operating and capital grants.

\$680

SAVINGS IN MILLIONS<sup>6</sup>

PRESIDENT	HOUSE	SENATE	RSC
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## Close Down the Maritime Administration and Repeal the Maritime Jones Act

MARAD was created in 1950, and its purpose is to maintain a maritime fleet that can 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, its subsidies to small shipyards are a taxpayer-funded 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 and transfer 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 D. Loris, “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries,” Heritage Foundation *Backgrounder* No. 2886, May 22, 2014.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	Includes MARAD funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Repeals Jones Act.

**\$2.6**  
SAVINGS IN BILLIONS<sup>7</sup>

PRESIDENT	HOUSE	SENATE	RSC
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## Eliminate Capital Investment Grants

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 new transit projects. Because New Starts is a competitive grant program that funds only novel transit projects, not maintenance of existing systems, it gives localities the incentive to build costly and unnecessary transit systems that they can ill afford to operate and maintain. This comes at the expense of maintaining existing infrastructure.

Criteria for eligible projects include “congestion relief,” “environmental benefits,” and “economic development effects” but—tellingly—no longer include “operating efficiencies.”<sup>8</sup> 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. These projects are perennially over budget. A review of federal studies examining 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 and allow 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, Committee on Transportation and Infrastructure, U.S. House of Representatives, December 11, 2013.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	INCLUDED	Limits funding to \$1 billion for projects with existing full-funding grant agreements; winds down CIG program.
House Budget Resolution	INCLUDED	Phases out CIG over five years.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

\$40

SAVINGS IN MILLIONS<sup>9</sup>

PRESIDENT	HOUSE	SENATE	RSC
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## Privatize the Saint Lawrence Seaway Development Corporation

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 Government 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.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	Maintains SLSDC funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	



## Eliminate the National Infrastructure Investment (TIGER) Program

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 the TIGER program, 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 line in

Detroit, Michigan. 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 projects 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 state and local transportation agency programs, and squanders federal resources on local projects that have little to do with interstate commerce. These projects should be 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.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	INCLUDED	Eliminates TIGER.
House Budget Resolution	INCLUDED	Eliminates TIGER.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates TIGER.

# Eliminate the Airport Improvement Program and Reform Airport Funding

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 be used only 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 middleman, redistributing fliers’ resources from the most significant airports to those of far less importance. 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. Noncommercial 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 allow airports to fund capital improvements in a local, self-reliant, and free-market manner.

## ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	Maintains AIP funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

## Phase Out the Federal Transit Administration

Created in 1964, the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems such as buses and subways.

The federal government began to use federal gasoline taxes, which drivers pay into the Highway Trust Fund (HTF), to support transit in 1983. The transit diversion within the HTF accounts 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, and relieve traffic congestion. Despite billions of dollars in subsidies, transit has largely failed in all of these areas.

When it issues grants for streetcars, subways, and buses, the FTA is subsidizing purely local or regional

activities. Even worse, federal transit grants present localities with perverse incentives to build new transit routes while neglecting maintenance of their existing systems and other infrastructure. Transit is inherently local in nature and should therefore be funded at the local or regional level.

The federal government should phase out the Federal Transit Administration over five years by reducing federal transit funding by 20 percent per year and simultaneously reducing the FTA’s operating budget by the same proportion. Phasing out the program would give state and local governments time to evaluate the appropriate role of transit in their jurisdictions and an 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.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2019)	REJECTED	Maintains FTA funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Would devolve federal transit spending to states and localities.

## Policy Riders

**Eliminate or roll back Davis–Bacon requirements and project labor agreements.** The Davis–Bacon Act, enacted in 1931, effectively requires construction contractors on federal projects to use union wage and benefit scales and follow union work rules. These rules inflate the cost of federal construction by nearly 10 percent on average. Similarly, project labor agreements (PLAs) require the main contractor of government contracts to sign a collective bargaining agreement as a condition of winning a project bid. Collective bargaining agreements require using union compensation rates, following union work rules, and hiring all workers on federally contracted projects through union hiring halls. PLAs inflate construction costs by 12 percent to 18 percent on top of increased costs attributed to Davis–Bacon and discriminate against the 87 percent of workers who are not members of a union. Eliminating Davis–Bacon and prohibiting PLAs would stretch each federal construction dollar, delivering more infrastructure without the need to increase spending levels. Barring complete repeal, Congress could suspend the rule for projects funded by the appropriations bill or require the Labor Department to use superior Bureau of Labor Statistics data to estimate Davis–Bacon “prevailing wages” so that they more closely reflect market pay. Eliminating Davis–Bacon and PLAs would save more than \$100 billion over the next 10 years under current spending levels.

**Eliminate “Buy America” restrictions.** Most federally funded infrastructure projects must comply with “Buy America” mandates, which require that certain input components must be manufactured in the United States. This protectionist mandate limits selection and price competition among input manufacturers, which often leads to higher costs for projects. Buy America requires the use of American-made steel, which in recent years has cost more than steel made in Western Europe or China—a price increase of roughly 30 percent in the case of Chinese-made steel. In addition, buses made in the U.S. were found to be twice as expensive as those made in Japan. Overall, Buy America provisions are allowed to increase the cost of an entire project by up to 25 percent before the project agency can apply for a waiver. Ending or waiving this bureaucratic and protectionist mandate would give U.S. infrastructure access to more numerous, better quality, and less-expensive components.

**Require the Department of Transportation (DOT) to study total federal subsidies to passenger transportation.** Congress should recommission the 2004 study that detailed the federal subsidies to various modes of transportation. In 2004, the DOT’s Bureau of Transportation Statistics produced a report that assessed the federal subsidies to passenger transportation. The report detailed the amount of federal subsidies targeted to rail, transit, air, and highway travelers since 1990 and presented them using comparable metrics. Since 2004, however, the DOT has not updated the report, leaving most policymakers and the traveling public with outdated information about how federal subsidies are distributed among transportation modes. Reproducing the study on a periodic basis would provide lawmakers and travelers with consistent data regarding the federal government’s activities in subsidizing transportation.

**Request the Government Accountability Office to examine infrastructure construction costs in the United States.** Data and recent reports indicate that infrastructure construction costs in the U.S. exceed those in peer countries, especially with regard to megaprojects. Congress should require the Government Accountability Office to examine and determine the reasons for these excessive construction costs. The GAO should scrutinize all possible factors, from industry practices to government regulation, in order to provide a clear picture of the shortcomings of current practice.

## ENDNOTES

1. Estimated savings of \$431 million for FY 2019 are based on \$305 million in discretionary savings based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., <https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf> (accessed May 15, 2018), as well as \$126 million in mandatory savings for FY 2019 based on the CBO's most recent April 2018 baseline spending projections. The mandatory savings include payments to the Essential Air Service and Rural Airport Improvement Fund for FY 2019. The discretionary savings estimates are based on FY 2018 enacted levels, and Heritage experts assume FY 2018 spending remains constant in FY 2019.
2. Estimated savings of \$161 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Savings include \$155 million authorized for the Appalachian Regional Commission, as well as half of the \$6 million in grants authorized for both the ARC and the Delta Regional Authority, and \$3.25 million to be transferred to the ARC from the Federal Aviation Commission. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
3. Appalachian Regional Commission, "ARC Project Guidelines," revised 2011, p. 5, [https://dca.ga.gov/sites/default/files/arc\\_project\\_guidelines.pdf](https://dca.ga.gov/sites/default/files/arc_project_guidelines.pdf) (accessed March 8, 2018).
4. Estimated savings of \$150 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
5. Estimated savings of \$308 million for FY 2019 are based on CBO's most recent April 2018 baseline spending projections. Savings include \$70 million in projected operating subsidies. Operating subsidies are assumed to be 21 percent (the ratio observed under the previous accounting system that divided funding between operating subsidies and grants for capital and debt service) of the \$335 million in total FY 2019 funding for the Northeast Corridor and National Network. Savings also include \$227 million in reduced capital grants, representing a 20 percent reduction in the projected level of \$1.19 billion.
6. Heritage experts do not include any savings from repealing the Jones Act. Estimated savings of \$680 million for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Savings exclude the \$300 million designated for the Maritime Security Program, which would be transferred to the Department of Defense or Department of Homeland Security. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
7. Estimated savings of \$2.645 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
8. 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 March 6, 2018).
9. Estimated savings of \$40 million for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
10. Estimated savings of \$1.5 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
11. Estimated savings of \$4.0 billion for FY 2019 are based on the total FY 2018 appropriated level for "Grants-In-Aid for Airports" as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. All \$4.0 billion in savings represents mandatory spending.
12. Estimated savings of \$2.250 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings represent a 20 percent reduction in the total outlays of \$11.252 billion for FY 2018 based on a five-year phaseout beginning in 2019. Savings include \$23 million in discretionary spending for the FTA's administrative expenses and \$2.228 billion in mandatory spending for the FTA's transit formula grants, for a total of \$2.250 billion in FY 2019.