Why Austerity Fails
When the Cuts Get Specific

By Harry Stein and John Craig

September 10, 2013

The fiscal debate hit a critical turning point on July 31, when leaders in the House of Representatives abandoned efforts to pass their transportation and housing spending bill after determining that a majority of House members opposed it. This typically routine legislation was an attempt by supporters of this year’s House budget resolution—authored by Rep. Paul Ryan (R-WI)—to implement the deep cuts to domestic programs required by their budget. The specific cuts to infrastructure investment, public safety, and protections for low-income Americans, however, were so severe that even members of Congress who voted for the abstract austerity of the Ryan budget opposed them. House Appropriations Committee Chairman Hal Rogers (R-KY), who runs the committee responsible for writing the spending bills to implement the Ryan budget, stated, “With this action, the House has declined to proceed on the implementation of the very budget it adopted just three months ago.”

The transportation and housing bill is 1 of 12 appropriations bills. Congress passes these bills every year to fund the government or passes a continuing resolution based on a prior year’s appropriations bill. Congress passes a budget resolution to cap overall spending, and the appropriations bills decide how to allocate funds to specific government programs within that overall cap. For the House of Representatives, the Ryan budget sets the overall spending cap.

The transportation and housing bill represented the sincere effort of Ryan budget supporters to allocate the budget’s spending cuts in the best way possible. When members of Congress saw what these specific cuts actually looked like, however, they refused to support the bill, as it would abandon our nation’s infrastructure to disrepair and obsolescence.

Here were some of the bill’s specific cuts, which this issue brief will explain in further detail below:

• The Transportation Investment Generating Economic Recovery, or TIGER, grant program was eliminated completely, increasing the maintenance backlog for roads and bridges and reducing investment in projects to ship goods to market more efficiently.
• The Federal Aviation Administration’s facilities and equipment account was cut by 21 percent from the pre-sequester level for fiscal year 2013, undermining the nation’s air traffic control system and the vital NextGen modernization.5

• Amtrak funding was cut by one-third at a time when our rail network desperately needs maintenance and upgrades.6

• Community Development Block Grants were cut by one-third—after the bill was amended to partially reverse an even deeper cut—abandoning neighborhoods across the country instead of revitalizing them into economic engines.7

• Capital investment in public housing was cut by 20 percent, and the largest affordable housing block grant was cut by 40 percent to its lowest level ever, placing a growing number of families at risk of homelessness.8

• Grants for lead removal were cut by 58 percent, leaving more children susceptible to lead poisoning in their homes and creating a lifetime of consequences for both the victims and society at large.9

The transportation and housing bill had to make these cuts because the Ryan budget’s overall spending limit was just too low. The budget limited overall nondefense discretionary spending—the spending that Congress approves on a yearly basis—to a level significantly below the one set by the across-the-board cuts known as sequestration.10 Even though the Congressional Budget Office, or CBO, estimates that sequestration will eliminate 900,000 jobs in FY 2014,11 the Ryan budget argued that the cuts could be reallocated to protect important programs and promote economic prosperity.12

The transportation and housing bill’s failure shows that the deep cuts demanded by the Ryan budget simply cannot be allocated in a responsible way. And amazingly, under the House plan, many sectors would be hit even harder than transportation and housing. (see Figure 1) Sectors such as health care, diplomacy, energy, and other areas would absorb even deeper cuts.

FIGURE 1
House cuts relative to FY 2013 pre-sequester

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor, health, education</td>
<td>-21.2%</td>
</tr>
<tr>
<td>Financial services, general gov’t</td>
<td>-17.7%</td>
</tr>
<tr>
<td>International affairs</td>
<td>-13.1%</td>
</tr>
<tr>
<td>Public lands, environment</td>
<td>-13.7%</td>
</tr>
<tr>
<td>Energy, water</td>
<td>-14.8%</td>
</tr>
<tr>
<td>Transportation, housing</td>
<td>-13.4%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-14.8%</td>
</tr>
<tr>
<td>Legislative branch</td>
<td>-17.6%</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>-18.7%</td>
</tr>
<tr>
<td>Defense Department</td>
<td>-20.0%</td>
</tr>
<tr>
<td>Military construction, veterans</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

Fortunately, this kind of severe austerity is completely unnecessary. Discretionary spending has already been deeply cut, and the federal budget picture is much improved from a few years ago. (see Figures 2 and 3) Congress has already committed to $2.5 trillion in deficit reduction over the next 10 years, about three-quarters of which will come from spending cuts—which does not include sequestration.  

Those spending cuts began with the 2011 appropriations process and culminated with the pre-sequestration spending caps in the Budget Control Act of 2011, leading to $1.5 trillion in spending cuts over 10 years. By allowing the Bush tax cuts of 2001 and 2003 to expire for incomes above $400,000—$450,000 for joint filers—Congress raised revenues by about $630 billion over 10 years. Taken together, these actions will reduce spending on interest payments for the national debt by an additional $400 billion over 10 years.  

Unlike the House of Representatives, the Senate’s appropriations bills conform to the pre-sequestration limits set by the Budget Control Act. In the Senate Appropriations Committee, six Republicans joined every Democrat to support their version of the transportation and housing bill. This bill received majority support on the Senate floor but was blocked by a filibuster.  

By the end of September, Congress will have to resolve the vast differences between the House and Senate plans to fund the government for FY 2014. While Washington will debate this question in terms of broad spending levels, Americans will feel the real impacts in cuts to specific programs. The following examples highlight programs that the House Appropriations Committee judged as the best areas to cut in order to implement the Ryan budget; these were the lowest-hanging fruits left after several years of earlier spending cuts. These cuts would have eliminated jobs, reduced economic competitiveness, and created greater social, economic, and fiscal problems that would have to be addressed down the road. The failure of the transportation and housing bill demonstrates that there is no low- or even medium-hanging fruit left in the domestic discretionary budget.
TIGER transportation grants

The TIGER grant program partners the U.S. Department of Transportation with state and local agencies to invest in nationally significant upgrades to our transportation infrastructure. Projects seeking TIGER funding are competitively selected based on the benefits they offer to their community and the nation at large. The House transportation and housing bill would have completely eliminated TIGER—a successful and popular program that received 568 applications from state and local governments in 2013 totaling more than $9 billion, despite only being authorized to issue $474 million in grants.

TIGER grants target multimodal and multijurisdictional projects that have traditionally been hard to fund, with most federal funding separated by both jurisdiction and transportation sector. By unifying America’s transportation systems sector to sector and geographically, TIGER funds deliver especially large economic returns. In Mobile, Alabama, for example, TIGER funds are helping connect the Port of Mobile to the freight rail system. The project is estimated to support 600 jobs, increase port capacity by 25 percent, and lower transportation costs by $25 per container. And in Rhode Island a TIGER grant will help rebuild the Providence Viaduct. The viaduct is a bridge and overpass in downtown Providence that is the third-heaviest-traveled section of Interstate 95, which runs along the entire East Coast. The viaduct currently requires frequent repairs and partial closures—costly problems that this modernization will address.

Cutting the TIGER program would prevent other nationally important transportation projects from getting off the ground, adding to an infrastructure backlog that will place greater strain on federal, state, and local budgets in future years. Eliminating TIGER grants also means eliminating jobs—an estimated 10,200 jobs lost relative to the Senate bill. In addition to creating thousands of new jobs, TIGER funds in the Senate bill would increase American competitiveness by reducing the cost and time of commuting to work and getting goods to market.

NextGen air traffic control modernization

The House transportation and housing bill would have also cut the FAA budget, reducing their facilities and equipment account by more than 20 percent. The cuts would impact staffing, research, equipment, and operations and would place a major strain on the service and improvements that American airports can afford. Cutting equipment replacement today only pushes those costs onto future budgets, while delaying major air traffic control innovations leaves us with a less efficient system.
Within the larger facilities and equipment account and elsewhere in the FAA budget, the Next Generation Air Transportation System, or NextGen, would be cut by an estimated $90 million—25 percent of the total budget request for NextGen. A fully funded NextGen technology system would shift air traffic control to a smarter satellite tracking system that allows easier runway approaches for arriving planes, greater fuel savings, and more environmentally friendly air travel. One specific example of the NextGen technology’s benefits is displayed in Houston, Texas, where the approach to the airport could be shortened by 10 minutes, resulting in greater convenience for passengers, less noise for neighbors, and less pollution in the environment.

By cutting back on investment in this new technology, flights would continue to waste fuel and delay passengers across the country. Shifting to NextGen would not only save money and time, but the weather- and hazard-identification aspects of the system would make flying safer as well. Cutting current investments in this system merely pushes this spending onto future budgets.

Amtrak rail infrastructure

The House transportation and housing bill would have cut one-third of Amtrak’s funding, leaving Amtrak with its lowest funding level in more than a decade. That would put all of Amtrak’s services at risk, according to Amtrak President and CEO Joe Boardman. Some routes might be closed down entirely, and trains throughout the nation may have to operate at slower speeds to preserve safety.

In addition to reducing service today, these cuts come at a time when greater investment in rail travel is desperately needed on the Northeast Corridor to meet the expected 60 percent increase in demand by 2030. With adequate funding, Amtrak plans to not only increase the capacity for intercity travel but also enable commuter trains throughout the corridor to operate more frequently during rush hours.

Just one year ago the House Appropriations Committee recognized the importance of investing in better rail service, recommending nearly $1.5 billion for capital and debt-service grants. Now, however, the House funding level would only leave $600 million for debt service and capital improvements. With $200 million devoted to debt service and another $200 million to maintenance and equipment, the remaining $200 million does not even cover half of next year’s normal capital improvements along the Northeast Corridor alone.
Community development

While the Ryan budget endorses the use of block grants to radically transform Medicaid, the House transportation and housing bill would have cut Community Development Block Grants, or CDBGs, to the lowest level ever in the program’s 38-year history. This kind of cut is completely unprecedented; the Republican-controlled House Appropriations Committee actually recommended a funding increase for CDBGs just one year ago. The difference now is that the harsher austerity in this year’s Ryan budget makes cuts such as this one a mathematical necessity.

Community Development Block Grants empower state and local officials to invest in infrastructure, affordable housing, job creation, and social services in ways that best meet their local needs. In California’s Sonoma County, for example, CDBG funds were combined with other sources to build Lavell Village, an affordable community for 49 low-income families. Fort Bend County in Texas used CDBGs to construct a water and sewer system. Volusia County, Florida, used CDBG funding to build a community center serving 1,500 low-income residents.

Recognizing how important CDBGs are to communities across the country, the House of Representatives actually reversed a small portion of this cut. A floor amendment from Rep. Shelley Moore Capito (R-WV) raised CDBG funding by $350 million, from $1.637 billion to $1.987 billion. This increase, however, would still be a 33 percent cut relative to FY 2013—to a program Rep. Capito called “vital” and “essential.”

But Rep. Capito’s amendment had to make cuts elsewhere in the bill in order to conform to the Ryan budget’s overall spending limits. The amendment made deep cuts to Housing and Urban Development, or HUD, administrative expenses, jeopardizing HUD’s ability to carry out its mission effectively without waste, fraud, and abuse. The amendment also cut another major block grant for affordable housing, which had already been cut to historic levels. Rep. Capito conceded that, “It was very difficult to find an offset for this,” but choices similar to these would be the new normal under the Ryan budget.

Even after restoring some of the cuts to the CDBG program, the House cut would still cost our country 30,000 jobs relative to the Senate bill. This cut would also add to our nation’s growing backlog in both infrastructure and affordable housing and shift more costs onto cash-strapped states and localities.
Affordable housing

Our nation’s public housing stock has a backlog of more than $20 billion in capital needs. Yet the House transportation and housing bill would cut capital investments in public housing to their lowest level since 1987. This is a severe cut that does nothing to improve the nation’s long-term fiscal health. Maintenance costs go up, while needed repairs and modernization projects must still be paid for in future years. Failing to invest in public housing also eliminates jobs. The House bill, for example, would cut 13,000 jobs relative to the Senate bill.

While public housing literally crumbles, the House bill would cut the largest federal block grant focused exclusively on affordable housing to the lowest level ever in the program’s 22-year history. The HOME Investment Partnerships Program is a flexible program that has worked with state and local governments to create more than 1 million affordable homes. In Windsor, Vermont, for example, HOME funded an award-winning redevelopment of Armory Square Apartments, reversing the deterioration of a historic building that had fallen into disrepair and was overrun with drugs and violence. Local leaders in Bryan, Texas, use HOME funds to support construction training programs in their high schools and prisons, which have built more than 50 homes for working-class families.

In FY 2010 HOME provided more than $1.8 billion to support affordable housing projects. The House legislation initially cut HOME funding to $700 million, less than half of the support it provided just three years ago. The Capito Amendment cut HOME even further, to $600 million. The Senate bill provides $1 billion for HOME—more than the House bill but still a substantial cut from 2010 levels. According to HUD, the additional cut by House Republicans would eliminate 7,200 jobs compared to the Senate bill.

Lead removal

One of the worst consequences from austerity to emerge in the House transportation and housing bill is a 58 percent cut to lead-removal grants. While lead paint was banned in 1978, the toxin remains in more than three-quarters of the homes built prior to the ban, leaving more than 500,000 American children with elevated levels of lead in their blood. Lead poisoning causes permanent brain damage and is linked to lower IQs, learning disabilities, and even violent crime.

Since 1993 HUD’s Office of Healthy Homes and Lead Hazard Control has partnered with states, cities, and the private sector to remove lead from more than 200,000 homes. With funding from HUD, cities in the Boston area are removing lead-contaminated soil and lead paint from hundreds of homes. Somerville Mayor Joseph A. Curtatone said:
As a richly historic community, we also have a large percentage of aging homes and infrastructure that contribute to higher rates of lead paint, and without the support of HUD and its grant program, Somerville would not be as successful in our efforts to provide abatement.

Just one year ago everyone agreed that lead removal should be fully funded. The Republican-controlled House Appropriations Committee, Democrat-controlled Senate Appropriations Committee, and President Barack Obama all supported $120 million for the Office of Healthy Homes and Lead Hazard Control. The president and the Senate still support $120 million, but the House now has to cut this investment to $50 million in order to fit within the overall limits of their austerity budget.

There are few investments with a better return than lead removal. According to a 2009 study, “For every dollar spent on controlling lead hazards, $17–$221 would be returned in health benefits, increased IQ, higher lifetime earnings, tax revenue, reduced spending on special education, and reduced criminal activity.” This means that the House cut would cost the country at least $1.19 billion, using the most conservative estimated return of 17 to 1.

Cutting funding for this project leaves children in homes that poison them and has long-term implications for crime, public health, and the overall economy. This short-term spending cut actually makes the long-term debt worse by increasing spending in the criminal-justice, health care, and social-service systems while reducing tax revenues.

Governing responsibly

When this year’s Ryan budget was released, Michael Linden, Managing Director for Economic Policy at the Center for American Progress, called it a “fantasy budget,” in part because it ignored the specific decisions that would have to be made to implement its spending cuts. Linden wrote:

... it is far easier to “cut” the nebulous category called “nondefense discretionary” than it is to cut actual programs, benefits, and protections that the public knows and likes. But in fact, for these kinds of cuts to actually come to pass, Congress—now and in the future—will have to get specific. And if they decide that they can’t, in reality, reduce these things to levels unheard of in generations, then Rep. Ryan’s claim to a balanced budget falls apart.

When Chairman Rogers stated that the House was declining to implement its own budget, he confirmed that indeed the Ryan budget does not balance. The question now is: Where do we go from here?
Appropriations bills such as the House’s failed transportation and housing legislation are not message bills that occupy a news cycle and then disappear. Deciding how much money to spend and where to spend it is a fundamental role of Congress.

Even if Congress chooses to fund the government with a continuing resolution rather than detailed appropriations bills, the overall funding level in that continuing resolution will determine how much our nation invests in transportation, housing, and every other sector of our economy. If across-the-board sequestration cuts continue, the programs described above will still take additional cuts, as will other investments that House appropriators attempted to protect in their legislation. One way or another, Congress will have to decide whether economic investment, public safety, and protections for low-income Americans should absorb yet another round of cuts.

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Endnotes


3 Ibid.


5 Ibid.

6 Ibid.


8 Ibid.

9 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess.


14 Ibid.

15 Ibid.


19 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess.


23 Ibid., p. 14.

24 The President’s Council of Economic Advisors found that 13,000 jobs are created for every $1 billion in transportation-infrastructure spending. With a difference in funding of $787 million between the Senate and House appropriations bills on the TIGER grant program, the job estimate is 10,200 jobs. See Office of the Secretary of Transportation, Notice of Funding Availability for the Department of Transportation’s National Infrastructure Investments under the Consolidated and Further Continuing Appropriations Act, 2013 (U.S. Department of Transportation, 2013), p. 12, available at http://www.dot.gov/sites/dot.dev/files/docs/Final%20TIGER%20NOFA%20for%20TIGER%20Website_22April%202013.pdf.

25 The budget request for NextGen included $59.8 million for operations, $240 million for facilities and equipment, and $61.4 million for research, engineering, and development, equaling $361.2 million. The House only allocates $55.6 million for operations, $212.4 million for facilities and equipment, and $54.1 million for research, engineering, and development. In addition, the House bill imposes an undistributed reduction of $364.3 million on all facilities and equipment, which, if applied proportionally to NextGen, would reduce funding by $37.5 million. This results in a final funding level of $272.6 million, nearly $90 million and 25 percent less than the budget request. See Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 166.


28 Federal Aviation Administration, “Why NextGen Matters.”

29 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 166.


31 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 166.


34 Ibid.

Ibid.

37 Wolfe, “Amtrak chief blasts latest effort to cut funding.”


39 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 164.

40 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 112-541, 112 Cong. 2 sess., p. 86.


45 Congressional Record—House.

46 Ibid.


49 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 164.


54 Ibid., p. 9.


56 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 86.

57 Congressional Record—House.


64 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 112-541, 112 Cong. 2 sess., p. 99.


66 Transportation and Housing and Urban Development, and Related Agencies Appropriations Bill, S. Rept. 113-45, 113 Cong. 1 sess., p. 140.

67 Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, H. Rept. 113-136, 113 Cong. 1 sess., p. 96.
