



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5a

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Memorandum

TO: Legislation Committee

DATE: March 4, 2011

FR: Executive Director

W. I. 1131

RE: President's FY 2012 Budget & Transportation Authorization Proposal

Overview

The President's FY 2012 budget declared itself a "cut and invest" plan, and with respect to transportation, the Administration views investment in transportation as a key component of its plan to "win the future" — requesting a total of \$109 billion, an 86 percent increase in surface transportation spending over FY 2010 enacted levels.

The Administration's FY 2012 transportation budget reflects significant policy and funding changes that are proposed as part of a six-year reauthorization of the federal surface transportation program. In addition, the Administration embraces a recommendation of the President's National Commission on Fiscal Responsibility and Reform to move transportation funding from the "discretionary" side of the federal budget to the "mandatory" side. The budget request also provides the Administration's basic outline of a long-term transportation authorization proposal, although the proposed bill language has not yet been released.

FY 2012 "Economic Boost" Proposed — Front-Loading Six-Year Program

Attachment A provides a comparison of the FY 2012 proposal with the FY 2010 budget since Congress has yet to finalize the FY 2011 budget. The budget includes a \$50 billion "economic boost" for FY 2012 on top of a baseline funding level that includes the following key components:

- \$25 billion for Highways;
- \$7.5 billion for a new Bus & Rail State of Good Repair (SGR) program, with a focus on the oldest and largest systems;
- \$3 billion for Transit Urbanized/Non-Urbanized Formula grants;
- \$1 billion for Capital Investment Grants (New Starts);
- \$2 billion for National Infrastructure Investments (similar to the multimodal Transportation Investment Generating Economic Recovery program, or TIGER, funded by the American Recovery & Reinvestment Act); and
- \$3 billion for high-speed and intercity rail and \$2.5 billion for Railroad Safety Preservation, focused on Amtrak

FY 2012 Budget Proposes Significant Restructuring of Surface Transportation Program

The President's FY 2012 budget reflects the Administration's six-year \$556 billion surface transportation reauthorization plan and includes the following key elements:

- Consolidation of 55 highway programs into five;

- \$119 billion for the Federal Transit Administration (FTA), more than doubling the current funding level;
- \$53 billion for high-speed and intercity rail, including \$8 billion in FY 2012;
- \$30 billion for a National Infrastructure Bank to invest in projects of regional or national significance;
- \$28 billion for Livable Communities, including \$4.1 billion in FY 2012, which consolidates a number of existing FHWA programs;
- \$35 billion for Bus & Rail State of Good Repair; and
- A \$32 billion Transportation Leadership Award program to create incentives for state and local partners to pursue transportation policy reforms.

The funding levels proposed for the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA) are summarized in Attachment B.

Reauthorization: Big Increase in Spending, But No Mention of Revenue Source

The Administration's reauthorization proposal represents a 60 percent increase above inflation-adjusted levels of the current transportation authorization — the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA). According to the budget summary, the proposal emphasizes “fixing existing assets, moving toward a cost-benefit analysis of large transportation projects and consolidating duplicative, often-earmarked highway programs.” These concepts are very similar to many of the recommendations emerging from the National Surface Transportation Policy & Revenue Study Commission's January 2008 report.

However, unlike that report and many other blue ribbon commissions that have recommended an increase in the gas tax as the best way to finance additional federal funding, the Administration leaves unanswered the question of how the new revenue would be achieved, stating its intention to “work with Congress to authorize sufficient revenue for the Transportation Trust Fund” to ensure the “funding boost is offset and does not increase the deficit.” To put this funding question in context, Congress would need to identify an additional \$20 billion in FY 2012 and \$306 billion over the six year FY 2012-2017 period to fully offset the increased spending levels.

Administration Proposes Subjecting Transportation Budget to “PAYGO” Provisions & Creation of New Trust Fund

As noted above, the proposal does not recommend an increase in any specific user fee to help offset the funding increases, but it does propose a significant change to current law that would require the funding increases be paid for without increasing the deficit. Under this change, all surface transportation spending would be treated as “mandatory” and subject to “pay-as-you-go” (PAYGO) budget rules that require all higher spending be offset by either new revenue or cuts in other parts of the budget. The budget documents note that, “As a placeholder, the Budget assumes bipartisan agreement on new revenues sufficient to ensure the solvency of the Transportation Trust Fund through 2021.” Moreover, the budget assumes such revenues would be effective January 1, 2012.

Renaming of Fund Represents a Symbolic Shift Away from A Highway-Focused Program

The reauthorization proposal also recommends that the Highway Trust Fund (HTF) be renamed the Transportation Trust Fund and restructured with four subaccounts: Highway, Mass Transit, Rail & Infrastructure Bank. However, in recognition that this new structure could imply a

diversion of baseline funding away from highways and transit, the budget documents state the Administration's intent that the existing excise taxes remain dedicated solely to the highway and transit accounts.

Huge Increase in FTA Funding Proposed: Emphasis on State of Good Repair

The budget requests \$119 billion for the FTA over six years, as shown in Attachment A. For FY 2012, the budget proposes \$22 billion in FY 2012, an increase of \$11.6 billion, or 108 percent, over FY 2010 levels. The budget documents note that restoring transit to a state of good repair (SGR) is FTA's "highest priority" and this is borne out by a \$10.5 billion request for a new Bus & Rail SGR Program that would replace the existing Fixed Guideway and Bus & Bus Facilities Programs.

The SGR program would receive \$10.5 billion in FY 2012, three times the FY 2010 funding provided to the Fixed Guideway and Bus & Bus Facilities programs. As noted above, \$7.5 billion of this amount would be part of the Administration's \$50 billion "Up Front Economic Boost" and would require no local match.

The Administration proposes a revised formula that would target funding to agencies with the oldest equipment in most need of repair and would treat bus and rail projects "equitably." Additionally, to encourage better SGR practices, FTA proposes that asset management plans themselves be eligible for reimbursement under the program and that FTA grantees employ these systems as a condition of receiving federal SGR funds.

Administration Proposes Allowing Up to 25 Percent of Federal Transit Formula Funds to Be Used for Operating Expenses

The Administration proposes loosening restrictions on transit agencies using federal funds for operating expenses for agencies serving a metropolitan area that experienced a measurable decline in employment in the prior quarter. Specifically, the proposal would allow operators serving medium and large urbanized areas to use up to 25 percent of their Urbanized Area apportionment as operating assistance in the first year and declining portions during the second and third years for up to three consecutive years. After exercising this option, operators would be disqualified from this allowance for the same time period that they exercised it. To prevent federal funds from being used as a substitute for local funds, an operator seeking to use these funds for operating expenses would also be required to certify that funding shares from local partners was not reduced during the time period.

Reforms Proposed for New Starts Program

The Administration proposes changing the New Starts program's structure by ending the current two tier system of "New Starts" and "Small Starts," which entails different sets of project evaluation requirements. Instead, project applicants requesting more than \$100 million would continue to follow the traditional "full funding grant agreement" process while those seeking less than \$100 million, would receive funding under a simplified Project Construction Grant Agreement. Projects could be "exempt" from the evaluation and rating process if the project sponsor is seeking less than \$100 million in Capital Investment Grant program funds and the request represents less than 10 percent of the project's anticipated total capital cost. These "exempt" projects would be subjected to basic federal grant requirements and no longer evaluated and rated under the proposed criteria. Additional changes proposed include:

- Eliminating the need for an alternatives analysis since this is already performed as part of the National Environmental Policy Act process.
- Reducing the number of FTA approval steps in the process. Rather than separate Preliminary Engineering and Final Design approvals, projects would be required to obtain FTA approval at one stage called Project Development.
- Simplifying and reducing the number of project performance criteria from six to four. The four criteria would include transportation effects, environmental effects, economic development, and comparison of projects to costs.

New “Specialized Transportation Program” Proposed

Within the Transit Formula program, the Administration proposes merging the existing Job Access and Reverse Commute (JARC), Elderly & Disabled and New Freedom programs into one consolidated “Specialized Transportation Program.” Budget documents indicate that the proposal reflects stakeholder feedback and is designed to reduce the administrative burden on grant recipients. The objective of this program is to fill gaps in or enhance transportation services available to meet the particular needs of older adults, low-income individuals, and people with disabilities who are not well served by existing public transportation service. The program would receive \$405 million in FY 2012, an increase of \$179 million over FY 2010 levels.

Reauthorization Proposal Would Increase Highway Funding by Almost Fifty Percent

The Administration proposes \$336 billion for the FHWA over six years, as shown in Attachment B, up 48 percent over SAFETEA. This includes \$70 billion in FY 2012, a 69 percent increase over FY 2010. The stated goal of this increase is to enhance the “safety, livability, condition and efficiency of our nation’s highway system.” Program consolidation would shrink more than 55 existing programs into five new categories:

- The National Highway Program (NHP)
- Highway Safety Improvement
- Livable Communities
- Federal Allocation¹
- Research, Technology & Education

These programs would replace many programs familiar to MTC, including the existing Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality (CMAQ) program, a portion of which come directly to MTC for programming throughout the region. While the new NHP and Livable Communities Program are both proposed to be formula-based programs, the basis for the formulas are not yet known so we cannot determine at this time whether the region would benefit from the proposed changes.

The new NHP program would consist of two components:

- Highway Infrastructure Performance Program: a \$16.8 billion formula-based program designed to improve the condition of an expanded definition of the National Highway System (220,000 miles relative to the existing 160,000 mile network), which will carry 55 percent of all traffic and 97 percent of all truck-borne freight.

¹ *Umbrella program including funding for Federal Lands, Emergency Relief, Tribal Lands, Construction Worker Training & Disadvantaged Business Assistance on bidding on federal highway contracts.*

- Flexible Investment Program: \$15.6 billion formula-based program that provides flexibility to states to invest in roadway preservation, congestion mitigation or other performance improvement programs on any federal-aid eligible highway.

Also worth noting, the budget includes \$20 million for FY 2012 to establish a Surface Transportation Revenue Alternatives Office to analyze the feasibility of implementing a national mileage-based user fee system. Over the six year period, \$300 million is proposed for this effort.

Livable Communities Program Would Replace Six Existing FHWA Programs

The Administration also proposes a Livable Communities Program within FHWA, consisting of \$28 billion over the six-year reauthorization period, including \$4.1 billion for FY 2012. Most of this funding, including \$3.6 billion in FY 2012, would be for a highly flexible, formula-based program that would distribute the funding directly to states. Budget documents do not indicate what formula would be used. The program would have very broad project eligibility, encompassing all projects that were otherwise eligible under the following existing programs:

- Transportation Enhancement Activities
- Transportation and Community and System Preservation
- Congestion Mitigation and Air Quality (CMAQ) Improvement
- Recreational Trails Program
- Safe Routes to School Program
- National Scenic Byways

If a state has nonattainment or maintenance areas for air quality, it would be required to devote 15 percent of its Livability Program formula funds to projects that would improve air quality in these areas. States without nonattainment and maintenance areas would not be subject to this requirement.

The remainder of the Livable Communities Program would be split between two new competitive grant programs open to local governments, metropolitan planning organizations (MPOs), and state departments of transportation (DOTs), at the following FY 2012 funding levels:

- Investments for Livable Communities Grant Program: \$500 million program to promote innovative, multi-modal, and multi-jurisdictional highway projects that promise significant environmental and economic benefits to an entire metropolitan area, a region, or the nation.
- Livability Capacity Building Grant Program: \$200 million to support metropolitan transportation planning capacity building, including data collection, software, staff training, etc. in the interest of improving capacity for addressing livability needs.

Administration Seeks a New Performance-Based Funding Program: “Transportation Leadership Awards” to Encourage States to Establish & Achieve Key Goals

Another new program — the Transportation Leadership Award Program — is modeled after the Department of Education’s “Race to the Top” program. The Administration proposes \$32 billion over six years to “encourage fundamental reforms in the planning, building and management of the transportation system.” Funds would be split between FHWA and FTA. The emphasis of the

program is on setting tangible performance targets and leveraging federal funds to achieve them. According to supporting budget documents from FHWA, the purpose of the program is to help reform the way “transportation investments and decisions are made to better manage and realize performance outcomes in the areas of safety, state of good repair, livability, environmental sustainability, and transportation system management.” Both state DOTs and MPOs would be eligible to apply for funds.

For the FHWA portion, the budget proposes \$1.3 billion in FY 2012. Projects would be eligible to receive between \$100 million to \$1 billion. The Administration proposes a one-year lead time to develop guidelines and criteria for the FTA portion of the program, with funding beginning in FY 2013 at \$1.6 billion.

Rail Safety

In response to recommendations from the National Transportation Safety Board and the Government Accountability Office following accidents in Boston, Washington, D.C., Chicago, Salt Lake City, San Francisco and Miami, the Administration proposes a new Rail Transit Safety Program that would empower the FTA with the authority to oversee rail safety nationwide. The program is described as a “cooperative effort with state transit safety oversight agencies to set national transit safety standards and provide inspections and consultation in order to ensure compliance.”

Six-Year High-Speed Rail Proposal

The reauthorization proposal includes \$53 billion for high-speed and intercity rail and recommends merging Amtrak’s stand-alone program with the high-speed rail program as part of a larger “System Preservation” initiative. A second category of funding would be focused on “Network Development” dividing the nation’s rail system into four tiers: core, express, regional or emerging. The Administration also recommends incorporating rail into the surface transportation authorization for the first time.

National Infrastructure Bank

The Administration is once again requesting that Congress establish a National Infrastructure Bank to provide loans and grants to support projects that improve our national competitiveness. The program would employ a “rigorous project comparison method that transparently measures which projects offer the biggest value to taxpayers and our economy.” The budget suggests that transportation projects would be the primary recipient of the bank’s funding in early years.



Steve Heminger

FY 2012 President's Budget Request

Dollars in \$1,000's

	FY 2010 Enacted	FY 2012 Proposed
Office of the Secretary (DOT)		
Office of Livable Communities	\$ -	
National Infrastructure Investments - (TIGER)	\$ 600,000	\$ 2,000,000
Federal Highway Administration (FHWA)		
Federal Aid Highways Obligation Limitation	\$ 41,107,000	\$ 42,025,000
National Highway Program (new formula programs)		\$ 32,382,000
Highway Infrastructure Performance Program		\$ 16,750,000
Flexible Investment Program		\$ 15,632,000
Transportation Leadership Awards		\$ 1,284,000
<i>Federal Aid Highways Subtotal</i>	<i>\$ 41,107,000</i>	<i>\$ 42,025,000</i>
"Up Front" Proposal		
Federal Highways (formula)		\$ 25,000,000
TIFIA Credit Assistance		\$ 450,000
Cross-Border Transportation		\$ 2,200,000
<i>Subtotal "Up Front"</i>		<i>\$ 27,650,000</i>
FHWA Grand Total	\$ 41,107,000	\$ 69,675,000
Federal Railroad Administration (FRA)		
High-Speed and Intercity Passenger Rail Network Development	\$ 2,500,000	\$ 4,000,000
System Preservation & Renewal		\$ 4,046,000
Amtrak Operating Grants ¹	\$ 563,000	-
Amtrak Capital and Debt Service Grants ¹	\$ 1,001,625	-
Rail line Relocation & Improvement Program ¹	\$ 34,532	-
Railroad Research and Development ¹	\$ 37,613	-
FRA Grand Total		\$ 8,046,000
Federal Transit Administration (FTA)		
Formula & Bus Grants	\$ 8,343,171	\$ 4,257,392
Urbanized Area Formula	\$ 4,542,577	\$ 3,716,664
Non-Urbanized Area Formula Program	\$ 537,198	\$ 540,728
Consolidated Specialized Transportation Grant Program		\$ 405,000
Fixed Guide way Modernization ¹	\$ 1,663,033	\$ -
Alternative Analysis Program	\$ 24,948	\$ -
Alternative Transportation in Parks and Park Land	\$ 26,844	\$ -
Bus and Bus Facility ¹	\$ 981,953	\$ -
Clean Fuels	\$ 51,393	\$ -
Elderly and Disabled ²	\$ 133,222	\$ -
Job Access and Reverse Commute (JARC) ²	\$ 164,158	\$ -
New Freedom ²	\$ 92,308	\$ -
Over the Road Bus	\$ 8,782	\$ -
Planning and Research	\$ 116,757	\$ -
Bus & Rail State of Good Repair	\$ -	\$ 3,207,000
Capital Investment Program (New & Small Starts) ³	\$ 1,998,000	\$ 2,236,000
Energy Efficiency & Greenhouse Gas Reduction	\$ 75,000	\$ 75,000
<i>Federal Transit Administration SubTotal</i>	<i>\$ 10,730,752</i>	
"Up Front" Proposal		
Capital Investment Program (New & Small Starts) ³		\$ 1,000,000
Bus & Rail State of Good Repair		\$ 7,500,000
Urbanized Area Formula		\$ 2,775,000
Non-Urbanized Area Formula Program		\$ 225,000
<i>Subtotal "Up Front"</i>		<i>\$ 11,500,000</i>
FTA Grand Total		\$ 22,201,000

Source: Transportation Weekly, FHWA & FTA Budget Estimates submitted to the Appropriations Committees

Notes:

Totals may not add due to omission of smaller programs

(1) The Administration proposes to realign all passenger rail activities into two accounts, with all former Amtrak programs consolidated into the System Preservation & Renewal Program and all new expansion under the Network Development

(1) The Administration proposes to merge the Fixed Guideway/Rail Modernization Program and the Bus & Bus Facilities Program into a new Bus & Rail Transit State of Good Repair Program

(2) The Administration proposes merging the Job Access & Reverse Commute Program, the New Freedom Program and the Elderly & Disabled Program under a new Consolidated Specialized Transportation Program.

(3) For FY 2012, the Capital Investment Program is funded as an element of the Administration's proposed Transit Expansion & Livable Communities Program

Obama Administration Surface Transportation Reauthorization Account Totals for FY 2012-2017

(Dollars in millions)

Federal Highway Administration

Program	2012	2013	2014	2015	2016	2017	Total
Administrative Expenses	\$ 441	\$ 468	\$ 489	\$ 511	\$ 533	\$ 558	\$ 3,000
National Highway Program	\$ 32,382	\$ 35,302	\$ 37,618	\$ 39,628	\$ 41,379	\$ 43,219	\$ 229,528
Safety Program	\$ 2,539	\$ 2,732	\$ 2,851	\$ 2,980	\$ 3,112	\$ 3,250	\$ 17,464
Livable Communities Program	\$ 4,100	\$ 4,290	\$ 4,477	\$ 4,680	\$ 4,888	\$ 5,104	\$ 27,539
Research, Technology & Education Program	\$ 641	\$ 678	\$ 697	\$ 718	\$ 742	\$ 769	\$ 4,245
Federal Allocation Program	\$ 1,357	\$ 1,474	\$ 1,550	\$ 1,631	\$ 1,713	\$ 1,776	\$ 9,501
Up Front Funding	\$ 27,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,650
<i>(Dollars in millions)</i>	\$ 1,284	\$ 2,397	\$ 2,400	\$ 2,871	\$ 3,726	\$ 4,474	\$ 17,152
Surface Transportation Revenue Alternatives	\$ 20	\$ 20	\$ 130	\$ 100	\$ 25	\$ 5	\$ 300
TOTAL	\$ 70,414	\$ 47,361	\$ 50,212	\$ 53,119	\$ 56,118	\$ 59,155	\$ 336,379

Federal Transit Administration

Program	2012	2013	2014	2015	2016	2017	Total
Transit Formula Grants	\$ 7,692	\$ 6,303	\$ 6,925	\$ 7,609	\$ 8,362	\$ 9,188	\$ 46,079
Bus & Rail State of Good Repair	\$ 10,707	\$ 3,771	\$ 4,341	\$ 4,900	\$ 5,532	\$ 6,247	\$ 35,498
Transit Expansion and Livable Communities	\$ 3,469	\$ 2,856	\$ 3,125	\$ 3,493	\$ 3,772	\$ 3,929	\$ 20,644
National Research & Technology Deployment	\$ 166	\$ 192	\$ 197	\$ 204	\$ 210	\$ 219	\$ 1,188
Transportation Leadership Awards		\$ 1,665	\$ 1,799	\$ 3,011	\$ 3,746	\$ 4,494	\$ 14,715
Operations and Safety	\$ 166	\$ 179	\$ 185	\$ 192	\$ 198	\$ 204	\$ 1,124
TOTAL	\$ 22,201	\$ 14,966	\$ 16,572	\$ 19,409	\$ 21,820	\$ 24,281	\$ 119,249

Note: totals may not sum due to rounding.

Source: President Obama's FY 2012 Federal Budget Request, FHWA & FTA Summaries.