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February 2011 Monthly Report for MTC

**To: Steve Heminger, Executive Director
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**From: Tom Bulger, President
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Re: Monthly Report for February 2011

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President's 2012 Budget Proposal/Surface Transportation Authorization Outline

In line with last month's State of the Union address, the President's Fiscal Year 2012 budget proposal (released February 14, 2011) focused on significant funding for transportation infrastructure — even while proposing cuts in other areas of the budget. Transportation Secretary Ray LaHood held a briefing with key transportation stakeholders and unveiled specifics on the proposed \$129 billion in transportation spending for FY 2012, incorporating a \$50 billion “up front” infusion mentioned by President Obama in a speech last year.

The proposal would significantly restructure existing transportation programs, and it was presented as a part of a broader, six-year, \$556 billion transportation authorization outline. The six-year budget proposal also provides \$336 billion for highways and bridges (a 48 percent increase over SAFETEA-LU levels), and \$119 billion for transit (a 128 percent increase over SAFETEA-LU levels). The budget proposal also assumes significant restructuring of current programs, as well as introduction of additional programs and goals. These give us a glimpse into the Administration's plans for the long-term transportation program.

The proposal reflects recommendations given by the National Surface Transportation Policy and Revenue Study Commission, and it indicates that these investments will be fully paid for through a mechanism decided upon through a bipartisan congressional discussion (i.e. the President will not increase the deficit through infrastructure investment and will rely on Congress to take the lead in proposing a mechanism to raise the significant funds this level of investment would require). Specific language that would fully explain the restructuring that is indicated in the budget proposal is not yet available; however, the insight we have gleaned from the budget is detailed below.

Four broad goals were identified in this proposal:

1. Strengthen our infrastructure
2. Spur innovation
3. Ensure safety
4. Reform government and exercise responsibility

Some of these goals were addressed by streamlining programs to increase efficiency; focusing on performance measures, maintenance and rehabilitation of the system; focusing capital investments; and including significant investment in “livability” programs.

Proposal Highlights

Transportation Trust Fund

- The proposal expands the current Highway Trust Fund into a new Transportation Trust Fund that will include the current Highway and Mass Transit Trust Fund Accounts and it would add accounts for Passenger Rail and the Infrastructure Bank. It also incorporates transportation programs that were previously financed through the General Fund (GF) like Amtrak, High-Speed Rail (HSR), and TIGER-type (Transportation Investment Generating Economic Recovery) grants, etc.
 - Funding would be set in the authorization process. Appropriators would still set annual obligation limitations, but not year-to-year programmatic changes. This is the reverse direction of the new House Rule, which would allow annual appropriations fluctuations.

- Budgetary treatment changes: all surface transportation outlays are treated as mandatory, and funding will be subject to PAYGO (“pay-as-you-go”) provisions. Additionally, all new spending must be offset.
- Find increased “financing” for the Trust Fund (\$110 billion over six years). The Administration will work with Congress to find this financing mechanism.

Federal Highway Administration — Highways and Bridges

- Highways funded at \$366 billion over six years.
- Fifty-five highway programs consolidated into five new categories: National Highway Program; Highway Safety Improvement; Livable Communities; Federal Allocation; and Research, Technology, and Education.
 - The National Highway Program would streamline the Interstate Maintenance, National Highway System, Bridge, and Surface Transportation programs, and would report on highway conditions and performance measures.
 - Highway Infrastructure Performance Program: formula based program.
 - Flexible Investment Program: formula program with flexibility to invest in infrastructure preservation, congestion mitigation, or performance improvement projects.
 - Livable Communities: multi-modal transportation.
- Introduces performance measures in areas of safety and state of good repair; however, no specific details are available yet.
- Metropolitan planning organizations (MPOs) with greater technical capacity will have a role in project selection.
- Transportation Leadership Awards (modeled after the Department of Education’s “Race to the Top” program): \$32 billion planning and multi-modal projects with states and regions competing for federal grants.

Federal Transit Administration — Transit

- \$119 billion over six years (\$11.5 billion of the \$50 billion infusion).
- Consolidate program structure into five budget accounts:
 1. Bus and Rail State of Good Repair (SGR) formula program is created by incorporating the current fixed guideway and discretionary bus programs (\$10.7 billion for FY 2012). The designated “up-front” \$7.5 billion program for FY 2012 would not require a local match.
 2. Safety and Operations program (new federal transit safety program).
 3. Transit Formula Grants program
 4. Transit Expansion and Livable Communities program
 - a. Capital Investment Grants — incorporate New Starts/Small Starts.
New Starts FY 2012 pending Full Funding Grant Agreements:
 - i. Third Street Light Rail
 - ii. Phase 2 Central Subway
 - iii. The BART extension to Silicon Valley was also recommended for a new Full Funding Grant Agreement
 - b. Livable Communities demonstration grants (\$50 million for FY 2012).
 - c. Planning Programs (\$140 million for FY 2012).
 5. Research and Technology Deployment program

- Operating Assistance: this would provide transit authorities in urban areas with temporary flexibility to use a percentage of formula funds for operating costs (percentage decreases over three years).

Infrastructure Bank (I-Bank): \$30 billion over six years (includes compiling innovative financing mechanisms such as Transportation Infrastructure Finance and Innovation Act, or TIFIA).

High Speed Rail: \$8 billion for the first year of a six-year authorization, \$53 billion total high-speed rail investment plan.

Funding Highlights — FY 2012

- Federal Transit Administration: \$22.4 billion
 - New Starts FY 2012 pending Full Funding Grant Agreements:
 1. An additional \$200 million for Third Street Light Rail
 2. Phase 2 Central Subway
 3. The BART extension to Silicon Valley was recommended for an additional \$130 million new Full Funding Grant Agreement
- Federal Highway Administration: \$70.5 billion
- Federal Railroad Administration: \$8.3 billion for passenger rail (including HSR)
- Infrastructure Bank: \$5 billion
- Federal Aviation Administration: \$18.7 billion (\$1.2 billion for NextGen)

Up-Front \$50 billion Highlights

- Highway and bridge improvements: \$25 billion
- TIFIA: \$450 million
- Transit SGR: \$7.5 billion
- Urban and Rural Formula Grants: \$3 billion
- New Starts: \$1 billion
- National Infrastructure Investments (grant program, similar to the TIGER program, that would provide grants for capital multi-modal investments).

Surface Transportation Authorization Update

Both the Administration and Congress continue to indicate a commitment to addressing the long-term surface transportation authorization. As noted above, the Administration has introduced a very basic proposal that comprehensively overhauls current surface transportation law. The House and Senate are also proposing a comprehensive bill that would alter current law; however, discussions surrounding the funding size of the bill and actual format of the new program currently differ significantly within the House, the Senate, and the Administration. House Transportation and Infrastructure (T&I) Committee Chair John Mica, R-FL, has iterated his commitment to “working within our means,” i.e. no new funding for transportation, while the Administration proposal calls for an additional \$231 billion for transportation funding over the next six years.

SAFETEA-LU Extension

While the authorization proposals are being formed, Congress will need to extend existing transportation law before the current extension expires on March 4, 2011. An extension of

SAFETEA-LU through the end of the fiscal year (September 30, 2011) is likely to be enacted early next month.

Administration

Transportation Secretary Ray LaHood has reiterated his commitment to have a bill signed by mid-August. He will be on Capitol Hill during the first weeks of March presenting the Administration's ideas to the House and Senate in a series of Congressional hearings. More information on the hearings will be included in the March monthly report.

Congress

House T&I Chair Mica also continues to note his commitment to passing a six-year authorization bill this year. In a discussion with transportation stakeholders, he outlined four principles that will guide his legislation:

1. Stabilize the Highway Trust Fund by ensuring that spending authorized in the bill will not exceed actual Trust Fund receipts (assuming no gas tax increase).
2. Recapture unspent federal funds within the transportation program. Specific funds have not been identified, but the Chairman has noted that there are funds that could be used to supplement trust fund spending, such as unobligated earmarks.
3. Utilizing Public-Private Partnerships and other alternative financing mechanisms to leverage federal funds. Chair Mica plans to encourage more investment from the private sector and improve currently authorized programs, such as TIFIA and Build America Bonds.
4. Streamline programs and speed project delivery.

In February, Chair Mica traveled to more than a dozen cities across the nation to conduct a series of field hearings and listening sessions to gather ideas for the authorization legislation. On February 23, he joined Senator Barbara Boxer, Chair of the Senate Environment and Public Works Committee (EPW) in Los Angeles to hear testimony from stakeholders. The EPW has jurisdiction over the highways and bridges portion of the transportation bill. Executive Director Steve Heminger testified at the hearing and was the only representative from Northern California to advocate for the real federal role in transportation. Specifically, he noted the importance of maintaining our federal infrastructure investments, incorporating freight/goods movement into the surface transportation system, and the need for metropolitan area support. Additionally, EPW Chair Boxer voiced that the passage of a surface transportation bill will be a top priority of her committee in the coming months.

Funding the Federal Government — Continuing Resolution Updates

Short-Term Continuing Resolution

Due to its timely pertinence, note that on March 2nd Congress avoided a government shutdown by passing legislation that will continue authorizing government spending through March 18. This two week continuing resolution (CR) maintains government programs at FY 2010 levels, excluding \$4 billion in cuts. The \$950 million in transportation cuts are outlined below:

- Program Cuts/Terminations
 - Federal Highways Administration: \$650 million.
No funds were requested for this use in the President's budget request. This was a one-time, non-recurring funding addition provided in FY 2010 from the GF, and it

was distributed to all states through the existing, authorized highway formula. Removing these funds will have no impact on the authorized, mandatory side of the highway program and its limitation of obligations.

- Earmark Terminations
 - \$293 million — Surface Transportation priorities
 - \$25 million — Rail Line Relocation

One Year Continuing Resolution (through FY 2011)

On February 18, the House passed H.R. 1, a CR to fund government operations through the end of FY 2011. The legislation would reduce federal spending in FY 2011 by \$61 billion from FY 2010 enacted levels (this was a compromise stemming from the House Republicans' commitment to cut federal spending by \$100 billion this year). Because the Senate was not expected to approve this legislation before the current CR expires on March 4, the short-term CR gives Congress until March 18 to work out a compromise solution that will fund the government through the end of the current fiscal year.

The CR passed by the House would maintain FY 2010 levels of federal-aid highway and transit formula spending, but it targets a number of discretionary programs, including New Starts/Small Starts funding and FY 2010 earmarks. The most pertinent cuts in HR 1 are:

- A \$431 million reduction for New Starts/Small Starts for FY 2011 and rescinding an additional \$280 million from FY 2010 (targeting unobligated earmarks);
- \$150 million for Transit Investments in Greenhouse Gas Emission Reduction (TIGGER) program (no funding for FY 2011 and rescinds \$75 million from FY 2010);
- \$1.2 billion for TIGER II grant program (eliminate \$600 million for FY 2011 and rescind the \$600 million appropriated for FY 2010);
- \$6 billion from HSR (\$3.75 billion from unobligated ARRA appropriations, as well as \$2.5 from unobligated FY 2010 appropriations);
- \$293 million from Surface Transportation Priorities (detailed above); and
- \$650 million from FHWA (the one-time GF addition described above).

The House CR would also eliminate funding for the Partnership for Sustainable Communities, the collaboration between the Departments of Transportation, Housing and Urban Development, and the Environmental Protection Agency, as well as funding for the grants that are jointly administered by the partnership (MTC received some of those grants last year). The Senate was very vocal in their opposition to such substantive overall cuts, and will work through the month of March to reassess a year-long CR.

Earmarks Update

As of February, legislation containing earmarks is officially banned in the House, banned by a “gentleman’s agreement” in the Senate, and will be vetoed by the President (as stated in his State of the Union address). The impact of this ban on transportation infrastructure projects will be more clearly defined in the coming months.

February Meeting Updates

Congressman John Garamendi (D-CA)

Throughout February, we coordinated with Mr. Garamendi's staff about representing the San Francisco Bay Area's interests.

Senator Tom Carper (D-DE) and Senator Christopher Coons (D-DE)

On February 1st, we attended a celebration with Senators Carper and Coons, and we spoke with the Senators and their staff about transportation authorization legislation.

ITS America

We participated in an ITS America legislative steering committee meeting on February 8.

National Transportation Policy Project Briefing

We attended a National Transportation Policy Project briefing at the Bipartisan Policy Center on February 9.

U.S. Department of Transportation (DOT) FY 2012 Budget Briefing

On February 14, we attended a DOT briefing on the FY 2012 President's budget proposal. We spoke with a number of DOT administrative officers, including Joel Szebat, Roy Kienitz, Polly Trottenberg, Peter Rogoff and Victor Menendez.

Beth Osborne, Deputy Assistant Secretary for Transportation Policy

On February 16, we joined a conference call for a follow-up briefing on the President's budget with Ms. Osborne.

Congressman Mike Rogers (R-MI)

On February 17, we attended an ITS America roundtable discussion where Congressman Rogers discussed options for planning programs within the transportation authorization.

Congresswoman Anna Eshoo (D-CA)

We met with Congresswoman Eshoo's staff to discuss local Bay Area transportation funding on February 17.

Capitol Hill Transportation Briefing

On February 23, we attended a Capitol Hill briefing on the state of transportation. We met with a number of Administration, Senate, and House staffers, including Roy Kienitz, Under Secretary for Policy at DOT, and staff from the offices of Representatives Russ Carnahan (D-MO) and Mike Thompson (D-CA), and Minority Leader Nancy Pelosi (D-CA).

Senator Dianne Feinstein (D-CA)

We met with Senator Feinstein's staff on February 23 to discuss transportation funding options.

MTC Commissioner's Annual Legislative Trip to Washington, D.C./Transportation Reception

We have been planning meetings and events for MTC Commissioners' March legislative trip to Washington.