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**March 2011 Monthly Report for MTC**

**To: Steve Heminger, Executive Director  
MTC**

**From: Tom Bulger, President  
Georgia Gann, Legislative Associate  
GRI**

**Re: Monthly Report for March 2011**

- **Surface Transportation Authorization Update**
  - **Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users (SAFETEA-LU) extension**
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## **Surface Transportation Authorization Update**

### *SAFETEA-LU Extension*

On March 4, President Obama signed the Surface Transportation Extension Act — the seventh extension since SAFETEA-LU expired on September 30, 2009 — which will continue authorization and funding for surface transportation programs at FY 2009 levels through September 30, 2011. The collective hope is that a new transportation authorization bill will be in place before this extension expires. If an authorization bill is not passed by September 30, we enter into the 2012 election cycle, dashing the political viability of authorizing legislation until after the 2012 elections.

### *Administration*

During the first weeks of March, Transportation Secretary Ray LaHood presented the Administration's reauthorization outline to Congress in a series of Senate committee hearings (see the February 2011 Monthly Report for more details on the outline). Although a number of Democratic senators expressed broad support for the proposal's policy, Secretary LaHood consistently received questions regarding a funding source to fund the \$550 billion price tag included in the proposal (including a push from Sen. Barbara Boxer). The Administration supported innovative financing mechanisms, such as the creation of an infrastructure bank (I-bank), reviving bond and loan programs — including Build America Bonds (BABs) and the Transportation Infrastructure Finance and Innovation Act (TIFIA) — as well as public private partnerships (PPPs); however, they reiterated the stance that they will not support an increase in the gas tax in this economy. The latest surge in gas prices has pushed a gas tax increase even further out of the realm of popular political feasibility for the White House. The latest reports site that the Highway Trust Fund (HTF) will remain solvent only through the end of FY 2012.

### *Congress — Senate*

Senate Environment and Public Works (EPW) Committee Chair Barbara Boxer held a number of hearings in March that focused on authorization legislation, and in which Secretary LaHood testified. Chair Boxer focused on some of the more practical aspects of passing a long-term bill, most specifically, on funding the programs. Although the committee continued to reject the possibility of a gas tax increase, Sen. Boxer suggested the possibility of indexing the gas tax to inflation — an idea that would halt the depreciation of gas tax revenue, but has yet to be embraced by Congress or the Administration. Chair Boxer again expressed her support for innovative financing, specifically on strengthening the TIFIA program, which is also supported by the House of Representatives. Stakeholders and legislators continue to recognize that these innovative financing mechanisms, streamlining, as well as PPPs can supplement current HTF revenues; however, they cannot replace the level of funding that would be generated by a tax increase or something of a similar nature to the gas tax. This means that programs will need to be substantially shrunk, or that new financing alternatives will have to be enacted.

### *Congress — House*

House Transportation and Infrastructure (T&I) Committee chair, Sen. John Mica, R-Fla., spent the past month voicing the pressing need for a new long-term transportation authorization bill and stating his opposition to another short-term SAFETEA-LU extension several times. He is committed to have a new authorization bill signed into law by September 30, 2011.

Note that the push against shrinking programs, such as Transportation Investment Generating Economic Recovery (TIGER), enhancements, etc., is significantly stronger in the Senate than the House, and the Administration will push back even stronger. The Administration’s proposal consolidates programs to increase efficiency, but largely incorporates them under a larger umbrella rather than fully eliminating alternative programs. Priorities for authorization such as program streamlining, performance measures, encouraging efficiency, and innovative financing are general ideas that are under discussion by both Congress and the Administration.

### **2011 Federal Transportation Funding — Continuing Resolution**

On February 18, the House passed H.R. 1, a continuing resolution (CR) to fund government operations through the end of FY 2011. The legislation would reduce federal spending in FY 2011 by \$61 billion from the levels enacted in FY 2010. This was a compromise that resulted from 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 expired on March 4, a series of extensions were passed, giving Congress until March 18 to work out a compromise solution that would fund the government through the end of the current fiscal year.

In the second week of March, the Senate voted on two separate CR packages that included the CR passed by the House and an alternative proposed by Senate Democrats; however, neither package received enough votes to be perceived as a viable, final funding option. Then, another short-term CR extension was passed the week of March 18 — delaying any potential government shutdown through April 8, 2011. This short term extension included \$6 billion in cuts (\$2 billion per week) that included a \$50 million cut for the Department of Transportation’s railroad safety technology grants. Negotiations are now under way to bridge the gap between the \$61.3 billion in cuts proposed by the House and the \$8.7 billion proposed by Senate Democrats.

Both proposed budgets would maintain FY 2010 levels of federal-aid highway and transit formula spending, but they target a number of discretionary programs for FY 2011, as well as New Starts/Small Starts funding, FY 2010 earmarks and FY 2010 program funding.

The following charts detail some of the program funding proposals relevant to MTC:

**FY 2011 Budget Alternative Proposals**  
(in millions of dollars)

|                            | <b>FY 2010</b> | <b>Current CR</b> | <b>House-Passed CR</b> | <b>Senate Democrats’ CR</b> |
|----------------------------|----------------|-------------------|------------------------|-----------------------------|
| New Starts/Small Starts    | 2,000          | 2,000             | 1,569                  | 1,850                       |
| TIGER II Grants            | 600            | 600               | 0                      | 600                         |
| High-Speed Rail            | 2,5000         | 2,500             | 0                      | 1,000                       |
| TIGGER <sup>1</sup> Grants | 75             | 75                | 0                      | 75                          |

<sup>1</sup>Transit Investments for Greenhouse Gas and Energy Reduction Program

FY 2011 Budget Alternative Proposals Rescissions  
(in millions of dollars)

|                         | <b>House-<br/>Passed CR</b> | <b>Senate<br/>Democrats'<br/>CR</b> |
|-------------------------|-----------------------------|-------------------------------------|
| New Starts/Small Starts | -280                        | 0                                   |
| Dead Earmarks           | 0                           | -630                                |
| FY 2010 TIGER II Grants | -600                        | 0                                   |
| High-Speed Rail         | -2,475                      | 0                                   |
| TIGGER Grants           | -75                         | 0                                   |

As Congress moves forward in this fiscally conservative environment, we expect funds appropriated through the American Recovery and Reinvestment Act will be targeted, as well as other unobligated funds. Already, some bills have been introduced that specifically target unobligated transportation earmarks.

**Earmarks Update**

For the remainder of the 112<sup>th</sup> Congress, all 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 is still unclear. Traditionally, transportation and other infrastructure projects have been significant earmark recipients. Often, these earmarks have been included in long-term authorizing legislation and plans.

In March, Sens. Jim Inhofe, R-Okla., and John McCain, R-Ariz., proposed a narrower definition of earmarks. Currently, an earmark is broadly defined as a “congressionally directed spending item.” The definition proposed by Sens. McCain and Inhofe would exempt projects specifically authorized by Senate committees that meet “funding eligibility criteria” established by the relevant committee, or that are created through a competitive-bidding and formula-based process (similar to a competitive DOT grant program, but the “awardees” would be decided by Congress instead of the Administration). By their definition, earmarks could also be enacted with the support of 75 senators. Passing this resolution would ensure that a significant amount of funds authorized in the upcoming surface transportation legislation be approved in the Senate. Note that this definition would not necessarily apply to the House or be accepted by the President.

**California Transportation Reception**

On the evening of March 16, MTC co-hosted the annual transportation reception, this year titled, *Transportation Investments: The Key to California’s Economic Recovery*, and featured special guest T&I Committee Chair John Mica. Rep. Mica briefly met with MTC Commissioners, and was later introduced to speak by MTC’s vice chair, Amy Worth. He spoke at length about his hopes to complete the six-year transportation authorization legislation. The reception was

incredibly well-attended and included Congressional members, staff, and Administration officials, in addition to various transportation stakeholders.

Some of the Congressional members present included Reps. Peter DeFazio, D-Ore., Mike Honda, D-Calif., Grace Napolitano, D-Calif., and Jerry McNerney, D-Calif. Administration officials included Deputy Secretary of Transportation John Porcari, Federal Transit Administrator Peter Rogoff, Federal Transit Deputy Administrator Therese McMillan, Assistant Secretary for Transportation Policy Polly Trottenberg, and Federal Maritime Administrator David Matsuda. Other notable guests included MTC Commissioners and Lieutenant Governor Gavin Newsom.

### **March Meeting Updates**

During the week of March 14, a number of MTC Commissioners and staff were in Washington, D.C. for the annual federal legislative advocacy trip. Over the course of three days, we met with San Francisco Bay Area delegation members and staff, except Rep. George Miller, and we also attended strategic meetings with Congressional members who hold important positions on various transportation committees, as well as meetings with Administration officials. The discussions focused on transportation authorization policy and prospects, transportation funding options, and the state of the Bay Area's transportation network. A list of our meetings is below.

#### *California Delegation:*

- Senator Barbara Boxer
- Senator Dianne Feinstein's staff
- Democratic Leader Nancy Pelosi
- Representative Mike Thompson
- Representative Lynn Woolsey
- Representative Barbara Lee
- Representative John Garamendi
- Representative Jerry McNerney
- Representative Jackie Speier
- Representative Pete Stark's staff
- Representative Anna Eshoo's staff
- Representative Mike Honda
- Representative Zoe Lofgren

#### *Committee Members and Staff:*

- Sen. Tom Carper's staff — Sen. Carper, D-Del., sits on the Committee on EPW and the Committee on Finance.
- Senate Committee on Banking, Housing, Urban Affairs staff
- Senate EPW staff
- Rep. Nick Rahall, D-W.Va. — Rep. Rahall is the Ranking Member on the House T&I Committee

- Rep. John J. Duncan, Jr.'s staff — Rep. Duncan, D-Tenn., is the chairman of the Transit and Highways Subcommittee of the House T&I Committee
- House T&I staff

*Administration*

- Department of Housing and Urban Development — Office of Sustainable Communities staff, Maria Zimmerman and Dwayne Marsh
- Department of Transportation — Deputy Assistant Secretary for Transportation Policy Beth Osborne
- Federal Transit Administration — Peter Rogoff