



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 6a

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Memorandum

TO: Legislation Committee

DATE: October 7, 2011

FR: Executive Director

W. I. 1131

RE: American Jobs Act of 2011

Background

On September 8, 2011, President Obama urged a joint session of Congress to pass his proposed "American Jobs Act," which includes \$50 billion in new surface transportation infrastructure investment, including \$27 billion for highways, \$9 billion for public transit, \$5 billion for multi-modal competitive grants, and \$4 billion for high-speed rail. With respect to the Federal Aviation Administration (FAA), the proposal includes \$1 billion to advance NextGen, which consists of technological improvements to the nation's air traffic control system, as well as \$2 billion for airport development grants. Additionally, the proposal calls for \$10 billion to capitalize a new national infrastructure bank, called the American Infrastructure Financing Authority, which would provide loans and loan guarantees to regionally and nationally significant infrastructure projects, including transportation, water and energy sectors. The President proposed that the cost of the legislation be fully offset by closing tax breaks to the oil industry, or by other cost-cutting measures recommended by the Joint Select Committee on Deficit Reduction, commonly known as the "Super Committee."

Recommendation: Support

Discussion

Considering the striking similarity between the American Jobs Act and the Obama Administration's FY 2012 transportation budget request, which was largely ignored, there is certainly reason to doubt the 112th Congress will embrace this proposal. Congress has repeatedly punted on the issue of increased investment for transportation in recent years, with the exception of the American Recovery & Reinvestment Act (ARRA), which provided a one-time \$50 billion infusion for transportation funding nationwide.

However, recent developments suggest there may be growing support in Congress for increased transportation investment. In mid-September, Congressman John Mica, Chairman of the House Transportation & Infrastructure Committee, announced that he had reached an agreement with House Speaker John Boehner on finding new sources of revenue that could support funding increases in the transportation bill. This is a dramatic departure from the House-approved appropriations bill, which imposes a 30 percent cut on the Department of Transportation, a direct result of insisting that the program be limited to Highway Trust Fund receipts. In other words, it appears that leaders in the Senate and the House now agree that increased funding is *needed*; the question is simply, where should it come from? The other thing the two houses of Congress seem to agree on is that the new revenue should *not* come from higher gas taxes.

The American Jobs Act Could Inject \$1-1.2 Billion into Bay Area Transportation Projects

While the American Jobs Act has not yet been formally introduced, the Obama Administration has released bill language, enabling a substantive analysis of the proposal. With regard to public transit, the bill proposes \$6 billion for a new “State of Good Repair” program and \$3 billion for Transit Capital Assistance. The bill proposes \$5 billion for a multimodal competitive grant program, similar to the “TIGER” program introduced in ARRA.

Estimated Bay Area Share of American Jobs Act Funds

Program	Estimated Bay Area Funds	Project Eligibility & Obligation Deadlines
Federal Transit Administration State of Good Repair	\$310 million	<ul style="list-style-type: none"> • For rehabilitation and replacement of fixed guideway systems (75%) and buses and bus facilities (25%). • 50% obligated within 1 year; remainder within 2 years.
Federal Transit Administration Transit Capital Assistance (Section 5307)	\$90 million	<ul style="list-style-type: none"> • For transit capital improvements, but permits up to 10% to be used for transit operations. • 50% must be obligated within 180 days after apportionment or risk redistribution to other states. Remainder must be obligated within 2 years.
Federal Transit Administration Non-Urbanized Area	\$700,000	For capital or operating purposes.
Federal Highway Administration Regional Surface Transportation Program (STP)	\$150 million	<ul style="list-style-type: none"> • Various projects eligible under existing STP program. 50% obligated within 1 year; remainder within 2 years.
Federal Highway Administration Other Highway Funds	\$340 million (Assumes region receives 20% of state’s total)	50% must be obligated within 180 days after apportionment or risk redistribution to other states. Remainder must be obligated within 2 years.
Federal Highway Administration Transportation Enhancements	\$15 million	No obligation deadline specified.
Multimodal Discretionary Competitive Grants (“TIGER IV”)	\$100-250 million (Assumes region receives between 2-5% of total)	50% obligated within 1 year; remainder within 2 years.
Grand Total	\$1.0 – 1.2 billion	

As shown on the previous table, the bill would provide the region about \$550 million in transit and highway formula funds, about \$355 million in competitive state highway funds and between \$100-\$250 million in competitive discretionary federal funds, based on the level of grants the region received from TIGER to date (ranging from two to five percent in 2010 and 2009, respectively). The region would also likely benefit from FAA funding as well as high-speed and intercity rail funds. Lastly, it is important to note that the bill waives all match requirements.

Bill Offers Transportation Community a Rallying Point

The American Jobs Act is certainly not the first time President Obama has called on Congress to take bold steps to rebuild the nation's transportation infrastructure. He raised the issue in the 2011 State of the Union address and proposed a strikingly similar \$50 billion "up-front economic boost" for transportation as part of his FY 2012 budget. But just because Congress ignored those earlier calls for action does not mean they will continue to do so. A recent survey of 34 economists conducted by Bloomberg News concluded that the bill would increase gross domestic product by 0.6 percent, lower unemployment by 0.2 percent and add or keep 288,000 jobs over the next two years. With the Presidential election around the corner, both branches of Congress may feel compelled to demonstrate that they can in fact "do something" to help the nation's ailing economy.

Staff recommends MTC endorse the American Jobs Act in order to demonstrate to our Bay Area delegation the urgent need for a substantial new investment in transportation infrastructure, whether through a one-time infusion of \$50 billion or through a six-year surface transportation authorization. The American Jobs Act gives the transportation community a fresh rallying point from which to articulate our decades-in-the-making message that increased federal transportation investment is vital to our nation's economic recovery and quality of life.



Steve Heminger

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