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July 2013 Monthly Report for MTC

To: Steve Heminger, Executive Director

From: Tom Bulger, President GRI

Re: Monthly Report for July, 2013

Date: August 26, 2013

- House and Senate Transportation FY 2014 Appropriations Bills derailed
- House T&I Committee hearing on the Highway Trust Fund
- FTA New Starts Guidance updated
- Tax Reform update
- House T&I hearing on Intercity Rail Financing
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House and Senate Transportation FY 2014 Appropriations Bills derailed

Long-running Republican tensions over the House Budget Committee's deep spending cuts boiled over on July 31st as the Chairman of the House Appropriations Committee criticized his Republican party because of its lack of support.

Chairman Hal Rogers (R-Ky.) said he was "extremely disappointed" with the Republican leadership's decision to drop the Transportation and Housing and Urban Development (THUD) spending bill from the House floor. The Republican leadership maintained that they were out of time before the five week summer recess. Chairman Rogers said that that was not the case. He believes the bill was scrapped because Republican leaders didn't have the votes to support the deep cuts he was told to write. Chairman Rogers called for a

bipartisan deal to replace the upcoming sequestration cuts that would be something between the House budget and the pending Senate spending but were too costly for the House to accept.

The prospect of passing the Appropriation bill in September is highly unlikely, given the House vote count.

The House THUD bill has \$10 billion less in spending than the companion Senate version. For example, the House bill cuts the Community Development Block Grant program by \$1.3 billion, bringing the program's budget below its 1975 level. There is no funding for high-speed rail and AMTRAK would get a 21 percent cut in its operating budget.

Following the derailment of the House THUD Appropriations bill on July 31, the Senate failed to reach cloture to proceed with a floor vote. Prospects for a continuing resolution (CR) for the FY 2014 THUD Appropriation bill are highly likely when Congress returns in September.

House T&I Committee hearing on the Highway Trust Fund

I attended the House T&I Committee hearing on the status of the Highway Trust Fund (HTF) in July. Polly Trottenberg, USDOT Under-Secretary testified that the HTF will go broke sometime in FY 2015. Kim Cawley from the Congressional Budget Office (CBO) stated that after FY 2014 the HTF will have \$50 billion in spending obligations versus \$40 billion in revenue.

The Administration again proposed that the HTF be propped up by "war savings" and that we need a bipartisan solution, more private sector investment, and the addition of a freight rail title.

Without a revenue fix by FY 2015, the Administration said they would be forced to implement a cash management system to reimburse the states, which likely would result in slower repayment.

Chairman Shuster (R-Pa.) suggested a grass-roots effort to persuade Congress to act, but it is unclear who would lead such an effort.

FTA New Starts Guidance updated

On August 16th, the Federal Transit Administration (FTA) published a final Federal Register policy guidance, which in conjunction with the final FTA rule as of January 2013, outlines the details of the new streamlined evaluation and rating process for New Starts and Small Starts per MAP-21.

Tax Reform update

The Senate Finance Committee requested that Senators submit in writing tax reform proposals in late July 2013. The blank slate plan was designed to force Senators to wrestle with the tough choices that would come with any federal tax overhaul. Current members of the Senate routinely say they want to wipe away individual tax breaks to bring down the deficit. In reality, this would mean taking on popular provisions, like the mortgage interest deduction to make the numbers work. According to the nonpartisan Tax Policy Center, they'll need almost \$4 trillion just to reduce each of the current IRS rates by 5 percentage points.

Many of the Senators' submissions fell far short of the detailed proposals requested by Senator Baucus and Senator Hatch, favoring instead general, widely shared goals of tax reform, such as simplifying the tax code or promoting economic growth.

Making the case for major tax reform harder, Senator Harry Reid (D-NV) said tax reform must generate revenue. Up until now Senator Baucus and Senator Hatch had been stating that tax reform could be revenue neutral.

Concerning new revenue for the Highway Trust Fund, no public requests have surfaced.

House T&I Committee hearing on Intercity Rail Financing

On July 9th, I attended the House T&I Committee, Subcommittee on Railroads, Pipelines and Hazardous Materials hearing on innovative financing for rail. No new ideas were presented. The usual recommendations were cited, for example, reforming the federal rail programs to fund development of railroad infrastructure and accessing railroad right-of-way to generate revenue.

Bay Bridge

Since our last monthly report, we have continued to field questions and keep the Congressional Delegation up to date on the Bay Bridge challenges. Recently, we assisted in informing the Delegation of the Labor Day decision to open the new bridge. The Delegation has been extremely cooperative and understanding.

Meetings

Meetings with Kevin McCarty, US Conference of Mayors about developing a post MAP-21 Authorization strategy.

Meeting with Janet Kavinsky, US Chamber of Commerce about Highway Trust Fund funding.

Coming and Going

Ms. Georgia Gann, formerly a G.R.I. employee and most recently on the late Senator Frank Lautenberg's (D-N.J.) staff has joined Senator Brian Shatz (D-Hawaii).