Agenda Item 4a

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Memorandum

TO:	Legislation Committee	DATE:	February 13, 2015
FR:	Executive Director	W. I.	1131

RE: President Obama's FY 2016 Budget & Reauthorization Proposal Handout

This memo provides additional details on the President's proposed FY 2016 transportation budget and six-year reauthorization proposal.

Transit Capital Investment Grants

The Obama Administration has requested a significant increase in funding for Capital Investment Grants, from $2.1 billion in FY 2015 to $3.3 billion in FY 2016. This higher level of funding cannot be supported without a large new source of revenue, such as the tax on foreign earnings contained in the Administration's reauthorization proposal. Of this total, only $1.4 billion is required to honor existing full funding grant agreements (FFGAs), with the remainder proposed as follows: $792 million for *new* FFGAs; $351 million for unspecified Core Capacity projects; $353 million for Small Start Grant Agreements; and $320 million for accelerated project delivery and development.

The Administration recommends roughly $380 million for the following Bay Area Capital Investment Grants:

BART to Silicon Valley (Berryessa extension)	$165 million
San Francisco Third Street Light Rail/Central Subway	$165 million
San Francisco Van Ness Bus Rapid Transit	$29.6 million
Sonoma Marin Area Rail Transit (SMART): San Rafael to Larkspur	$20.0 million

$1 Billion FAST Incentive Program Proposed Again

Similar to its FY 2015 budget and reauthorization proposal, the Administration is once again proposing a new $1 billion discretionary grant program, split 50/50 between the Federal Highway Administration and the Federal Transit Administration to "reward long-term, systematic innovation and reform in our Nation's transportation system." No further details are provided in the budget proposal.

New Rapid Growth Area Bus Rapid Transit Program

The budget requests $500 million for a new bus rapid transit discretionary grant program, proposed as part of the Administration's reauthorization proposal. The program would be targeted to fast growing cities to "get ahead of transportation problems during early periods of population and economic growth."

Funding Proposal is Specific, but Not Ongoing

The Obama Administration's six-year reauthorization proposal includes for the first time a specific revenue source — a transfer to the Highway Trust Fund of revenue from a 14 percent one-time charge on the $1 - $2 trillion in untaxed foreign earnings that U.S. companies have accumulated overseas. According to the Administration, the tax would bring in about $268 billion, $30 billion more than necessary to offset the cost of the increased program. However, once the bill expires in FY 2021, the budget forecasts show funding levels dropping dramatically back to current levels. Total contract authority would drop from $82 billion in FY 2021 to $63 billion in FY 2022.

National Infrastructure Bank
The budget once again proposes to establish a National Infrastructure Bank as an independent agency and seeks a one-time infusion of $10 billion to capitalize the bank. Eligible projects would include transportation, water and energy infrastructure. Projects would need to demonstrate a clear public benefit, seek no more than 50% of projects costs from the infrastructure bank and be backed by a dedicated revenue stream.

Shift from Discretionary to Mandatory Budget
The budget proposes once again to shift a number of programs (Amtrak, transit Capital Investment Grants, TIGER grants and high-speed rail) from the discretionary side of the budget, controlled by the appropriations committees to the mandatory budget, controlled by the authorizing committees in order to allow transportation to avoid being subject to the overall discretionary budget caps. Overall, discretionary spending would drop 19 percent from $17.8 billion to $14.3 billion, while mandatory spending would increase from $54.4 billion to $80.2 billion. This request is critical to the overall proposal as it will be very difficult to increase the discretionary side of the budget under the current budget caps.

What Next?
It is fair to expect that the Administrations reauthorization proposal will be greeted with a healthy dose of skepticism by the Republican Congress. However, the notion of generating new transportation funding from corporate tax reforms has attracted some support from both sides of the aisle. Rep. Earl Blumenauer (D-Ore.) has reintroduced his bill to raise the federal gas tax, this time with two dozen Democratic co-authors. Committees in both houses have begun hearings in order to develop their reauthorization legislation. I will be testifying before the Senate Committee Environment and Public Works on February 25. We will keep you posted with monthly reports as reauthorization season heats up, along with the Washington weather. It is now 106 days until Map-21 expires – and the clock is ticking.

Steve Heminger

SH: RL