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To: Celia McAdam
From: Sante and Michael Esposito
Subject: June Monthly Report

MAP-21: The Senate

On May 15, the Committee on Environment and Public Works unanimously approved S.2322, the "MAP-21 Reauthorization Act" without amendment (the bill was introduced May 12, the text and summary having been previously provided). The bill would authorize spending of $38.4 billion for FY15, then increase with inflation to $39.2 billion for FY16, $40 billion for FY17, $40.8 billion for FY18, $41.7 billion for FY19 and $42.6 billion for FY20. That is approximately status quo funding levels plus inflation. The bill would also authorize $400 million a year in grants for projects of national and regional significance and $125 million a year, starting in FY16 subject to appropriation, for awards to states that show special innovation or brought projects in ahead of time and below budget. A new freight program would be authorized at $400 million as of FY16, growing by $400 million a year to reach $2 billion in FY20. The bill would also maintain the low-interest TIFIA infrastructure loans at current levels, while modifying the program to help states with infrastructure banks stretch their federal highway dollars. Funding for tribal transportation would be authorized at current levels.

The legislation will still need to be merged with forthcoming titles from the Banking and Commerce Committees to address transit, rail, motor carrier and safety needs. Commerce is reported to be close on taking action on its version of the bill, perhaps as early as before the July 4th recess. Finding a way to pay for the bill falls within Senate Finance Committee's jurisdiction. Just to maintain current levels, tax writers would have to come up with about $18 billion a year to supplement motor fuels taxes and other excise taxes collected for the Highway Trust Fund. Senate Finance Chairman Ron Wyden said that he is working with members of his tax-writing panel to come up with a plan by the end of June to rescue the Highway Trust Fund.
He and Committee members met to discuss ways both to fix a short-term cash crunch as the highway account runs low this summer and address long-term revenue needs for the fund that covers road and transit spending. The Chairman said he asked Members to come up with revenue ideas so the panel can complete a bipartisan financing plan by the end of this month. That

schedule would mean the Finance panel would offer its plan before Congress takes a weeklong recess around the July Fourth holiday. The timing would provide reassurance to states that Congress could complete action before a late-July deadline as the fund's cash balance shrinks. The Transportation Department has warned it could delay Trust Fund payouts to states for bills coming due on their highway and bridge projects if cash on hand shrinks below safe levels as is now projected. State and Federal officials have warned such a funding interruption would disrupt many construction projects this summer and hurt the economy.

On June 3, the Senate Committee on Commerce, Science, and Transportation's Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security held a hearing titled, "Surface Transportation Reauthorization: Examining the Safety and Effectiveness of our Transportation Systems." The hearing focused on the surface transportation reauthorization and evaluation of the safety and effectiveness of rail, motor carrier, hazardous materials, and research programs currently administered through the U.S. Department of Transportation. Witnesses were Joseph C. Szabo, Administrator, Federal Railroad Administration; Anne S. Ferro, Administrator, Federal Motor Carrier Safety Administration; Cynthia L. Quarterman, Administrator, Pipelines and Hazardous Materials Safety Administration; and, Gregory D. Winfree, Assistant Secretary, Office of the Assistant Secretary for Research and Technology.

MAP-21: The House

To date, there have been no substantive discussions between House Transportation and Infrastructure Repubs and Dems. Rumor has it the Repubs favor an extension of the existing program, the duration of which is still unknown. The press has been reporting a one year extension. Staff is reported to be considering a shorter one.

On June 16, members of the Panel on Public-Private Partnerships of the House Committee on Transportation and Infrastructure participated in a roundtable discussion on "Ways the Financial Community Can Invest in Infrastructure Using Public-Private Partnerships". The Panel heard from Jamison Feheley, Managing Director, J.P. Morgan; Karl Kuchel, Chief Operating Officer, Macquarie Infrastructure Partners; Thomas Osborne, Executive Director of Infrastructure, IFM Investors; Steve Howard, Director of Infrastructure Project Finance, Barclays; and Elliott Sclar, Professor of Urban Planning and International Affairs, Columbia University. Over the last several months, the Panel has held a series of roundtables exploring the use of public-private partnerships (P3s) to advance highway, transit, water, airport, and public building infrastructure projects. The Panel has also explored the use of public-private partnerships internationally, and the experience States have had in carrying out these complex arrangements.

MAP-21 Reauthorization: The President

Last month, the Administration released its long-term transportation bill entitled the "Grow American Act." The bill provides:

- $199 billion to invest in our nation's highway system and road safety. The proposal will increase the amount of highway funds by an average of about 22 percent above FY 2014 enacted levels, emphasizing “Fix-it-First” policies and reforms that prioritize investments for much needed repairs and improvements to the safety of our roads and transit services, with particular attention to investments in rural and tribal areas. The proposal would also provide more than $7 billion for the National Highway Traffic Safety Administration and Federal Motor Carrier Safety Administration to improve safety for all users of our highways and roads, providing a benefit of $21 for every Federal dollar used for infrastructure-related safety investments.

- $72 billion to invest in transit systems and expand transportation options. The proposal increases average transit spending by nearly 70 percent above FY 2014 enacted levels, which will enable the expansion of new projects that improve connectivity (e.g., light rail, street cars, bus rapid transit, etc.) in suburbs, fast-growing cities, small towns, and rural communities, while still maintaining existing transit systems. The bill proposes a powerful, $5.1 billion increase in investments to address public transit’s maintenance backlog to reduce bus and rail system breakdowns; create more reliable service; and stop delays that make it harder for all commuters to get to work. The proposal also includes the innovative Rapid Growth Area Transit Program, which would provide $2 billion over four years to fast growing communities for bus rapid transit and other multimodal solutions to get ahead of the challenges caused by rapid growth.

The Administration proposes to fund the GROW AMERICA Act through a pro-growth, business tax reform, without adding to the deficit. The President’s Budget outlined a proposal to dedicate $150 billion in one-time transition revenue from pro-growth business tax reform to address the funding crisis facing surface transportation programs and increase infrastructure investment. This amount is sufficient to not only fill the current funding gap in the Highway Trust Fund, but also to increase surface transportation investment over current authorized levels by nearly $90 billion over the next four years. When taking into account existing funding for surface transportation, this plan will result in a total of $302 billion being invested over four years putting people back to work modernizing our transportation infrastructure. The Administration believes that a comprehensive approach to reforming business taxes can help create jobs and spur investment, while ensuring a fairer and more equitable tax system that eliminates current loopholes that reward companies for moving profits overseas and allow them to avoid paying their fair share.

Highway Trust Fund Status

There has been a great deal of activity in Congress over the past few weeks on the FY'15 appropriations bills and various infrastructure authorization issues; however, the outlook for the rest of the summer session and into the fall is murky at best. Congress is in session only a limited number of days between now and the August recess that begins on August 1 and extends through September 8. Congress is scheduled to recess for the November mid-term elections on October 3. House Republicans are currently preoccupied with the fallout from House Majority Leader Eric Cantor's loss in his primary race and the subsequent House leadership elections to replace him which will take place this week. Cantor's loss and the upcoming November elections may make Members of Congress even more skittish about taking tough votes on such issues as solving the Highway Trust Fund crisis. With recent estimates showing the highway account of the Highway Trust Fund running out of money as early as mid-August, prior to the September 30 expiration of

MAP-21, Congress must act on some sort of funding fix before they adjourn on August 1 for a five-week recess or critical reimbursements to the states may be substantially delayed. That gives them less than six weeks in session to come up with and pass a plan. With that limited amount of time, only a short-term fix is currently being contemplated. A longer-term solution, such as a gas tax increase, moving to a sales tax, repatriation of overseas corporate profits, a per barrel oil fee, etc., will have to wait until after the November elections, possibly in a post-election Lame Duck session or not until next year.

FY15 House Transportation Appropriations Bill

Congress has moved more quickly than usual to debate and pass many of the FY'15 federal agency funding bills. This is due in part to last year's budget agreement which set overall spending levels for two years - FY'14 and FY'15. However, despite the progress made to date, it is unclear how many of the appropriations bills will pass as stand-alone bills rather than as one or more omnibus bills and whether any or many can be completed before the October 1 start of the new fiscal year. On June 10, the House passed its version of the FY15 Transportation-HUD spending bill that would keep highway and aviation spending level, but apply cuts for rail, transit and transportation and community development grant programs. All told, the bill would provide $52 billion in discretionary spending for infrastructure and housing programs, a $1.2 billion increase from fiscal 2014 but $7.8 billion below the President's budget request. Appropriators provided a $5 million increase for the National Highway Traffic Safety Administration, to $824 million in FY15, and a $19.4 million increase for the Pipeline and Hazardous Materials Safety Administration, which would get $205.2 million under the legislation. But the bill is also likely setting up a fight with the Senate on the Transportation Department's TIGER grants, which would get only $100 million, a $500 million cut from FY14 and $1.15 billion less than Obama requested. Formula highway spending would stay level at $40.25 billion, contingent on passage of a new authorization bill before the 2012 highway bill expires Sept. 30. The Federal Aviation Administration would see a slight $7.3 million cut to $15.7 billion, but $446 million more than it requested, providing full funding for the NextGen upgrade of air traffic control systems at $852.4 million and the contract towers program at $140 million. For passenger rail, Amtrak would see cuts, while the Federal Railroad Administration's safety programs would see a small increase to $220.5 million, up $750,000 from FY14. While overall railroad spending would decrease $193 million next year to $1.4 billion, Amtrak would get $340 million as an operating grant, and another $850 million for capital needs. But appropriators rejected the railroad's proposal to break out its profitable Northeast Corridor, likely a fight that will be left to authorizers later this year. Transit systems would also see a $253 million cut in federal support to $10.5 billion in FY15, but would maintain $1.7 billion in "new starts" grants for big capital investments.

FY15 Senate Transportation Appropriations Bill

On June 5, the Senate Committee on Appropriations reported its version of the FY15 Transportation Appropriations bill. Subsequent to that, the bill was combined with the FY15 Agriculture and Commerce Appropriations bills for Floor action. The bill was pulled because of objection from the Minority that such an "omnibus bill" would hinder chances to offer amendments. The bill provides a total of $18.1 billion in discretionary budget authority for DOT for fiscal year 2015. The bill includes another $53.6 billion in limitations on obligations for

DOT, for a total of $71.7 billion in budgetary resources for fiscal year 2015. This total level of budgetary resources is $536 million more than the fiscal year 2014 enacted level, which included $17.7 billion in discretionary budget authority and $53.5 billion in obligation limitations.

The bill is also $17.8 billion less than the funding levels included in the President's budget request, which included $13.7 billion in discretionary budget authority and $75.8 billion in obligation limitations. The President's budget relied more heavily on obligation limitations because it assumed that many programs would receive funding through new legislation to authorize highway, highway safety, public transit, and rail programs instead of through the appropriations process. Those programs had received $2.4 billion in the fiscal year 2014 omnibus appropriations law. Highlights of the bill include:

"TIGER" Grants: $550 million for grants to state and local governments to support a wide variety of transportation options, including roads and bridges, railroads, transit systems, and port infrastructure. The recommendation is $50 million below the fiscal year 2014 enacted level. The President's budget request had included $1.25 billion for this program, but it also assumed that the funding would be provided through new legislation authorizing surface transportation programs instead of the appropriations process.

Federal-aid Highways Program: $40.3 billion for the Federal-aid Highways program, which is equal to level enacted for fiscal year 2014. The bill is consistent with the Moving Ahead for Progress in the 21st Century Act (MAP-21), the most recent authorization law for federal surface transportation programs, and assumes that MAP-21 will be extended through fiscal year 2015. The President's budget request had included $47.3 billion for the highway program, but it also assumed that the funding would be provided through new legislation authorizing surface transportation programs instead of the appropriations process.

Rail Investments: $1.39 billion for Amtrak, which is consistent with the level of funding provided in fiscal year 2014. This level of funding will allow Amtrak to make investments in the state-of-good repair infrastructure projects and to operate a safe and reliable passenger rail network for the nation. The recommendation is $1 billion less than the budget request, which assumed the funding would be provided through new legislation authorizing surface transportation programs instead of the appropriations process.

Transit Investments: $11.1 billion for transit programs, $310 million above the fiscal year 2014 enacted level and $6.6 billion below the request. The President's budget assumed passage of a surface transportation bill that would fund most transit programs rather than the appropriations process. The bill includes $8.6 billion for formula grants, $36.5 million for research and technical assistance, and $150 million to continue modernizing the Washington Metropolitan Area Transit Authority. In addition, it provides $2.163 billion for the transit capital investment grants, an increase of $221 million to help communities build new rail and bus rapid transit capacity in California, Maryland, North Carolina, Colorado, Florida, Texas and other states. These investments help communities find solutions to road congestion, support economic development, manage population growth, and reduce air pollution

Automobile Safety: $834 million for the National Highway Traffic Safety Administration

(NHTSA), which is $15 million more than the fiscal year 2014 level and $17 million less than the budget request. The increase in funding will allow NHTSA to make important investments in its safety defects analysis and investigation programs, and to improve the agency's ability to aggressively screen defect trends.

PCTPA Federal Grant Opportunities

PCTPA is in the process of drafting a memo outlining its non-highway transportation issues/needs. That document will form the basis for a new, more aggressive, more proactive three-prong approach to pursuing Federal grants and agency discretionary funds (funds which the agency has as it discretion to spend separate and apart from the traditional grant solicitation process). Basically we would work with PCTPA to identify all areas of transportation need. Once identified, we would first crosswalk those items twice a week against the government grant solicitation database (organized by agencies and/ or subject matter) for possible "matches." If determined, we would advise PCTPA and then discuss strategy. Secondly, if during the process of determining whether or not a nexus exists between the identified items and the database we identify other possible opportunities of interest, we will advise PCTPA of those and discuss further action, if any. And thirdly, based on the original needs list of PCTPA, we would take the initiative to reach out to the relevant Federal entity to see if there is a "funding home" for specific items regardless of what appears in the grant solicitation database.