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Broward Metropolitan Planning Organization Federal Update June 2014

House Passes THUD Appropriations Bill: On June 10, the House approved its FY 2015 Transportation, Housing, and Urban Development (THUD) Appropriations bill by a vote of 229 to 192. The measure provides \$52 billion in discretionary spending, including:

- \$40.25 billion for federal highways
- \$1.4 billion for the Federal Railroad Administration (FRA)
- \$10.5 billion for the Federal Transit Administration (FTA)
- \$1.7 billion for Capital Investment Grants – full funding for all transit projects with a Full Funding Grant Agreement (FFGA)
- \$100 million for the Transportation Investment Generating Economic Recovery (TIGER) program for road, highway, bridge construction and improvement as well as port and railroad intermodal improvements; the legislation does not allow these funds to be used for transit projects or bike and pedestrian paths
- No funding for high-speed rail

During debate of the bill, the House adopted an amendment by Representative Jeff Denham (R-CA) prohibiting the use of funds for California high-speed rail by a vote of 227 to 186.

Senate Appropriations Progress Stalls: During the week of June 16, the Senate took an initial test vote on a "minibus" package of appropriations bills, made up of the Agriculture, Commerce-Justice-Science (CJS), and THUD measures. However, progress on the legislation soon stalled after Majority Leader Harry Reid (D-NV) failed to reach an agreement with Republicans on amendments to be considered. Reid is expected to try to bring the bills back up, but it is unclear exactly when that might be.

The Senate THUD bill includes:

- \$40.3 billion for federal highways – same as the Moving Ahead for Progress in the 21st Century Act (MAP-21) authorized level
- \$1.39 billion for Amtrak
- \$550 million for TIGER grants – below the current level of \$600 million but well above the House-proposed amount of \$100 million
- \$11.1 billion for transit programs
 - \$2.163 billion for Capital Investment Grants – an increase of \$221 million
 - \$8.6 billion for formula grants
 - \$36.5 million for research and technical assistance

Senate Finance Committee Shows Signs of Progress on Highway Trust Fund Funding: During the week of July 7, the Senate Finance Committee plans to mark up a temporary measure that will tide the Highway Trust Fund (HTF) through the end of the current calendar year. The panel was expected to consider a plan put forth by Chairman Ron Wyden (D-OR) on June 26; however, consideration of the measure was delayed to allow for more time to forge bipartisan agreement. The original legislation aimed to raise \$9 billion by including an increased heavy truck tax, changes to bank reporting requirements for mortgages, and new regulations on Stretch IRAs. However, the committee's ranking member, Senator Orrin Hatch (R-UT), quickly came out in opposition to the proposal. In response, Chairman Wyden delayed consideration of the bill and announced several changes, including an elimination of the heavy truck tax, equalization of tax rates for LNG and gasoline, additional spending cuts, and a grandfathering clause for the retirement age for defined benefit pensions. Lawmakers will reportedly use the week of the Fourth of July recess to continue to tweak the legislation.

The Congressional Budget Office (CBO) responded to Wyden's plan with specifics about the HTF shortfall. CBO Director Douglas Elmendorf wrote in a [letter](#) that the HTF Highway Account will need about \$6.6 billion to make it through the end of 2014, and that the overall Mass Transit account will need an additional \$1.5 billion in order to stay solvent. In total, it will take \$8.1 billion in funding to maintain the flow of payments to the states.

Repatriation Proposal Would Cost Billions: One approach to providing much-needed capital to the HTF that has been floated in recent weeks involves offering companies a tax holiday on the earnings they hold overseas. Proponents of such a plan argue that large corporations leave large amounts of income abroad due to the high tax rates here in the U.S., and they claim that if the rate would temporarily be lowered, the money would be brought back into the country, thereby raising revenues. However, last week, the Joint Committee on Taxation released a report showing that enactment of such a provision would cost \$96 billion over the next decade. Senate Finance Committee Ranking Member Hatch said, "It is my hope my fellow lawmakers note these projections when considering options to fund future projected and programs. The Joint Committee on Taxation has clearly outlined the ramifications of a temporary tax holiday, and the outlook is not in the best interest of the American people nor for the coffers of the federal government."

House Republicans Dismiss Postal Service Proposal to Fund HTF: In early June, House Republican leaders began circulating a memo outlining a proposal that would combine a move to modified six-day postal delivery along with a short-term extension of the highway bill that places the necessary resources into the Highway Trust Fund to prevent a disruption of highway projects. Under the plan, the United States Postal Service (USPS) would be allowed to shift to five-day delivery, meaning first-class mail, catalogs, advertising, and other low-priority mail would no longer be delivered on Saturdays. Delivery of packages (including medication) and priority express mail would still occur. Post offices would also remain open on Saturdays. The proposal was quickly criticized by both Democrats and rank and file Republicans. As of now, it seems to be off the table. "The proposal to end six-day [mail delivery] was not well received by a large portion of the Republican conference and appears to be dead," said a senior House Republican aide. " Other, more viable options are now being considered."

Secretary of Transportation Anthony Foxx recently said that the Obama Administration does not support a proposal by House Republicans to provide an infusion of capital into the HTF by shifting to five-day postal delivery. "We will listen to what kind of ideas emerge from Congress," Foxx said after meeting with House Democrats. "On its best day, the proposal that's being offered on the postal service is a one-year proposal so it doesn't meet the demands of the long-term investment." He continued, "We've got to get past the gimmicks in transportation and really get serious about trying to get a long-term strategy done."

Corker, Murphy Introduce Gas Tax Proposal: Senators Chris Murphy (D-CT) and Bob Corker (R-TN) recently unveiled a proposal that would raise the gas tax by six cents for each of the next two years before indexing it to inflation. The proposal would generate \$164 billion over 10 years. According to Senator Murphy, "Reaction on the Democratic side has been positive." But it is unclear how the majority of Republicans might respond to the idea. One positive aspect that could attract GOP support, however, is the fact that the gas tax increase would be paired with tax relief for families and businesses. This is expected to include permanent extensions of popular tax breaks, such as the research and development tax credit.

In a recent [letter](#), the CBO indicated that a six cent increase in the gas tax would be insufficient to keep the HTF solvent. According to CBO Director Douglas Elmendorf, "increasing the gasoline and diesel tax by \$0.06 per gallon for the final five months of calendar year 2014 would generate about \$4 billion in additional revenues above the amounts projected under current law. CBO estimates that those additional revenues would not be adequate to prevent a shortfall in the Highway Trust Fund, and that DOT would need to slow reimbursements to local governments even if those additional revenues were realized."

DOT Continues to Warn of Trust Fund Woes: Last week, Secretary of Transportation Anthony Foxx reiterated that the HTF "situation remains dire" and that DOT will soon be forced to delay reimbursements. The trust fund cannot run a deficit due to provisions in the Antideficiency Act, so DOT is left with few options as the balance continues to fall. In a letter to state department transportation officials and transit agencies, he stated, "In the next few weeks, we will provide specific guidance on our cash management approach and when it is likely to go into effect."

Absent congressional action, the Highway Account is expected to become insolvent by the end of August and the Department of Transportation (DOT) will implement a cash management plan beginning August 1 to manage the flow of federal dollars. Under this plan, reimbursements to states for infrastructure work will be limited to the available cash in the Trust Fund.

The Mass Transit Account is expected to become insolvent as soon as October. In the event that the shortfall continues into the fall, the Department will provide specific guidance on the FTA's approach in managing the resources available to transit agencies.

Congressman Introduces Bill to Expand TIFIA: Representative Daniel Webster (R-FL) has introduced legislation that would improve the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. The proposal would weigh projects based on risk to taxpayers. It would also create a revolving fund for transportation projects. The bill will not raise taxes or

incur new spending, but it will reportedly "improve access to affordable infrastructure financing for states and local governments, promote innovative public-private partnerships and accelerate delivery of large-scale public transportation projects and the jobs that support them."

New FTA Program for Ladders of Opportunity Bus Projects: On June 4, the FTA announced the availability of \$100 million in competitive bus grant funding for a Ladders of Opportunity initiative geared toward linking more Americans to available jobs.

According to a release, "funds may be used to modernize and expand transit bus service specifically for the purpose of connecting disadvantaged and low-income individuals, veterans, seniors, youths and others with local workforce training, employment centers, healthcare and other vital services."

The program will support the purchasing, replacement or rehabilitation of transit buses and vans as well as the modernization or construction of bus facilities. Proposals must address the Ladders of Opportunity concept, which aims to enhance access to work, support economic mobility/opportunity, and support partnerships and coordinated planning among local governments and social, human service and transportation providers.

Funding for this new program is being drawn from remaining grant money that was available prior to the enactment of MAP-21 under the FTA's Bus and Bus Related Equipment and Facilities Program. FTA will cover up to 80 percent of the total project cost, with a required minimum local match of 20 percent. All applications for this program are due by August 4.

House Republicans Elect New Leaders: Following the shocking primary defeat of outgoing Majority Leader Eric Cantor (R-VA), House Republicans voted on June 19 to elect a new leadership team. The House GOP selected Rep. Kevin McCarthy (R-CA) to serve as Majority Leader and Rep. Steve Scalise (R-LA) to serve as Majority Whip. Prior to their election, Rep. McCarthy was Majority Whip, and Rep. Scalise chaired the Republican Study Committee (RSC). The pair is not expected to formally assume their new roles until July 31, when Rep. Cantor will officially step aside. McCarthy is an opponent of California's high-speed rail efforts.

McCarthy Opposes Gas Tax Increase: This past weekend, newly-elected House Majority Leader Kevin McCarthy announced that he is not in favor of raising the gas tax. He called the proposal a "Democrat idea" and said a "broader solution" is needed. He added, "The whole highway bill is another example of why I ran. This was a good intended program to go through. It now does things it never was intended to do. We can build a bridge, the Golden Gate Bridge in three years, but it takes us two decades to build an on ramp. This needs to be totally reformed as we move." When asked what he might support as a long-term, viable funding source, McCarthy pitched the idea of increased oil and gas drilling with dedicated leasing fees for infrastructure.

TIGER Grant Notifications: U.S. Department of Transportation staff has indicated that Secretary Foxx will announce TIGER Grant awards sometime in September or October. DOT is expected to make between 35 and 42 awards in the next announcement.