



June 15, 2017

To: Legislative and Communications Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Federal Legislative Status Report

Overview

An overview is provided of the President's budget request for federal fiscal year 2018 as it pertains to transportation and of the President's principles for an infrastructure funding plan. A summary is provided of two Senate Environment and Public Works Committee hearings on transportation project delivery and funding.

Recommendation

Receive and file as an informational item.

Discussion

President Trump's Budget Request for Federal Fiscal Year 2018

On May 23, 2017, the President released his federal fiscal year (FFY) 2018 budget request. The budget request includes projections and proposals covering a ten-year period from 2018-2027. Through this period, the President seeks to have a balanced budget by 2027 by cutting federal spending by \$3.6 trillion and assuming \$2.1 trillion in economic feedback effects due to higher economic growth from tax cuts and stimulus spending. The budget cuts would primarily come from the repeal and replacement of the Affordable Care Act, Medicaid and Children's Health Insurance Program reform, and welfare system reform. In addition, the budget request proposes a two percent reduction in non-defense spending each year over the ten-year period. Simultaneously, an increase of \$54 billion in defense spending for FFY 2018. These changes would require Congress to change associated budget caps.

In regards to transportation, the budget request is largely consistent with what was included in the President's "skinny" budget outline released in March, including a proposed 12.7 percent cut in the United States Department of

Transportation's (USDOT) discretionary budget for FFY 2018. For Federal Transit Administration and Federal Highways Administration formula programs, funding levels proposed are consistent with those authorized under the Fixing America's Surface Transportation (FAST) Act. The budget request outlines \$44.2 billion for the highway program and \$9.7 billion for transit formula grants. Currently, there is no proposed rescission of unobligated funds, similar to what was enacted as part of the FFY 2017 appropriations bill.

In future years, however, these funding levels may change. Starting in 2021, after the FAST Act authorization expires, the budget request does not include any new revenues for the Highway Trust Fund (HTF). This means that funding will be limited to what can then be supported through existing revenues. Through these actions, the President's budget request assumes that \$95 billion in savings will result. However, the lack of a fix for future HTF spending is something that is consistent with previous budget proposals submitted by past Administrations.

In regards to discretionary spending, the President proposes \$1.2 billion for the Capital Investment Grants (CIG) program for purposes of supporting the construction of heavy rail, light rail, commuter rail, bus rapid transit, ferries, and streetcar systems. This is a decrease from the \$2.3 billion included in the FFY 2017 appropriations bill. In addition, the President does not include funding in the FFY 2018 budget request for the Transportation Investment Generating Economic Recovery (TIGER) program and seeks to reduce Amtrak funding by half, from the \$1.5 billion in the FFY 2017 appropriations bill to \$760 million. However, Congress still would have to act on these proposals as they now begin to draft FFY 2018 appropriations bills. As seen in the FFY 2017 omnibus appropriations bills, any proposed decreases to the CIG, TIGER, and Amtrak funding programs were largely rejected by Congress.

Principles for an Infrastructure Investment Package

In conjunction with the budget request, the President also released an outline of an infrastructure investment proposal. The proposal would provide \$200 billion in funding over the next ten years, phased in over time, with \$5 billion included in FFY 2018. This funding would be used to leverage a total of \$1 trillion in investment in various types of infrastructure including transportation, water, ports, and broadband. While the funding sources have yet to be identified, the principles included in the outline focus on making targeted investments first on projects of regional and national significance, encouraging self-help at the state and local level, and leveraging private investments. Among the proposals included in the framework were expanding the Transportation Infrastructure Finance and Innovation Act program, liberalizing toll policy beyond federal interstates, and removing the cap and expanding the eligibility of private activity

bonds. In addition, the plan seeks to streamline the environmental and permitting process. It is expected the details related to the plan, including legislative language, will be released in the coming months. The outline provided as part of the President's budget request is included as Attachment A.

U.S. Senate Committee on Environment and Public Works Subcommittee Hearing on Leveraging Federal Funding

On May 16, 2017, the U.S. Senate Committee on Environment and Public Works Subcommittee on Transportation and Infrastructure (Subcommittee) held a hearing entitled, "Leveraging Federal Funding: Innovative Solutions for Infrastructure." Witnesses for the hearing included the Honorable Eric Garcetti, Mayor, City of Los Angeles, Chair, U.S. Conference of Mayors Infrastructure Task Force; Tim J. Gatz, Executive Director, Oklahoma Turnpike Authority; Geoffrey S. Yarema, Partner, Nossaman LLP, Los Angeles, CA; Kevin DeGood, Director of Infrastructure Policy, Center for American Progress; and Aubrey L. Layne Jr., Secretary of Transportation for the Commonwealth of Virginia.

During the hearing, senators from both sides of the aisle agreed that an infrastructure proposal could be passed by the 115th Congress. Witnesses and subcommittee members were also in agreement that current funding levels and existing programs must be maintained and not replaced by a potential infrastructure bill. Also discussed in the testimonies of the witnesses was the need for federal investment in addition to public-private partnership (P3) agreements, emphasizing that P3s are not suitable for all types of projects, and long-term, consistent federal funding remains vitally important.

Subcommittee Chairman, Senator James Inhofe (R-OK), highlighted that although the last Subcommittee led the charge to pass the largest highway reauthorization bill since 1998, FAST Act, there is still about an \$836 billion backlog in highway and bridge work. He urged state and local governments to prioritize infrastructure investment and to work to match federal funding.

U.S. Senate Committee on Environment and Public Works Hearing on Improving America's Transportation Infrastructure

On May 17, 2017, the U.S. Senate Committee on Environment and Public Works (Committee) held a hearing entitled, "Improving America's Transportation Infrastructure: The Road Forward." The Honorable Elaine Chao, Secretary of USDOT, was the sole witness for this hearing.

Many of the ideas and themes discussed during the hearing revolved around FAST Act and the role that the federal government must play in funding infrastructure investment. Secretary Chao agreed with the senators that P3 agreements are only one tool and reported that the infrastructure bill would have \$200 billion in direct federal investment, meant to leverage private sector funds. She highlighted that the USDOT is set to award a number of Fostering Advancements in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) grants shortly and will be issuing a solicitation for applications under the FASTLANE program. The USDOT is also looking at the criteria used in awarding the program's discretionary grants to ensure that opportunities to revitalize infrastructure are maximized under the FAST Act. In addition, Secretary Chao informed the Committee that the Trump Administration would release a set of principles for the infrastructure bill before the end of May, and mentioned that a full bill could be released as early as the third quarter of 2017.

Also discussed was the Caltrain electrification project and the Purple Line Extension Transit Project in Los Angeles. Senator Kamala Harris (D-CA), asked Secretary Chao if a Full Funding Grant Agreement (FFGA) would be executed for the Caltrain electrification project before the contract deadline for construction on June 30th. Secretary Chao mentioned that even though \$100 million was provided in the FFY 17 omnibus appropriations bill, and \$118 million may be provided in FFY 2018, there would still be a funding shortfall. However, the following week, the Federal Transit Administration signed the FFGA for the Caltrain electrification project. Senator Harris also shared the need for \$1.3 billion in Purple Line funding, which is currently in the engineering phase. Secretary Chao noted that the Purple Line funding would be discussed in out-years.

Summary

An overview is provided of the President's 2018 budget request and principles for an infrastructure initiative. Summaries are provided of Senate committee hearings on transportation funding and delivery. The May monthly activity report from OCTA's Washington advocate, Potomac Partners DC, is provided as Attachment B.

Attachments

- A. Fact Sheet for 2018 Budget: Infrastructure Initiative
- B. Potomac Partners DC, Monthly Legislative Report, May 2017

Prepared by:



Kristin Essner
Manager, State and Federal Relations
External Affairs
(714) 560-5754

Approved by:



Lance M. Larson
Executive Director,
External Affairs
(714) 560-5908