



Potomac Partners DC

Monthly Legislative Report – November 2017

November Advocacy Meetings

Department of Transportation; Federal Transit Administration (FTA) – OCTA CEO and Board Members met with senior policy makers in the Federal Transit Administration (FTA) to discuss the OC Streetcar project and next steps for a Full Funding Grant Agreement (FFGA). They discussed the project's economic impact and how it will create an estimated 6,500 jobs nationwide and provided updated info-graphics regarding the project's highlights and impacts.

Department of Transportation; Office of the Secretary & Build America Bureau – We met with senior staff from the Office of Secretary and Deputy Assistant Secretary for Policy and the acting director of the the Build American Bureau to discuss feedback from OCTA's TIFIA loan process and some potential lessons learned. We also discussed progress on the 405 and the recent discussions we have had regarding the OC Streetcar and the need for a timely FFGA. We also briefly discussed the upcoming infrastructure bill that the staff members are preparing to roll out in 2018.

Senate Committee on Banking, Housing, and Urban Affairs – We met with Majority and Minority Professional Staff on the Senate Banking Committee to discuss the OC Streetcar and the need for a timely FFGA at DOT. We discussed next steps at FTA and the feedback the Senate Banking staff had received from the FTA regarding the OC Street Car's procurement status.

Chairman Sam Graves (R-MO) – We met with Congressman Sam Graves and his senior staff to discuss the OC Streetcar and the need for a FFGA. We discussed project milestones and the need to receive a timely decision from FTA regarding the FFGA.

Chairman Mario Diaz-Balart (R-FL) – We met with Congressman Diaz-Balart and his staff to discuss the OC Streetcar and the status of the Full Funding Grant Agreement (FFGA) at the Federal Transit Administration (FTA). We also discussed FY18 appropriations and his commitment to continue funding the CIG program as well as his support for the OC Street Car despite any White House Budget request to reduce the program.

Chairman Ed Royce (R-CA) – We met with Congressman Royce and his staff to give them an update on the OC Streetcar. We discussed support for an FFGA for the OC streetcar. We also discussed the timeline for a budget and appropriations deal in the House for FY18.

Congressman Alan Lowenthal (D-CA) – We met with Congressman Lowenthal to discuss the OC Streetcar and the need for a FFGA at FTA. We discussed the need for an agreement at FTA in order to meet project deadlines and reduce costs. We also discussed the far reaching impact of this important transportation project.

Senator Dianne Feinstein (D-CA) – We met with senior staff in Senator Feinstein’s office to discuss the OC Streetcar and the need for a timely approval of a FFGA at DOT. We discussed support for the CIG program and FY 18 Appropriations status.

Senator Kamala Harris (D-CA) – We met with senior staff in Senator Harris’ office to discuss the OC Streetcar and the need for a timely approval of a FFGA at DOT. We discussed support for the CIG program.

Congressman Darrell Issa (R-CA) – We met with Congressman Issa’s staff to follow-up on the need for support of the Capital Investments Grant (CIG) Program, and specifically support for a FFGA for the OC Streetcar. We discussed funding legislation in the House THUD bill for the CIG program.

Congressman Lou Correa (D-CA) – We met with Congressman Correa to discuss the OC street car and the CIG program. We discussed the OC Streetcar timeline and coordination with other members of the OC delegation in the House.

Congresswoman Napolitano – We met with Congresswoman Napolitano and her staff to continue our discussion on the Aviation Fuel Tax issue and the amendment that will be offered by Congressman Lowenthal. We also discussed the hearing held by the House Subcommittee on Highways and Transit. We also discussed the status of the OC Streetcar.

Chairman Jeff Denham (R-CA) – We met with Congressman Denham’s senior staff to continue our discussion regarding the upcoming infrastructure bill and the inclusion of possible incentives for P3 projects and private investments in public transportation and infrastructure projects.

Congressman Ken Calvert (R-CA) – We met with staff in Congressman Calvert’s office to discuss FY18 appropriations and budget and the CIG program. We also discussed the preservation of the Commuter Tax Benefits.

Tax Reform & Appropriations

On November 16th, the House passed a sweeping \$5.5 trillion tax bill ([H.R. 1](#)) by a vote of 227-205. The legislation would cut the corporate tax rate from 35% to 20%, sets the top small business rate at 25% for pass-through entities, and would double the standard deduction while reducing the individual tax brackets from 7 to 4. The bill would also repeal the state and local income tax deduction as well as the tax-exempt status for Private Activity Bonds (PABs).

Meanwhile the Senate has also been working to pass their own version of tax reform amending HR 1 that would still protect PAB's tax exemptions. Needless to say, the Senate bill has been modified numerous times throughout the month as Senate Republican Leadership worked to ensure the majority would have enough votes to pass the legislation. The recent version (that many assume has already been modified again) as an amendment to HR 1 can be found [HERE](#). A side-by-side comparison of House and Senate proposal that the time of the writing this report is as follows:

<u>Rule</u>	<u>Current Law</u>	<u>House bill</u>	<u>Senate plan</u>
Corporation Top Rate	35%	20% flat rate beginning in 2018	20% flat rate beginning in 2019
Passthroughs	39.6% top rate	25% flat rate on a portion of income for certain types of passthroughs	17.4% deduction for income of certain types of passthroughs. Expires 2025
Individual Brackets and Rates	7 Brackets; 39.6% top rate	4 Brackets: 12, 25, 25, and 39.6%. No Expiration	7 Brackets: 10, 12, 22, 24, 32, 35, 38.5%. Rates expire after 2025
Alternative Minimum Tax	Separate tax calculation on some returns	Repeal	Suspend for individuals through 2025; repeal for corporations
Carried interest	Capital gains rate on certain investment manager income	Assets would have to be held for three years	Assets would have to be held for three years
Business Expensing	Depreciated over time	Immediate 100% expensing after Sept. 27, 2017 and before Jan. 1, 2023	Immediate 100% expensing after Sept. 27, 2017 and before Jan. 1, 2023
Business Interest	Deductible	Limit to 30% of adjusted taxable income for most businesses with average gross receipts greater than 25M	Limit to 30% of adjusted taxable income for most businesses with average gross receipts greater than 15M
Bonds	Interest on state and local bonds isn't taxable	End exclusion for private activity bonds (PABs) and advance refunding bonds	End exclusion for advance refunding bonds
Electric Car Credit		Repeals tax credit for electric vehicles	No change
In-Service Pension Distributions		Permits in-service pension distributions at age 59½	No Change
Healthcare Individual Mandate		No change	Repeals individual mandate
Repatriation		Repatriates \$293 Billion of foreign corporate earnings	Repatriates \$184 Billion of foreign corporate earnings
Deduction for Commuter Benefits		Repeals employer deduction for transportation benefits	Repeals employer deduction for transportation benefits; repeals bicycle incentive for individuals
Highway Trust Fund		No solution for long-term deficit	No solution for long-term deficit

No Democrats are supporting the bill giving Republicans a narrow margin for passage. Using the budget reconciliation process, the bill will not be subject to filibuster and will only need 51 votes for floor passage. The current party divide in the Senate is 52 Republicans and 46 Democrats with 2 Independents that vote with Democrats (52-48).

Senator Susan Collins (R-ME) and others met with President Trump at the end of the month to discuss concerns with the tax bill such as the expiration of tax cuts for individuals after 10 years (called sunsets) and the repeal of the individual health care mandate. Senator Collins was one of the three Senate Republicans to vote against the repeal of the Affordable Care Act over the Summer. During that meeting, President Trump indicated to the Senator that he would support the Alexander-Murray bill, a bipartisan health care reform effort that would stabilize the individual healthcare market and potentially pave the way for Sen. Collin's support for a modified tax bill.

Regarding the FY 18 appropriations, much of what happens next will depend on the fate of tax reform in the Senate this week. The government is currently being funded by a Continuing Resolution (CR) that will expire on December 8th. House appropriators have asked for additional time to finalize an "omnibus" appropriations bill that would match with the projected topline spending levels of an FY18 budget deal that is currently being negotiated. Therefore, it seems likely that Congress will pass another short-term CR to avoid a government shutdown. However, President Trump indicated that he may not sign any new spending package that do not include funding for a southern border wall or other White House priorities. Democrats are also pushing for an immigration fix for DACA recipients in the must-pass Appropriations omnibus.

Notable Congressional Hearings

On Tuesday, November 28th the House T&I Subcommittee on Transportation and Protective Security met to hear stakeholder perspectives concerning security threats facing mass transit systems. In his opening statement, Chairman John Katko (R-NY) spoke about the unique challenges mass transit systems face in screening passengers, closing resource gaps, and targeting assistance from the Department of Homeland Security. The Homeland Security Committee held a full committee hearing to discuss preventative security for transportation systems on November 8th. Chairman Katko told witnesses that transportation providers needed to assess their ability and readiness to detect and disrupt threats on all surface transportation systems. He also stated that surface transportation modes serve over 10 billion riders annually compared to 800 million aviation passengers per year, highlighting the volume of passengers that use these systems. Witnesses spoke about the difficulties of securing such a large number of passengers in publicly accessible facilities traveling on advertised predictable schedules. Witnesses also expressed their concern over the growing number of terrorist attacks worldwide taking place at mass transit system facilities. They asked for increased federal investment in public transportation security as well as increased personnel support from the Department of Homeland Security.

During the hearing, Ranking Member Bonnie Watson Coleman (D-NJ) formally introduced a bill (HR 4474) that would increase funding for transit security grants to \$400 million, and allows transit stations to maintain TSA VIPR teams and hire more local police. In addition to transit grant funding, Coleman's bill would direct TSA to maintain 60 VIPR teams for surface transportation security, increase the number of bomb-sniffing teams and expand the law enforcement officer reimbursement program, currently designated to airports only, to transit and rail stations, among other hubs.

On November 29th, the Natural Resources Committee held an oversight hearing to discuss "*Modernizing NEPA for the 21st Century*". A major topic of concern and discussion was the role of the NEPA process in delaying large infrastructure projects. Some members questioned the witnesses as to how and why the NEPA process can drive project costs up by millions of dollars and whether or not the process is protecting the environment effectively enough to justify the costs. Witnesses testified that a considerable barrier to NEPA effectiveness is caused by unclear jurisdiction and environmental goals between agencies (e.g. Fish and Wildlife has a different agenda than the Army Corps of Engineers) and that there needs to be a designated decision maker to help merge these goals in a timely manner. While Democrats on the committee voice strong support for the law, there was still a considerable amount of concern regarding NEPA's costs and delays on large infrastructure projects.

Senate Confirmations Update

This month the Senate confirmed two major nominees to the Department of Transportation. Steven Gill Bradbury, of Virginia, was confirmed to be General Counsel of the Department of Transportation by a vote of 50-47. Derek Kan, a former Lyft executive from California, was also confirmed to be Under Secretary of Transportation for Policy by a vote of 90-7.