



PB Washington Update

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Congress is currently on a one-week recess and will return to DC on Monday, February 28. Last week was an extremely busy one for Congress, particularly in the House where a new, highly controversial FY'11 spending bill, which includes DOD appropriations and a Continuing Resolution (CR) for the rest of government, was passed. The bill cuts \$100B in discretionary spending below the Administration's FY'11 budget request. Last week started out with the release of the Administration's FY'12 budget request which included the outline of a six-year \$556B surface transportation reauthorization proposal. In other transportation action, the Senate voted to approve its version of a multi-year FAA authorization bill and the House T&I Committee approved its version of an FAA bill. The House T&I Committee also approved another short-term extension of the SAFETEA-LU authorization through September 31.

FY'11 Continuing Resolution

In the early hours of Saturday morning, the House passed its version of the FY'11 Continuing Resolution (CR) which would fund the federal government at greatly reduced levels for the rest of the current fiscal year, through September 31. The bill was debated all week on the House floor under an unusual "Open Rule" which permitted hundreds of amendments to be offered. Nearly 70 amendments were passed, many of them aimed at curtailing certain government actions, such as EPA regulation of greenhouse gas and implementation of the new healthcare reform law. The only transportation related amendment voted on was an amendment to further cut Amtrak funding by an additional \$446M. The amendment was defeated by a vote of 176 to 250. The "No" vote included 60 Republicans.

After recess, the Senate will take up its version of the CR, however, it is unlikely that a final bill can be completed by the March 4 expiration of the current short-term CR. This means it is likely that another short-term CR will need to be passed; if not the federal government will be forced to shut down all but essential activities. However, House Speaker John Boehner (R-OH) indicated last week that he will not support another short-term CR unless it includes program cuts from the FY'10 levels.

The Senate will take up the longer CR the week of February 28. While it is expected that the Democratic-controlled Senate will restore funding for many programs, including transportation programs, the breadth and depth of cuts in the House bill will make it very difficult for the Senate to restore significant funding levels. On Friday, Senate Majority Leader Harry Reid (D-NV) said he will propose \$41B in cuts in the Senate version of the CR below the President's FY11 request which would equal a freeze in discretionary spending. After the Senate acts, the two bodies must reconcile their bills and produce a bill that not



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only both can agree on, but one that President Obama will sign. That task is going to be extremely difficult.

As previously reported, the House-passed FY'11 CR eliminates all funding for high speed rail, TIGER II discretionary grants, FHWA Surface Transportation Priorities (project earmarks), FTA TIGGER energy efficiency grants, capital grants to DC's WMATA transit system, and Rail Safety Technology grants (used to pay for PTC). Programs with funding cuts include FTA's New Starts (-\$430M), Amtrak (-\$151M) and FAA's Facilities & Equipment (-\$200M). In addition, unobligated money would be rescinded from many programs funded in previous fiscal years including TIGER II, High Speed and Intercity Passenger Rail, and New Starts, including ARRA stimulus funding. The House bill would zero out a number of traditionally earmarked highway programs, such as TCSP and Interstate Discretionary, and replace them with additional formula funds in order to prevent Administration discretion in allocating the funds. Transportation programs not specifically mentioned in the CR would continue at their FY'10 funding levels.

The House CR cuts \$341M from the Corps of Engineers' FY'11 budget and also rescinds \$100M in unspent prior year Corps funds.

FY'12 Budget Request

The Administration released its FY'12 budget proposal last Monday. The transportation industry is still struggling to get its arms around the US DOT proposed budget which includes the outline of a six-year surface transportation reauthorization. On one hand, the budget and reauthorization proposals are bold, innovative, far reaching and recommend historically high funding levels. President Obama has personally taken up the cause of infrastructure investment and made it a cornerstone of his plan for US economic growth and global competitiveness. On the other hand, given that there is no revenue identified to pay for the \$50B, up-front FY'12 funding boost or the \$556B six-year reauthorization plan other than to work with Congress, it is difficult to envision how this plan could be enacted into law. A best case scenario is that this proposal instigates a productive discussion between the Administration and Congress in which Republicans and Democrats come together and achieve something in the country's best interest, perhaps in the context of a broader budget reform agreement.

Here are links to FY'12 US DOT budget overviews prepared by [ARTBA](#) and [APTA](#). Additional budget details were included in the February 14 Update. One clarification of that information – the proposed \$1B+ reduction in funding for the FAA's AIP program is contingent upon the enactment of an increase in PFC levels - which the pending FAA authorization bill does not.

A number of non-transportation infrastructure programs would be cut by the Administration. The Corps of Engineers FY'12 budget request for construction projects is reduced from the \$2B the program received in FY'10 down to \$1.48B, a 27% cut. The overall Corps civil works program is proposed to be cut by \$814M or 15% from \$5.5B down to \$4.6B. The



EPA's budget for the Clean Water and Safe Drinking Water Loan Funds would also be cut by the Administration's FY'12 budget proposal. The total funding for the two programs currently at \$3.49B would be reduced in FY'12 to \$2.54B, an almost \$1B cut.

These requests must be approved by Congress during the annual appropriations process. In past years, Congress often increased funding for these popular programs, however, with the House Republican goal of dramatically reducing the deficit by cutting domestic discretionary programs by \$100B per year coupled with a ban on earmarks, it is likely these water programs will be cut to some degree.

SAFETEA-LU Extension

With the current short-term highway and transit authorization extension expiring on March 4 and no likelihood of Congress passing a multi-year bill by that date, last week by voice vote the House T&I Committee passed yet another extension through September 31 (i.e. the rest of FY'11). The bill, HR 662, is a "clean" bill that does not include any policy or program changes.

FAA Authorization

Significant action occurred last week on a multi-year FAA authorization bill in both the House and the Senate. After almost three weeks of floor debate, the Senate passed its version of a two-year FAA authorization bill and the House T&I Committee approved a separate four-year FAA bill. The current short-term extension of the FAA program expires on March 31. The House hopes to bring its bill to the House floor the week of March 7 and then quickly go to conference with the Senate to resolve the differences in the two bills before the March 31 deadline.

The Senate bill (S.223) was finally passed late last week by a vote of 87 to 8 after agreement was reached on the most contentious issue – the number of takeoff and landing slots at DC's Reagan National Airport and how many of these slots would be allocated to service beyond the current 1500 mile perimeter. The Senate bill does not include an increase in the Passenger Facility Charge (PFC). It authorizes funding for the Airport Construction Program (AIP) at \$4.1B in FY'11.

The House T&I Committee approved HR 658, a four-year FAA bill (FY'11 through FY'14) last week on an unusual party-line vote of 34 to 25. In a surprise development, the bill does not include an increase in the PFC as last year's House bill had. Since the Senate bill also does not include a PFC increase, this issue is now dead. This is a serious disappointment for the airport construction industry. The current \$3.5B annual AIP program is reduced to \$3B per year; the same level as in FY'08 and significantly below the Senate level of \$4.1B. Here are links to additional details on the [House](#) bill and the [Senate](#) bill.



FTA New Starts/Small Starts Report

FTA has released the FY2012 Annual Report on New Starts and Small Starts. The report can be downloaded [here](#) and individual project profiles can be found [here](#). Going forward, FTA plans to update the online project profiles throughout the year when projects move from one phase to the next. A list of the projects that have either advanced in or dropped out of the pipeline can be found on pp.23-24 of the report.

In the report FTA is recommending a total of \$3.24 billion for FY2012, with \$2.57 billion for existing and proposed Full Funding Grant Agreements (FFGAs), \$180 million for proposed Project Construction Grant Agreements (PCGAs), and \$400M for other projects in the pipeline (\$100M of which would be reserved for projects in the early stages of project development). This is a substantial increase from the \$2.0 billion FY2010 funding level, and it is more than twice the amount that the Republican House recently approved for FY2011. Thus, project sponsors should remember that *all recommended funding amounts are subject to congressional approval* and a project might receive no funding or considerably less than the amounts FTA proposed for FY2012, depending on what happens during a highly uncertain legislative process. FTA is also proposing a substantial increase in funds for FTA oversight (from \$18M in FY10 to \$81M in FY12).

This year's report is atypical in that it also contains an overview of FTA's proposed changes to the New Starts/Small Starts program as part of the Administration's surface transportation authorization plan. While many steps—including congressional agreement and passage of an authorization bill—would be required before most of the proposed changes could take effect, the budget statements indicate the Obama Administration's proposed direction of the program. FTA's proposed changes include:

- Single set of criteria: Rather than having separate evaluation and rating criteria for New Starts and Small Starts, a single set of criteria (yet to be announced) would be used for all projects.
- FFGA vs. PCGA: Projects seeking more than \$100M from the program would receive construction funding through a Full Funding Grant Agreement (FFGA), while those seeking less than \$100M would receive funding through a simplified Project Construction Grant Agreement (PCGA).
- Exempt projects: Projects seeking less than \$100M from the program could be "exempt" from the New Start/Small Start evaluation and rating process if the request represented less than 10% of the project cost.
- Streamlining: The report states that FTA will propose to streamline the process further by reducing the number of FTA approval steps for all projects.



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House T&I Committee Field Hearings

House T&I Committee Chairman John Mica (R-FL) continues his series of field hearings and listening sessions on the subject of surface transportation authorization around the country. Several events scheduled for last week had to be cancelled because of votes on the FY'11 CR on the House floor. Sessions this week include 2/22 in Fresno, 2/23 in Los Angeles along with Senate EPW Committee Chair Barbara Boxer, 2/24 in Oklahoma City and Jonesboro AR and 2/25 in Memphis, TN.

Additional information and documents are available on the PB Transportation Update website at www.PBTransportationUpdate.com
