



Washington Update

PREPARED BY CATHY CONNOR
MANAGER OF GOVERNMENT AFFAIRS

**PARSONS
BRINCKERHOFF**

February 2, 2015

Today, the Obama Administration released its FY'16 Budget Request.

Here is a [link](#) to the overall federal budget request (scroll down to click on the US DOT Highlights). Here is a [link](#) to an overview of the US DOT portion of the federal budget and a [link](#) to the annual US DOT "Budget in Brief," the most readable and understandable of the documents.

Similar to last year, the US DOT FY'16 budget request follows the program restructuring outlined in the Administration's proposed surface transportation reauthorization legislation which was released last spring – the GROW America Act. However, it proposes a major increase in funding –\$478B, up from \$302B, and extends the length of the proposed reauthorization from four years to six years.

However, the increased funding is proposed to be paid for through a controversial corporate tax provision that is unlikely to pass in a Republican-majority Congress – the imposition of a one-time mandatory 14% tax on previously untaxed foreign earnings regardless of whether the earnings are repatriated (brought back to the US) or not. If approved by Congress, this would bring in \$238B in new revenue.

Therefore, while the industry applauds the Administration's request for significant new transportation funding, it appears unlikely, at this point, that Congress will support the tax legislation needed to make the funding levels in the FY'16 budget request a reality.

US DOT Secretary Foxx indicated last week when testifying before the Senate Environment & Public Works Committee that he plans to resubmit a revised and updated version of the GROW America Act to Congress in the next few weeks.

The current short-term MAP-21 authorization expires at the end on May 31, 2015. Without an infusion of new revenues – from a gas tax increase, corporate tax reform, or some other source - the Highway Trust Fund (HTF) cannot support any new highway or transit funding for the remainder of FY'15, much less for FY'16.

Below are highlights of the US DOT FY'16 budget request. Keep in mind these funding levels assume Congress passes the Administration's corporate tax reform proposals and that Congress approves the funding as part of the FY'16 annual appropriations process.



Washington Update

PREPARED BY CATHY CONNOR
MANAGER OF GOVERNMENT AFFAIRS

**PARSONS
BRINCKERHOFF**

1. Programs funded as part of the GROW America Act Authorization – if passed by Congress:

FHWA - \$50B for the highway obligation limitation, up from the current \$40.25B level.

FTA Capital Improvement Grants – page 12 of the US DOT Budget in Brief (see link above and document attached) includes a list of the projects recommended for CIG funding. A total of \$3.25B (vs \$2.12B in FY'15) is requested for FY'16 including:

- \$1.38B for 9 New Start projects with existing FFGAs;
- \$792M for 7 new New Start projects including \$100M each for the Red and Purple lines in Maryland;
- \$351M for the newly authorized Core Capacity program to be divided among the Chicago Red and Purple line modernizations, NY Canarsie Line Power Improvements, and the Dallas DART Platform Extension;
- \$353M for 9 Small Start streetcar and BRT projects.

In addition, a new \$500M Rapid Growth Area Transit program is requested that will fund primarily discretionary BRT projects.

FTA Formula and Bus and Bus Facility Grants - \$13.9B in FY'16, up from the current \$8.6B in FY'15.

FRA - \$5B in FY'16 for a newly configured rail program. This is an approximately 200% increase over current funding. The program would be divided into two components – Current Passenger Rail Service \$2.45B (the Northeast Corridor; state corridors; long distance routes; stations; and national assets, legacy debt and Amtrak PTC) and Rail Service Improvement Program \$2.32B (high-speed rail passenger corridors - \$1.3B; commuter railroad PTC compliance; rail relocation and grade crossings; and planning and workforce). Both components would be funded out of the new rail account of the Transportation Trust Fund (see below).

TIGER Grants - \$1.25B in FY'16 (\$7.5B over six years) for the FY'16 discretionary TIGER grant program, up from the FY'15 level of \$500M.

TIFIA - \$1B in FY'16 (\$6B over six years), the same as the current level of funding.

Freight - \$1B in FY'16 (\$18B over six years) for a new multimodal freight discretionary grant program with rail, aviation, marine and other multimodal projects eligible.

Critical Immediate Safety Investments Program (CISIP) - \$7.5B in FY'16 (\$29.4B over six years) to provide targeted investments towards highways and bridges that are deficient and pose a safety risk.



Washington Update

PREPARED BY CATHY CONNOR
MANAGER OF GOVERNMENT AFFAIRS

**PARSONS
BRINCKERHOFF**

A DOT priority is improving project delivery and the federal permitting and regulatory review process through continued funding of the Interagency Infrastructure Permitting Improvement Center housed at US DOT and funded at \$4M in FY'16.

An emphasis is put on "Fix it First" and a state of good repair approach to highway and transit grants. The budget also includes a new Fixing and Accelerating Surface Transportation (FAST) competitive grant program to incentivize transformative programmatic reforms which is funded at \$1B per year (\$500M in FHWA and \$500M in FTA).

As proposed in the past, the Administration would rename the Highway Trust Fund the Transportation Trust Fund. The Fund would include separate highway, transit, rail and multimodal accounts. Existing gas tax revenues would continue to flow only to the highway and transit accounts. The additional funding proposed from corporate tax reform would be used to fund the new rail and multimodal accounts. The new accounts would not be eligible to receive existing gas tax revenue.

2. Other US DOT programs:

FAA - \$2.9B for the Airport Improvement Program (AIP) down from the current \$3.35B to be offset in part by eliminating guaranteed AIP funding for large hub airports. The budget recommends allowing the large airports to fund capital projects through increased Passenger Facility Charges (PFCs), but that would have to be approved by Congress as part of the reauthorization of the FAA programs. The current FAA authorization bill expires on September 30, 2015.

Information about the FY'16 budget requests from other infrastructure-related federal agencies will be sent out shortly.

MAP-21 Reauthorization

The current short-term extension of MAP-21 expires at the end of May – only a few months away. While House and Senate authorizers are anxious to begin drafting policy provisions for a potential long-term reauthorization bill, their hands are tied until Congress determines how to fund the growing gap in Trust Fund revenues. Congress will either have to once again transfer billions in General Fund revenues (even just to maintain the current flat funding levels) or find others source of revenue. While the industry continues to advocate strongly for a gas tax increase and the number of Members of Congress who publically support an increase grows day by day, strong opposition by key players such as House Speaker John Boehner and House Ways & Means Chair Paul Ryan make it unclear if an increase is politically possible.



Washington Update

PREPARED BY CATHY CONNOR
MANAGER OF GOVERNMENT AFFAIRS

**PARSONS
BRINCKERHOFF**

Another option which is gaining considerable interest is funding the Trust Fund with new tax revenue from various forms of corporate tax reform. The Administration has proposed a plan (see above) as part of its FY'16 budget request.

Last week, Senators Rand Paul (R-KY) and Barbara Boxer (D-CA) unveiled a proposal to permit US firms to repatriate overseas earning at a much lower tax rate with the resulting new tax revenue going to the HTF. Compared to the Administration's plan, the Paul-Boxer plan uses a lower tax rate, is a standalone proposal that doesn't involve a total corporate tax rewrite, and allows companies to choose whether to bring overseas earnings back to the U.S., unlike the mandatory tax in the President's plan.

Rep. John Delaney (D-MD) has reintroduced his bi-partisan bill to use repatriation to fund the HTF as well as to fund an infrastructure investment bank. A bi-partisan group led by Senators Roy Blunt (R-MO) and Michael Bennet (D-CO) is pursuing the same concept in the Senate.

However, while some form of corporate tax reform might result in billions for the HTF and other infrastructure programs, it would be a one-time fix, not a long-term, sustainable source of revenue. It could also result in Congress feeling they have "fixed" the revenue problem and not be interested in revisiting the issue when the new money runs out.

The biggest issue regarding a tax reform fix for the HTF is whether it could pass as a stand-alone bill, which could potentially occur this spring or summer in time to fund a MAP-21 reauthorization bill, or whether it could only pass as part of a comprehensive corporate tax reform bill. Leaders of the tax writing committees are adamant about wanting to use any new revenue generated by tax reform to offset tax cuts as part of a larger tax package. A larger bill could also possibly be a vehicle for a gas tax increase, however, it often takes years to negotiate major tax overhauls and with the 2016 presidential election looming, it may not be something Congress can realistically accomplish in the near term.

Here is a [link](#) to a recent letter send to Congress by the AAA, the US Chamber of Commerce and the American Trucking Association (ATA) reiterating their strong support for a federal user fee increase. These groups had been opposed to such an increase in the past.

Here is [link](#) to a letter signed by numerous conservative groups, including Grover Norquist's Americans for Tax Reform, strongly opposing a gas tax increase.

Here is a [link](#) to the Rand Paul/Barbara Boxer repatriation proposal and a [link](#) to a related fact sheet.

Here is a [link](#) to information about the Senate EPW hearing last week on MAP-21 reauthorization.

Here is a [link](#) to Rep. John Delaney's (D-MD) bill (HR 625) to use revenue from tax on repatriated overseas corporate profits to fund the HTF and an infrastructure bank.



Washington Update

PREPARED BY CATHY CONNOR
MANAGER OF GOVERNMENT AFFAIRS

**PARSONS
BRINCKERHOFF**

The House T&I Committee will hold a hearing on MAP-21 reauthorization, "Surface Transportation Reauthorization Bill: Laying the Foundation for U.S. Economic Growth and Job Creation Part I", on Wednesday, February 11, 2015 at 10:00 a.m. Here is a [link](#) to watch a live webcast.