



# PB Washington Update

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Congress and the rest of the federal government are counting down the hours until midnight this Friday, April 8 when the federal government could shutdown if Congress and the White House cannot agree on an extension of funding for FY'11. Another potential short-term extension of funding would only be of limited assistance because Congress is scheduled to recess for two-weeks beginning April 18 through the end of the month. In the meantime, congressional action on the FY'12 budget kicks off today.

## FY'11 Funding

There continues to be two separate, but related efforts underway regarding funding the federal government for the remainder of FY'11 – one is an effort to fund the government for the remaining six months of the fiscal year through September 30 and the other is a more immediate effort to keep the government running beyond Friday until a longer, year-long bill can be passed.

Congress and the White House, led by Vice President Joe Biden, continue to try to reach agreement on a year-long bill. Biden recently stated that they were close to reaching an agreement to cut approximately \$33B (which includes the \$10B in cuts already agreed to in the prior and current short-term extensions). But House Republicans insist no such agreement has been reached and today offered a new target of \$40B! Even if agreement is reached on the dollar amount to cut, all sides are still far apart on which specific programs to cut to achieve the targeted cost savings. In addition, House Republicans continue to insist on including controversial policy riders that were attached to HR 1, the FY'11 Continuing Resolution (CR) previously passed by the House, which died in the Senate.

In the meantime, the current short-term extension of FY'11 runs out this Friday, April 8. The federal government will be forced to shut down if Congress does not pass another extension. However, time is rapidly running out to negotiate and pass a bill. Last night House Republicans unveiled a new week-long extension which was quickly denounced by Democrats and the White House. The proposed extension would cut \$12B – significantly more than the previously agreed to \$2B per week. Of the \$12B in proposed cuts - \$1.8B would come from transportation programs with additional cuts in Corps of Engineers, FEMA, TSA and other infrastructure programs.

The \$1.8B in potential transportation cuts includes reducing the high-speed rail program from the FY'10 level of \$2.5B down to the \$1B level requested by the Administration for FY'11. In addition, the FTA New Starts program would be cut from the FY'10 level of \$2B down to \$1.72B. This compares with the Administration's FY'11 New Starts request of \$1.82B which included \$200M for the now cancelled Access to the Region's Core (ARC)



project in New Jersey. However, it now appears unlikely that this proposal has the votes to pass – or would be signed by the President. Therefore, unless another, less controversial proposal is put forward in the next few days, the federal government will be forced to shut down.

## Potential Federal Government Shutdown

While a shutdown of the federal government has occurred before – twice in the early 1990's during the Clinton Administration, it has dramatic and far reaching consequences. If Congress cannot reach agreement on a short-term extension of FY'11 funding by midnight on Friday, April 8, all non-essential services and programs will be shut down. This includes everything from closing the Smithsonian museums (during the Cherry Blossom Festival) to many US DOT employees not being permitted to come to work. In past shutdowns, program funding and federal salaries were ultimately restored after the fact. One possibility being discussed is to buy some extra time by letting the government shut down over the weekend, when there are fewer consequences, and then have Congress work over the weekend to develop a compromise plan.

## FY'12 Budget/Appropriations

While Congress and the Administration fight over how to resolve FY'11 funding, the annual congressional process to develop and pass a Budget Resolution and twelve federal agency funding bills for the next fiscal year kicks off today with the release by House Budget Committee Chairman Paul Ryan (R-WI) of the outline of an FY'12 Budget Resolution. This morning Ryan unveiled a wide sweeping proposal to cut \$6.2 trillion over ten years (\$72B in cuts in FY'12) which includes cuts and changes to previously untouchable entitlement programs such as Medicare and Medicaid. The plan also includes tax cuts and a continued ban on earmarks. Here is a [link](#) to his proposal, "The Path to Prosperity – Restoring America's Promise". The first seven pages of the full report are a summary, the FY'12 Budget Resolution begins on page 28 and a rather depressing discussion of transportation programs, particularly high-speed rail, is on page 33 under the heading "Other Examples of Wasteful Spending."

Ryan proposes to eliminate any additional transfers from the General Fund to the Highway Trust Fund, to consolidate many duplicative transportation programs, and to defund high-speed rail programs and potentially Amtrak. Overall, the proposal, if approved by Congress, would reduce federal transportation funding by 31% from current levels. The summary states "however worthy some highways projects may be, their capacity as job creators has been vastly oversold..."

The House Budget Committee plans to mark-up the Budget Resolution on April 6 and bring it to the House floor the week of April 11. The Senate has not yet introduced its FY'12



Budget Resolution and it is expected to be significantly different than Chairman Ryan's version. The annual Budget Resolution is a non-binding blueprint which layouts funding guidance for the development of the annual federal agency appropriations bills.

## Debt Ceiling Increase

To make matters more complicated, US Treasury Secretary Tim Geithner this week announced that the federal government will reach the \$14.3 trillion federal debt ceiling limit on approximately May 16. Congress will have to vote to increase the debt ceiling or the government will default. Since most House Republicans, particularly the 87-member freshman class, campaigned on a pledge to reduce the debt, the only way many of them will agree to increase the debt ceiling is to couple it with additional spending cuts.

This means that in early May, following the upcoming two-week congressional recess, Congress will be faced with negotiating large funding cuts as part of the FY'12 budget process, while potentially still trying to reach agreement on an FY'11 funding bill, while also having to identify even more cuts to accompany the debt ceiling increase.

## Surface Transportation Reauthorization

Key House and Senate highway and transit authorizing committees continue to wrap up their hearings on reauthorization of SAFETEA-LU in anticipation of starting to draft a new multi-year bill. The House T&I Committee held two days of hearings last week with various industry stakeholder groups testifying. Here is a [link](#) to background material on the first day of hearings including the witness testimony and a video of the hearing. Here is a [link](#) to the second hearing. Today, various House members will testify in support of policy changes they would like to see in the bill. Here is a [link](#) to the Member's testimony. On Thursday, the T&I's Railroad Subcommittee will hold a [hearing](#) on rail programs that may be included in a surface transportation reauthorization bill. Here is a [link](#) to a briefing memo and the witness testimony for the rail hearing which will be [webcast live](#).

Chairman John Mica has indicated that staff will then go behind closed doors to draft a six-year bill that will spend no more than the Highway Trust Fund can finance without a gas tax increase – approximately \$254B over six years. It is not clear whether Mica will propose cutting overall highway and transit funding levels – going potentially as low as \$37B per year for highways (vs the current \$42B) and \$7B for transit (vs the current \$10B) or instead will cut or eliminate specific programs such as CMAQ, TCSP, enhancements, etc. Mica plans to leverage the limited federal funds by including provisions to streamline project delivery, cut red tape, and incentivize innovative financing options such as TIFIA, PPPs and tolling.



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The Senate Environment & Public Works Committee is holding a hearing this week on the state and local perspectives on SAFETEA-LU reauthorization with a number of local officials testifying.

The existing SAFETEA-LU authorization has been extended until September 30, 2011.

## FAA Authorization

Last week the full House passed a multi-year FAA authorization bill (HR 658), which included 14 amendments approved during floor debate, by a vote of 223-169. Here is a [link](#) to a summary and text of the House-passed bill. The Senate previously passed its version of an FAA bill in February. Now the House and Senate will go to conference to resolve the differences in the two bills – of which there are many, including several controversial labor provisions which have already elicited a veto threat from the White House. Since a final bill was not going to be able to be completed by the time the latest short-term extension expired on March 31, last week Congress quickly passed another extension through May 31 which will hopefully allow enough time for a final bill to be completed and signed by the President.

## High-Speed Rail

US DOT Secretary Ray LaHood issued a statement today regarding the applications received by the Department in response to the Notice of Funding Availability for the \$2.4B in high-speed rail funds returned by the state of Florida. The deadline for applying for the funds was April 4. US DOT received more than 90 applications from 24 states, DC and Amtrak. The Department recently designated Amtrak's Northeast Corridor (NEC) as a federally designated high-speed rail corridor. Here is a [link](#) to a press release listing the states which applied. The applications total just under \$10B. US DOT did not provide an estimate of when the grant announcements will be made, but they are very anxious to get the funds obligated before Congress potentially rescinds them as part of any deficit reduction effort. The now dead House FY'11 CR, HR 1, included a provision to rescind the ARRA and FY'10 appropriated high-speed rail funds.