



April 12, 2013

After a delay of over two months while Congress debated sequestration and completed the long overdue FY'13 funding bill, the Administration finally released its FY'14 Budget Request this week. Both the House and Senate have already passed their respective FY'14 Budget Resolutions and have begun the FY'14 appropriations process, so it is unclear how much influence the Administration's recommendations will have on the funding debate.

Here is a [link](#) to the overall federal budget request. Here is a [link](#) to highlights of the US DOT portion of the budget and a [link](#) to the annual US DOT "Budget in Brief".

US DOT FY'14 Budget Request

The US DOT Budget Request for FY'14 looks very familiar to previous years' requests – numerous, very encouraging and forward-looking program recommendations, but no realistic plan for how the new programs would be funded, aside from revenue from a potential "peace dividend" and other revenue sources not identified in the budget. It is likely that Congress, particularly the Republican majority in the House, will not incorporate many, if any, of the new proposals in their FY'14 DOT appropriations bill.

Here are the highlights of the Administration's budget request:

1. A one-time \$50B appropriation for immediate needs. This would include \$40B for a "Fix it First" program, which President Obama first mentioned in his State of the Union address, targeted towards improving existing infrastructure needs, and \$10B for various competitive programs to encourage state and local innovation in infrastructure improvements.

The \$40B "Fix It First" program would include:

- \$25B – critical highway infrastructure
- \$9B – critical transit infrastructure (\$500M for the New Starts Core Capacity Improvement program, \$6B for State of Good Repair (SOGR) projects, \$2.5B for urban and rural transit capital programs)
- \$2B – existing Amtrak passenger rail service capital investments
- \$2B – Airport Improvement Program (AIP) grants
- \$2B - Land Ports of Entry/cross border projects

The remaining \$10B is proposed to fund:

- \$4B – TIFIA loan financing and TIGER programs
- \$2B – new Transportation Leadership Awards to encourage states and regions to implement innovative strategies
- \$3B - existing or new intercity passenger rail corridors – 100% federal share



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- \$1B - FAA NextGen modernization program (\$225M for New York area NextGen facility)

2. The creation of a "Partnership to Rebuild America" that would include \$10B to create a National Infrastructure Bank, establish new tax-credit "American Fast Forward Bonds", lift the national cap and expand eligibility for tax-exempt Private Activity Bonds (PABs) used in public-private partnerships, and change the tax treatment of foreign pension funds to attract increased infrastructure investment.

3. A proposal for a five-year \$40B rail reauthorization bill that would boost investments in high-speed and high performance (intercity passenger) rail, improve existing corridors, and strengthen the economic competitiveness of the freight rail system. Funding would be provided through a newly created Rail Account in the Transportation Trust Fund (the proposed new name for the Highway Trust Fund). First-year funding under the proposal would total \$6.7B. The current PRIIA rail authorization legislation expires on September 30, 2013. Congress has indicated that passing a rail reauthorization bill is a priority this year.

4. The creation of a "reserve fund" in FY'15 to provide for a significantly increased (potentially as much as 25%) reauthorization of MAP-21. The Administration proposes transferring \$214B of general funds to the new Transportation Trust Fund to cover shortfalls in gas tax revenue and fund the growth in highway, transit and rail programs.

5. FTA – Page 31 of the [US DOT Budget in Brief](#) includes the list of Capital Investment Grants (New Start/Small Start/Core Capacity projects) the Administration is proposing to fund in FY'14. It is important to keep in mind that all funding amounts are subject to the congressional appropriations process and a project could receive more or less than the amount requested.

In addition, FTA has released its FY'14 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.10-11 of the report. The report recommendations reflect changes to the New Starts program enacted under MAP-21, including the changes to the project development process for New Starts and Small Starts and the inclusion of core capacity projects.

FTA is recommending a total of \$2.13B for FY'14 for the New Starts program, including \$1.98B in FY'14 Section 5309 (New Starts) funds as well as \$151 million in unused, prior-year funds from the Bus and Bus Discretionary Program, the Alternatives Analysis Program, and the Section 5309 Program. Recommendations include \$1.88B for 17 existing and 3 recommended Full Funding Grant Agreements (FFGAs), \$113M for 2 existing and 5 proposed Small Starts Construction Grants, and \$120M for unnamed core capacity projects.



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The New Starts Report (pp. 6-7) also identifies eight new projects which have been approved to advance into Project Development.

FTA will host a public webcast on their FY'14 budget priorities and the FY'14 Annual Report on Tuesday, April 16 from 12:30 PM to 2:00 PM EDT. Here is a [link](#) to the webcast.

6. FAA – the Administration Budget proposes to reduce funding for the construction-related Airport Improvement Program (AIP) from the authorized level of \$3.35B down to \$2.90B by eliminating AIP funding for large Hub airports and allowing those airports to increase their Passenger Facility Charges (PFCs), if Congress approves, from the current \$4.50 up to \$8 to fund airport construction.

<u>Program</u>	<u>FY'13 Funding under CR</u>	<u>FY'14 MAP-21 Authorized Level</u>	<u>FY'14 Budget Request</u>
FHWA Obligation Limitation	\$39.69B	\$40.26B	\$40.26B
FTA Total	\$10.69B	\$10.69B	\$10.91B
FTA Capital Investment Grants/New Starts	\$1.955B (minus 5% sequester = \$1.86B)	\$1.90B	\$1.98B
Airport Improvement Grants (AIP)	\$3.35B	\$3.35B	\$2.90B
Amtrak Total	\$1.56B (minus 5% sequester = \$1.47B)	NA	\$2.7B (\$675M NEC capital, \$300M state corridors, \$800M operations, \$925M capital)
TIFIA Loan Program	\$750M	\$1B	\$1B



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TIGER	\$500M (minus 5% sequester = \$473M)	\$0	\$500M
General Fund Transfer to Highway Trust Fund	\$6.2B (minus 5.1% sequester = \$5.84B)	\$12.6B	\$12.6B