

PB Washington Update - Interim Report - December 13, 2010

Congress is back in session for what was supposed to be the last week of the post-election lame duck session, but it does not seem likely they will be able to finish up all their work by the weekend and therefore may have to stay on for a rare Christmas week session. Here is a brief overview of the status of the pending bills which impact infrastructure programs. A more detailed analysis will be sent out later in the week.

FY'11 Appropriations

Early last week Congress passed another short-term Continuing Resolution (CR) extending current funding for all federal government programs through Saturday, December 18. Then, late last week, by a very close vote of 212 to 206, the House passed a year-long Continuing Resolution (CR) which funds most government programs at the FY'10 levels through September 30, 2011. However, unlike shorter CRs which are usually "clean", this much longer CR includes numerous policy and funding provisions. The CR freezes funding for most transportation programs at the FY'10 levels. The federal-aid highway program is funded at \$41.1B which does not include the \$650M in General Funds appropriated for highways in FY'10 and \$293M in surface transportation priority project earmarks because of the earmark prohibition in the bill. The transit program is funded at the FY'10 level of \$10.3B and the FAA's Airport Improvement Program at \$3.5B. The High Speed Rail program would drop from the FY'10 level of \$2.5B to the \$1B level requested in the Administration's FY'11 budget request.

In addition, the CR includes another extension of the SAFETEA-LU and FAA authorizations which were due to expire on December 31, 2010. Both programs are authorized for nine months through September 30, 2011.

The Senate is expected to debate the CR later this week and possibly make major changes including adding earmarks.

Taxes

The Senate got the 60 votes it needed earlier this afternoon to invoke cloture on the President Obama/Republican tax cut/extendors plan. It appears that despite strong opposition by a number of Democratic Senators, there are enough votes for the plan to officially pass sometime tomorrow. The Senate bill:

1. extends all the Bush-era income tax cuts for two years
2. reduces worker payroll taxes for one year; (the payroll-tax reduction would cut the 6.2% Social Security tax levied on a worker's wages to 4.2%. The employer's half of the tax—also 6.2%—wouldn't be affected. It phases out for workers making more than \$75,000)
3. gives more favorable treatment to business investments (credit for spending on research, extends current tax rates on capital gains and dividends for two years, including for higher earners)

4. temporarily reinstates the estate tax at 35%— would apply only to estates over \$5 million
5. extends jobless benefits for the long-term unemployed for 13 months
6. maintains protection for middle-class families from the Alternative Minimum Tax (AMT)
7. encourages more investment in plant and equipment by letting companies claim deductions on 100% of most kinds of investment

The Senate bill does not currently include an extension of the popular Build America Bonds. It does include an extension of the higher levels of the transit pre-tax benefit and the alternative fuels tax credit through December 31, 2011.

The House Democratic Caucus strongly opposes the plan, particularly the estate tax provision and the extension of income tax cuts for the wealthiest taxpayers. Democratic leaders are meeting today to determine how to proceed on the bill. Efforts are underway by industry groups to try to include an extension of Build America Bonds and the transit benefit and alternative fuels in the House bill. After full Senate passage, the bill will be sent to the House. More than likely the House will amend the bill which will require it to go back over to the Senate. Presumably at some point an agreement will be reached between the two bodies as provisions are added and subtracted to attract the needed votes.

House Committee Leadership Assignments

House Republican leaders opted not to approve term limit waivers for potential committee chairmen in the new Congress resulting in several newly appointed chairmen who are not currently Ranking Minority Members. Key new committee chairmen include: Rep. Hal Rogers (R-KY) – Appropriations, Rep. Fred Upton (R-MI) – Energy and Commerce, Rep. David Camp (R-MI) - Ways & Means and, as expected, Rep. John Mica (R-FL) - Transportation & Infrastructure.

The incoming House Republican leadership has also opted to reduce the size of several key committees including the Appropriations, Ways & Means and Energy & Commerce Committees. No word yet on a potential reduction in the Transportation & Infrastructure Committee, but it is likely to happen given that T&I is currently the largest committee in the House and a large number of its Democratic members retired or lost their races and a number of Republicans have opted to move to other more prestigious committees.

High Speed Rail Funding Reallocated

Last week US DOT reallocated high speed rail funding that had previously been allocated to the states of Ohio and Wisconsin after the newly elected Republican governors of those states terminated the rail projects. Over \$1.19B was reallocated to projects in 14 different states. The big winners were California, Florida and Washington state.

The full list includes: California: up to \$624 million, Florida: up to \$342.3 million, Washington State: up to \$161.5 million, Illinois: up to \$42.3 million, New York: up to \$7.3 million, Maine: up to \$3.3 million, Massachusetts: up to \$2.8 million, Vermont: up to \$2.7 million, Missouri up to \$2.2 million, Wisconsin: up to \$2 million for the Hiawatha line, Oregon: up to \$1.6 million, North Carolina: up to \$1.5 million, Iowa: up to \$309,080 and Indiana: up to \$364,980.

