

# **EASTERN BORDER TRANSPORTATION COALITION**

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**WORKSHOP: CONNECTIVITY BEYOND THE BORDERS  
SARATOGA SPRINGS, NEW YORK  
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**FEDERAL TRANSPORTATION POLICY:  
FUTURE DIRECTIONS  
FOR  
BORDER AND GATEWAY  
INFRASTRUCTURE FUNDING**

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**This presentation is slightly revised to reflect authorization developments  
that occurred within days of its delivery)**

# OVERVIEW

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## **Surface Transportation Authorization and Appropriations: Congress is Serious About Reducing Federal Spending**

- Congressional Focus: How much and where to cut federal program spending – not how and where to increase.
- Emphasis on managing the deficit. For some, it is also about reducing the size and role of the federal government.
- Tools to enforce reduction in federal spending:
  - House rules make it difficult to front-end load appropriations in hopes that additional money can be found later.
  - The Joint Select Committee on Deficit Reduction has authority to modify programs and reduce program spending. Across-the-board spending cuts are imposed if the deficit reduction targets are not met.
  - Congress and Administration are reviewing federal regulations for their impact on businesses and the economy.
  - Administration has directed federal agencies to reduce FY2013 budget requests (October 2012) by 5 percent from current levels, and identify options for 10 percent reductions.
- Federal surface transportation programs have operated on “borrowed time and authority” for the past two years. So far, that has worked to the advantage of funding levels and continuation of some programs. Now, reauthorization action is critical at the very time that Congress is “really serious” about reducing federal spending, and this focus is also shaping the development of a multi-year authorization bill.

# OUTLOOK: TRANSPORTATION AUTHORIZATION

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- Neither House nor Senate has publicly circulated text of their pending bills. Neither is working on the same “top funding level.” Another short extension is the immediate solution since funds are adequate for several months. [*Update: A six month extension was enacted on September 15.*]
- What happens in early 2012? An agreement or a “deal” on duration and length to get a multi-year bill in advance of full throttle election year? A compromise on funding level and duration? Too soon to speculate.
- The current House and Senate bills take very different approaches to drafting a new roadmap, particularly in the purpose of federal policy, the duration of authorization, and federal funding levels. Both would significantly change the long-standing federal and state relationship, roles and responsibilities for the planning, building and maintaining the nation’s highway system.
  - **Duration and Funding Levels**
    - House T&I Committee: Six year bill at significantly lower funding levels for highways and transit consistent with Highway Trust Fund receipts (approximately \$38 billion annually). Significant program reforms. [*Update: Reports started circulating in late September that House Republican leadership might be open to finding additional non-gas tax revenues for surface transportation.*]
    - Senate Environment and Public Works Committee: Two year bill to maintain current highway funding levels by drawing down current Highway Trust Fund balances plus approximately \$12 billion in undetermined revenues (approximately \$54 billion annually). Some program reforms.
  - **Purpose of Federal Policy and Funding**
    - House: Focus on the core national/federal interests of interstate travel and commerce:
      - Interstate system, National Highway System
      - Highway and transit programs funded at levels sustainable by Highway Trust Fund revenues
      - No set-asides/dedicated funds for specific programs
    - Senate: Create jobs, accelerate economic recovery, build the foundation for long-term prosperity.

## OUTLOOK: TRANSPORTATION AUTHORIZATION *(continued)*

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- **Common Themes and Objectives**
  - Maintain Funding Formulas
  
  - Highway Safety
  
  - Freight Mobility
  
  - Program Consolidation and/or Elimination: Few specifics at this time
    - House bill: Consolidate/eliminate 70 that are duplicate or non-federal purpose
    - Senate:
      - Fewer Core Highway Programs: Possibly Transportation Mobility, National Freight Program, CMAQ, Highway Safety Improvement
      - Collapse or consolidate 87 other programs down to less than 39 programs
  
  - Streamline, regulatory reform, accelerated project delivery
  
  - Efficiency and performance: Measures and outcomes for planning (Senate) and for flexibility
  
  - Greater flexibility to states
  
  - Greater reliance upon expanded or modified “financing mechanisms” and leveraging tools

# OUTLOOK: TRANSPORTATION FUNDING

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- Don't expect the House or Senate to officially approve a FY2012 transportation bill. House bill may not go to full committee.
- Immediate: The new federal fiscal year (October 1) will begin with current surface transportation programs funded at current funding by a "clean" Continuing Resolution. But that may last for less than two months – possible to mid-November. [*Update: Congress passes a CR to November 18 with slight trim to FY2011 levels.*]
- Mid-term: Funding levels and specific program provisions for FY2012 will be negotiated by appropriators, probably as an omnibus bill in late Fall. That bill is likely to set funding for the rest of the new fiscal year – unless it is further trimmed back if Congress does not act on Joint Select Committee recommendations for deficit reduction and across-the-board cuts are triggered.
- Transportation programs will be squeezed in FY2012 in real terms. For transportation and housing/community development programs, Senate has \$55.25B for discretionary programs and House has \$55.150B for transportation and housing/urban development). Both House and Senate transportation appropriators face some difficult choices.
- The House Transportation, Housing and Community Development Appropriations Subcommittee House provided over \$16.6 billion for discretionary transportation programs. For corridor and border programs, the major impact is in the decline in the highway program. In the House spending bills, highway obligation would drop by over 33 percent from the current \$41.1 billion to \$27 billion, a level sustainable by HTF receipts in FY2012. It reduces funding to Amtrak to \$1.1 billion, including operating assistance at \$227 million (from current \$561 million) and capital at \$898.954 million (from current \$921.77 million).

In short, the House has not acted on its transportation authorization bill, but House appropriators have developed a bill (and a negotiating stance) that is consistent with the core principle of the House authorization bill – live within your means, and focus on core federal interests and priorities. The Subcommittee is open to higher levels if a new, multi-year authorization bill is enacted.

[*Update: The Senate Appropriations Committee reported out its FY2012 transportation spending levels on September 20. It contains provided \$41.1 billion for highway obligation, \$10.63 billion for transit, and \$1.48 billion for Amtrak, including \$554 million for operations and \$936.78 million for capital.*]

## WHERE FROM HERE? TOUGH CHOICES AHEAD

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- President Obama released a \$447 billion jobs proposal on September 12 with emphasis on spending and tax and related incentives. The proposal for direct \$50 billion infusion in transportation spending and \$10 billion infrastructure was offered a year ago and rejected by Congress. The House is likely to “pick and choose” components of the jobs proposal for consideration.
- Expect a refocusing or retrenchment of the federal role in transportation/and transportation funding.
- More responsibility likely to be shifted to states, with flexibility but probably less direct federal funds.
- States will face continued demands to “do more with less,” and tough decisions on what gets funded and what does not.
- The future is likely to require the transportation community to undertake critical reviews, assess priorities, and explore innovation in program and project delivery and funding. Getting results may require a break from past patterns.