



## **Obama Administration Surface Transportation Reauthorization Proposal**

U.S. Transportation Secretary Anthony Foxx today released the Obama Administration's four-year surface transportation reauthorization proposal that would increase federal highway investment by almost \$10 billion per year and public transportation investment by nearly \$7.5 billion annually from FY 2015-2018. The four-year, \$302 billion GROW AMERICA Act—Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America—does not contain a specific, dedicated revenue proposal. The proposal calls for transferring \$150 billion in revenue from a rewrite of the nation's corporate tax laws to the Highway Trust Fund. While that concept for replenishing the fund is similar to what House Republicans have advocated, the trust fund's revenue crisis will materialize in a matter of months and Congress will not be considering tax reform in 2014.

### **Highway Program**

The Administration's reauthorization plan would provide a four-year total of \$199 billion for the federal highway program. For FY 2015, the Administration proposes an obligation limitation for the federal highway program of \$47.3 billion, a \$7.0 billion increase over the FY 2014 limitation of \$40.3 billion. This would grow in subsequent years.

Only three major changes are proposed to the MAP-21 highway program structure. First, the Administration proposes to create a new Fixing and Accelerating Surface Transportation (FAST) program, which would provide \$500 million each year of the bill to generate long-term systematic innovations and reforms in surface transportation. Second, the Administration would upgrade MAP-21's freight policy program with dedicated funding of \$10 billion over the four years. Third, the Administration proposes a "Fix-it-First" initiative called the Critical Immediate Investments Program (CIIP). This initiative would allocate \$13.4 billion over four years to "reduce the number of structurally deficient Interstate Highway System bridges, target safety investments and support a state of good repair on the National Highway System." Funding for all three is included in the highway total.

Total highway funding, including the FAST proposal and funds not subject to the obligation limitation, would be \$48.6 billion, up from \$41.0 billion in FY 2014. The total would grow to \$51 billion by FY 2018. Year-by-year details are shown in the table below.

## **Freight Program**

The bill would upgrade the “Moving Ahead for Progress in the 21<sup>st</sup> Century” (MAP-21) reauthorization law’s freight policy provisions by creating a new “Multimodal Freight Investment Program.” This initiative would provide \$10 billion for rail, highway and port improvements that would enhance efficient movement of goods within the country and abroad. Funding would grow from \$1 billion in FY 2015 to \$4 billion in FY 2018 and is included in the \$199.2 billion allocated for the Highway Program.

The proposed freight program would consist of two elements. A “Multimodal Freight Incentive Program” would apportion half the funds among the states by formula for capital projects on approved state freight plans, with forty percent of a state’s funds for in-state improvements and sixty percent for cooperative improvements involving at least one adjacent state. The remaining funds would be reserved for the Secretary to fund the “National Freight Infrastructure Program,” which would provide grants to states, local governments, MPOs and public transportation authorities on a competitive basis for projects that reduce freight costs, remove bottlenecks, improve safety or increase the state of good repair of the freight network. Funds could be used for improvements to any element of the national freight network, including roads, rails, landside infrastructure on ports and airports, and intermodal connectors.

The proposed freight program recognizes that the Federal government has an important role in facilitating safe and efficient freight movement in the United States as ARTBA articulated with its proposed 2007 Critical Commerce Corridors national goods movement program. Of concern, however, is that the proposal would, for the first time, allow revenues deposited in the Highway Account of the Highway Trust Fund to be used for improvements to railroads and ports.

## **Public Transportation Program**

The Administration’s reauthorization proposal would provide a 4-year total of \$72.3 billion for the Public Transportation program. There would be a big jump in funding in FY 2015 to a total of \$17.6 billion, up from \$10.7 billion in FY 2014. This would grow to \$18.7 billion by FY 2018. Most of the proposed increase would be for the Formula and Bus Grant programs, which provide funds to transit agencies around the country for capital improvements and bus purchases.

Funding for the Capital Investment Grants (New Starts) program, which is the source of federal funds for major subway and light rail construction projects, would be increased to \$2.5 billion in FY 2015 from \$1.9 billion in FY 2014. This would grow to \$2.9 billion by FY 2018, for a 4-year total of \$10.8 billion. In addition, funding for the New Starts program would be shifted from the general account to the Mass Transit Account, which means it would no longer require an annual appropriation.

Two new transit programs are proposed. A Rapid Growth Area Transit Program would provide \$500 million in FY 2015, and a four-year total of \$2.2 billion, for bus rapid transit, while the transit part of the FAST program described above would have \$500 million per year.

## **Transportation Trust Fund**

The Administration proposes to expand the Highway Trust Fund into a multimodal Transportation Trust Fund (TTF). In addition to the existing Highway and Mass Transit Accounts, the TTF would include a Rail Account that would fund intercity and passenger rail improvements and a Multimodal Account that would fund competitively awarded surface transportation grants.

All surface transportation programs including those currently funded from the General Fund, such as the TIGER program and the transit Capital Investment program, would be moved into the TTF. The Administration proposes to re-classify this fund as mandatory spending, which would not be subject to the annual appropriations process. This reform would make the fund's budgetary treatment comparable to that of Social Security and interest on the national debt.

To assure that the trust fund has sufficient revenues to fund the Administration's proposed surface transportation bill, it proposes to inject a total of \$150 billion into the trust fund between FY 2015 and FY 2018, with the funds coming from the proceeds of proposed corporate tax reforms. Of this, \$74.4 billion would go into the Highway Account, \$51.6 billion into the Mass Transit Account, \$19.1 billion into the Rail Account and \$5 billion into the Multimodal Account.

## **Passenger Rail**

As part of its surface transportation reauthorization plan, the Administration is proposing a major revamping of the federal programs that fund intercity passenger rail, including Amtrak. The current operating and capital investment programs for Amtrak would be replaced with two new entities. A proposed Current Passenger Rail Service program would provide funding for repairs to passenger rail and resources to continue long-distance rail service. A proposed Rail Service Improvement Program would fund development of high-speed intercity rail and rail safety improvements.

The Administration requests \$4.8 billion for these two rail programs in FY 2015, up from \$1.6 billion in FY 2014, and a 4-year total of \$19 billion. Funds would come from the proposed Rail Account of the TTF. Federal investment in passenger rail has required separate legislation in the past and would be a new element in the surface transportation bill.

## TIGER Program

The Administration proposes to more than double funding for the National Infrastructure Investments program, popularly known as the TIGER program, from \$600 million in FY 2014 to \$1.25 billion in FY 2015. The same amount is proposed for each of the next three years, for a four-year total of \$5 billion.

Funding for the TIGER program, which provides competitive grants for improvements of national or regional significance in all transportation modes, is in addition to the regular highway and mass transit programs and has come from the general fund, not the Highway Trust Fund. Under the Administration’s proposal, the TIGER program would get its own National Infrastructure Investments Trust Fund, with the money coming from the new Multimodal Account of the TTF.

The Administration is also proposing a new \$4 billion competitive grant program focused on innovative projects to improve transportation performance, productivity and cost-effectiveness.

## GROW Act Transportation Authorization Levels

(thousands of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	4-year Total
Construction-related programs:						
Highways <sup>1</sup>	\$40,995,000	\$48,562,000	\$49,380,000	\$50,216,000	\$51,068,000	\$199,227,000
Transit New Starts	\$1,942,938	\$2,500,000	\$2,625,000	\$2,756,000	\$2,894,000	\$10,775,000
Transit BRT & FAST		\$1,000,000	\$1,025,000	\$1,050,000	\$1,100,000	\$4,175,000
Rail Capital	\$1,050,000	\$2,325,000	\$2,405,000	\$2,370,000	\$2,450,000	\$9,550,000
TIGER	\$600,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$5,000,000
Subtotal	\$44,587,938	\$55,637,000	\$56,685,000	\$57,642,000	\$58,762,000	\$228,727,000
Other	\$10,210,062	\$17,969,000	\$18,268,000	\$18,545,000	\$18,786,000	\$73,567,000
Total	\$54,798,000	\$73,606,000	\$74,953,000	\$76,187,000	\$77,548,000	\$302,294,000

## Innovative Finance/Tolling Programs

The Administration would continue to fund the TIFIA program at the FY 2014 level of \$1 billion through FY 2018. The program provides loans and loan guarantees to projects involving private equity investment. The amount is included in the proposal’s total for highway

<sup>1</sup> For FY 2015 – FY 2018, highway data represent contract authority; no information was provided on the Administration’s proposed obligation limitations. Differences, however, should be slight.

investment. The GROW AMERICA Act would also increase the cap on qualified highway or surface freight transfer facility bonds from \$15 billion to \$19 billion.

The measure also proposes to eliminate prohibition on tolling the existing portions of the Interstate Highway System. Similarly, the measure would allow variable tolls on existing highways, bridges or tunnels for congestion management purposes. The GROW AMERICA Act would allow toll revenues to be used for transit purposes in the transportation corridor in which the tolled facility is located.

## **Project Delivery**

The GROW AMERICA Act builds upon improvements to the project delivery process initiated in MAP-21. Whereas MAP-21 introduced many new reforms to the project delivery process, GROW AMERICA clarifies those reforms and, in some cases, expands opportunities for their use. One of the most significant reforms in GROW AMERICA would be furthering the use of concurrent reviews for transportation improvements. Concurrent reviews save time by allowing multiple parts of the approval process to occur at the same time, as opposed to one after the other. While concurrent reviews have been encouraged in past reauthorization bills, GROW AMERICA directs the U.S. Department of Transportation (DOT) to develop a concurrent review process within one year of the act's enactment, giving a blueprint for use in future project reviews.

GROW AMERICA would also simplify historical preservation and mitigation requirements. Under the act, the Secretary of Transportation may determine that no practical alternative exists when a project might impact a historical resource. When such a determination is made, there would no longer be a need for any further alternatives analysis. This provision will likely be used for rehabilitation projects as opposed to entirely new transportation improvements. For example, when updating an existing bridge or rail station might have an impact on a nearby historical resource, GROW AMERICA would allow U.S. DOT to determine there is no "feasible or prudent" alternative instead of having to conduct a more time-consuming analysis. Other provisions in GROW AMERICA increase flexibility in the review and approval process for rail, bridge and multi-modal projects.

The Administration's proposal also includes several procurement provisions. The measure would authorize the secretary of transportation to develop standards that would allow construction contracts to contain a local hiring requirement "in some limited circumstances." The measure would also clarify that states may enact "pay to play" laws that prohibit or limit contractors from making political contributions, without risking their state's federal highway funds. The GROW AMERICA Act also contains a provision requiring the secretary of transportation to encourage the use of performance-based contracting.