Government Relations and Public Affairs Committee
Meeting Date: 3/5/2018
Agenda Item No.: 2018-March-8.

Subject: Federal Advocacy Update

Information:
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Approved by: Erik Johnson
Attachments: No

1. Issue:

Federal Advocacy Update

2. Recommendation:

None, this item is for information only.

3. Background/Analysis:

This item provides an update on the recently passed federal budget deal, as well as the President's proposed 2019 budget and infrastructure plan.

4. Discussion/Analysis:

Fiscal Year 2018 Budget

President Trump signed a two-year budget deal into law in early February after months of negotiations. The budget raises budget caps by $300 billion in the next two years, increases the debt ceiling for one year, and includes $20 billion to invest in infrastructure over the next two years. The deal provides a stopgap funding measure to keep the federal government operating through March 23, 2018. Congress now has until March 23 to reach an agreement on funding levels for specific programs for the rest of FY 2018. This continues to leave in question exact monetary allocations towards transportation project grants, such as Capital Investment Grants, including the Downtown Riverfront Streetcar Project, and Transportation Investment Generating Economic Recovery (TIGER) grants.

Proposed Fiscal Year 2019 Budget

Days after signing the two-year budget deal, on February 12, President Trump unveiled a $4.4 trillion budget proposal for fiscal year 2019, which begins October 1, 2018. The proposal includes a $200 billion infrastructure investment, but overall dramatically reduces transportation related funding, including the elimination of certain programs. Specifically, the proposed budget:

- Reduces the U.S. Department of Transportation's discretionary budget by 15 percent to $15.6 billion.

- Reduces funding for all Federal Transit Administration Capital Programs by 13.5

percent to $10.9 billion.

- Eliminates funding for seven transportation programs: TIGER Grants; future funding for projects under New Starts; existing and future Small Start; core Capacity Grants; consolidated Rail Infrastructure and Safety Improvement Grant Program (CRISI); the Federal-State Partnership for State of Good Repair Grant Program; and the Restoration and Enhancement Grant Program.

- Reduces funding for the Capital Investment Grant (CIG) Program by 58 percent over FY 2017 appropriated levels, from $2.4 billion to $1 billion and limits funding to communities or transit properties with existing Full Funding Grant Agreements. This effectively phases out the program by preventing federal funding for future projects, which will severely limit the ability to fund new transit projects.

- Cuts funding for Amtrak's long-distance passenger rail service by 50 percent.

- Maintains formula funding from Highway Trust Fund (HTF) at the FAST Act authorized level for FY 2019 ($9.9 billion) and anticipates holding spending within the fund equal to the receipts of gas tax proceeds. This policy potentially creates a future structural deficit in the HTF.

- Provides a $200 billion, ten-year investment in infrastructure, which the administration believes will spur an additional $1.3 trillion in state, local, and private investment. However, this is effectively paid for by the reduction and elimination of existing important transportation programs.

President Trump's Infrastructure Proposal

On February 12, President Trump also released his long-anticipated infrastructure investment proposal. The President proposes a $1.5 trillion infrastructure plan, including a federal investment of $200 billion over ten years. This assumes an additional $1.3 trillion in state, local, and private investment. The proposal is silent on where the $200 billion in federal funds would come from, although the significant transportation cuts in the Administration's recently proposed budget suggests funding will most likely come out of existing infrastructure funds. The plan does not appear to provide new transportation dollars, but merely shifts funds away from existing programs.

The proposal includes investment in transportation, drinking and wastewater systems, waterways, water resources, energy, rural infrastructure, public lands, brownfield and Superfund sites, and veterans' hospitals. In addition to the financial investment, the plan is intended to shorten the federal project approval process to 2 years or less and provide workforce training. Specifically, the proposal includes:

- $100 billion for a new federal infrastructure incentives program that would be spread across roads, highways, transit, airports, passenger rail, ports and waterways, flood control and water systems, wastewater facilities, storm water facilities, and brownfield and Superfund sites, each competing equally for funding. Eligible entities, including local governments and Metropolitan Planning Organizations (MPOs), would be eligible to apply for competitive grants. Federal grants would be limited to 20 percent of the total project cost. Furthermore no one state could receive awards totaling more than ten percent of the total available funding. The program would heavily prioritize projects for which there is new, non-federal revenue. Of the money that would be available for transportation, the proposal would reward regions with local dedicated transportation taxes and/or highway and bridge tolls. It would also provide an unspecified, reduced credit for localities that have raised revenue in the last three years. This may disadvantage the six-county Sacramento region. While new state transportation funds under SB 1 might count (the proposal is not clear on this), existing local sources such as Sacramento County's Measure A likely will not qualify because the proposal only rewards recently enacted tax measures;

- $50 billion for a broadly defined Rural Infrastructure Program, partly distributed by formula to rural regions with populations under 50,000, and partly distributed through a competitive merit-based program. However, despite significant infrastructure needs in our region's rural areas, the SACOG region may not qualify for these funds due to the fact that eligible rural areas cannot be adjacent to an urbanized area;

- $20 billion for a Transformative Projects Program of competitive grants for nationally significant high-cost infrastructure projects that have some ability to generate their own revenue (most likely toll lanes, toll roads and mass transit projects with significant urban development potential). These projects would be required to enter into value share agreements with the federal government so that the federal government would get a percentage of any profit generated by the project;

- $30 billion for investment in several existing federal loan programs for water, transportation, and railroad infrastructure, as well as private activity bonds.

The plan also proposes to further streamline the federal project approval process, eliminate the current ban on tolling existing interstate highways, and expand the eligibility of other federal programs to encourage more workforce development and job training programs that could broaden the labor pool for infrastructure projects.

While an ambitious federal proposal to reinvest in the nation's infrastructure and reform the regulatory process is sorely needed and long overdue, this proposal would significantly disadvantage the six-county Sacramento region for the following reasons:

- The region has no toll roads, toll bridges or toll lanes—a revenue source supported by the proposal and a key source of the remaining 80% of the money that will not come from the federal government;

- The region has a limited number of dedicated local transportation tax measures and even those may not be new enough to qualify for the $100 billion incentive program; and

- Public transit projects would require value-capture financing—which is hard to do in our largely suburban region.

Furthermore, the significant transportation cuts in the Administration's recently proposed budget suggests funding for this proposal would most likely come from the result of budget cuts to existing transportation programs and program eliminations. These are programs that the Sacramento region has competed well in and will continue to rely on in order to advance key infrastructure projects. This could jeopardize projects such as the Capitol Corridor third track project to Roseville, the I-80/65 interchange in Placer County, the Downtown/Riverfront Streetcar project connecting West Sacramento and Sacramento, as well as new public transit expansion and passenger rail connections to serve a growing region in the years to come.

5. Fiscal Impact/Grant Information:

This item has no direct fiscal impact.