

**SANTA CRUZ COUNTY RTC
WASHINGTON OFFICE MEMORANDUM**

TO: George Dondero
FROM: Carolyn Chaney/Chris Giglio
DATE: May 1, 2007
SUBJECT: Federal Transportation Update

▪ **FY 2007 Highway Rescissions**

The FY 2007 supplemental appropriations bill for overseas military operations that was approved by Congress last week and vetoed by the President, includes a provision to rescind \$683 million in unobligated contract authority from FY 2007 highway programs at the Department of Transportation (DOT). The language was included in order to lower the \$124 billion pricetag of the bill and offset emergency highway spending related to hurricane relief that is included in the bill.

The move drew the ire of the leaders of the House Transportation and Infrastructure (T&I) Committee, who objected to the “gratuitous nature” of the cuts given that no other initiatives in the massive bill were offset. Since the bill is classified as an “emergency” spending measure, none of the funding is required to be offset. And, in addition to the move being an infringement on his jurisdiction, House T&I Committee Chairman James Oberstar (D-MN) expressed concern that the cuts would jeopardize air quality programs.

According to Oberstar, while the Congestion Mitigation Air Quality (CMAQ) program accounts for only 4 to 5 percent of highway funding, 20 percent of all highway funds rescinded by states in recent years have come from CMAQ. States have traditionally been given the option as to where they will make cuts when Congress orders rescissions of federal highway funding. California is expected to lose \$62 million through this latest rescission, which is in addition to the \$308 million the state lost in FY 2007 highway spending as a result of a congressional rescission order earlier this year.

Oberstar hopes to convince those crafting the war supplemental to exclude the highway rescissions in the next version of the bill, but appropriators appear to be standing by their decision right now.

▪ **Amtrak Reauthorization**

Last week, the Senate Commerce Committee approved S 294, the “Passenger Rail Investment and Improvement Act,” a six-year Amtrak reauthorization bill that would provide \$11.4 billion to the nation’s rail system.

The bill would implement a plan to revamp and restructure Amtrak, enhance security, establish higher quality standards, and reduce operating costs by 40 percent. The bill would

also implement a new financial accounting system with a debt reform plan to put Amtrak back on track fiscally.

Over the next six years, Amtrak would receive \$4.9 billion in capital grants and \$3.3 billion in operating subsidies, as well as an additional \$1.3 billion annually in bond authority, according to the bill. In addition, approximately \$1.4 billion would be provided for capital grants to states to pay 80 percent of the capital costs related to intercity passenger rail. The legislation would also authorize new railroad security measures.

The committee also approved an amendment to the legislation that would make certain development near Amtrak stations eligible for capital grants.

Sponsors hope that the legislation will allow Amtrak to make the necessary investments to ensure the long-term health of the railroad. In recent years, the Bush Administration has proposed privatizing railroad operations or passing responsibility to the states and recommended funding far below what Amtrak needs each year. As a result, Congress has provided only enough funding to keep the trains running, with no room for improvements.

Leaders of the House Transportation and Infrastructure Committee have indicated that Amtrak would be a high priority for the year, but have yet to draft any legislation.

▪ **Railroad Track Maintenance**

The “Short Line Railroad Investment Act of 2007” (S 881, HR 1586) has been introduced in both the House and Senate, although no formal action has occurred on the bills beyond their introduction. The measures would extend for three years the current 50 percent tax credit for entities that perform maintenance to qualified short line railroad track. The “Section 45G” credit (named after its section in the IRS code) was created in a massive 2004 tax bill known as the American Jobs Creation Act and is set to expire at the end of 2007. Senators Gordon Smith (R-OR) and Blanche Lincoln (D-AR) are the primary sponsors of the extension bill in the Senate, and Rep. Earl Pomeroy (D-SD) has introduced the measure in the House. Since the extension of the credit is part of the Commission federal legislative platform for 2007, it is suggested that the agency contact the Santa Cruz congressional delegation and ask for their support of the bills.

▪ **SAFETEA-LU Technical Corrections**

In March, the House approved legislation to make some minor technical corrections to the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Corrections included drafting errors in the massive bill, a slight shift in funding to free up resources for transportation research programs, and non-controversial descriptive changes to projects in the bill requested by individual Members.

The bill would also grant the 12-member National Surface Transportation Policy and Revenue Study Commission more time to explore highway funding alternatives. To date, nothing significant has come from the commission, though it has spent a considerable amount of time discussing how public-private partnerships could bring new funding to our nation’s highway system. House Transportation and Infrastructure Chairman James Oberstar (D-MN) recently

expressed concern that the commission “seems to be moving in the direction of replacing the highway trust fund with public-private partnerships.”

The commission’s final report would be extended by six months to December 31, 2007. It is expected to initiate a debate about ultimately changing the funding mechanism that pays for highway programs. Lawmakers anticipate that issue to be a major component of the next surface transportation reauthorization bill.

The Senate has yet to consider its version of a SAFETEA-LU technical corrections bill.

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