Agenda Item 4a

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Memorandum

TO: Legislation Committee DATE: December 4, 2015

FR: Executive Director W. I. 1131

RE: Federal Surface Transportation Reauthorization Update

Negotiations between the House and Senate on a long-term surface transportation reauthorization bill bore fruit during the Thanksgiving recess —after which the conference committee released a detailed 1,301-page conference report reconciling the differences between the two bills. The revised bill, H.R. 22, now titled "Fixing America's Surface Transportation (FAST) Act," is a five-year program that provides modest funding increases and makes progress on a number of MTC's federal advocacy priorities, notably:

- Increasing both transit and highway formula funding
- Establishing a new federal freight program (both discretionary and formula-based)
- Increasing Surface Transportation Program suballocation to 55% by FY 2020 (by 1% per year)
- Retaining flexibility in the use of Congestion Mitigation & Air Quality Improvement Program (CMAQ) Funds

A Five-Year Bill with Modest Funding Increases

Contrary to a "split the difference" approach one might expect from a conference committee, the final spending totals in the bill are $12.9 billion higher than the House-passed bill (the Surface Transportation Reauthorization and Reform Act) and $681 million higher than the Senate-passed bill (Developing a Reliable and Innovative Vision for the Economy *(*DRIVE) Act). Highway spending in FY 2016 would grow by $2.1 billion (5 percent) above 2015 levels, while transit spending would grow by $753 million (9 percent) above 2015 levels. Thereafter, both highway and transit spending grow by about 2 percent per year.

How is this funding growth paid for? Rather than adopt an increase in user fees to provide long-term financial sustainability for Highway Trust Fund (HTF), the bill transfers another $70 billion from the General Fund to the fund to accommodate the growth in spending. By far the largest source of this cash infusion is a Federal Reserve Surplus Account that is used to provide reserve capital in the event of major bank losses. This diversion comprises $53.3 billion of the $70 billion, while another $6.9 billion comes from reducing dividends paid by the Federal Reserve to its member banks. In other words, the Federal Reserve is paying for 86% of the General Fund transfers to the surface transportation bill.

Staff will provide additional details, including Bay Area funding estimates, at your meeting next week. By then, we expect Congress will have completed action on the bill.

Steve Heminger

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