LOSSAN

January 29, 2018

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director

Subject: Federal Legislative Update

Overview

A federal legislative update is provided, including an overview of two continuing resolutions passed by Congress and signed into law by the President in December 2017, ensuring funding for all departments of the federal government until January 19, 2018. Updates are also provided on the tax legislation and pending confirmations to the Department of Transportation.

Recommendation

Receive and file as an information item.

Discussion

Continuing Resolutions Passed

On December 8, 2017, the President signed a Continuing Resolution (CR), a "stop-gap" funding measure to ensure funding for all departments of the federal government through December 22, 2017. The previous government funding bill was set to expire on December 8, 2017. This two-week CR passed the Senate by a vote of 81-14 and the House of Representatives by a vote of 235-193. On December 22, 2017, the President signed another CR to fund the federal government through January 19, 2018. This CR passed the Senate by a vote of 66-32 and the House by a vote of 231-188. At the time the staff report was written, negotiations on a government funding bill were ongoing. Staff will provide a verbal update at the meeting with the latest developments.

Both CRs reflect current funding levels for transportation programs rather than the increases authorized by the Fixing America's Surface Transportation Act. The most recent CR also contained other provisions, including language to authorize foreign surveillance programs and funding for healthcare programs that benefit children and veterans. Congress must fund the federal government for the remainder of the fiscal year, which includes lifting the discretionary budget

caps imposed by the Budget Control Act of 2011. A failure to do so would result in the return of sequestration's across-the-board spending cuts.
Congress also faces other legislative deadlines in the coming weeks. The debt ceiling had been suspended until December 8, 2017. When this suspension expired, the U.S. Treasury began what are known as "extraordinary measures" to prevent a default. Congress must increase or further suspend the debt ceiling in the near future, although the exact deadline will depend on government receipts. Congress must also address much-needed disaster aid funding, shortfalls in multiple health care programs, and the pending expiration of the Deferred Action for Childhood Arrivals program.

Tax Legislation

On November 2, 2017, members of the House of Representatives introduced legislation meant to reform our nation's tax code. A week later, the Senate introduced a companion bill. Each chamber passed its version of the bill, and negotiations ensued to resolve the differences between the two proposals. The final bill passed the House by a vote of 224-201 and the Senate by a vote of 51-48. On December 22, 2017, the President signed this legislation into law.

The final bill did not include a long-term fix for the Highway Trust Fund's structural revenue deficit, contrary to what many transportation groups advocated. It did, however, include many provisions with implications for the transportation sector, including limiting the employer deduction for transportation benefits and repealing the employee deduction for bicycle benefits. Without these tax incentives, commuter benefits will become more expensive, potentially causing employers to alter or terminate their current benefit packages. The final agreement also repealed the tax exemption for advance refunding bonds, which will likely increase borrowing costs for transportation agencies that issue these instruments. The final bill did not repeal the tax exemption for private activity bonds or the tax credit for plug-in electric vehicles, each of which was included in the House bill. The conference report included a projected $324.4 billion worth of repatriated earnings over the next ten years, an amount that was significantly more than that the original proposals. This lost revenue could have otherwise been used to fund infrastructure projects.

The final bill is expected to increase the federal deficit by $1.456 trillion over the next decade. The most recent CR included a provision to prevent the budgetary effects of the tax reform legislation from being counted for purposes of the Statutory Pay-As-You-Go Act of 2010, which triggers automatic spending cuts if Congress enacts legislation changing taxes, fees, or mandatory expenditures in a way that increases projected deficits.

Pending Confirmations to the Department of Transportation

Several confirmations to the Department of Transportation are currently pending or are still awaiting nomination. On July 10, 2017, the President nominated Ronald L. Batory, former President and Chief Executive Officer of Conrail Inc., to be the Administrator of the Federal Railroad Administration. The nomination was initially referred to the Senate Committee on Science, Commerce and Transportation, where he was reported favorably on August 2, 2017. Currently, Batory's nomination is awaiting to be confirmed in the full Senate.

On September 11, 2017, the President nominated Paul Trombino, former Director of the Iowa Department of Transportation, to be the Administrator of the Federal Highway Administration. The nomination was initially referred to the Senate Committee on Science, Commerce and Transportation, where he was reported favorably on October 25, 2017. On December 11, 2017, Trombino removed himself, citing family concerns. No replacement has been named at the writing of this report.

The President has yet to nominate an Administrator to the Federal Transit Administration. Staff will keep the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency Board of Directors updated as the nominations and confirmations progress.

Summary

Updates are provided on the government funding, tax reform legislation, and pending confirmations to the Department of Transportation.

Attachment

None.

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