LEGISLATIVE ISSUE BRIEF

March 8, 2015

HIGH SPEED AND INTERCITY PASSENGER RAIL

Enhancing the national intercity passenger rail network, including high-speed passenger rail corridors should be an integral part of federal transportation policy and funding. Federal law should support the integration and connection of high-speed and intercity passenger rail corridors with the Amtrak network and with local rail and public transportation service.

Recently, the House of Representatives approved the bipartisan Passenger Rail Reform and Investment Act of 2015 (PRRIA – H.R. 749) which authorizes funding in FY2016-2019 for AMTRAK and $1.2 billion over four years for grants to states to support capital investment in intercity passenger rail service. The bill authorizes FRA loans and grants, makes modifications to the Railroad Rehabilitation and Improvement Financing (RRIF) program aimed at increasing its use, and enhances transparency and planning on the Northeast Corridor.

The bill also directs the Northeast Corridor Infrastructure and Operations Advisory Commission (NEC Commission) to work with Amtrak, FRA, and states to develop a 5-year NEC Capital Investment Plan that would govern spending in the corridor.

While the bill does not authorize significant funding for a new federal high-speed and intercity passenger rail program, as APTA has recommended, it provides the legislative basis to continue discussion of the proposal as the measure advances.

APTA Recommendations

APTA recommends that Congress authorize $50 billion over six years to facilitate the development of a national passenger rail system that includes high-speed and intercity service. Federal law should create a dedicated and indexed federal revenue source, other than the current motor fuels excise taxes that fund the Highway Trust Fund, for planning, design and construction of projects. Funding should be provided through multi-year contract authority and available under formula and discretionary programs.

APTA POSITION

- **Authorize $50 billion over the next six years to facilitate development of a federal high-speed and intercity passenger rail system.**
- **Create a dedicated and indexed federal revenue source for planning, design, and construction of high-speed and intercity passenger rail projects, other than the current motor fuels taxes that fund the Highway Trust Fund.**
- **Base the national program on defined and agreed-to rail corridors that meet certain conditions and include the Northeast Corridor in any federal plan.**

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STATUS OF THE HIGHWAY TRUST FUND AND MASS TRANSIT ACCOUNT

In January, the Congressional Budget Office (CBO) released its latest estimates of the fiscal condition of the Highway Account and Mass Transit Account (MTA) of the Highway Trust Fund (HTF). The projection indicates that both the Highway and Transit Accounts of the Highway Trust Fund will end 2015 with balances of less than $500 million. This amount is below what the U.S. Department of Transportation (DOT) considers a minimum prudent balance to make payments to states in a timely manner.

HIGHWAY TRUST FUND PROJECTIONS

Highway Account

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning-of-year Balance	4	11	*	-	-	-	-	-	-	-	-	-
Revenues and Interest	34	34	35	35	35	35	35	35	35	35	34	34
Intragovernmental Transfers	18	0	0	0	0	0	0	0	0	0	0	0
Outlays	45	46	45	46	46	46	47	48	48	49	49	50
End-of-Year Balance	**11**	*	-	-	-	-	-	-	-	-	-	-

Mass Transit Account

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning-of-year Balance	2	3	*	-	-	-	-	-	-	-	-	-
Revenues and Interest	5	5	5	5	5	5	5	5	5	5	5	4
Intragovernmental Transfers	4	0	0	0	0	0	0	0	0	0	0	0
Outlays	8	8	8	8	8	9	9	9	10	10	10	10
End-of-Year Balance	**3**	*	-	-	-	-	-	-	-	-	-	-

Cumulative Shortfall (at current revenues and spending levels)												
Highway Account	n.a.	n.a.	-10	-21	-32	-43	-55	-67	-81	-95	-110	-125
Mass Transit Account	n.a.	n.a.	-3	-6	-10	-14	-18	-22	-27	-32	-38	-43

Notes: Amounts in billions of dollars, by fiscal year
* = less than $500 million

If Congress doesn't act to replenish the Highway Trust Fund before the authorization for transit and highway programs expires on May 31, 2015, DOT may be forced to begin delaying payments to states this summer. This uncertainty is already having an effect on future infrastructure projects, as states are facing difficult choices on advancing projects or slowing down payments to contractors. Transit agencies may have to consider implementing procedures for service reductions if Congress does not act soon.

APTA POSITION

- **Congress must act immediately to address the funding shortfall in the Highway Trust Fund.**
- **All reasonable options to restore the long-term solvency of the Trust Fund should be considered, including increasing federal motor fuels user fees.**
- **Significant new revenues will be required to sustain the existing federal program, address the state of good repair backlog for transit infrastructure, and invest in new capacity.**

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TRANSIT AND HIGHWAY AUTHORIZATION

In order for America to fulfill its economic potential in the 21st-century, Congress must provide robust, predictable funding for public transportation and highway programs. Public transit ridership continues to increase in states and cities across the nation, yet new demand is far outpacing investment in our rapidly aging system. The time is now for Congress to pass a long-term Transit and Highway authorization that invests in safe and effective public transportation opportunities in both urban and rural communities.

Congress also needs to make a down payment on the one-time cost to bring the nation's existing transit infrastructure into a state of good repair – currently $88 billion and growing – and invest in new capacity to meet growing demand. Increased funding for public transportation provides immediate benefits for American families and businesses. While passenger fares, combined with state and local funding, pay for more than 80 percent of the over $61 billion in transit costs each year, federal spending is a critical part of paying for capital and operating expenses at public transportation systems nationally. For every dollar invested in public transportation, approximately $4 is generated in economic returns; $1 billion in federal investment supports 50,000 jobs through direct job creation and increased productivity; and 74 percent of all capital spending on public transportation flows through to the private sector in the form of contracts for procurements or equipment and construction of projects. These dollars benefit many small and rural communities, through the manufacturing and small business jobs transit investments create.

In the summer of 2014, with the Highway Trust Fund facing insolvency, Congress extended transit and highway programs through May 31, 2015. As that date approaches, the Highway Trust Fund will again face insolvency without further Congressional action. Most members of Congress agree that significant funding for transportation infrastructure is essential to the nation's economic growth. However, Congress has not yet reached an agreement on how to pay for this investment.

Since Congress convened in January, the relevant Senate and House committees have begun work on a new surface transportation bill by holding hearings and seeking input from stakeholders. APTA will continue to work with Congress to advance the legislative priorities set by our member organizations.

APTA POSITION

- **The Federal Transit and Highway authorization expires on May 31, 2015.**
- **Instead of passing another short-term extension, Congress should pass a long-term bill lasting at least six years.**
- **Any authorization of surface transportation programs must commit to job growth and increased mobility by providing strong funding for public transportation.**
- **Public transportation is an integral part of the nation's surface transportation system, and as such, should continue to receive dedicated funding through the Highway Trust Fund.**
- **The time to solve the funding shortfall for the Highway Trust Fund and Mass Transit Account is now!**

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POSITIVE TRAIN CONTROL

The Rail Safety Improvement Act of 2008 (RSIA, P.L. 110-432), mandates that all passenger railroads and certain freight railroads install Positive Train Control (PTC) technology by December 31, 2015. Railroads have spent hundreds of millions of dollars, to date, working towards implementation of the PTC requirement as the statutory deadline nears. However, even as railroads have devoted tremendous resources to PTC installation, both APTA and the Association of American Railroads have said that many railroads will be unable to fully implement PTC by the deadline. The Administration also testified before Congress that nationwide implementation of PTC is highly unlikely by the end of 2015.

Meeting the PTC deadline is a significant challenge for publicly-funded commuter railroads due to funding constraints, access to communication spectrum, and the state of the technology under development. Critical state of good repair projects, which also have significant safety implications, have been deferred in order to fund PTC at some railroads. These costs are in addition to enormous pending PTC implementation expenses. Based on data provided by commuter railroads, APTA estimates that it will cost more than $2.75 billion to fully implement PTC on all commuter railroads nationwide. This is a conservative estimate that excludes the remaining costs associated with spectrum acquisition or ongoing operational costs expected once these systems are fully implemented. Constrained budgets are a reality for publicly-funded commuter systems and substantial federal support is critical for these railroads to address PTC. Additionally, key parts of the technology required for PTC are still under development, and thousands of radios remain to be manufactured. Lastly, the availability and acquisition of radio spectrum for PTC interoperability is a continuing challenge, along with the timely approval of required radio towers and antennas under the Federal Communications Commission (FCC) review process.

APTA's commuter railroads are unequivocally committed to implementing PTC on their systems as a national safety priority. It is imperative that commuter systems be afforded adequate federal funding, sufficient radio spectrum, and reasonable extensions to implement safe, reliable PTC systems.

APTA POSITION

- **APTA supports the implementation of Positive Train Control (PTC), a national safety priority, on all commuter and intercity passenger rail lines, and supports required PTC Interoperability.**
- **APTA urges Congress to provide federal funding for 80% of PTC implementation costs on commuter railroads, support FRA position on alternative technology, and develop open standards for interoperability. APTA urges Congress to direct the FCC to provide radio spectrum, and approve related equipment, without cost for PTC on commuter and intercity passenger rail.**
- **APTA supports providing the FRA with the authority to extend the PTC implementation deadline for commuter railroads unable to implement by the deadline due to issues beyond their control.**

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TAX ISSUES: TRANSIT/PARKING BENEFIT PARITY; ALTERNATIVE FUELS TAX CREDIT; TAX EXEMPTION FOR MUNICIPAL BONDS

In the final days of the last Congress, both chambers worked with the President to seek agreement on tax law provisions that were due to expire, or already had – commonly known as "tax extenders". Among the provisions of interest to the public transportation industry were the parity between the transit and parking fringe benefits, and the alternative fuels tax credit. Previously, the transit benefit was nearly cut by half when the parity provisions were allowed to expire at the end of 2013, while the parking fringe benefit actually increased to a maximum of $250/month – a skewed federal policy that incentivizes driving over public transportation as a commuting option.

On December 10, 2014, the President signed into law the "Tax Increase Prevention Act of 2014," which retroactively extended these provisions for calendar year 2014. As a result of this action, transit agencies that utilize alternative fuels, particularly compressed natural gas (CNG) and liquefied natural gas (LNG) are able to claim the tax credit for any fuel used during 2014. However, the decision to retroactively extend the transit commuter benefit, while preferable to no extension, could not be used by millions of transit riders. Due to the month-to-month nature of this employer-managed fringe benefit, the retroactive extension is of no use to transit riders. APTA supports permanent parity in transportation fringe benefits, as well as permanent statutory authority for existing federal tax credits for alternative fuels and related infrastructure, and expansion of those credits to hybrid and electric vehicles.

Additionally, under a longstanding provision of Federal tax law, interest earned on most bonds issued by State and local governments is exempt from Federal taxes. These bonds have long been a cost-effective means for state and local governments to finance billions of dollars in infrastructure projects, as government issuers are able to pay lower interest rates than if they issued taxable debt. Eliminating the tax exemption on municipal bonds could reduce market demand for municipal debt, driving up borrowing costs on municipal bonds and reducing debt capacity to fund infrastructure projects.

APTA POSITION

- **APTA urges Congress to enact permanent parity [*H.R. 990, the Commuter Parity Act of 2015 (Rep. Peter King, R-NY)*] between the transit benefit and the parking benefit, establishing fair, long-term tax savings for participating transit riders and employers.**
- **APTA urges Congress to permanently extend and expand the alternative fuels tax credit. The tax credit promotes natural gas transit fleets, which reduces dependence on imported fuel and expands the affordability and diversity of agency fueling options.**
- **APTA urges Congress to fully preserve the long-established federal law that ensures interest earned on municipal bonds is exempt from federal taxation.**