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August 5, 2011

The President and Congress Approve Deal on Debt Ceiling and Deficit Reduction; Transportation Impacts Varied

On August 2, President Obama signed legislation to raise the nation's debt limit, meeting a necessary deadline for the United States to protect the full faith and credit of the U.S. government and avoid default on its obligations. The Budget Control Act of 2011, passed the House on August 1 by a broad bipartisan vote of 269 – 161. It passed the Senate on August 2, by a similar bipartisan margin of 74 – 26. Upon passage, Members of Congress headed home for the August district work period.

The Budget Control Act provides the President with immediate authority to increase the debt limit by \$400 billion, along with an additional increase of \$500 billion subject to a vote by Congress. The Act provides the President with authority for a further debt limit increase of \$1.2 trillion later in the year, or \$1.5 trillion subject to congressional passage of a balanced budget amendment or \$1.5 trillion in additional spending cuts over the next ten years.

The Act sets statutory caps on discretionary spending for Fiscal Year (FY) 2012 and FY 2013 at levels similar to those provided in FY 2011 (allowing for a minimal inflationary adjustment), and with separate discretionary spending caps for two categories: security and non-security. Automatic spending reductions are also required in the event that Congress provides appropriations that exceed the capped levels.

The Act also creates a bipartisan, bicameral Joint Select Committee on Deficit Reduction and tasks it with the goal of reducing the deficit by \$1.5 trillion over the period through FY 2021. The Joint Committee must vote to approve its deficit reduction recommendations by November 23, 2011, and a vote on passage of the Joint Committee bill must occur in the House and Senate on or before December 23, 2011. Should Congress fail to pass the recommendations of the Joint Committee, additional across the board spending cuts are automatically implemented through a sequestration process and adjustment of the security and non-security spending caps.

Transportation Impact

An initial analysis of the Act reveals no specific impact on transportation accounts or the Highway Trust Fund/Mass Transit Account (HTF/MTA). Spending authority from the HTF/MTA is treated as mandatory spending, and thus not subject to the discretionary spending caps set forth in the Act. The Act does not provide for any additional revenues, to any federal accounts, and thus does nothing to ensure the solvency of the HTF/MTA. As a result, the scenario facing House and Senate transportation authorizing committees remains unchanged. It is expected that House Transportation and Infrastructure Chairman John Mica will continue to proceed with his six-year bill at revenue-constrained funding levels. While the leadership of the Senate Environment and Public Works (EPW) Committee, which has jurisdiction over the federal highway program, has proposed a two-year authorization bill that funds transit and highway programs at current levels, it is not clear how the Act will affect efforts to raise the estimated \$12 billion needed to fund that bill.

With regard to the annual appropriations process, the discretionary spending levels set forth in the Act do provide slightly higher levels than those provided to the House Appropriations Committee under the House Budget Resolution. That additional discretionary spending will be reallocated to the appropriations subcommittees once Congress returns from recess in September, but it is not known at this time which subcommittees may benefit from the increased allocations. However, it is important to note that the most significant discretionary spending cuts mandated by the Act will not be implemented before 2014.

Action Alert

APTA members need to contact their congressional delegations during the August district work period. Urge them to enact a surface transportation authorization bill in September that, at a minimum, preserves current levels of funding for transit and highway programs, and ideally provides funding for a robust, six-year, multimodal surface transportation authorization bill.

- Remind your Members of Congress that transit projects and services in your community are made possible by federal funding and that drastic cuts to funding will significantly impede your ability to continue providing current transportation services, address critical safety and state of good repair needs, and provide access to jobs and support for a growing economy.
- Describe the problems that states, communities, businesses and their employees will face without stable funding and that investing in public transportation must be a priority.
- Urge them to preserve funding for high-speed passenger rail and to reject rescissions of high-speed and intercity passenger rail funds.

Further Action on Authorization Legislation Delayed Until September

Despite initial plans of the Senate Environment and Public Works (EPW) Committee to hold a hearing on its two-year surface transportation authorization proposal, action was put on hold in light of the debt limit debate and no further action will occur until Congress returns in September. No new details have been revealed since Committee Leaders released a three page outline of the highway title, conversations with committee staff indicate that the legislative text is close to being finalized. The date for markup of the bill remains fluid as Senator James Inhofe (R-OK), the EPW Committee Ranking Member, has expressed opposition to moving forward without the financing for the bill in place. Currently the two-year proposal needs approximately \$12 billion over two years to fund the bill at proposed levels as discussed in this previous [legislative alert](#). Once EPW moves forward, it is expected that the Senate Committee on Banking, Housing, and Urban Affairs, which has jurisdiction over transit, and the Senate Commerce, Science, and Transportation Committee, which has jurisdiction over rail and safety programs, will release their respective titles shortly thereafter.

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