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LEGISLATIVE Alert

AMERICAN PUBLIC TRANSPORTATION ASSOCIATION



March 1, 2013

Sequestration Takes Effect Today; No Agreement Reached to Avert Across-the-Board Cuts

Today marks the effective date of the across-the-board cuts to the Federal budget known as sequestration. By the end of the day today, President Obama is expected to instruct the Office of Management and Budget (OMB) – the Administration office tasked with overseeing the Federal budget – to direct Federal agencies to cut their Fiscal Year (FY) 2013 budgets as prescribed by the Budget Control Act.

The sequestration piece of the Budget Control Act was initially conceived of as a last-resort option that would not come to fruition, but would instead force the Congress and Administration to reach agreement on legislative actions to avert large cuts to important defense and nondefense programs. The provision required across-the-board spending cuts of \$1.2 trillion, split between defense and non-defense discretionary spending, over the next ten years. However, continued disagreement over how to resolve debt and deficit issues has kept Republicans and Democrats from finding an alternative to the across-the-board spending cuts. Initially scheduled to take place at the end of 2012, sequestration was pushed off for two months as part of the Fiscal Cliff package, which raised the debt ceiling and provided more time for negotiations on sequestration.

Yesterday, two Senate bills aimed at stopping the automatic cuts failed. A Republican backed bill would have given the Obama Administration additional flexibility to spread the initial cuts over the next seven months, but failed on a procedural vote of 38-62. The second bill, introduced by Senate Democrats, substituted some cuts with additional revenue measures, but that too was rejected on a procedural vote in the Senate, by a vote of 51-49 (a 60 vote majority was required on each of the votes). President Obama met this morning with Congressional leaders from both political parties, in a last ditch effort to avert sequestration, but no agreement was reached.

Currently, the Highway Trust Fund (HTF), including the Mass Transit Account (MTA), is exempt from cuts under sequestration, thus, formula funding to transit agencies should not be impacted. However, the General Fund transfers to the Highway Trust Fund, as well as to programs funded from the General Fund, such as New Starts, Federal Transit Administration (FTA) operations, FTA Research, and even the recently enacted emergency relief funding for Hurricane Sandy recovery are subject to sequestration cuts. Final numbers will be subject to OMB's report to the Federal Agencies, but according to the estimates of the Congressional Budget Office (CBO) in its Budget And Economic Outlook, the revised automatic spending reductions for discretionary programs in 2013 will amount to a 5.3 percent cut. This is a change from the previous OMB report on sequestration due to the delay enacted as part of the Fiscal Cliff deal. The newly estimated cuts to transit and rail related General Fund programs are reflected in the following table:

Agency	Program	Projected FY 2013 Funding Level	Sequestered Amount	Post-Sequester FY 2013 Amount
OST	Salaries and Expenses	103.00	(5.00)	98.00
OST	Tiger Grants*	503.00	(27.00)	476.00
FTA	Administrative Expenses	99.00	(5.00)	94.00
FTA	Research	44.00	(2.00)	42.00
FTA	Capital Investment Grants	1,967.00	(104.00)	1,863.00
FTA	Emergency Relief	10,900.00	(578.00)	10,322.00
FTA	WMATA Grants	151.00	(8.00)	143.00
FRA	Safety and Ops	180.00	(10.00)	170.00
FRA	Amtrak Operating Grants	469.00	(25.00)	444.00
FRA	Amtrak Capital Grants	1,044.00	(55.00)	989.00
FHWA	Federal-aid Highways	639.00	(37.00)	602.00
FHWA	Emergency Relief	3,794.00	(202.00)	3,592.00

**TIGER Grants were funded in FY2012, and therefore continued under the current Continuing Resolution (CR). Decisions on whether TIGER grants are funded in the final FY2013 Appropriations have yet to be made.*

While Congress continues to grapple with sequestration, it will also need to address the remainder of Fiscal Year (FY) 2013 appropriations. The Federal government continues to operate under a Continuing Resolution (CR) that largely extended FY 2012 funding levels, although the CR did provide funding consistent with the new MAP-21 authorized program structure. With the expiration of the CR on March 27, 2013, Congress has less than four weeks to pass the remaining appropriations bills, provide another Continuing Resolution of indeterminate length, or wrap all FY 2013 appropriations into an Omnibus Appropriations bill, in order to avoid a shutdown of the federal government.

For questions on these issues, please contact Brian Tynan of APTA's Government Affairs Department at (202) 496-4897, or btynan@apta.com.

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