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Los Angeles County
Metropolitan Transportation Authority

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**EXECUTIVE MANAGEMENT COMMITTEE
SEPTEMBER 15, 2011**

SUBJECT: FEDERAL PROCUREMENT

ACTION: AMERICA FAST FORWARD: ADDITIONAL COMPONENT

RECOMMENDATION

Approve, as an additional component to our America Fast Forward initiative, a change in Federal law or regulation to permit transportation agencies that commit to paying over half of a given project(s) budget with local funds to require contractors to establish local hiring programs and purchase local goods in proportion to the local share of the project(s) total cost.

ISSUE

Currently, Federal Procurement regulations do not permit agencies like Metro to require bidders to establish local hiring or purchasing programs or to take such programs and local hiring directly into account in the bid/evaluation process. The historical rationale for this prohibition is that the federal gas tax (18.4 cents per gallon) is collected from around the Nation and therefore all individuals and companies in the U.S. should have access to any given project.

This Federal Procurement regulation does not take into account the new reality of how transportation projects are financed, which today, is often through a majority of funds being derived from local dollars. This new reality creates a sound rationale for seeking to change Federal law as it relates to procurement regulations and the ability of agencies, like ours and others, to require contractors to establish local hiring programs and purchase local goods in proportion to the local share of the project(s) total cost.

The clear aim of this change in Federal Procurement regulations is to incentivize the hiring of local workers and the purchase of local products in areas, like Los Angeles County, where voters have voiced their strong support for transportation funding at the ballot box. This change in Federal Procurement regulations would be especially meaningful now, given the high rate of unemployment in the State of California and Los Angeles County specifically.

FINANCIAL IMPACT

As was illustrated in a recent report generated by the Los Angeles County Economic Development Corporation entitled, "Annual Operations of the Los Angeles County Metropolitan Transportation Authority FY2009-10 – An Economic Study," our agency's role in driving our regional economy is considerable. For example, the study documented that our agency spent more than \$1.2 billion on wages and benefits for our employees and \$1.8 billion on goods and services, much of which was supplied regionally. This infusion of local dollars into our local economy has a clear economic benefit for Los Angeles County and more generally, the Southern California region.

Proponents of changing Federal Procurement regulations, as articulated in this Board Report, would argue that directing local transportation dollars (through hiring local residents and purchasing local products) into our local economy will have a positive effect on our region. This position is consistent with the broader findings of the LAEDC report cited above.

Critics of changing this Federal Procurement regulation have argued that placing conditions on contracts for the building of major transportation project(s) serves to drive up project costs and inhibits free and fair competition for contracts.

DISCUSSION

As highlighted in the Issue statement of this Board Report, current Federal Procurement regulations do not take into account the new reality of how transportation projects are financed, which today, is often through a majority of funds being derived from local dollars. This is especially true for our agency and the many other agencies that use a significant amount of local money to construct and operate their transit and highway systems.

Like our agency, the Regional Transit District in Denver, the Metro system in Houston, Texas, the New York Metropolitan Transportation Authority and many other major transportation agencies are financed, in large part, by local funds that flow from the willingness of local voters to tax themselves to create and maintain a robust transit system.

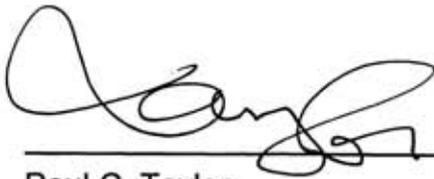
The change in Federal Procurement regulations that is being sought would enable agencies that raise a significant amount of local money and that are paying for over half the cost of any given highway or transit project(s) locally, be permitted to require contractors to establish local hiring programs and purchase local goods in proportion to the local share of the project(s) total cost. More specifically, if our agency or any other transportation agency were funding 75% of a project with non-federal funds, then that entity should be entitled to have the option of requiring the hiring of up to 75% of the workforce locally, and purchasing up to 75% of the goods or services needed locally as well.

Presently, the Federal Emergency Management Agency (FEMA) does support the use of local hiring preferences. Federal assistance awarded under 42 USC 5150, to support contracts and agreements for debris clearance, distribution of supplies, reconstruction, and other major disaster or emergency assistance activities permits a preference, to the extent feasible or practicable, for organizations, firms, and individuals residing or doing business primarily in the area affected by a major disaster or emergency.

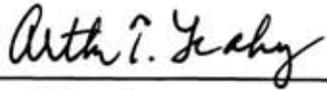
NEXT STEPS

Pending Board approval, work with Members of Congress and the Obama Administration to achieve a change in Federal law or regulation to permit transportation agencies that commit to paying over half of a given project(s) budget with local funds to require contractors to establish local hiring programs and purchase local goods in proportion to the local share of the project(s) total cost.

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