

*FEDERAL/STATE AFFAIRS UPDATE
EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
PRESENTED BY DAVID KIM AND MICHAEL TURNER
NOVEMBER 15, 2007*

Good morning, Madam Chair and members of the committee. Today I'd like to bring you up to date on the FY 2008 appropriations process, which continues to be the primary preoccupation – and struggle – on Capitol Hill.

As we've been reporting to you over the past few months, it has been a slow and painstaking process on the appropriations front. Congress and the White House continue to be at odds over discretionary spending levels, with veto threats looming over most appropriations bills.

Last week, Congress completed work on two spending bills and sent them to the President. One of these bills – the defense bill – will extend the current continuing resolution for another month, to December 14. The other bill that was sent last week – the Labor-HHS bill – will be vetoed by the President.

As for the transportation bill, there is good news, at least for the moment. House and Senate conferees negotiated a final version last week, and both chambers may bring up the conference report for final votes before the week is over.

I'm happy to report that Metro fared reasonably well in the transportation bill. The Eastside project will receive its full New Starts appropriation of \$80 million. This is good news, especially given the fact that the Senate originally underfunded Eastside by \$10 million. In addition, the final bill includes (X million) in "Small Starts" funds for the "*Metro Rapid System Gap Closure Project*". This was one of only four "Small Starts" projects to be recommended in the President's budget, so it's a notable accomplishment for Metro.

The other major issue in the transportation bill is the subway tunneling provision, which remained intact in the final conference report as we expected.

All of this may be for naught; however, as the President has already indicated he will veto the transportation bill.

At this point, it is entirely unclear how the standoff between the Administration and Congress on this bill as well as other bills will be resolved. Both sides have clearly dug in their heels, and there has been no movement to speak of in terms of compromise or negotiation. Furthermore, the leadership has yet to develop a clear strategy on how to break the logjam and how long to hold out. These are decisions that will be made at the highest levels in the weeks ahead.

Fortunately, Metro's priorities have been adequately addressed in this year's appropriations cycle. And we will be in good stead provided the Administration and Congress eventually come to an agreement on overall discretionary spending levels, which will then pave the way for spending bills to be signed into law.

Starting tomorrow, Congress will take a two-week recess for Thanksgiving and will return in early December for what will hopefully be the final homestretch in the appropriations process. We will keep you informed as new developments unfold.

That concludes the federal report, and now I'd like to turn it over to Michael Turner for the state report.