REBUILDING AMERICA

2019

Metro

Rebuilding America

America's surface transportation investments – especially large projects and programs of regional and national significance – generate major benefits to the general public. In addition to generating construction jobs and improving mobility, transportation projects strengthen our nation's economic competitiveness, as well as enhance safety, environmental sustainability and community livability. The federal government's constitutionally mandated role in encouraging transportation and commerce warrants smart policies and investments in transportation projects.

America's current underinvestment in keeping our nation's transportation system in a state of good repair has been well documented. Today, the Highway Trust Fund has insufficient resources to maintain the current level of federal spending on surface transportation, much less help fund major new transportation projects. The federal government cannot, by itself, spend its way out of our nation's infrastructure backlog.

The incoming 116th Congress and the President have an opportunity to make solid investments in infrastructure and to also make explicit that the federal role includes incentivizing efficient, 21st century project delivery methods and additional self-help funding models. Self-help funding models, like Measure M in Los Angeles and Proposition 1 in Austin, Texas, are examples of how regional initiatives can generate billions of dollars locally for transportation investments.

Working together, the leaders of the 116th Congress and the Trump Administration have a welcome chance to rebuild America in 2019. Adopting the five key points of the Rebuilding America initiative will ensure that federal funding and financing can effectively and efficiently be leveraged to strengthen America's infrastructure, improve the quality of life for millions of Americans and bolster our national economy.

1 Enhancing Certainty with Longer-Term Surface Transportation Authorization Legislation

Historically, Congress has acted in a bi-partisan manner to consider and adopt surface transportation authorization legislation every five or six years. There are good and sound reasons for this duration to be standard practice, including the pace of technological innovations and new analysis of mobility data that can and should guide lawmakers focused on reforming transportation policies.

While Metro supports the ability of Congress to make changes to our nation's surface transportation programs, we are also keenly aware that constructing and maintaining the transportation infrastructure of the future requires a much longer timeline. Currently, Metro has a strategic plan that charts a very specific course of building billions of dollars of projects over the next 40 years. Due to the long lead time necessary to develop and construct game-changing transportation projects, we urge Congress to consider how best to provide decades of certainty instead of parceling out such certainty in five- or six-year increments.

Metro supports the adoption of a real long-range surface transportation authorization bill – as long as two decades in length – that can be periodically refined and reformed by Congress. Providing long term certainty with respect to funding for highway and transit projects will strengthen the ability of state, regional and local transportation agencies to effectively and efficiently plan to construct projects – large and small – well into the future.

2 Ensuring the Solvency of the Federal Highway Trust Fund – Increasing the Federal Gas Tax By 25 Cents

In the spring of 2018, the Congressional Budget Office (CBO) released its Budget and Economic Outlook: 2018-2028. This document provided information on highway tax receipts and projections for deposits into the Highway Trust Fund. It shows that the CBO expects annual receipts from the federal excise tax on gasoline to drop by about 1.5% per year over the next decade, due to the increasing fuel efficiency of passenger automobiles. Cash flow projections show that by 2028, the Highway Trust Fund will need $166 billion to remain solvent using current funding levels for highway and transit programs.

In January 2018, Tom Donohue, the President and Chief Executive Officer of the U.S. Chamber of Commerce said, "We need to increase the federal fuel user fee, which hasn't been raised in 25 years. I've been saying this for years – sometimes I've been a lonely voice in the debate, but lately, growing choruses of smart people have come out in agreement. Why? It's the simplest, fairest and most effective way to raise the money we need for roads, bridges and transit." Specifically, the U.S. Chamber of Commerce has proposed increasing the gas tax by 25 cents – five cents per year for the next five years – as well as indexing the gas tax for inflation. The Eno Center for Transportation, a well-respected non-partisan think tank, estimates that this proposed increase would generate approximately $380 billion over the next 10 years for the Highway Trust Fund. This dollar amount is not only enough funding to cover the current spending level shortfall of $166 billion, but also enough funding to provide an additional $30 billion per year above current levels in Highway Trust Fund spending authority ($44.7 billion Highway/$9.6 billion Transit).

It is notable that the incoming Chairman of the House Committee on Transportation, Congressman Peter DeFazio (D-OR), authored legislation (H.R. 1644) in the 116th Congress that would index gasoline and diesel user fees, alongside initiating a new bond program (Invest in America Bonds) that would contribute to the solvency of the Highway Trust Fund. It should also be noted that in the summer of 2018, the retiring Chairman of the House Committee on Transportation and Infrastructure, Congressman Bill Shuster (R-PA), proposed a plan that would raise the federal gas tax by 25 cents to ensure the solvency of the federal Highway Trust Fund.

Metro strongly supports proposals to responsibly increase the federal gas tax, as it represents the most realistic, near-term solution for generating increased funding for highway and transit projects at the federal level.

3 Smart Federal Tax Incentives

Federal tax incentives can be highly effective tools for encouraging private sector investment deemed important to achieve public policy objectives. Unlike direct federal spending, tax code measures do not require growing the size of the federal government to administer them. Tax incentives also have the advantage of the market discipline of private capital to ensure that the projects being financed are feasible.

Metro is advancing the idea of creating America Fast Forward (AFF) Transportation Bonds as a tax policy initiative to stimulate greater investment. The America Fast Forward policy of dramatically increasing the TIFIA low interest loan program was adopted by Congress through MAP-21, a surface transportation authorization bill adopted in the summer of 2012.

Specifically, AFF Transportation Bonds would serve as a tax policy initiative designed to encourage greater investment in the transportation sector. They provide a substantial subsidy to the issuer by having the federal government pay all or most of the annual "interest" due on the bonds in the form of an annual tax credit against the investor's federal tax liability. On a long-term bond, the interest component of debt service often represents 65% or more of the financial cost of borrowing. For tax purposes, the annual credit is treated by the bondholder as taxable interest income.

AFF Transportation Bonds would be structured as qualified tax credit bonds (QTCBs), which were authorized under Section 54A of the Internal Revenue Code prior to being eliminated by the Tax Cuts and Job Act (section 13404). Over the last decade, Congress had authorized billions of dollars of QTCBs to assist sectors, such as public education, clean renewable energy generation and energy and forestry conservation. AFF Transportation Bonds would represent the first application of QTCBs to the transportation sector.

AFF Transportation Bonds, if enacted, would differ from the other QTCBs in several respects. The maximum maturity could be as long as 35 years, compared to a maximum maturity for other QTCBs, currently only 25 years. The list of taxes that the credit could be offset against would be expanded to include federal withholding tax on wages and benefits retained by employers and pension plan administrators. This is necessary because of the much larger scale of transportation projects, and would significantly broaden the market for the tax credit bonds to include pension funds.

Metro supports the creation of the America Fast Forward Transportation Bond program.

4 Expanding and Reforming Projects of Regional and National Significance

Following in the brilliant footsteps of the late Los Angeles area Congresswoman Juanita Millender-McDonald, Metro believes her idea of promoting Projects of National and Regional Significance (PNRS) is ripe for reform and expansion in any infrastructure package or surface transportation authorization bill that may be considered in the 116th Congress.

While Congress has made great strides in creating programs like the FAST Act's Nationally Significant Freight and Highway Program, more work needs to be done to support not only highway projects, but also transit projects that have a national benefit. Not every community, region or state has a project that meets the performance metrics to be a nationally significant project, but every community benefits from these projects in the form of a growing economy.

Notwithstanding the great strength of our nation, America has struggled to build projects like the Golden Gate Bridge or Hoover Dam in recent decades. In an era where Americans throughout the nation support an improved transportation system, we urge Congress to focus on creating a clear pathway for regionally and nationally impactful projects to be able to get the resources and administrative focus to complete a new generation of great public works projects in the United States.

Metro urges Congress to restore the PNRS program and fund it to ensure that both urban and rural America can build projects of national benefit. To ensure that program funds are apportioned fairly, rural areas should be ensured no less than 25% of the total grants issued, and geographic diversity and population density should be determinative factors as well.

5 Boosting Workforce Development

"Historically, workforce development programs provide a combination of education and training services to prepare individuals for work, and to help them improve their prospects in the labor market. They may include activities such as job search assistance, career counseling, occupational skill training, classroom training or on-the-job training."
– David H. Bradley, October 27, 2015 CRS Report

For our country's infrastructure network to continue to smartly expand, be properly maintained and continue to support the economic growth of the United States, Congress needs to increase support for comprehensive workforce development programs (formula and discretionary). Currently, less than one tenth of 1% of the federal budget is dedicated to workforce development programs backed by the U.S. Department of Labor. This low level of support for workforce development programs, which hold the promise of strengthening America's workforce and economy, is not acceptable. Currently, 50% of Metro's workforce is eligible to retire in the next six years. This sobering statistic, which holds true for many other major transportation agencies, is a fresh reminder of how important it is to invest in effective and efficient workforce development programs.

Today, in the infrastructure sector, the greatest demand for jobs are in the highly skilled and technical career pathways. Among the most difficult positions to fill in the transportation industry include: Maintenance Specialist (rail car maintenance), Rail Signal Inspector, Rail Electronic Communication Inspector, Rail Traction Power Inspector, Facility System Technician (electro-mechanical), and others that require skilled labor to support advanced technology and systems.

The current proving ground for workforce development programs in LA County are delivered through our partnership with WorkSource Centers and community colleges due to the industry sector model supported by training and continuing education. In addition, the partnership with industry-based employers and community colleges lends to continuing education for adult learners in support of up-skilling and progressing beyond entry-level positions; incumbent worker training in support of the workforce staying current on industry practices and technology innovations; and on-the-job training models offered through internships.

Metro strongly supports proven federal workforce development programs that will ensure America has the skilled workforce needed for the future.

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