American Road & Transportation Builders Association

Analysis of the Trump Administration's FY 2018 Budget Blueprint for Transportation

FY 2018 Budget Blueprint Summary

After weeks of speculation over what would and would not be cut in President Donald Trump's first crack at an annual budget request to Congress, the administration March 16 released a 64-page "Budget Blueprint" that proposes to cut $2.4 billion from discretionary transportation programs—a 12.7 percent reduction from FY 2017. This comes amidst the president's call to reprioritize federal spending by recommending $54 billion in cuts from the non-defense discretionary accounts of the government in order to boost the defense and homeland security programs by equal amounts in FY 2018.

The budget document also addresses President Trump's championed infrastructure package, but does not provide details. It states, "To spearhead his infrastructure initiative, the president has tapped a group of infrastructure experts to evaluate investment options along with common sense regulatory, administrative, organizational, and policy changes to encourage investment and speed project delivery." This section concludes by pledging the administration would "provide more budgetary, tax and legislative details in the coming months."

Trump Administration FY 2018 Transportation Budget Proposal

While the administration's budget details President Trump's spending priorities, it does not provide the normal program-by-program details typically seen from a president who has been in office longer than two months. The budget request suggests five specific changes to current discretionary transportation programs, two of which are of importance to the transportation construction industry. Specifically:

- The budget proposes eliminating all future federal funds for transit capital grants, also known as the New Starts program, which isn't already part of a previously affirmed full-funding grant agreement. The Fixing America's Surface Transportation (FAST) Act authorized $2.3 billion each year from FY 2016 through FY 2020 for transit construction grants. The blueprint states, "Future investments in new transit projects would be funded by the localities that use and benefit from these localized projects."

ARTBA has long supported federal investment in transit capital projects under the New Starts program and will work to ensure it remains a key component of federal surface transportation investment.

- The administration is proposing to eliminate TIGER discretionary grants – a program created by the Obama administration that provides funding for multi-modal projects and has become popular on Capitol Hill among Democrats and Republicans. Since 2009, the TIGER program has invested $4.6 billion in transportation projects—of which 33 percent have gone to roadway projects (the largest modal recipient).

  According to the budget request, the administration views this program as duplicative to funding available under the highway formula programs and the FAST Act-authorized Nationally Significant Freight and Highway Projects grant program. If Congress follows through on this request, it would be a $500 million cut from FY 2016 spending levels.

Other suggested changes to transportation include:

- A new federal aviation authorization bill that would shift air traffic control operations "to an independent, non-governmental organization," with the goal of "making the system more efficient and innovative while maintaining safety." This approach has been spearheaded in Congress by House Transportation & Infrastructure Committee Chairman Bill Shuster (R-Pa.), but the plan has found opposition from Republicans and Democrats in both the House and Senate.

- A reduction in federal subsidies for Amtrak and cutting the rail carrier's long-distance services the administration says "have long been inefficient and incur the vast majority of Amtrak's operating losses."

- An elimination of funding for the Essential Air Service program, a subsidy program to provide air service to rural areas.

Outside of the U.S. Department of Transportation, but of importance to the transportation construction industry, the President's budget blueprint proposes slashing the U.S. Army Corps of Engineers (Corps) budget by $1 billion, down from $6 billion in FY 2016. The Army Corps oversees much of the nation's water transportation construction. It also calls for a $4 million increase in the State Revolving Fund, which supports water and sanitation infrastructure improvements.

Going Forward

According to the White House's Office of Management and Budget (OMB) Director Mick Mulvaney, a longer, more detailed budget is expected by May 2017. OMB is the office that oversees regulatory and budget operations for the Executive Branch. While Highway Trust Fund (HTF)-supported programs have staved off suggested cuts thus far, it is unclear how the President's budget proposal will play out going forward. Members of Congress have multiple options in terms of how they could respond: ignore the administration's proposal as they typically did under the Obama administration; accept the budget in its entirety; support the blueprints increase in defense spending and come up with their own funding reductions; or something in between. <u>As such, ARTBA will continue to stay engaged in the budget process to ensure, at a minimum, the FAST Act-promised highway and public transportation program investment levels are delivered</u>.

The federal government has operated under a series of Continuing Resolutions (CR) that have largely held most government spending to FY 2016 levels and will continue to do so through April 28. This includes the highway and transit programs supported by the HTF. While indications from members and staff on Capitol Hill are that transportation programs funded through the HTF will at least receive the investment increases authorized via the 2015 FAST Act law ($900 million for highway and $500 million for transit) for FY 2017, that outcome is by no means guaranteed. There remains a possibility that Congress could opt to pass another CR for the remainder of FY 2017 instead of individual funding bills for the various federal agencies. This approach would shortchange the transportation programs by roughly $1.5 billion. <u>ARTBA and its allies in the Transportation Construction Coalition are continuing to urge Congress to make good on the promises of the FAST Act</u>.

Also, throwing another wrinkle into the budget and appropriations saga, the Trump administration has put forth an FY 2017 Supplemental Appropriations request. This is common for administrations, especially in times of war or for recovery operations from tragedies such as natural disasters. However, President Trump is proposing a $33 billion FY 2017 supplemental to plus up defense and homeland security funding that is partially offset with $18 billion in cuts in non-defense spending. The budget doesn't propose from where these cuts should come. If Congress were to follow the suggestions laid out in the administration's supplemental request, it would need to find $18 billion and all non-defense programs could be at risk for reductions.

As has been widely reported, President Trump has proposed spending an additional $1 trillion on infrastructure over the next 10 years to "rebuild our nation's roads, bridges, tunnels and airports." ARTBA staff participated in a conference call with OMB Director Mulvaney March 15 where he said: "People might say, well, goodness gracious, that doesn't line up with what the president said about a commitment to infrastructure. That was done intentionally. What we've effectively done is try to move money out of existing, more inefficient programs, and hold that money for what we expect to be more efficient infrastructure programs later on."

While ARTBA continues to support and advocate for a large infrastructure package along the lines of what the President promised on the campaign trail, we do not support cutting current infrastructure investment as a down payment to some future infrastructure measure. While Director Mulvaney is suggesting the funds will be used later for the infrastructure package, we should be clear his proposed infrastructure spending reductions would be used now to supplement increases in defense and security spending.

ARTBA staff will continue to work with Congress and the administration to keep current transportation spending programs intact and growing while also helping shape and craft the best possible infrastructure package later this year—including a permanent Highway Trust Fund revenue solution.