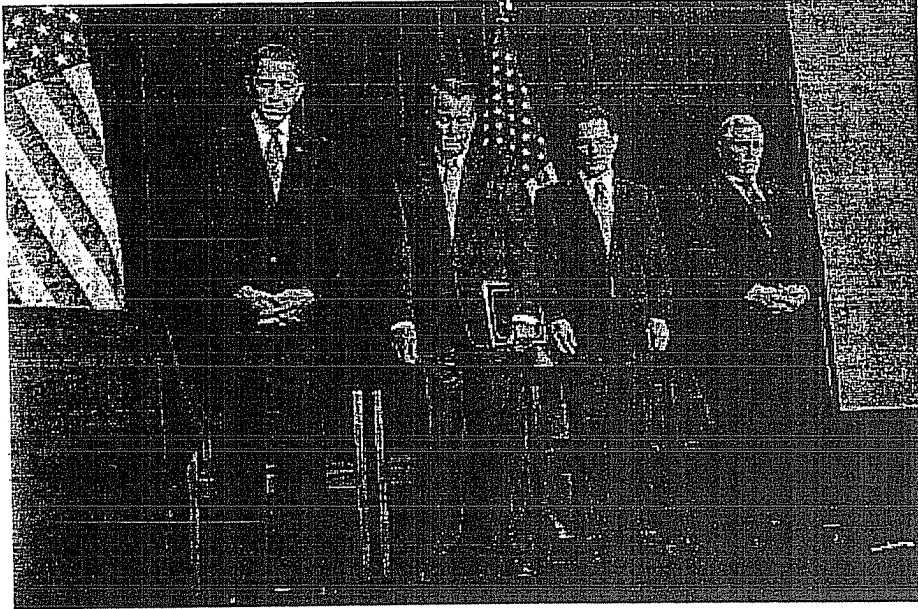


## What comes next in a universe where the government works



On Feb. 5, 2011, the president signed the Economic Growth and Deficit Reduction Act of 2011 into law. The legislation lifted the employer-portion of the payroll tax for a year, approved more than \$50 billion in infrastructure investments, and cut the deficit. The markets cheered the move, and employers, realizing that consumers were about to have more money in their pockets and that hiring new employees had suddenly become a bargain, quickly moved to expand their labor forces. It was a coup not just for the president, but for the new speaker of the House.

Six days after the 2010 election, John Boehner and Mitch McConnell were invited to the White House to meet with President Obama. When they got there, they found Obama and Pete Rouse sitting at a table with a single piece of paper in front of them. It was a clipping of Gov. Mitch Daniels's September op-ed proposing a conservative stimulus plan. "Congratulations on your win last week," said the president. "You really thumped us. What do you think of this?"

McConnell didn't think much of it. He wanted to talk about the Bush tax cuts. But Boehner was more intrigued. The House was about to be his responsibility, after all. If he could begin by passing a massive payroll tax cut that also froze salaries for federal employees and maybe even made some progress on the deficit? It would be quite a way to introduce himself to the American people. And he'd been struck by a column he'd read a few weeks back quoting Bernanke's advice to Japan in the early Aughts: Bernanke had told them to pair quantitative easing with a big tax cut to make sure the money got into the economy. Boehner had always liked the Fed chairman, and figured if it made sense to Bernanke, it probably made some sense.

A few hours after the meeting, Boehner directed an aide to quietly come up with some numbers. There were two conditions, Boehner said. First, the deficit has to come down. Second, it has to come down in at least a couple of ways Democrats really don't like.

The second condition was easier than the first. They needed about \$400 billion, and it all needed to come from spending cuts. On the bright side, they could take 10 years to get the money. It seemed possible. You could freeze discretionary spending, take back some TARP and stimulus funds, make a one-time cut to federal-employee pay, and try a couple of other small things. Boehner liked it, particularly the cut on federal-employee pay. He confidentially sent the proposal up to the president, knowing he'd veto some of the spending cuts.

But that wasn't the deal the president wanted. He was willing to buckle on most of them. In return, he wanted more infrastructure spending. Boehner agreed; he had plenty of Republican governors and even congressmen asking him to get some infrastructure-funding moving. But he wanted Davis-Bacon suspended. Privately, the president told him that he'd do it if he could, but there was no way to get Democrats on board with it. He had a counter-offer, though: He'd set up an accelerated process for getting projects past environmental regulations, such that many of them could be certified after-the-fact, rather than waiting around for the paperwork to clear before workers could break ground. Boehner mulled it over for a day, and called the White House back. If they could get Harry Reid to agree, he'd do it.

By Ezra Klein | November 3, 2010; 9:47 AM ET

# The Washington Post

## Key GOP lawmaker cool to high-speed rail grants

By JOAN LOWY  
The Associated Press  
Wednesday, November 3, 2010; 6:05 PM

WASHINGTON -- The Republican lawmaker in line to head the House Transportation Committee says he wants to re-examine \$10 billion in federal grants for high-speed train service, one of President Barack Obama's signature programs.

Rep. John Mica, R-Fla., the committee's ranking GOP member, told The Associated Press in an interview on Wednesday that he believes high-speed trains are a good idea, but he doesn't agree with the projects selected by the Transportation Department for funding.

The biggest awards announced last January were \$2.3 billion to California to begin work on an 800-mile-long, high-speed rail line tying Sacramento and the San Francisco Bay area to Los Angeles and San Diego; \$1.25 billion to Florida to build a rail line connecting Tampa on the West Coast with Orlando in the middle of the state, eventually going south to Miami; \$1.1 billion to Missouri and Illinois to improve a rail line between Chicago and St. Louis so that trains travel up to 110 mph, and \$810 million to Wisconsin to build a new line between Madison and Milwaukee, which eventually could be part of a line connecting Minneapolis to Chicago.

Mica complained that most of the projects weren't truly high-speed trains like the trains in Europe and Asia. He also said that the Northeast is probably the only region in the United States with a population density great enough to financially support a high-speed rail network.

"I am a strong advocate of high-speed rail, but it has to be where it makes sense," Mica said. "The administration squandered the money, giving it to dozens and dozens of projects that were marginal at best to spend on slow-speed trains to nowhere."

Mica said he wants to "refocus on several projects that could be a success, particularly in the Northeast corridor, which was almost totally neglected by the administration. We'll revisit all of those projects."

Two weeks ago, Transportation Secretary Ray LaHood announced a second round of high-speed rail grants. California was awarded an additional \$902 million; Florida \$800 million.

Mica suggested possibly scaling back the Florida project to a line that runs between the Orlando airport and theme parks and tourist destinations in the Orlando area.

Such a route would have "tremendous potential for actually making money," he said.

Several GOP candidates who won gubernatorial races in Florida and Wisconsin on Tuesday are opposed

to proposed rail lines in their states, including Scott Walker in Wisconsin and Florida's Rick Scott. Walker has created a website, [notrain.com](http://notrain.com).

Republican John Kasich, who defeated Democratic Gov. Ted Strickland in Ohio, is also opposed to plans to introduce faster train passenger service there. The administration awarded that project over \$400 million earlier this year.

(This version corrects third paragraph that train line between Madison, Milwaukee would be new.)

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Mica Eyes Revenue Sources, Policy Tweaks for Transportation Bill in Republican House By Adam Snider BNA Transportation Watch - 10/26/10

Rep. John Mica (R-Fla.) is poised to become chairman of the House Transportation and Infrastructure Committee should Republicans take control of the House, a change that could have a number of up-front and ripple effects on a multi-year surface transportation reauthorization the Obama administration is rallying for.

Mica's biggest priority is approving the highway and transit legislation that is more than a year overdue—but he would face a number of difficulties, including pushing a bill through Congress before the 2012 presidential cycle all but kills the chances of any major legislation.

How to pay for legislation expected to total around \$500 billion would be the biggest hurdle facing a Republican-controlled House eager to showcase its low-spending, anti-tax campaign points. Mica has already ruled out an increase in the federal gas tax that currently funds highway and transit programs, forcing him to look to other revenue options.

"Both the Republicans and Democrats that are coming will be much more conservative," Mica told BNA in an interview. "The last thing they're going to do is vote for a gas tax increase."

#### Legislative Action Still Possible

But that does not preclude action on a bill, even one as expensive as current Chairman James Oberstar (D-Minn.) unveiled in the summer of 2009, Mica says.

"I want to try to get it as close to the level that we're talking about [\$500 billion]. But there's different ways to do that without increasing the gas tax," the potential chairman said.

Those include a number of policy changes—including increased flexibility for states to enter into private-sector agreements, streamlining the permit process to speed up project construction and lower costs, and shrinking the core program that is eligible for gas tax receipts.

"First you stabilize the revenue that's coming in, then you look at other revenue that's been diverted, then you look at leveraging," Mica said of ways to approve a bill without a gas tax increase. "There's a host of those things, so maybe you could get a net worth of the bill that even exceeds [\$500 billion]."

#### Private Dollars, Construction Pace

The Republican lawmaker, who has chaired the Aviation panel but never the full committee, says he will look to alternative ways to get the most out of current transportation revenue.

"There's a whole host of things that can be done to get more for less," Mica said. "I'm open to any ideas that can speed up the process and leverage the money, those are going to be my major focal points."

Mica likely would push to create broad general terms outlining how and when states can tap private-sector money to help support transportation projects, but would leave most decisions to the states, an industry lobbyist said.

For example, Mica has questioned the Office of Public Benefit, created by Oberstar's bill, that would have veto authority over public-private transportation agreements. Mica would prefer to give states the final say in transportation projects involving private-sector funds, while Oberstar's bill would leave the ultimate decision in the federal government's hands.

#### Pace of Construction

Mica also would look at ways to speed up project delivery time, which would lower overall costs.

"Mr. Oberstar started on streamlining programs and speeding up the process of getting projects completed, and I think that's a theme Mr. Mica will continue with," an industry lobbyist told BNA.

Mica has applauded the goals of the Office of Expedited Project Delivery created under Oberstar's bill, but also has said that it does not go far enough in speeding project timelines.

He frequently cites his "437-day" plan as a way to speed project delivery by streamlining environmental and other permitting processes. The Interstate-35 W bridge in Minneapolis, Minn., that collapsed in 2007 was rebuilt in 437 days because it replaced an existing structure and did not require a new round of permits.

#### Cuts to Core Program?

With federal dollars scarce, Mica also may look to trim expenses funded out of the falling gas tax revenues, several lobbyists said.

"It may be a more 'back to the basics' program, but with more diversified revenue streams," a transportation stakeholder told BNA.

Mica himself said "other revenue that's been diverted" is one of the ways to reach a \$500 billion price tag for the legislation.

One potential revenue diversion that could be targeted under Mica is the transportation enhancements program. Current law requires states use at least 10 percent of their highway funds on "transportation enhancements" such as sidewalks, bike paths, roadside beautification projects, or transportation museums. That funding totals more than \$4 billion annually.

#### End to Discretionary Programs

As Transportation Committee chairman, Mica would have a powerful position from which to critique the Obama administration's transportation policy.

Among other things, he has criticized the 2009 stimulus package (Pub. L. No. 111-5), including its slow spend-out rate and the way some of the discretionary spending was directed.

"You can expect him to be very involved in looking at how the administration has spent their money and I think he's going to be tough on them," a highway lobbyist told BNA.

For example, Mica has repeatedly slammed how the Department of Transportation divvied up \$1.5 billion from a discretionary grant program, calling them "executive earmarks."

Money from the Transportation Investment Generating Economic Recovery (TIGER) program was used mostly for streetcar and freight rail projects, but Mica said several times that the program should have directed its money at high-unemployment states, such as his home state of Florida.

Any reauthorization legislation produced by Mica would likely cut or end discretionary programs such as TIGER that he has criticized, several lobbyists said.

#### No Vast Policy Overhaul

But for all the potential policy differences he may have with a Democratic White House and Senate, lobbyists point out that Mica's overall transportation policy is not leaps and bounds away from Oberstar.

"I think when you look at the Republican makeup in the House, Mica is about as close to Oberstar as one can find in terms of his approach to transportation," a lobbyist told BNA in an interview. "On ideology you'll probably have some differences, but when you get down to writing a bill I don't know if it's going to look all too different."

While Mica might want to approve a transportation bill with his own policy priorities, his leadership may stand in his way.

"Mica as the Republican chairman of the committee is probably only as good as the length of the leash that his leadership provides to him," a lobbyist said.

Several transportation stakeholders expressed concern that Republican leadership, eager to ratchet up the pressure on Obama and Democrats, might not give Mica the freedom to write and win support for the transportation bill. The primary concern—how to pay for the bill—could be enough to derail it.

**If GOP tide rises today, Texas will gain allies on transportation as U.S. embraces Perry's priorities: tolls, privatization**



5:31 PM Mon, Nov 01, 2010 | [Permalink](#) | [Yahoo!](#)

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There's been a lot of buzz nationally over what today's elections will mean for transportation. High-speed rail supporters, in particular, have gone to the mattresses and are warning that a big night for the GOP means President Obama's push for bullet trains will fade away like smoke from a dwindling campfire.

Here in Texas, which has never been -- thanks mostly to its own stubbornness -- seriously in the run for the billions the Obama Administration has handed out to California, Florida and other states, that might not matter as much. But with the governor's mansion on the line, tonight's results will have plenty of impact here at home.

I made that case last month, in this [page one story](#) laying out some of the broader themes. For a more pointed take, you can check out Streetsblog Capitol Hill's view: [Texas Gov Rick Perry Could Get Four More Years to Build Mega-Highways](#).

But for a bit of perspective, let's remember this: Few Texans are going to cast their vote today based on the pressing issues we discuss here at the transportation blog. Heck, neither will I.

And neither will voters across the country, where the election has turned on many things but not transportation policy. But that doesn't mean that the control of Congress, and the power of the White House, for that's what is at stake, won't have impact that will be felt heavily here in Texas.

So it's worth asking what's at stake for transportation as the votes are counted. That means what's at stake for tolls, for privatization, for taxes, for leveraged debt financing, and all the other areas in which Texas has helped lead transportation policy in a new direction.

It also means asking what's at stake for the push in the opposite direction, the push for high-speed rail, for sustainability, for the so-called silo-busting approach to planning transportation, housing and energy and air quality improvements holistically. Those ideas have entered the conversation since Democrats gained control of Congress in 2006, and gathered a lot of steam following the election of President Obama in 2008.

Now, just two years later, all that is back on the balancing scales and we could be set for a giant reshuffling of priorities.

To get a sense of where those scales were leaning, I called former Transportation Secretary James Burnley on Monday. He said the new Congress will be worried about a lot of things before its gets around to talking transportation, even if the highway trust fund is already bankrupt and the six-year authorization bill that expired last year is being kept on life support by infusions from the general fund.

"Obviously the election will have an impact on how those issues are addressed," said Burnley, who led the DOT under Presidents Reagan and (H.W.) Bush. "But this campaign has not centered on issues that are related to transportation. Those have been perhaps sort of second-tier issues compared to those that touch on the fundamentals of the economy. ... The new Congress, whatever its constitution, will instead be focused on trying to reduce expenditures to address our deficit. That will bring a lot of pressure to bear on education spending, transportation spending, all discretionary spending."

That fiscal reality will match the one confronting lawmakers in Austin, and nearly every statehouse, and it will likely mean that big plans for transportation will be shelved. That's a buzz kill for legions of transportation advocates, and urbanists of all stripes, who have been calling on Congress to think big -- very big -- when it finally authors the next six-year transportation plan.

The talk started in earnest in January, 2007, after Democrats seized control of Congress. And it reached its apogee two years later, after President Obama's inauguration, when Rep. James Oberstar, D-Minn., marked up a \$500 billion plan to completely overhaul the way we build and pay for roads and rail in this country.

That bill died, Burnley noted, when President Obama refused to consider a gas tax increase, and since then reformers and budget realists in Congress have been circling each other in a political dance that has so far resulted in stalemate.

Tonight's election results could well tip the scale in favor of restraint. Burnley and others I spoke to this week said the nation will likely limp along as it has on transportation funding, at least until 2012. What happens then is anybody's guess. But the enthusiasm for big spending on transportation may have run its course, at least in a Congress where the GOP appears certain to have a much greater say.

If Congress is going to be focusing on the deficit, and without an appetite to think grandly about transportation, what of the President? And what of his priorities? After all, he's spent or committed at least \$10 billion on high-speed passenger rail. That money has always been seen as a down payment.

As Burnley noted in our chat, governor candidates across the country are promising to do what Texas' Perry (selectively) did from the get-go when it comes to federal spending on transportation: Say thanks but not thanks. Perry told me in our interview last month that he opposes more discretionary spending on infrastructure because Texas "is really getting screwed" to put it as he did, by distributions that send too much of the money elsewhere.

But across the country, GOP candidates for governor are saying the money from Washington for high-speed rail isn't worth it, and promise to send it back if elected. That's what has the folks as Streetsblog Capitol Hill so worked up, and Burnley said it's an accurate indication that high-speed rail as a grand investment may be stuck on the tracks for a long time, should the election today go as observers expect it will.

The other hallmark of the Democrats' approach to infrastructure has been one that has been well embraced by planners and officials in North Texas. It's the silo-busting notion that transportation, housing, land-use, energy and environmental policy ought to be shaped in concert with each other. That hasn't gotten much talk in the campaigns this year, but a Tea Party mindset, with its passion for smaller government and deficit reduction both, doesn't auger well for that kind of expansive role for regional and federal policy makers.

Where does that leave us? In Texas, if Perry wins a third term, it will mean a heavier focus on the only transportation funding solution he's ever liked: That of toll roads, and the use of private equity to help build and pay for them.

That same priority will find increasing favor in Congress, should the GOP gain power there. Higher taxes, and more deficit spending, will both be out of favor, he said. That will make both parties more amenable to seeking investments from private firms.

"I think there will be a lot more interest in attracting private capital to infrastructure projects, more than there has been with Democrats in power," he said. "And whether you are a Democrat or a Republican, if there isn't any other funding source, then what's left is the private sector."

In doing so, Congress will be moving closer to where Perry has always been. And while the Texas Legislature clipped his wings on privatization two years ago, lawmakers there will be facing the same brutal budget realities that Congress will confront.

Whether Perry wins his third full term or not, look for his emphasis on privatization to be back in vogue in both Congress and the Legislature. In that since, you could argue that when it comes to transportation, the governor wins today no matter how the voters are tallied.

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(Washington, D.C. — Todd Zwillich, Transportation Nation)  
 One of the House's most powerful voices on transportation all of the sudden finds himself in a tough re-election race.

Even in an anti-incumbent year, Rep. Peter DeFazio (D-Ore.), was considered one of the most invulnerable. The 11-term congressman won reelection in 2008 with 82% of the vote in his sprawling coastal Oregon district and was once heavily courted by Democrats to run for Senate. But now a recent GOP poll has DeFazio just 6 percentage points ahead of Republican Art Robinson. All the important caveats about the validity of one single poll — and a GOP internal one at that — of course apply here. But DeFazio chairs the House Highways and Transit subcommittee, so any prospect of his ouster does raise questions, especially about the prospects for the next national highway bill.

DeFazio has **told** constituents on the campaign trail that passing the \$500 billion national highway authorization bill will be one of his top priorities should he be re-elected. The bill is in limbo now as lawmakers struggle to make up a \$150 billion funding shortfall for the bill without taking the dreaded and politically suicidal step of raising the federal gas tax. DeFazio, who enjoys heavy support from transit unions, has made beefing up infrastructure and transit programs, including high-speed rail, a priority during his time at the head of the committee.

The Republican most likely to take over the Highways and Transit subcommittee in the event of a GOP House takeover is Rep. John "Jimmy" Duncan (R-Tenn.), an 11-term veteran who is nearly **guaranteed** re-election. Still, even in this fractious Congress, Duncan, a conservative, and DeFazio, a staunch progressive, are not as

DeFazio, a staunch progressive, are not as far apart as one would think on transportation policy.

Duncan has repeatedly called for a long-term reauthorization of the traditionally bi-artisan highway bill, which he helped craft along with DeFazio and other senior members of the House Transportation Committee. But Duncan has also joined calls for a ban on lawmakers' pet spending projects known as earmarks, which make up about one percent of total funding in any given highway bill. While that may not seem like much, it can easily decide the fate of that extra new lane on your local commercial road or the highway overpass your county council is trying to get built.

A broader question, beyond simply who heads up the Highways and Transit subcommittee, might be what a House GOP takeover means for big-picture federal spending. One of Republicans' biggest planks is reducing the government expenditure, especially on the domestic discretionary side. That could put GOP priorities and a well-funded highways bill at direct odds.

Republicans have already spent time attacking President Barack Obama's call for a \$50 billion infrastructure spending package aimed at highways, rail lines, runways and air traffic control. The White House says it wants to try and pass the funding in the lame duck congressional session scheduled for the weeks after the midterm elections.

One poll isn't enough to suggest that DeFazio is really in danger of losing his seat. As surprising as those latest numbers are, poll aggregators like FiveThirtyEight still give DeFazio more than a 99% chance of reelection.