METROPOLITAN TRANSPORTATION COMMISSION

Agenda Item 7a

ASSOCIATION OF BAY AREA GOVERNMENTS

BayAreaMetro.gov

Memorandum

TO: Joint MTC Legislation Committee and ABAG Legislation Committee

DATE: March 2, 2018

FR: Executive Director

RE: Federal Transportation and Housing Funding Update

Last month, President Trump released both a $4.4 trillion federal budget for fiscal year (FY) 2019 and his long-awaited White House infrastructure plan. The infrastructure plan would invest $200 billion in federal funds over ten years into roads, bridges, ports, energy, water and other infrastructure. Despite this plan, the President's budget proposes to reduce near-term federal transportation and housing funding.

The attached summaries provide overviews of the proposed infrastructure plan, the transportation and housing portions of the President's FY 2019 budget and a staff analysis of potential Bay Area impacts.

Steve Heminger

Attachments:

- Attachment A: FY 2019 Budget Request & Congressional Budget Deal
- Attachment B: White House Infrastructure Proposal

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Fiscal Year 2019 Budget Request and Congressional Budget Deal

Despite the White House Infrastructure Plan's proposal to increase funding for a wide range of infrastructure, the President's FY 2019 budget would actually reduce federal support for transportation, slashing rail and transit programs that help the Bay Area relieve congestion and improve mobility. It would also eliminate housing funding for local governments to revitalize communities and provide shelter to vulnerable households. Unfortunately, neither the FY 2019 budget nor the White House infrastructure plan proposes a solution to the impending insolvency of the Highway Trust Fund, which is set to run out of money in FY 2021.

Importantly, Congress recently approved a bipartisan two-year deal to raise topline spending levels by $300 billion. This budget deal will make it easier for Congress to reject the President's proposal for deep transportation and housing cuts in FY 2019 spending bills. Highlights from the President's FY 2019 budget are below.

Transportation in the FY 2019 Budget

The budget proposes to reduce funding for federal transit, rail and multimodal grant programs by $3 billion from FY 2017 levels, which is a significant cut from the funding levels authorized in the current long term federal transportation bill, the FAST Act. Of particular concern, the budget proposes to wind down the Capital Investment Grant program by only funding projects with existing full funding grant agreements. Importantly, it does request $100 million for Caltrain electrification, which received a signed grant agreement in 2017. The budget would cut Amtrak funding in half and end the Transportation Investment Generating Economic Recovery (TIGER) program. It would honor FAST Act highway and transit formula increases. The budget requests $77 billion in total for federal transportation programs.

Housing in the FY 2019 Budget

The budget also proposes a 14 percent cut to federal housing programs, reducing housing funding by $7 billion. It would eliminate the Community Development Block Grant (CDBG) and HOME Investment Partnerships Programs – the programs that provide flexible housing and community development funding directly to state and local governments – and ends funding for public housing capital investments. California has 30,000 households living in public housing and an average 51-month waiting list.
The chart below compares funding levels for select housing and transportation programs in the President's FY 2019 budget with actual FY 2017 spending and FAST Act funding levels.

President's Fiscal Year 2019 Budget Request (Dollars in millions)				
Program	**FY 2017 Funding Level**	**FAST Act Authorized Level**	**FY 2019 Budget Request**	**California and/or Bay Area Impact**
U.S. Department of Transportation				
Highway (FHWA) Formula	$43,266	$45,268	$45,268	California receives an estimated 9 percent of authorized program funding.
Transit (FTA) Formula	$9,534[1]	$9,939	$9,939	California receives an estimated 15 percent of authorized program funding.
Capital Investment Grants (New Starts, Small Starts and Core Capacity grants)	$2,530	$2,302	$1,000	California projects make up approximately 25 percent of the CIG pipeline, with nine projects in the Bay Area anticipating $4.5 billion in future program commitments.
Transportation Investment Generating Economic Recovery (TIGER)	$500	N/A	$ 0	In 2016, California received 8 percent of the TIGER program. The Bay Area received 1 percent.
Amtrak (total)	$1,495	$1,700	$738	California has 102 stations and more than 5 million annual riders on both state-supported and long-distance routes.
Rail State of Good Repair Partnership Grants	$25	$300	$ 0	Grants can reduce the state of good repair backlog on publically-owned or Amtrak-owned rail infrastructure.
Rail Infrastructure and Safety Improvements Grants	$68	$255	$ 0	Grants can support California's intercity passenger rail infrastructure and implementation of positive train control, highway-rail grade crossings, and congestion mitigation.
U.S. Department of Housing and Urban Development (HUD)				
Community Development Block Grant (CDBG)	$3,000	N/A	$ 0	California received $357 million in 2017; Entitlement communities (i.e. jurisdictions that receive HUD funds directly) in the Bay Area received $67 million in 2017.
HOME Investment Partnerships	$950	N/A	$ 0	California received $129 million in 2017; Entitlement communities in the Bay Area received $20 million in 2017.
Section 8 Rental Assistance Voucher Renewals	$18,355	N/A	$18,749	Housing vouchers help approximately 300,000 low-income California families afford rent, more than all other state and federal rental assistance programs combined.[2]
Homeless Assistance Grants	$2,383	N/A	$2,383	Entitlement communities in the Bay Area received $4 million in Emergency Solutions Grants in 2017.
Public Housing Capital Fund	$1,942	N/A	$0	California has 30,000 households and 79,000 residents living in public housing and an average 51-month waiting list.

[1] FY 2017 Appropriations Bill (HR 244) funded FTA core transit programs at $9.7 billion ($9.5 billion from the Transit Account for core formula programs and $199 million for FTA positive train control funded from the Highway Trust Fund).
[2] http://www.cbpp.org/research/housing/how-housing-vouchers-can-help-address-californias-rental-crisis

White House Infrastructure Proposal

On February 12, President Trump released his long-delayed White House infrastructure plan. The plan recommends $200 billion in federal infrastructure investment over ten years. The White House predicts this will result in $1.5 trillion in investment through leveraging local, state and private funds. Direct investment in housing would not be eligible for funding under this plan. To put the proposed average $20 billion per year increase in context, the fiscal year 2017 budget for the U.S. Department of Transportation is $77 billion, including $42 billion for the Federal Highway Administration, $12 billion for the Federal Transit Administration and $1.5 billion for Amtrak.

The White House plan includes few details, instead deferring to Congress to develop legislative language and identify revenues to pay for the proposed federal investment. On February 14, 2018, President Trump spoke favorably of a 25-cent/gallon gas tax increase during a meeting with Members of Congress. However, this tax proposal was not included in the official plan. Such a proposal could address a major omission in the infrastructure plan, namely the lack of a solution to the impending insolvency of the Highway Trust Fund, which is set to run out of money in FY 2021.

The plan would allocate the $200 billion to the programs below. None of the funding would be reserved for surface transportation investments. Except where noted, highway and transit projects would compete for funding with other categories of infrastructure projects, including airports, ports, energy, water and broadband infrastructure.

- **$100 billion – Incentive Grants Awards:** Funds from this new Department of Transportation, Environmental Protection Agency and Army Corps of Engineers discretionary grant program would be awarded primarily based on the applicant's ability to secure non-federal match. A discretionary three-year look back period could be considered to account for previously approved self-help measures. The program would require an 80 percent funding match and each state's share of the program would be capped at 10 percent, which is roughly California's share of the regular highway program. Transportation, water and land revitalization projects would be eligible to compete for grants.
- **$50 billion – Rural Infrastructure Program:** Of the total, 80 percent would be awarded as a block grant to states via a formula based on population and lane miles. The remainder would be awarded to states through a competitive grant program. Unspecified amounts of funding would be reserved for U.S. Territories and Tribes.
- **$20 billion – Transformative Projects Program:** This new discretionary program to be administered by the Commerce Department would fund nationally significant projects that are commercially viable but too high-risk to secure private sector investment. Grants could fund project planning, demonstrations or construction. As a condition for receiving capital funds, an applicant would be required to commit to a value share agreement with the federal government.

- **$20 billion – Infrastructure Financing Programs:** The proposal provides $14 billion to expand federal credit programs like Transportation Infrastructure Finance and Innovation Act (TIFIA) and its water, rail and utility counterparts (WIFIA, RRIF and RUS). TIFIA eligibility would be expanded to include airport, port and waterway projects in addition to surface transportation projects. WIFIA would also be expanded to allow for Brownfield and Superfund site remediation which may create opportunities to build new housing on reclaimed land. The proposal also includes $6 billion for private activity bonds (PABs) and makes changes intended to increase their use for transportation and water projects.
- **$10 billion – Federal Capital Financing Fund:** This fund would allow the federal government to purchase property without waiting for upfront funding from Congress. Unlike the other programs, surface transportation projects are not eligible for funding.

The plan also proposes a variety of changes to existing infrastructure programs that could impact funding and project delivery for highway and transit projects. Key provisions are bulleted below:

Funding Provisions

- Remove restrictions on tolling existing interstate highways. Current limitations on the use of toll revenues for debt service, payments to partners, and surface transportation projects would remain.
- Require value capture financing as a condition of receipt of Capital Investment Grant funds (commonly referred to as “New Starts”) for major transit projects.
- Expand credit assistance to state infrastructure banks (SIBs) and provide incentives to use SIBs, such as limiting federalization requirements for projects funded through SIBs. No specific funding increase is identified.
- Authorize states to repay federal investment to relieve highway projects from ongoing federal standards and requirements, such as restrictions on tolling, high-occupancy vehicle lane operation standards and compliance with size and weight standards

Project Delivery Provisions

- Exempt highway and transit projects with a “de minimis” federal share from complying with federal requirements. The plan does not define “de minimis” or specify which requirements would be waived.
- Authorize utility relocation to take place prior to National Environmental Policy Act (NEPA) completion for highway and transit projects on an “at risk” basis; relocation costs would only be reimbursed if a project were completed.
- Exempt small scale transportation projects from federal procurement and other requirements. The plan does not define a small-scale project.
- Raise the cost threshold for “major projects” subject to additional federal highway oversight from $500 million to $1 billion.