October 8, 2021 **Agenda Item 4a**

Federal Infrastructure Update

Subject:

Status update on the Build Back Better climate and social spending package and on the bipartisan Infrastructure Investment and Jobs Act.

Background:

This past month Congress has been working furiously to advance key components of the President's domestic agenda: A bipartisan $1 trillion physical infrastructure bill—the Infrastructure Investment and Jobs Act (IIJA)—and a much larger, wide-ranging climate and social spending reconciliation package, referred to as the Build Back Better plan. Summaries of the IIJA and the Build Back Better housing and transportation provisions are included as attachments.

As of the writing of this memo, the House is slated to vote on the Senate-passed IIJA on September 30—the same day that the current surface transportation law is set to expire—which would tee up the bill for the President's signature. House leadership has not yet announced the timeline for a vote on the reconciliation package, though Speaker Pelosi maintains that a compromise that can pass both the House and Senate is within reach.

Before a House bill is finalized and sent to the Senate, outstanding policy issues ranging from prescription drug pricing to state and local tax deductions (SALT) must be addressed. Other serious challenges remain—namely the size of the Build Back Better plan and the disagreement within the Democratic caucus about tying together the fates of the bipartisan infrastructure bill and this larger progressive spending bill. Senate moderates are seeking to scale the package down to $1.5 trillion while progressives in the House and Senate have stated that $3.5 trillion is the minimum spending level they can support.

As a reminder, the Democratic majority is razor thin in both the House and Senate—the House can only afford to lose three votes and the Senate needs every member caucusing with the Democrats to secure a majority. Speaker Pelosi faces a challenging situation with growing progressive anger with concessions to moderates and moderates keeping the pressure on for a timely vote on the IIJA.

Given these many moving pieces, we expect to provide another status update at your October 8, 2021 committee meeting.

Recommendations:

Information

Attachments:

- Attachment A: Build Back Better Housing Provisions
- Attachment B: Build Back Better Transportation Provisions
- Attachment C: Infrastructure Investment and Jobs Act Summary

Therese W. McMillan

Build Back Better Housing Provisions
September 23, 2021

(Summary is based on House Financial Services Committee and House Ways and Means Committee-passed bills)

The Build Back Better House reconciliation package would provide roughly $320 billion for affordable housing and community development investments—more than six times the entire annual Department of Housing and Urban Development (HUD) budget. The House bill would also make several transformational changes to the federal low-income housing tax credit (LIHTC) program—the single most important affordable housing production tool in California—and create a new homeownership-targeted tax credit to subsidize production and preservation of affordable owner-occupied homes. The LIHTC updates alone could enable California to more than double affordable housing production over the coming years. These housing financing changes paired with the proposed direct HUD investments would establish the federal government as a much stronger partner in affordable housing production, preservation, and protection efforts in the Bay Area and across the country and could help close the significant affordable housing funding gaps identified in Plan Bay Area 2050. A funding chart is below and summaries of MTC and ABAG-priority programs and policies follow.

Build Back Better Housing Funding Chart

Category/Program Name	Funding Amount* ($ in billions)
Affordable Housing Production, Preservation and Community Development	**$ 91**
Housing Trust Fund Formula	*$ 37*
HOME Investment Partnerships Formula	*$ 35*
Community Development Block Grant (CDBG) Formula	*$ 7*
Housing Investment Fund (new) (U.S. Treasury-run competitive grants for CDFIs and non-profit developers)	*$ 10*
Other CDBG (manufactured housing, colinias, technical assistance)	*$ 2*
Fair Housing and Community Restoration Discretionary Grants	**$ 25**
Unlocking Possibilities Program (new)	*$ 5*
Community Revitalization and Restoration (new)	*$ 8*
Lead-based Paint & Other Health Hazard Mitigation (new)	*$ 10*
Choice Neighborhoods Grants (revised)	*$ 3*
Homeownership Programs (new)	**$ 11**
Public Housing, Rental Assistance, and Capital Improvements for HUD-assisted Properties	**$ 188**
Public Housing Capital Improvements	*$ 77*
HUD Rental Assistance (Section 8 Housing Choice Vouchers- $75B, Project Based Rental Assistance - $15B, Housing for Seniors & Persons with Disabilities - $3.5B)	*$ 94*

Energy & Water Efficiency, Climate Resilience and Preservation of HUD-supported Multifamily Housing	*$ 10*
Other (Rural, Indian and Native Hawaiian housing)	*$ 7*
Other (FEMA Flood Insurance Program, HUD administration, etc.)	**$ 7**
Total	**$ 321**

*Total may not sum due to rounding

Federal Housing Tax Credits

The Build Back Better housing-related tax provisions could help transform the affordable housing landscape in the Bay Area by unlocking financing for a long pipeline of affordable housing projects that are ready to go but await federal tax credit financing. The Low Income Housing Tax Credit (LIHTC) program—a unique federal-state-local-private partnership—is California's most important affordable housing financing tool. In 2020 the tax credit helped finance 23,700 apartments for low-income California households, up nearly 20 percent from 2018. This increase is in large part because California has been so effective at leveraging LIHTCs, and for some years now the state has been the unusual position of having hit the ceiling on federal tax credit affordable housing financing capacity. Consistent with our top housing advocacy priorities, the Build Back Better plan would make several changes that would lift that ceiling, including increasing the state's annual LIHTC allocation by 74 percent over four years and—most importantly for California—revising the bond-financed LIHTC threshold to 25 percent from 50 percent to make more projects feasible. These and the other tax credit changes could translate to an increase of 230,000 affordable homes in California over 10 years according to an analysis by the real estate tax consulting firm Novogradac.[1] The bond-financing threshold provision alone could *double* California's annual affordable housing production financing capacity until the state's bond-financed project pipeline—20,000 units as of April 2021—has been built.

The plan would also create a new Neighborhood Homes Tax Credit (NHTC) to finance construction or rehabilitation of owner-occupied homes in distressed neighborhoods. State housing agencies would administer this tax credit—just as they do with LIHTC—providing affordable housing developers with tax credits to build or preserve homes in distressed areas (census tracts with high poverty rates, low median incomes, and a median value for owner-occupied homes at or below the area median). Given that this would be a new funding tool, impact estimates are less refined than those for the LIHTC, but some have estimated that the NHTC could build or preserve 500,000 homes nationwide.[2]

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[1] Source: Novogradac analysis published September 16, 2021
[2] Source: Novogradac analysis published September 13, 2021.

Rental Assistance and Investments in HUD-assisted Housing
The proposal includes more than $320 billion in housing and community investment. As shown in the chart on page 1, nearly 60 percent of the housing funding would fund expanded rental assistance (both tenant-based rental assistance (i.e., housing vouchers) and project-based rental assistance), public housing repair, and other capital improvements for HUD-assisted properties. For the Bay Area and California, the $94 billion rental assistance is particularly important. Federal rental assistance currently helps 530,000 low-income California families, seniors and individuals with disabilities afford rent every month, but the need is much greater; according to the California Housing Partnership, more than 1.3 million low-income households lack access to affordable housing. Build Back Better investments could help close this gap both by subsidizing rent for more low-income households so more families can afford to live in existing housing units and/or by ensuring that rental subsidy can be available to help fill units in those much-needed new affordable housing developments that the tax credit improvements and other investments can help accelerate.

Affordable Housing, State and Local Government Funding
Roughly 30 percent ($91 billion) of the Build Back Better housing investments would be available to states, local governments, and affordable housing developers to create and preserve affordable housing and invest in community development. Nearly half these funds would be allocated to the HOME Investment Partnership Program (HOME) and Community Development Block Grant Program (CDBG)—which are distributed via formula to eligible local governments and states—and roughly half would fund affordable housing projects and programs, with $37 billion directed according to the National Housing Trust Fund formula to states for project selection and $10 billion in competitive grants administered by the U.S. Treasury Community Development Financial Institution (CDFI) Fund to certified CDFIs and nonprofit affordable housing developers.

Bay Area local governments would receive an estimated $810 million in HOME and CDBG formula funds if the funds are distributed consistent with fiscal year 2021 allocations. The California Department of Housing and Community Development would additionally receive an estimated $1.1 billion to award to local jurisdictions and other eligible recipients that are not direct HUD formula recipients.[3] Additionally, California would receive an estimated $6.7 billion to supplement the state's National Housing Trust Fund allocations, which have been prioritized for housing investments to support persons experiencing homelessness since 2018.[4]

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[3] These are rough estimates based on Bay Area and California fiscal year 2021 shares of HUD HOME, CDBG and Housing Trust Fund formulas. Though the legislation provides that funds are distributed via existing programs, the bill would revise select set-asides for CDBG, formula inputs can change year-over-year and direct recipients of CDBG and HOME can change periodically due to CDBG population thresholds (results from the 2020 census may impact Bay Area direct recipients) and HOME's allowance for eligible local governments to opt-in to be direct recipients.

[4] California's share of National Housing Trust Fund (HTF) formula funds ranged from 13.1 percent in 2019 to 18.3 percent in 2021. The bill provides that the funds be distributed pursuant to the HTF grantees that received funds pursuant to that same formula in 2021, so staff assumed that 18.3 percent formula share in our estimate.

New Discretionary Grant Funding Opportunities

Unlocking Possibilities Program
The Build Back Better proposal would fund $25 billion in new or revised competitive program grants to support fair housing, neighborhood revitalization, and housing-related health and safety improvements. Importantly, a new Unlocking Possibilities Program—which has been the target for the Bay Area's regional efforts to secure grant opportunities for the Bay Area Housing Finance Authority (BAHFA) initiatives within the Build Back Better Plan—would receive $4.5 billion for both planning and implementation components. Planning grants could fund zoning updates and regulatory changes to eliminate barriers to affordable housing; local housing strategies to equitably increase affordable housing supply; and local or regional plans to increase availability and access to affordable housing, access to public transportation, and location-efficient housing, among other items. Unlocking Possibilities implementation grants would be available to *implement* the plans as well as implementing projects to affirmatively further fair housing. States, counties with populations of at least 200,000, and cities with populations of at least 50,000, and/or census-designated "principal" cities of metropolitan areas are eligible grant recipients.[5] Regional planning agencies are eligible for planning grants but not yet the implementation grants. MTC and ABAG—in close coordination with our regional and national partners—are seeking an amendment to make regional agencies also eligible for implementation grants as an additional funding tool for BAHFA.

Community Restoration and Revitalization Fund
The bill would also create a new $7.5 billion Community Restoration and Revitalization Fund, of which $5.7 billion would be awarded as competitive grants to local partnerships—local governments of all sizes are eligible joint applicants—that are led by nonprofits to develop and implement plans to preserve and create affordable housing, increase access to opportunity, and conduct neighborhood stabilization activities in communities experiencing cycles of blight and limited access to opportunity. The remaining funds would be reserved for HUD technical assistance and to support existing residents preserve equity in their homes and offset displacement, as well as HUD administrative costs. MTC and ABAG, in close coordination with our regional BAHFA coalition and national partners, are seeking to add regional planning agencies as eligible joint applicants.

Other discretionary grant opportunities for local governments include a new $10 billion program to address housing-related health hazards (primarily lead) in housing serving low-income families (the bulk of this is reserved for non HUD-assisted housing) and $2.8 billion to fund community development in neighborhoods surrounding public housing and other HUD multi-family housing developments. These grants are structured to be similar to the Choice Neighborhoods Initiative Program.

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[5] Grant eligibility is restricted to local governments that qualify as metropolitan cities and urban counties, the same designation that qualifies a local government as an "entitlement" jurisdiction eligible to directly receive CDBG funds. The Bay Area's 38 CDBG entitlement grantees as of fiscal year 2021 can be found thorough the HUD FY 2021 Community Development Program office funding page.

Homeownerships Programs

Regarding homeownership, the bill would invest $10 billion to provide first-time, first-generation homebuyers with down payment assistance of up to $20,000 or 10 percent of the home's purchase price, whichever is less, though HUD has discretion to lift this cap for economically disadvantaged home buyers. In high-cost areas—which would almost certainly include the San Francisco Bay Area—assistance is limited to homebuyers earning up to 140 percent area median income (AMI).[6] In San Francisco, for example, this would cover four-person households earning up to $186,500 per year.[7] Nearly $7 billion of these funds would be distributed to states as a block grant via a needs-based formula that is yet-to-be-determined. CDFIs and other qualified nonprofits could compete for $2.3 billion, and the remaining funds would be reserved for financial counseling and HUD technical assistance.

In addition, the bill would create a $500 million program to subsidize 20-year mortgages for first-generation homebuyers to accelerate wealth-building and a $100 million pilot program targeted at helping homebuyers purchase low-cost ($100,000 or less) homes.

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[6] The bill does not define "high-cost area," but in in 2020 the Federal Housing Administration reconfirmed all of California as a "high-cost area" for the purposes of determining mortgage assistance caps.

[7] HUD's AMI and California's AMI limits as determined by the Department of Housing and Community Development (HCD) for the purposes of implementing state programs can vary. For example, in 2021 HUD's four-person household AMI for San Francisco County is $133,200 while HCD's is $149,600. This example utilizes San Francisco's income limits using HUD's 2021 AMI threshold.

Build Back Better Transportation Provisions
September 23, 2021
(Summary is based on House Transportation & Infrastructure Committee, House Energy & Commerce Committee, and House Ways & Means Committee-passed bills)

The House Build Back Better plan would invest nearly $54 billion in surface transportation investments that are targeted toward fighting climate change and improving equity. The bill would also create new tools to finance transportation projects and update the tax code to support the transition toward transportation electrification. This spending—which includes funding for high speed rail, transit and sustainable transportation, electric vehicle tax incentives and charging infrastructure —is intended to supplement the more than $630 billion in surface transportation investments in the bipartisan Infrastructure Investment and Jobs Act.

Transit and High Speed Rail
Encouragingly, the Build Back Better plan includes programs that can fund transit, but to work within the parameters of the White House's "no double dipping" rule, the funding would not come to transit directly. First, the proposal would create a new $10 billion housing and transit access discretionary grant program administered jointly by the Department of Housing and Urban Development (HUD) and Federal Transit Administration (FTA) which would fund transit service and access improvements for transit serving low income and disadvantaged communities, including bus corridor transit priority investments; service expansion, frequency increases, and related fare subsidies; Americans with Disabilities Act accessibility upgrades; and public transportation planning.

Second, the bill creates a new $4 billion competitive climate-focused grant program to support transportation-related greenhouse gas emission reduction. About 25 percent of the money is reserved for state-sponsored projects, $50 million for the Federal Highway Administration (FHWA) to expand federal performance standards for states to include greenhouse gas reduction targets, leaving the remaining $3 billion for non-state entities, including metropolitan planning organizations, transit agencies, and other local project sponsors. Funds would be distributed by FHWA on a competitive basis for projects that reduce greenhouse gas emissions, provide zero-emission transportation options, reduce dependence on single-occupancy vehicle trips, or contribute to achieving net-zero greenhouse gas emissions by 2050.

The bill also includes $10 billion for high speed rail, nearly $4 billion to supplement the Reconnecting Communities funds from the bipartisan bill (but named "Neighborhood Access and Equity Grants" so as to avoid the "double dipping" issue) and $6 billion for "local projects" that the Transportation and Infrastructure Committee is hoping can fund some or all of the House INVEST Act earmarks, $209 million of which was designated for 61 Bay Area projects (note: this faces practical and political hurdles).

Transportation and other Capital Infrastructure Financing

Encouragingly, the Build Back Better bill would authorize a new transportation, water, and school infrastructure financing tool—qualified infrastructure bonds—modeled after the widely supported Build America Bonds (BABs), which were made available from 2009 through 2010 via the American Recovery and Reinvestment Act. Instead of making interest on BABs exempt from federal income taxes like typical tax-exempt municipal bonds, the federal government provided a direct subsidy. The Bay Area Toll Authority and many states, local governments and transit agencies around the country utilized BABs to finance transportation projects. Under the Build Back Better bill, issuers of the new qualified infrastructure bonds could use them to finance capital infrastructure projects and receive a direct federal payment to cover part of the interest cost. Bonds issued in 2022 through 2024 would be subsidized at 35 percent (the BABs rate), after which the rate would phase down to 28 percent in 2027 and thereafter.

Importantly, the Build Back Better plan would also restore a key feature of municipal bond financing that allows a one-time advance refunding of municipal bonds to refinance existing debt. In 2017, Congress enacted the Tax Cuts and Jobs Act, which eliminated the ability of states and municipalities to issue tax-exempt advance refunding bonds.

Transportation Electrification

Electric Vehicle Charging Infrastructure

The Build Back Better Act would invest $13.5 billion in electric vehicle infrastructure to support development of an electric vehicle charging network to assist the transition to zero emissions vehicles. This funding would go toward construction of charging infrastructure in publicly accessible locations, multi-unit housing structures, workplaces, ports and airports, and underserved areas. It would also support electrification of industrial and medium-heavy duty vehicles. Additionally, funds are included to support the development of energy transportation plans by state energy offices. These funds would supplement the $7.5 billion already dedicated to alternative fuel charging infrastructure in the bipartisan Infrastructure Investment and Jobs Act, which is targeted toward expanding the nation's highway charging network.

Clean Heavy-Duty Vehicles

The Build Back Better bill would invest $5 billion to replace qualified heavy-duty vehicles—including waste management trucks and school buses— with zero emission vehicles through a new grant program at the Environmental Protection Agency (EPA). Of note, although transit buses meet the eligibility requirements to qualify for the funds, it's unclear if the intent is to support transit electrification. We expect there would be an opportunity during the program development process to advocate for transit agency grant eligibility. This funding is on top of the $5 billion for electric school buses and $5.6 billion for low- and no-emission transit buses in the Infrastructure Investment and Jobs Act.

Electric Vehicle Tax Incentives
The Build Back Better plan would boost the refundable electric vehicle (EV) income tax credit to up to $12,500 per vehicle, up from the $7,500 tax credit currently available and includes strong union-supported incentives. In order to qualify for the full credit, the vehicle must be assembled in the U.S. with union labor (which would disqualify nonunion automakers such as Tesla and Toyota) and it must contain a U.S.-built battery. In order to avoid subsidizing primarily high-income earners, the tax credit value would begin to phase out once an individual's modified adjustable gross income reaches $400,000 ($600,000 for heads of household and $800,000 for married filing jointly) such that the credit would reach zero dollars at an income of $468,000.

The plan would create a new refundable EV credit for the purchase of used plug-in electric cars. The credit is capped at $2,500 or 30 percent of the sales price. Like the EV credit, this resale credit has an income cap. Buyers with up to $75,000 in adjustable gross income ($112,500 for heads of household and $150,000 for married filing jointly) would be able to claim the full credit, above which the credit would begin to phase out. The credit would reach zero dollars at an income of $84,000.

Additionally, Build Back Better would create a commercial electric vehicle manufacturers tax credit that could lower the purchase price of new electric transit buses, extend through 2031and increase the alternative fuel refueling property tax credit, and extend through 2031 the alternative fuels excise tax credit that benefits compressed natural gas (CNG) and liquified natural gas (LNG)-fueled transit vehicles. Regarding bicycles, the bill would create a new electric bicycle tax credit (up to 15 percent of the purchase price) and reinstates and expands bicycle commuter benefits, increasing the bike benefit to up to $52.50 per month and extending the benefit to cover bike share.

Metropolitan Transportation Commission and the Association of Bay Area Governments
Joint MTC ABAG Legislation Committee

September 10, 2021 **Agenda Item 4a**

Infrastructure Bill Update

Subject: Status update regarding the *Infrastructure Investment and Jobs Act.*

Overview: On August 10, the Senate passed on a bipartisan basis the *Infrastructure Investment and Jobs Act*, or IIJA (H.R. 3684), a roughly $1 trillion transportation, water, broadband and electric grid infrastructure bill that's intended to deliver on a portion of President Biden's "Build Back Better" jobs, climate and equity agenda. The "summary" section of this memo includes highlights of the bill with additional details included in the attachments.

Intersection with Reconciliation Bill and Next Steps
Senate Democrats and Speaker Pelosi's intention is to supplement this bipartisan infrastructure bill with a wide-ranging climate and social programs stimulus bill that Democrats could pass via a simple majority (reconciliation bill). The goal is that *in combination,* the bills would deliver on President Biden's "build back better" campaign promise such that aspects of his agenda that *weren't* addressed in the bipartisan infrastructure bill would be included in the reconciliation bill, including housing, electric vehicle incentives, building upgrades, health care, childcare, and education (note: this is not an exhaustive list).

House Democrats in late August advanced this dual track approach by adopting a rule that tees up a vote on the bipartisan infrastructure bill on September 27 and approving the Senate's $3.5 trillion budget blueprint, which sets a *spending ceiling* for the reconciliation bill and divvies up that spending among the respective policy committees. Policy committees—which are charged with drafting legislation to determine how the allocations will be spent—are expected to be working furiously to meet a September 27 deadline to deliver on Speaker Pelosi's goal of advancing the two bills as a package. With so many moving pieces, it's hard to predict the path forward, but this ambitious timeline *could set the stage* for final bill passage before the start of federal fiscal year 2022 (October 1). Staff will provide a status update at your September committee meeting.

Summary: The IIIJA would invest nearly $1 trillion in transportation, water, broadband, and power infrastructure as well as resilience investments. Of this amount, approximately $550 billion would be *new* spending (the nearly $1 trillion dollar amount reflects the cost to also maintain existing spending levels (i.e., baseline) for certain infrastructure, including surface transportation and water). Total spending amounts by infrastructure category are detailed in the chart below.

Infrastructure Investment and Jobs Act Spending Categories
($ in Billions)

Infrastructure Category	**Funding Amount**
Surface Transportation	$639
FAST Act Reauthorization	*$477*
IIJ Act Stimulus (supplemental spending)	*$157*
Electric & Low Emission School Buses	*$5*
Airports	$25
Ports and Waterways	$17
Water Infrastructure	$91
Broadband	$65
Power Infrastructure	$65
Resilience, Western Water Storage and Environmental Remediation	$71
Transportation Total	**$681**
Other Infrastructure Total	**$292**
Total	**$973**

Source: MTC analysis of H.R 3684, Eno Transportation Weekly and
White House Fact Sheet

Transportation - $681 billion
Transportation infrastructure is by far the largest component of the infrastructure bill. Regarding surface transportation, the bill combines a roughly $475 billion five-year surface transportation reauthorization—a 56 percent increase above Congress's last five-year transportation bill, the Fixing America's Surface Transportation (FAST) Act—with approximately $157 billion in supplemental one-time stimulus funding to be distributed to more than two dozen grant programs over five years. We estimate that the bill would provide about $4.5 billion in "guaranteed" funding for the Bay Area via the highway and transit formula funds that MTC distributes. We also expect Bay Area projects to receive a share of the state's $4.5 billion in bridge repair funds and dedicated resources for zero emission vehicle charging and resilience projects. The bill would also provide funding for airports, ports and waterways, as shown in the chart on Page 1.

The most unprecedented element of the deal is in the scale of new discretionary grants that would be administered by the U.S. Department of Transportation (USDOT); the bill would authorize approximately $150 billion in competitive grant funding that could help fund Bay Area surface transportation priorities. (Note: this figure excludes funds dedicated to geographies outside of the Bay Area, such as the Northeast Corridor). See page 3 of Attachment A for additional details on the discretionary grants.

Water Infrastructure

Water infrastructure would be funded at approximately $91 billion and—similar to surface transportation—includes a reauthorization of drinking and wastewater funding ($36 billion) and provides supplemental one-time stimulus funding to targeted programs. Nearly $53 billion would be distributed through the existing drinking water and clean water state revolving loan funds ($26.4 billion each) which provide grants to states for loans supporting water infrastructure and water quality improvement projects. An additional $15 billion would be available for lead pipe replacement (to be administered through drinking water state revolving loan funds) and $10 billion to address emerging pollutants. The remaining funding would be distributed through various other programs.

Broadband/High-Speed Internet

The IIJA provides $65 billion to help build out broadband infrastructure, assist states with developing and implementing digital equity plans, and to subsidize the cost of Internet service for low-income households. Of the funding, $42.5 billion would be reserved for a U.S. Department of Commerce broadband buildout grant program for states. Each state would receive a minimum of $100 million; remaining grant funding would be determined via a formula based on each state's proportionate number of underserved and high-cost locations. Another significant component of the broadband proposal is a $30/month voucher low-income families may use for Internet service ($14.2 billion cost). This subsidy builds on the existing Emergency Broadband Benefit established during the pandemic, removing any sunset date for the benefit and expanding eligibility to more low-income households. An estimated 10.6 million Californians would be eligible for the benefit, according to a White House fact sheet.

Power Infrastructure and Clean Energy

The IIJA includes $65 billion to upgrade power infrastructure and increase energy efficiency, creates a new Grid Deployment Authority, and invests in clean energy research and technology. Investments of interest include: $5 billion in grants to states, grid operators, and other entities to harden the electric grid against extreme weather events, $5 billion for demonstration projects aimed at hardening and enhancing grid resilience, $3 billion for the Smart Grid Investment Matching Grant Program with expanded eligibilities to include improvements that increase flexibility in responding to natural disasters and fluctuating demand , $8 billion to establish at least four regional clean hydrogen hubs, $550 million for the Energy Efficiency and Conservation Block Grant Program to support state and local governments in investing in energy efficiency and conservation projects and $225 million for a Department of Energy competitive grant program for states or regional partnerships to update their building energy codes.

Resilience, Western Water Storage, Environmental Remediation
The bill would provide about $71 billion for resilience, western water storage and remediation, including funding for wildfire resilience, flood mitigation, and ecosystem restoration. With regard to wildfires, the bill includes $3.3 billion for wildfire risk reduction efforts, including controlled burns, community wildfire defense grants, and funds to boost federal firefighter salaries. The bill would additionally provide $2 billion for federal ecological restoration projects to support fuel reduction. Other investments of interest:

- $3.5 billion to supplement the Weatherization Assistance Program that reduces energy costs for low-income households[1]
- $1 billion is provided for the Federal Emergency Management Administration (FEMA)'s Building Resilient Infrastructure and Communities (BRIC) grants
- $1 billion for a new grant program for states and local governments to develop and implement cybersecurity plans
- $24 million for San Francisco Bay restoration (funds will go to EPA) and $132 million for the National Estuary Program, of which **an *estimated* $4.5 million would come directly to the San Francisco Estuary Partnership** over five years ($900,000/year). This would more than double the Partnership's current annual federal funding of approximately $700,000.
- $17 billion for Army Corps of Engineers flood mitigation and waterways management planning and projects, including $11.6 billion for construction (intended to support both unfunded projects in the Army Corps pipeline and new construction).[2]
- More than $8 billion for water storage, recycling, and ecosystem restoration intended to help make California and other western states more resilient to drought

[1] Weatherization funding could also be categorized under "power infrastructure and clean energy" funding.
[2] Based on external infrastructure bill analyses, staff attributed Army Corps funding to the "resilience" category, though a portion of the $17 billion most likely accounts for a significant amount of the "ports and waterways" funding listed in the chart on Page 1.

- $1.2 billion over five years for brownfield remediation
- $3.5 billion for superfund remediation

Attachments: Attachment A: Summary of Surface Transportation Provisions of the IIJA

Therese W. McMillan

Summary of Surface Transportation Provisions of the Infrastructure Investment and Jobs Act

August 25, 2021

This writeup provides highlights of the transportation aspects of the Senate-passed Infrastructure Investment and Jobs (IIJA) Act, with a focus on Bay Area impacts.

Investment and Jobs Act vs. FAST Act Comparison Chart

	FAST Act (FY 2016-2020)	**IIJ Act (FY 2022-2026) *(Senate passed)***	**% Increase**
Surface Transportation Authorization[i]	$ 305 billion	$ 477 billion	56%
One-time General Fund advance appropriation) [ii]	-	$ 157 billion	N/A
Total	**$ 305 billion**	**$ 634 billion**	**108%**

Bay Area Highway and Transit Formula Funding Increase

The IIJA would substantially boost the Bay Area transit formula resources that MTC distributes, and the Bay Area would receive a lesser but not insignificant boost in flexible highway funds. Initial estimates are below and are subject to change.

Bay Area Transit

The IIJA would provide the Bay Area $3.4 billion in transit formula funds over five years vs. the $2.3 billion in Federal Transit Administration (FTA) formula funds over the FAST Act period. This increase would be a result of both a big boost in the federal transit formula funding from the Highway Trust Fund (HTF)—a big win for the long-term as it would be very unusual for HTF-funded federal transit (and highway) program funding levels to fall below this new baseline after five years at this funding level—and because of additional one-time supplemental stimulus funding to the Section 5337 State of Good Repair program, which we advocated for along with our large transit system partners across the country.

Bay Area Transit Formula Fund Estimate

	FAST Act (FY 2016-2020)[1]	**IIJ Act (FY 2022-2026)[2]**	**5-Year Funding Increase**
State of Good Repair	$1.1 billion	$1.7 billion	$0.7 billion
Urbanized Area	$1.1 billion	$1.5 billion	$0.4 billion
Other	$0.1 billion	$0.2 billion	$0.1 billion
Total	**$2.3 billion**	**$3.4 billion**	**$1.1 billion**

Note: Sums may not total due to rounding.
1. Amounts include FAST Act authorized funding plus Federal Transit Administration (FTA) supplemental appropriations from FY 2018, FY 2019 and FY 2020.
2. Amounts reflect IIJ transportation authorization and supplemental advance appropriations.

Bay Area Flexible Highway, Climate and Bike/Ped Formula Funding
The IIJA would increase five-year funding totals for flexible highway program funding in the Bay Area from $0.8 billion to $1.1 billion. Note that much of this increase is due to the new, highly flexible Carbon Reduction formula program, which the Senate funded at the expense of increasing the Congestion Mitigation and Air Quality Improvement (CMAQ) Program. Like CMAQ, the Carbon Reduction Program has broad eligibilities including public transit, high occupancy vehicle projects and congestion pricing. See chart below:

Bay Area Highway Formula Fund Estimate

	FAST Act (FY 2016-2020)*	**IIJ Act (FY 2022-2026)**	**5-Year Funding Increase**
Surface Transportation Program	$473 million	$603 million	$130 million
CMAQ	$367 million	$368 million	$1 million
Transportation Alternatives Program[1]	$38 million	$70 million	$32 million
Carbon Reduction Program *(new)*	-	$71 million	$71 million
Total	**$878 million**	**$1.1 billion**	**$234 million**

1. Amount reflects only those program funds suballocated to the Bay Area for the regional ATP program; does not include the Bay Area's share of the states "any area" funds

Encouragingly, metropolitan planning resources that come directly to MTC would increase as well, with the Metropolitan Planning program increasing by about 30 percent overall compared to FAST Act levels (FAST Act FY 2016-2020 vs. proposed FY 2022-2026 funding).

California Funding for Bridges, Resilience and Electric Vehicle Charging Infrastructure
The State of California would receive a **much larger** increase in formula funds (proportionately and dollar amount) compared to the suballocated formula programs, including five-year totals of approximately $4.2 billion from a flexible new bridge repair formula program ($27.5 billion nationwide) and approximately $380 million for electric vehicle charging infrastructure. Additionally, California would receive over the five year timeframe roughly $2.6 billion in funding that could be used for resilience-focused investments, $630 million from a new resilience-focused formula program for states and up to $1.9 billion of the state's anticipated $12.8 billion in National Highway Performance Program (NHPP) highway funding (highway and bridge resilience would be newly eligible for up to 15 percent of NHPP funding). We expect there will be legislation at the state level to implement these new programs, providing an opportunity to advocate for an approach that maximizes funding for the Bay Area.

Additionally, California's Trade Corridors Enhancements Program and "any area" Active Transportation Program would both be expected grow in accordance with the funding increases proposed for the federal freight formula program and federal Transportation Alternatives Program since state law directs these federal funds to these programs.

Opportunity for Bay Area Projects to Compete for $150 billion in Discretionary Grants
Bay Area projects (large and small) could also receive substantial direct federal investment via funding for existing and new discretionary grant programs. In addition to huge dollar amounts, the focus of the grant programs reflects many of the Plan Bay Area 2050 priorities and in general the selection criteria are Bay Area/large metro-friendly (ex: points for national and regional economic benefits). Grant programs of interest are listed below.

Of note, the IIJA authorizes approximately $190 billion in discretionary grants, however a portion of those funds are reserved for geographies outside the Bay Area (notably the Northeast Corridor), thus the Bay Area would be eligible to compete for approximately $150 billion in discretionary grant funds. Of this, $95 billion is "guaranteed" funding—i.e., grants are either funded from the Highway Trust Fund (HTF) or one-time supplemental general fund stimulus (upfront stimulus)—while the $55 billion in non-stimulus general fund authorizations (GF) are much less certain as they are subject to annual appropriations.

Transit, Bridge, Climate, Rail, Safety, and Priority Project Discretionary Grant Programs
(Note: National five-year totals. Fund sources listed to provide indication as to level of certainty that the funding will be made available.)

Highway and Bridge

- Bridge Investment Program - $15.8 billion for a new bridge program
  - $9.2 billion in upfront stimulus funding, plus $3.3 billion guaranteed from the reauthorization (HTF) and $3.3 billion in general funds subject to annual appropriations
  - Program would provide multi-year grants for major bridge improvements, like full funding grant agreements for bridges. BATA bridges and Golden Gate Bridge could apply. Smaller projects could be funded too.
- Charging and Fueling Infrastructure Grants (alternative fuel vehicles) - $2.5 billion (HTF)

Transit and Intercity Passenger Rail

- Capital Investment Grants - $23 billion
  - $8 billion in one-time upfront stimulus funding plus $15 billion subject to appropriation (vs. $12 billion in the FAST Act).
  - Program funds transit modernization and expansion projects
- Federal-State Partnership for Intercity Passenger Rail – $43.5 billion
  - $36 billion in upfront funding, of which at least $12 billion may be spent outside the Northeast Corridor; $7.5 billion in additional funds subject to annual appropriations, of which not less than $3.4 billion must be spent outside the Northeast Corridor)
  - Expanded eligibilities to allow program to fund new and expanded intercity rail (e.g. California High Speed Rail), in addition to the program's historic focus on Amtrak and other intercity rail service's state of good repair
- Amtrak - $30 billion (roughly 40 percent is reserved for the Northeast corridor)
  - $19.2 billion in upfront stimulus and an additional $11 billion subject to annual appropriations

- Consolidated Rail Infrastructure and Safety Improvements (CRISI) - $10 billion
    - $5 billion in upfront stimulus funding and $5 billion subject to annual appropriations
    - Program funds rail safety, efficiency and reliability improvements. Examples of eligible projects include capital projects to reduce congestion and facilitate ridership growth and highway-rail grade crossing improvements.

- Railroad Crossing Elimination Program - $5.5 billion
    - New program funded at $3 billion in upfront stimulus funding and $2.5 billion subject to annual appropriations
    - Supplements the longstanding Rail-Highway Grade Crossing program funding that is distributed to states via formula, funded through the HTF at $1.2 billion (FAST Act funded the program at $1.1 billion).
- Low- and Zero-Emission Bus Program (transit) – $5.6 billion
    - $375 million guaranteed from the reauthorization (HTF) and $5.25 billion in upfront stimulus
- ADA Accessibility Improvements for Legacy Rail Systems - $1.75 billion (upfront stimulus) *(new program)*
- Competitive Grants for Rail Vehicle Replacement - $1.5 billion (HTF)
- Electric or Low-Emission Ferry Program - $500 million
    - $250 million in upfront stimulus funding, plus $250 million subject to annual appropriations

Multimodal Mobility, Economy, Safety, and Climate Programs

- National Infrastructure Project Assistance - $15 billion
    - $5 billion in upfront stimulus funding and $10 billion subject to annual appropriations
    - Program would provide multiyear grant agreements for large projects
    - Multimodal eligibility, including for integrated intercity and commuter rail projects, as advocated by MTC and national partners
- Local and Regional Project Assistance - $15 billion
    - $7.5 billion in upfront stimulus funding plus $7.5 billion subject to annual appropriations
    - Authorizes RAISE (BUILD/TIGER)
- INFRA (multimodal freight program) - $8 billion
    - $4.8 billion from the HTF and $3.2 billion in upfront stimulus appropriations
- Safe Streets and Roads for All - $6 billion
    - $5 billion in one-time upfront stimulus funding, $1 billion subject to annual appropriations
    - Grants for local jurisdictions and metropolitan planning organizations to develop and implement Vision Zero safety plans
- Rural Surface Transportation Grant Program - $2 billion (HTF)
    - Grants for highway and bridge improvement, freight and safety projects in urbanized areas less than 200,000 in population. Travel demand management projects are also eligible.
    - States, regional transportation planning organizations, local governments, and multijurisdictional groups may apply.

- PROTECT resilience grants - $1.4 billion (HTF)
    - States, locals, metropolitan planning organizations, and other transportation authorities may apply.
- Reconnecting Communities - $1 billion
    - $500 million from the HTF, $500 million in upfront stimulus
    - Grants may fund planning and construction to remove or retrofit highways and restore community connectivity

- SMART (Strengthening Mobility and Revolutionizing Transportation Grant Program) - $1 billion
    - $500 million in upfront stimulus; $500 million subject to annual appropriations
    - Eligible projects include automated and connected vehicle infrastructure deployment, transit signal prioritization, and other technology-related transportation system improvements
- Congestion Relief Program - $250 million (HTF)
    - New flexible major metro congestion reduction program. Eligibilities are broad and allow for congestion pricing on existing Interstate highways

Note: CRISI and Railroad Crossing Elimination Programs could also fall in the "safety program" category.

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[i] Transportation authorization bill funding reflects both Highway Trust Fund (HTF) amounts—which are essentially "guaranteed"—in addition to those funding amounts authorized but subject to the uncertainty of the annual appropriations process. The FAST Act's $305 billion price tag reflected $282 in HTF proceeds and only $23 billion in general funds while the IIJA would provide $383 billion in HTF funding, with $94 billion subject to annual appropriations.

[ii] Chart does not yet reflect the FY 2018 through FY 2020 Highway Improvement Program and Transit Infrastructure Grants, which supplemented highway and transit funding.