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Summit Strategies Team Report – March 2023

From: Summit Strategies Team

To: Andrew B. Fremier, Executive Director

Date: April 7, 2023

Subject: March Federal Policy Monthly Report

- **President Unveils Budget**
 - **Potential Cuts Coming for Transportation, Housing and Urban Development (THUD)**
 - **Supporting MTC Priorities in Congress**
 - **Agency Actions and Competitive Grant Update**
 - **National Transportation News Roundup**
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Below is a status update on issues of interest to MTC and the actions that we have taken to date.

President Unveils Budget

President Biden has released his Fiscal Year 2024 budget, which includes significant changes to transportation funding. The \$6.8 trillion budget includes a \$215 million increase in Capital Investment Grant (CIG) funding to \$2.85 billion. On top of this boost, the budget includes \$4.6 billion for new administration priorities, including \$1.2 billion in MEGA project grants. The budget would also increase Federal Transit Administration (FTA) funding by almost \$250 million, with raises also slated for the Federal Aviation Administration and Federal Railroad Administration. The Administration's budget does not exclusively increase spending. It also removes \$5.4 billion in Congressional priorities, including all general fund "plus-ups." The budget would also eliminate 2024 annual appropriations for RAISE grants—although RAISE would still receive \$1.5 billion in funding from the Bipartisan Infrastructure Law (BIL). In total, the budget requested \$27.8 billion in discretionary spending for the Department of Transportation (DOT), \$1.8 billion more than last year.

Another change in the President's budget would allow large transit agencies to spend federal funds on operating expenses. The proposal would allow transit agencies serving populations of over 200,000 to use Section 5307 Urbanized Area Formula Program funds and flexed Federal-Aid Highway funds for operating expenses and capital costs, which smaller transit agencies are currently allowed to do.

With Republicans in control of the House of Representatives, the President's budget is unlikely to pass in its current form. However, it does set the agenda for what the President and Democrats on the Hill will be fighting for in upcoming appropriations negotiations.

Potential Cuts Coming for Transportation, Housing and Urban Development (THUD)

According to Capitol Hill staffers, there is not enough revenue to fund the fiscal year 2024 THUD spending bill. Current projects place them \$13 billion short. The shortfall is due to a combination of factors, including a reduction in home refinancing, a dramatic decline in new house loans, and an increase in rental assistance. Since the Department of Housing and Urban Development (HUD)'s budget contains little discretionary spending, the housing deficits could impact transportation.

House Republicans have already announced that earmarks will cap one-half of one percent of discretionary spending across all spending bills. Last year congressionally directed spending in THUD accounted for \$5.5 billion, or 6% of the discretionary spending in the bill. Taken together, cuts could be coming for THUD in the upcoming appropriations cycle.

Supporting MTC Priorities in Congress

Working with your staff, the D.C. team scheduled and organized the Metropolitan Transportation Commission annual trip to Washington, D.C. Highlights included meetings with seven Members of Congress, seven congressional offices, staff from multiple committees, and five agency officials. The D.C. Team also successfully lined up Speaker Emerita Nancy Pelosi (D-CA) and U.S. Department of Transportation Secretary Polly Trottenberg to speak at the California Transportation Reception.

Agency Actions and Competitive Grant Update

Relief Funding Available for Transit Agencies

On March 27, 2023, the FTA announced \$212.3 million in funding under the Public Transportation Emergency Relief Program to help transit agencies recover from major declared disasters in 2017, 2020, 2021, and 2022. To qualify for an award, a transit agency must have expenses from an event President Biden declared a major disaster during the specified years. Eligible projects include repairing and/or replacing equipment and facilities, supporting the cost of evacuation and rescue operations, and rebuilding services that existed before the major disaster declaration. Applications are due by May 26, 2023. [More information on the announcement can be found here.](#)

First Round of Electric Vehicle (E.V.) Charging Applications Announced

On March 14, 2023, the USDOT opened applications for the first round of the \$2.5 billion Charging and Fueling Infrastructure (CFI) Discretionary Grant Program. \$700 million this year will go to fund E.V. charging and alternative-fuel infrastructure across the country. E.V. infrastructure will be built in publicly accessible urban and rural communities and designated Alternative Fuel Corridors (AFCs). The E.V. chargers constructed under this program must follow the same standards that apply to the National Electric Vehicle Infrastructure (NEVI) Formula Program, which the Federal Highway Administration published last month. The CFI

program differs from the NEVI program in that it will bring charging infrastructures to cities, local neighborhoods, and rural communities. In contrast, the NEVI will create charging infrastructure along interstates, U.S. routes, and highways.

The CFI program is split into two different funding categories: the Community Program and the Corridor Program. The Community Program will provide \$1.25 billion for publicly accessible E.V. charging infrastructure and designated alternative fuel infrastructure at public buildings, schools, and parks or in publicly accessible parking facilities owned by private entities. The Corridor Program will provide \$1.25 billion for publicly accessible E.V. charging infrastructure and designated alternative fuel infrastructure along designated fuel corridors.

Applications are due May 30, 2023. [More information on the announcement can be found here.](#)

Funding for Transit Projects Announced

On March 9, 2023, the USDOT recommended that 18 large transit projects in 11 states receive \$4.45 billion for transportation construction. The projects were recommended to receive funding in President Biden's Fiscal Year 2024 budget request. Nine of the projects will receive funding for the first time. The recommendations receive funding through CIG and Expedited Project Delivery (EPD) Pilot programs.

Five of the recommended projects are in California, including \$167 million for the East San Fernando Valley Transit Corridor Phase 1 Project, \$500 million for the BART Silicon Valley Phase 2 project, \$643 million for the Los Angeles Westside Subway Section 2 and Section 3 rail projects, and \$14 million for the Monterey-Salinas Transit SURF! Highway 1 Busway and Bus Rapid Transit project. [More information on the announcement can be found here.](#)

Reconnecting Communities Awards Announced

On February 28, 2023, the USDOT announced \$185 million in awards to 45 projects through the Reconnecting Communities Pilot Program (Program), which strives to undo past transportation infrastructure decisions that divided communities. Established by the Bipartisan Infrastructure Law (BIL), the Program provides technical assistance and funding for communities' planning and construction projects that aim to connect neighborhoods by removing, retrofitting, or mitigating transportation barriers such as highways and railroad tracks. The Program will create new crossing opportunities through public transportation, bridges, tunnels, and trails.

In the first round of funding, the USDOT is awarding 39 Planning Grants and six Capital Construction Grants, including \$680,000, to the California Department of Transportation to explore alternatives for reconnecting communities along the Interstate 980 corridor.

The Inflation Reduction Act (IRA) also established a new \$3 billion program called the Neighborhood Access and Equity Grant Program, which will fund projects that will reconnect communities. USDOT plans to launch that program this spring. [More information on the announcement can be found here.](#)

Federal Highway Administration (FHWA) Issues New Memo

On February 24, 2023, the FHWA issued a new policy memo on how states' departments of transportation should prioritize their formula funds through BIL money. The new memo supersedes a memo from December 2021, which directed FHWA employees to encourage state and local highway funding recipients to prioritize projects that improve the condition and safety of existing transportation infrastructure within the right-of-way before advancing projects that add new general purpose travel lanes serving single occupancy vehicles.

The 2021 memo engendered significant opposition among congressional republicans, state DOTs, and highway stakeholders who believed the memo would restrict the flexibility and decision-making of funding recipients and change the underlying federal-state relationship established in law. In the face of this opposition and threats that both House and Senate Republicans were expected to attempt to rescind the December 2021 guidance memo, FHWA issued the new guidance, which encourages states to spend infrastructure funds to meet their needs, whether it is reconfiguring, modernizing, expanding, adding, retiring, or replacing infrastructure assets. [More information on the announcement can be found here.](#)

National Transportation News Roundup (links to articles)

- [Transit Projects Would Get More Than \\$4B Under Biden Budget Proposal \(Route Fifty\)](#)
- [Biden FAA nominee doesn't need waiver, DOT tells Republicans \(The Hill\)](#)
- [Ohio sues Norfolk Southern over toxic train derailment \(A.P.\)](#)
- [U.S. Approves \\$31 Billion Merger of Two Big Railroads \(NYTimes\)](#)