

Getting Mileage Out of Federal Infrastructure Funds

NCSL Budget Working Group

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June 1, 2023

Pew

States' Long-Term Liabilities: Infrastructure, Debt & Pensions

2007 to 2021: Strengthening Public Sector Retirement Systems

- 50-state research on trends on public retirement systems and retiree health benefits covering funding, investments, governance, plan design, and retirement security.
- Technical assistance to policymakers in over 25 states and cities since 2011 has saved states an estimated \$5 billion in unfunded liabilities over 10 years.
- Evidence-based, data-driven approach: not an academic exercise, but rather an applied-research approach to policy change and implementation.

States' Long-Term Liabilities: Infrastructure, Debt & Pensions

2021: Shift Toward Addressing Persistent Imbalances

- State & Local Governments report over \$5 trillion in government debt and unfunded retirement obligations.
- Maintenance backlogs for “basic” infrastructure are estimated at over \$1 – 2 trillion.
- Together these account for approximately 90% of long-term liabilities on states’ balance sheets, with annual costs that equal to about 25%-30% of states’ own source revenues.
- Opportunity for a better, more holistic “balance sheet” measurement. State policymakers cannot address long-term investment needs and structural challenges without truly accounting for the size of the problem and consequences of inaction.

Pew's Infrastructure Research Agenda

Focusing on the transportation, transit, and water utility sectors:

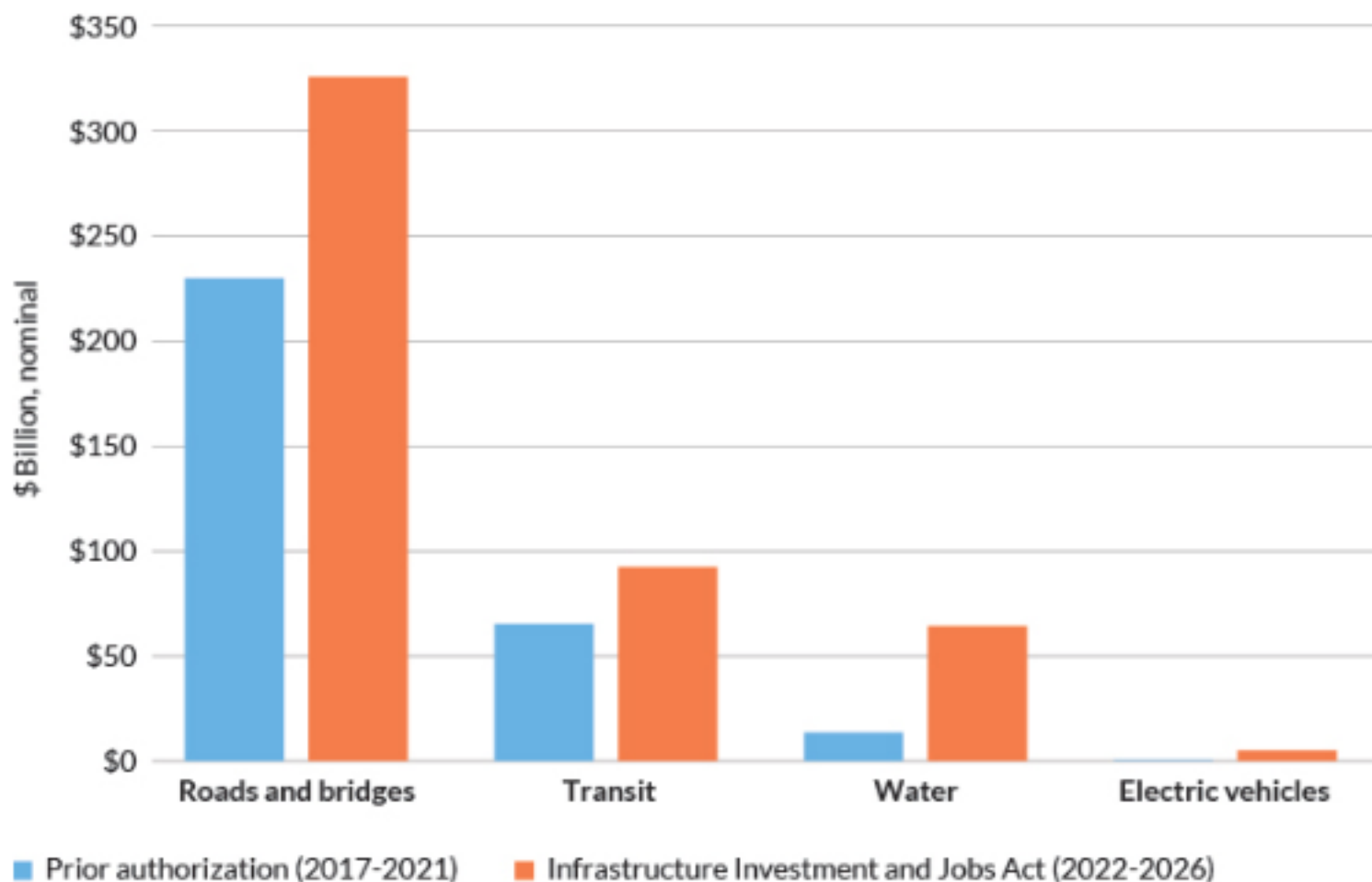
- Assessing states' asset management and capital planning practices
- Measuring deferred maintenance: How are states planning and accounting for costs?
- Funding and Financing Practices: Sources, Uses, and Innovative Practices
- Opportunities for more equitable infrastructure funding and investments
- Estimating and planning for the added fiscal costs of climate change impacts to states' infrastructure assets

Infrastructure Investment & Jobs Act

Boosts federal allocations to states' transportation & water systems by 62%

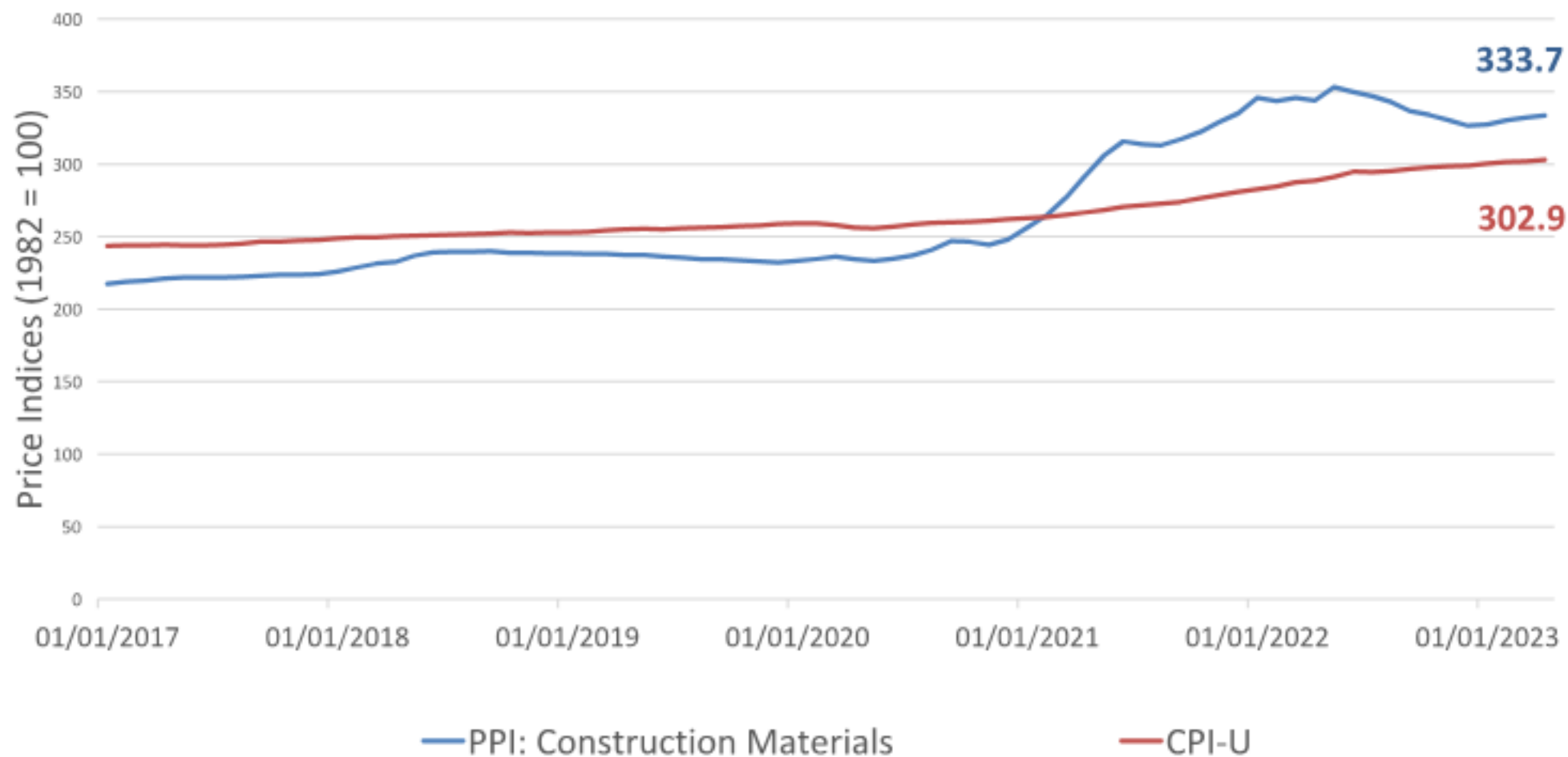
Infrastructure Law Boosts Federal Funding for State Transportation and Water Systems by 62%

Comparison of prior 5 years of authorization (2017-2021) and 5 years of funding under new law (2022-2026) in nominal dollars



Construction Cost Increases Outpace Consumer Price Index

Trend of price materials essential to infrastructure work could limit impact of more federal funding



Surface Transportation

FY22-26 allocations 40%+ higher than previous 5 years

High Points of BIL Highway Provisions

- **Funds highway programs for five years** (FY 22-26)
- **\$350.8 B (FY 22-26) for highway programs**
 - \$303.5 B in Contract Authority (CA) from the Highway Trust Fund (HTF)
 - +\$47.3 B in advance appropriations from the General Fund (GF)
- **More than a dozen new highway programs**, including—
 - **Formula:** resilience, carbon reduction, bridges and electric vehicle (EV) charging infrastructure
 - **Discretionary:** bridges, EV charging infrastructure, rural projects, resilience, wildlife crossings, and reconnecting communities
- Focus on safety, bridges, climate change, resilience, and project delivery
- **More opportunities for local governments and other non-traditional entities** to access new funding
- \$90 B transfer (GF->HTF) to **keep the HTF Highway Account solvent for years**

Changes to National Highway Performance Program (NHPP) \$148 Billion – 22% Annual Increase FY22-26

Topic	Changes
Program purpose	Adds as an additional program purpose: <ul style="list-style-type: none">• providing support for activities to increase the resiliency of the NHS to mitigate the cost of damages from sea level rise, extreme weather events, flooding, wildfires, or other natural disasters
Eligible projects	Adds new eligible projects: <ul style="list-style-type: none">• undergrounding public utility infrastructure carried out in conjunction with an otherwise eligible project• resiliency improvements (including protective features) on the NHS• activities to protect NHS segments from cybersecurity threats.• protective features (related to mitigating risk of recurring damage or the cost of future repairs from extreme weather events, flooding, or other natural disasters) on Federal-aid highways/bridges off the NHS (≤15% of NHPP funds)
Asset management plans	<ul style="list-style-type: none">• Requires consideration of extreme weather and resilience in lifecycle cost and risk management analyses

Changes to Surface Transportation Block Grant Program (STBG) \$72 Billion – 19% Annual Increase, FY22-26

Topics	Changes
Eligible projects	<ul style="list-style-type: none">Adds several new types of eligible projects, including:<ul style="list-style-type: none">• EV charging infrastructure• protective features to enhance resilience• wildlife crossing projects
Off-system bridges	<ul style="list-style-type: none">• Increases off-system bridge set-aside• Adds eligibility to include replacing a low water crossing with a bridge
Sub-allocation	<ul style="list-style-type: none">• Population categories for sub-allocation split into smaller ranges:<ul style="list-style-type: none">○ < 5,000○ [NEW] 5,000 – 49,999○ [NEW] 50,000 – 200,000○ >200,000• Requires States to consult with RTPOs and MPOs for urbanized areas with 50,000-200,000 pop. before using certain suballocated funding
Rural areas	<ul style="list-style-type: none">• Permits States to use up to 15% of funds for eligible projects or maintenance on non-Federal aid highways in rural areas, and up to 5% for certain barge landing, dock and waterfront infrastructure projects

[NEW] Bridge Formula Program

Purpose	Replace, rehabilitate, preserve, protect, and construct bridges on public roads
Funding	\$27.5 B (FY 22-26) in advance appropriations from the GF
Recipients	<ul style="list-style-type: none">• States (including DC and Puerto Rico)
Distribution formula	<ul style="list-style-type: none">• 75% based on relative costs of replacing State's poor condition bridges• 25% based on relative costs of rehabilitating State's fair condition bridges• ...but each State receives at least \$45M per FY (22-26)
Other key provisions	<ul style="list-style-type: none">• Benefits for "off-system" (non-Federal-aid highway) bridge projects<ul style="list-style-type: none">◦ 15% of funds reserved for such projects◦ 100% Federal share if owned by a local agency or Federally-recognized Tribe• Sets aside 3% of the funds appropriated for the program for Tribal transportation facility bridges, which shall be administered as if made available under the Tribal Transportation Program

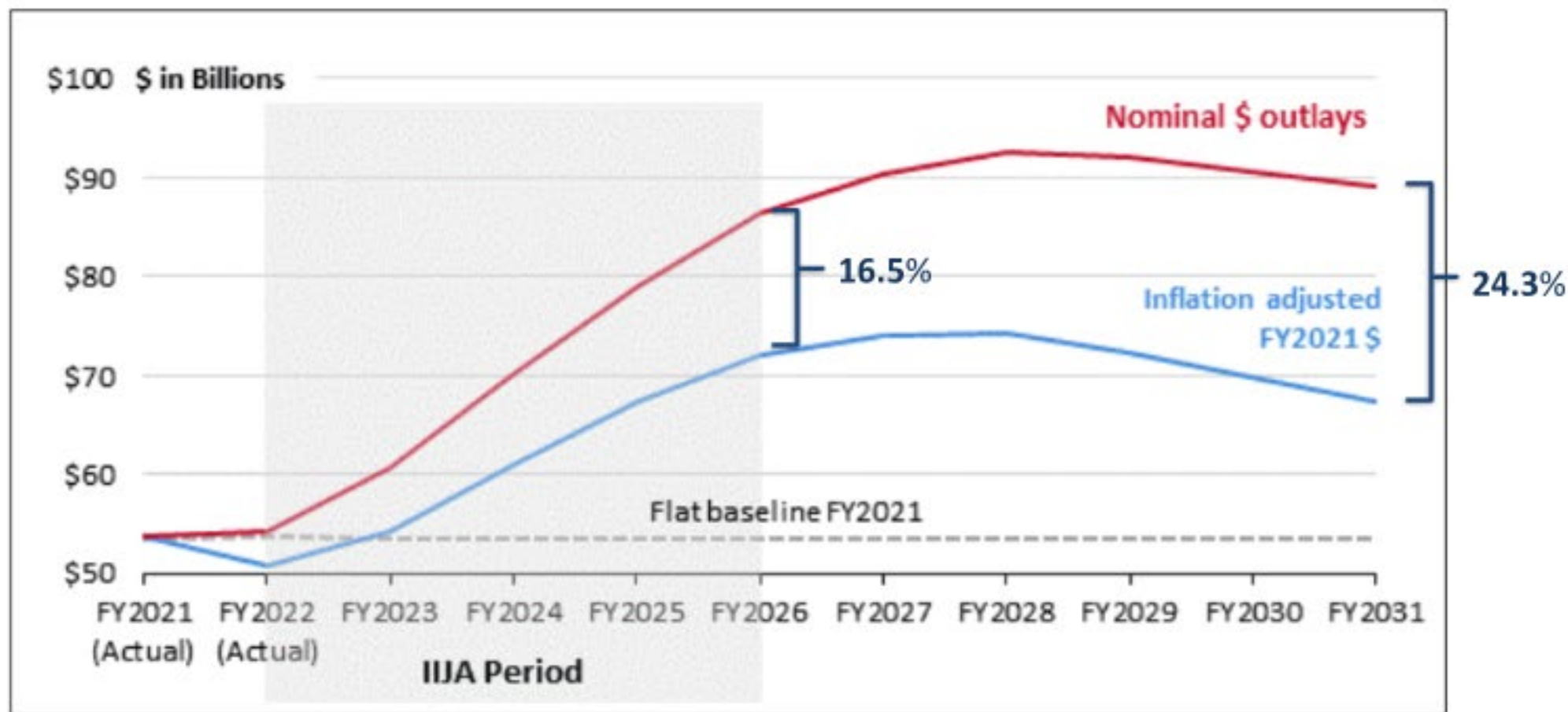
[NEW] Bridge Investment Program (discretionary)

Purpose	Improve bridge (and culvert) condition, safety, efficiency, and reliability
Funding	\$12.5 B (FY 22-26), including— <ul style="list-style-type: none">• \$3.3 B (FY 22-26) in Contract Authority from the HTF; and• \$9.2 B (FY 22-26) in advance appropriations from the GF
Eligible entities	<ul style="list-style-type: none">• State• MPO (w/ pop. >200K)• Local government• Special purpose district or public authority with a transportation function• Federal land management agency• Tribal government
Eligible projects	<ul style="list-style-type: none">• Project to replace, rehabilitate, preserve or protect one or more bridges on the National Bridge Inventory• Project to replace or rehabilitate culverts to improve flood control and improve habitat connectivity for aquatic species
Other key provisions	<ul style="list-style-type: none">• At least 50% of funding reserved for certain large projects; option for multi-year funding agreements• Different process for funding projects ≤\$100 M cost• Sets aside average of \$40M per FY for Tribal transportation bridges

Select New Highway Climate and Resilience Programs

- **Carbon Reduction Program**
\$6.4 B (FY 22-26) in Contract Authority from the HTF (Formula)
- **PROTECT Grants**
\$7.3 B (FY 22-26) in Contract Authority from the HTF (Formula)
\$1.4 B (FY 22-26) in Contract Authority from the HTF (Discretionary)
- **Charging and Fueling Infrastructure**
\$2.5 B (FY 22-26) in Contract Authority from the HTF (Discretionary)
- **National Electric Vehicle Formula Program**
\$5 B (FY 22-26) in Advance Appropriations from the GF
10% Set-aside for TA Discretionary Grants

Actual and Projected HTF Highway and Transit Outlays



Source: Congressional Research Service

Topics for Discussion: Federal Highway Programs

1. Impact to Date:

- a) In what areas have the increased federal surface transportation funds impacted your state's capital planning or budgeting? Are there projects that are being green-lit that would not have been?
- b) Or is the extra funding freeing up state funds for other, non-transportation funding?

2. Project Selection:

- a. Has the federal focus on resilience or equity prompted adjustments in state project selection criteria or funding priorities in order to take full advantage of new funds or expanded eligibility?
- b. What data or tools does your state use to track needed surface transportation investments and/or select projects for funding?

3. Obstacles to Increased Investment:

- a) Is your state facing state or local government capacity or timing constraints that may impact programming the additional federal funds as they become available?
- b) How are you planning for continued inflationary pressures?

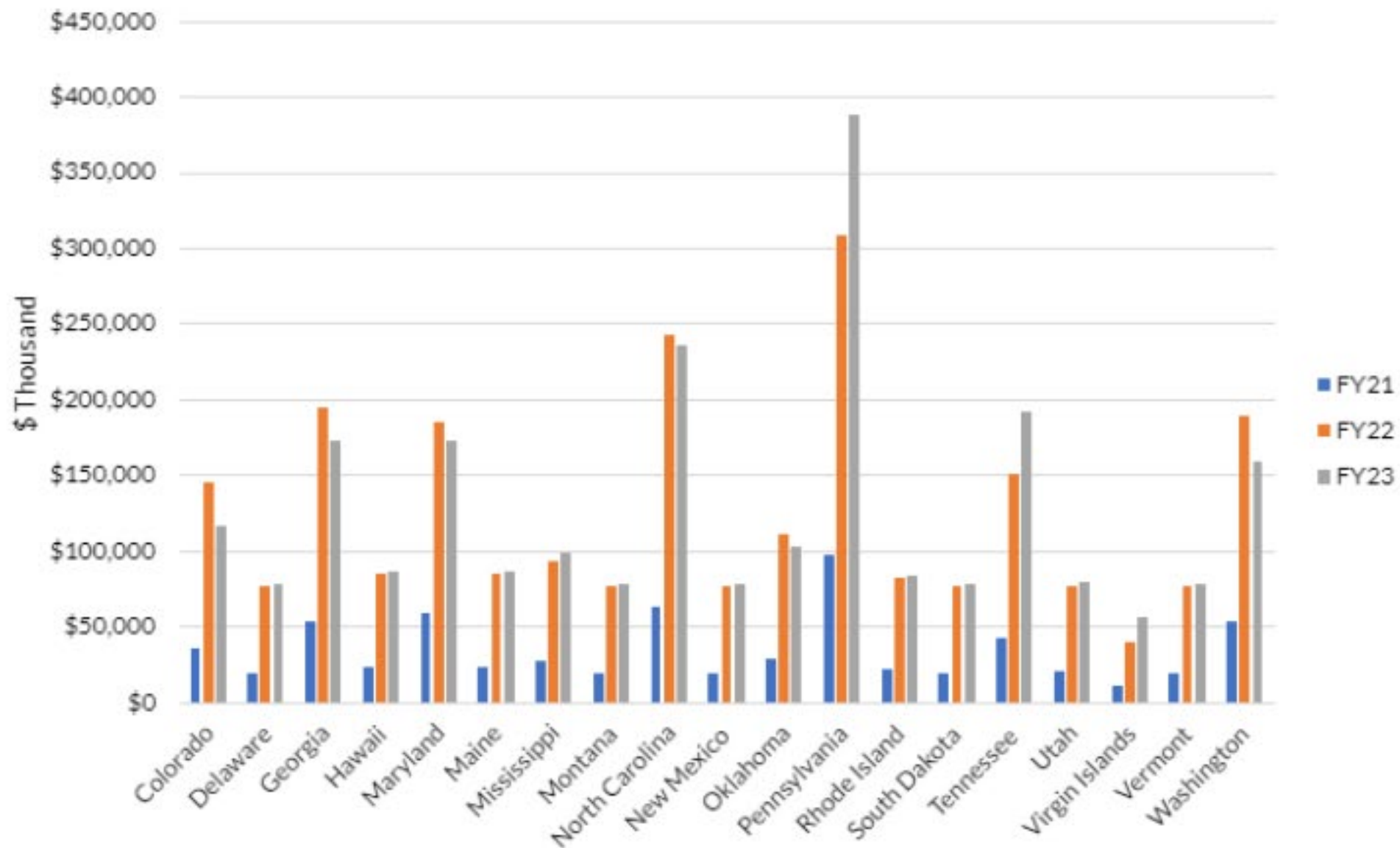
Water: State Revolving Funds

FY22-26 allocations nearly 5X higher than previous 5 years

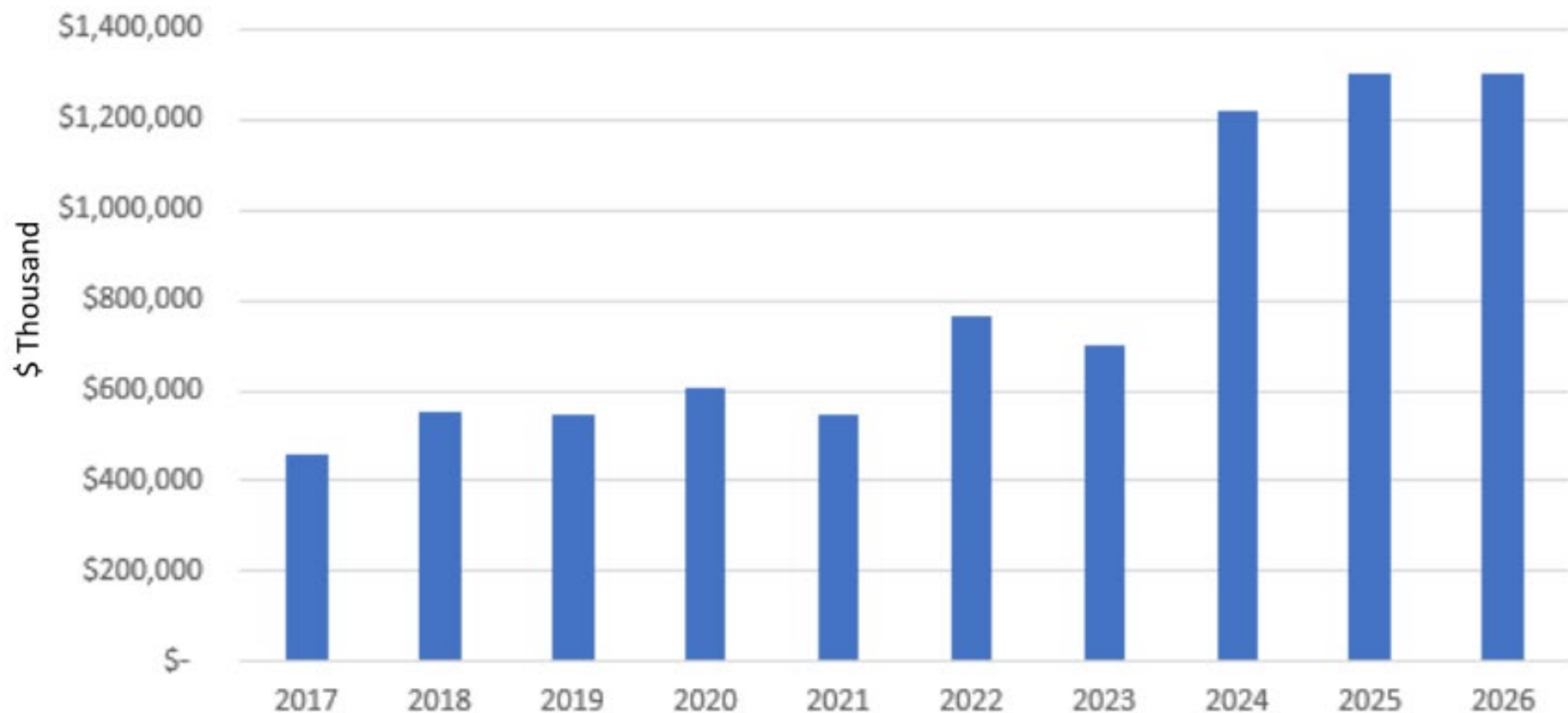
SRF Investments Through the Bipartisan Infrastructure Law

Drinking Water		Clean Water	
\$11.7 billion	Drinking Water SRF general supplemental <ul style="list-style-type: none"> • 49% loan forgiveness • 10% state match (2022–2023) 	\$11.7 billion	Clean Water SRF general supplemental <ul style="list-style-type: none"> • 49% loan forgiveness • 10% state match (2022–2023)
\$4 billion	Drinking Water SRF for Emerging Contaminants <ul style="list-style-type: none"> • 100% loan forgiveness (25% designated for disadvantaged communities) • 0% state match 	\$1 billion	Clean Water SRF for Emerging Contaminants <ul style="list-style-type: none"> • 100% loan forgiveness • 0% state match
\$15 billion	Drinking Water SRF for Lead Service Line Replacement <ul style="list-style-type: none"> • 49% loan forgiveness • 0% state match 		

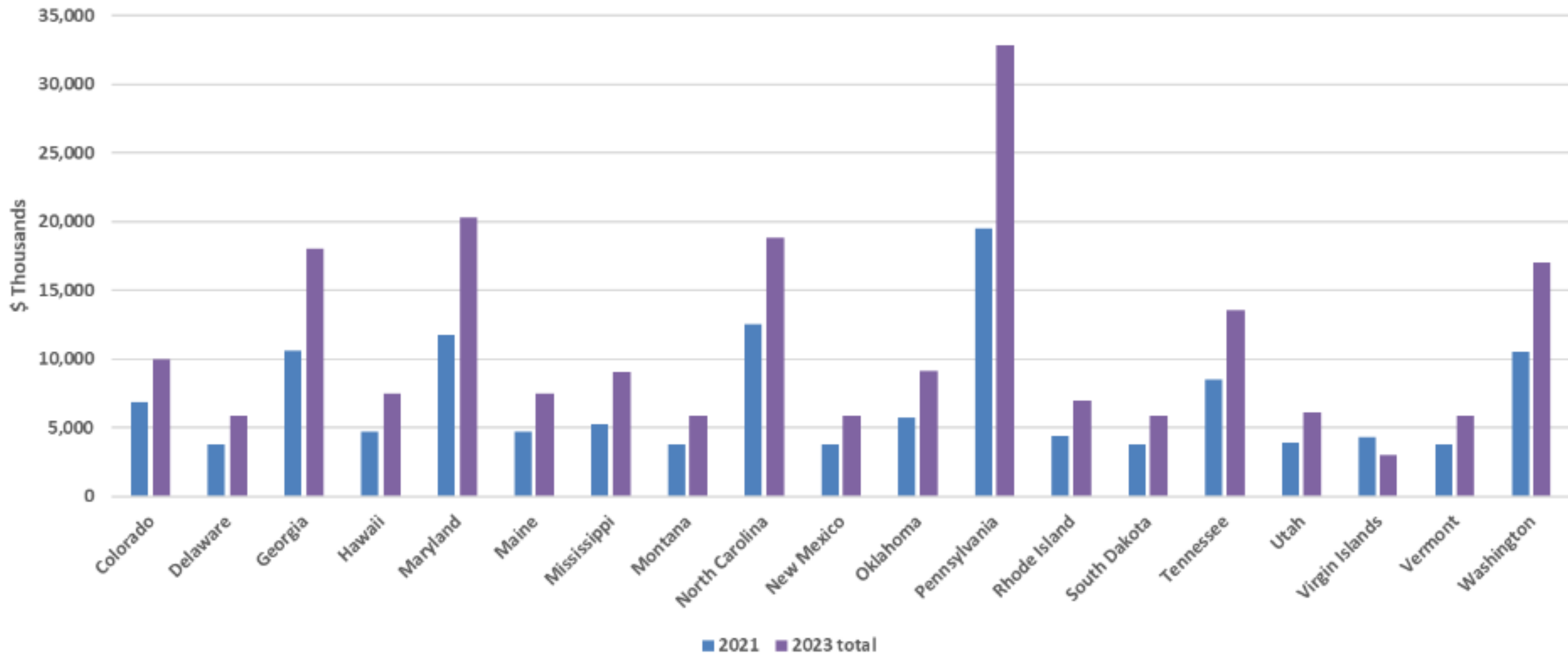
Total SRF Allotments by State and Year



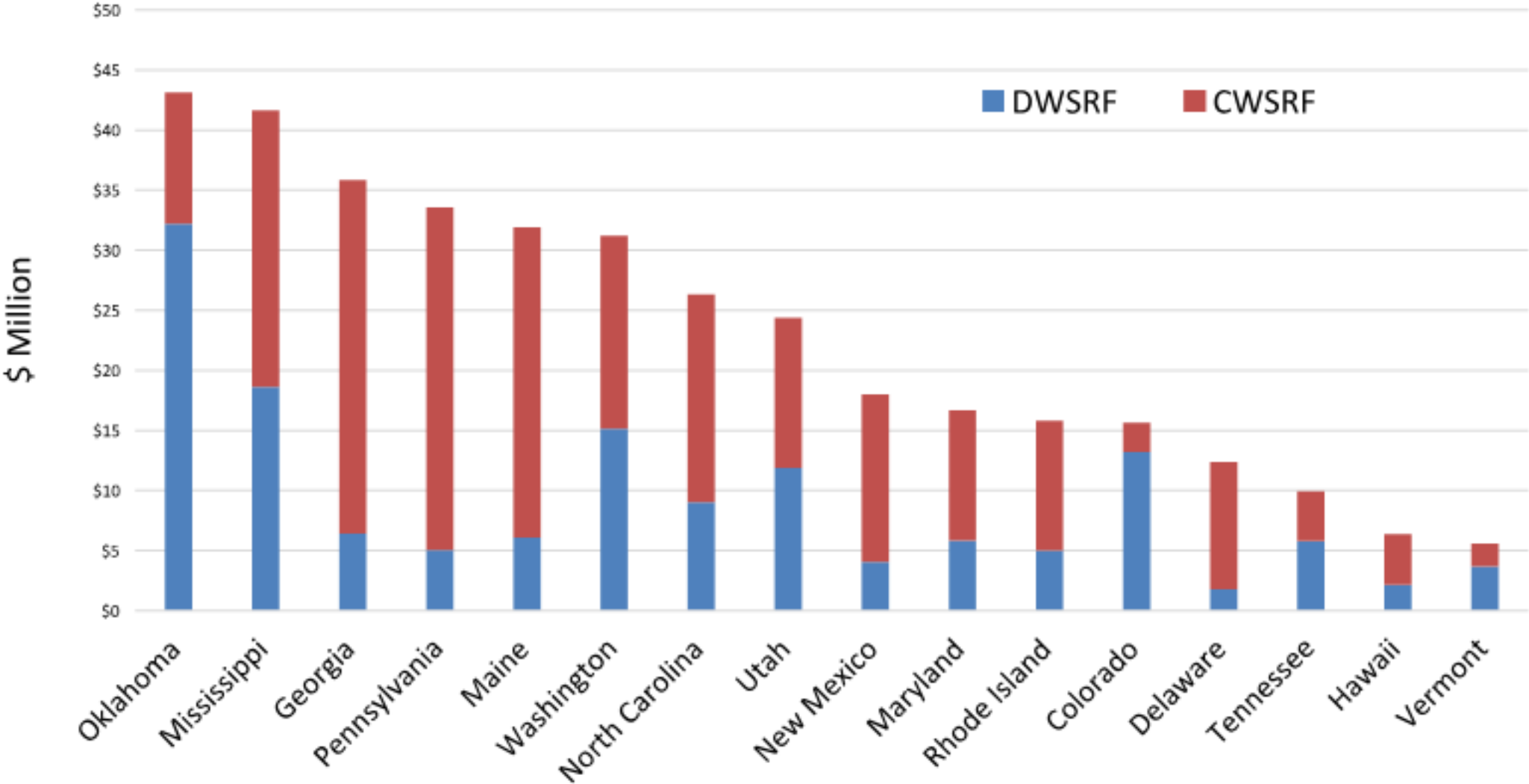
50-State Match Requirement for SRF Allotments



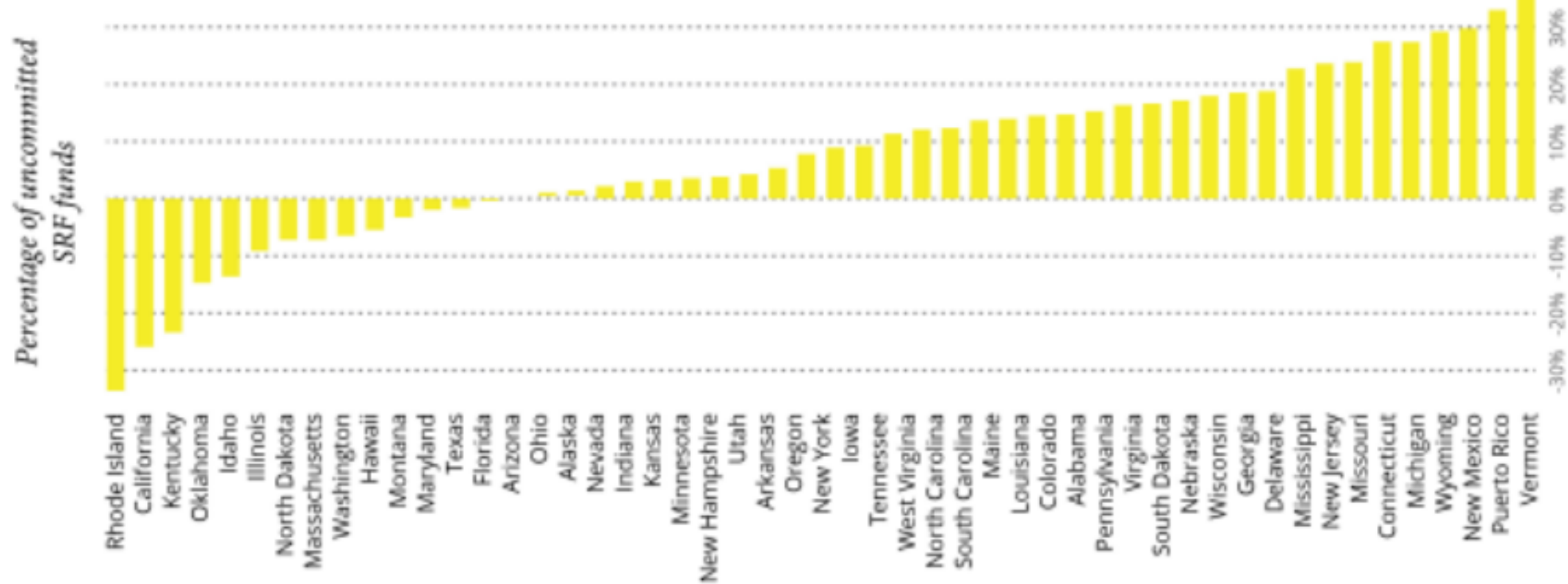
Change in State SRF Matching Requirements, 2021 to 2023



2023 SRF Congressionally Directed Spending Projects (Earmarks)



Percentage of all available CWSRF and DWSRF funds that are uncommitted in each state, 2020



Note. Negative values indicate that the state has spent more than their allocation. Data: NIMS, June 30, 2020

Topics for Discussion: State Revolving Funds

1. Demand for Funds

- a. Is your state seeing an increase in demand for SRF funds (increased number of applications)?
- b. What strategies does your state have for connecting underserved communities to SRF funds? Examples may include providing more technical assistance and outreach to water systems, awarding more planning and development grants, making the application process easier, and/or providing increase in staffing for SRF administration.

2. Matching

- a) How is your state planning for increases in SRF matching levels? Some have used ARPA funds to meet matching needs; others are using one-time surpluses. Do you anticipate any problems in future fiscal years?

3. Grants / Principal Forgiveness

- a) 49% of the state's IJA allotment of capitalization grant is to be used for 100% principal forgiveness or grants, or a combination, mostly available to disadvantaged or smaller communities. How is your state defining and identifying these communities?

Appendix

[NEW] Carbon Reduction Program (formula)

Purpose	Provide funding for projects to reduce transportation emissions or the development of carbon reduction strategies.
Funding	\$6.4 B (FY 22-26) in Contract Authority from the HTF
Recipients	<ul style="list-style-type: none">• States (including DC)
Distribution formula	<ul style="list-style-type: none">• Apportioned to States by formula• 65% of funds are suballocated (reserved for use in certain areas of the State, based on population)
Other key provisions	<ul style="list-style-type: none">• Requires State, in consultation with MPOs, to develop (and update at least every 4 years) a carbon reduction strategy and submit it to DOT for approval.• DOT must certify that a State's strategy meets the statutory requirements.

[NEW] PROTECT* Formula Program

Purpose	Planning, resilience improvements, community resilience and evacuation routes, and at-risk coastal infrastructure
Funding	\$7.3 B (FY 22-26) in Contract Authority from the HTF
Recipients	<ul style="list-style-type: none">• States (including DC)
Distribution formula	<ul style="list-style-type: none">• Apportioned to States by formula
Other key provisions	<ul style="list-style-type: none">• Highway, transit, and certain port projects are eligible• Higher Federal share if the State develops a resilience improvement plan and incorporates it into its long-range transportation plan• Of the amounts apportioned to a State for a fiscal year, the State may use:<ul style="list-style-type: none">○ not more than 40% for construction of new capacity○ not more than 10% for development phase activities

** The full name of the program is Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) program.*

[NEW] PROTECT Grants (discretionary)

Purpose	Planning, resilience improvements, community resilience and evacuation routes, and at-risk coastal infrastructure
Funding	\$1.4 B (FY 22-26) in Contract Authority from the HTF
Eligible entities	<ul style="list-style-type: none">• State (or political subdivision of a State)• MPO• Local government• Special purpose district or public authority with a transportation function• Indian Tribe• Federal land management agency (applying jointly with State(s))• <i>Different eligibilities apply for at-risk coastal infrastructure grants</i>
Eligible projects	<ul style="list-style-type: none">• Highway, transit, intercity passenger rail, and port facilities• Resilience planning activities, including resilience improvement plans, evacuation planning and preparation, and capacity-building• Construction activities (oriented toward resilience)• Construction of (or improvement to) evacuation routes
Other key provisions	<ul style="list-style-type: none">• Higher Federal share if the eligible entity develops a resilience improvement plan (or is in a State or area served by MPO that does) and the State or MPO incorporates it into its long-range transportation plan• May only use up to 40% of the grant for construction of new capacity

[NEW] Charging and Fueling Infrastructure (discretionary)

Purpose	Deploy electric vehicle (EV) charging and hydrogen/propane/natural gas fueling infrastructure along designated alternative fuel corridors and in communities
Funding	\$2.5 B (FY 22-26) in Contract Authority from the HTF
Eligible entities	<ul style="list-style-type: none">• State or political subdivision of a State• MPO• Local government• Special purpose district or public authority with a transportation function• Indian Tribe• Territory
Eligible projects	<ul style="list-style-type: none">• Acquisition and installation of publicly accessible EV charging or alternative fueling infrastructure• Operating assistance (for the first 5 years after installation)• Acquisition and installation of traffic control devices
Other key provisions	<ul style="list-style-type: none">• Requirement to redesignate alternative fuel corridors and establish a process to regularly redesignate these corridors• Set-aside (50%) to install EV charging and alternative fueling infrastructure on public roads or in other publicly accessible locations, such as parking facilities at public buildings, schools, and parks

[NEW] National Electric Vehicle Formula Program (formula and discretionary*)

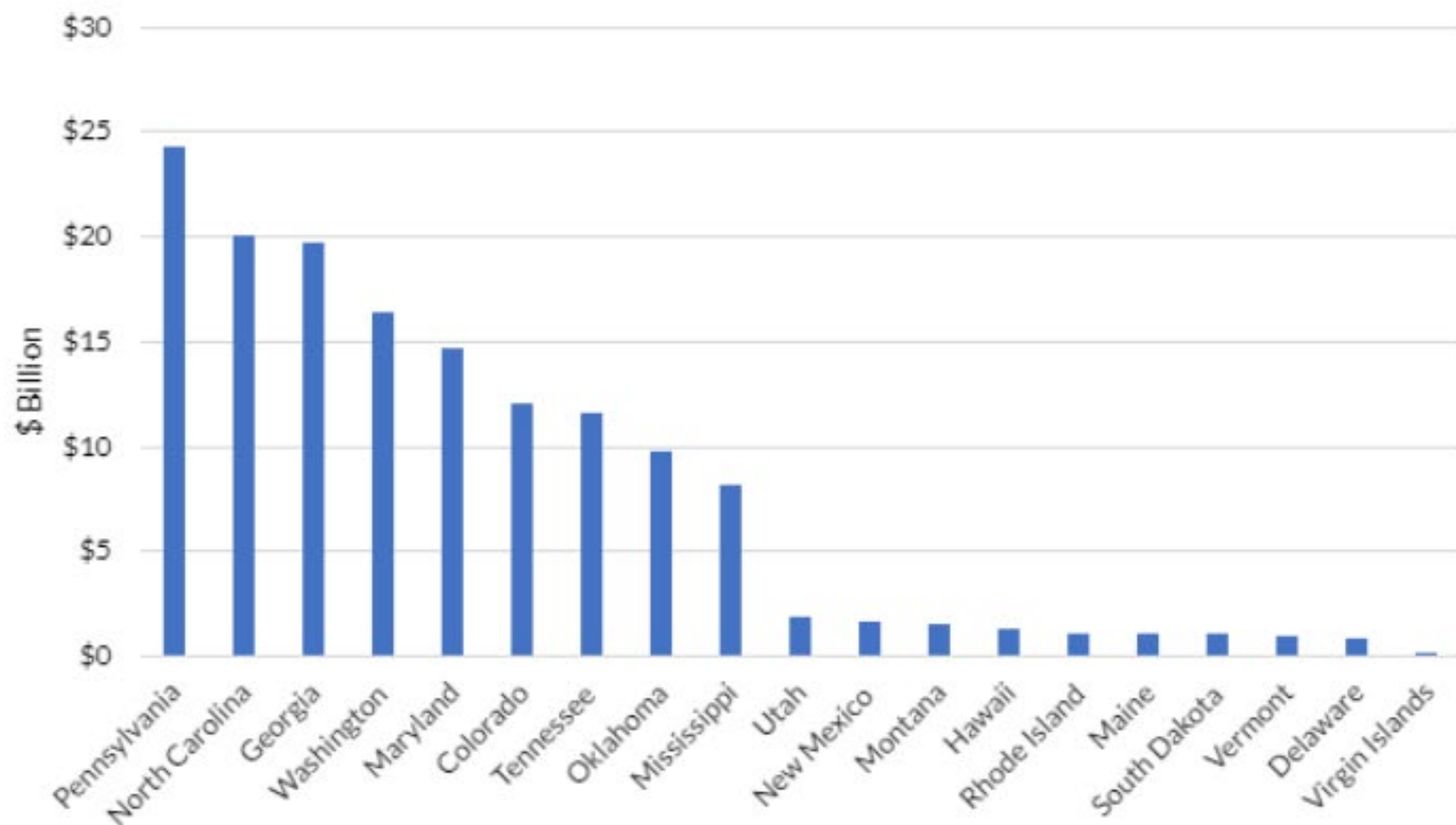
Purpose	Strategically deploy electric vehicle (EV) charging infrastructure and establish an interconnected network to facilitate data collection, access, and reliability
Funding	\$5 B (FY 22-26) in advance appropriations from the GF
Recipients	<ul style="list-style-type: none">• States (including DC and Puerto Rico)
Distribution formula	<ul style="list-style-type: none">• Same shares as Federal-aid highway apportionments
Other key provisions	<ul style="list-style-type: none">• Funded projects must be located along designated alt fuel corridors• Sets aside 10% of funding for discretionary grants to State and local governments that require additional assistance to strategically deploy EV charging infrastructure• State must submit plan to DOT describing planned use of funds• If State doesn't submit plan (or carry it out), DOT may withhold or withdraw funds and redistribute within the State, or to other States• Establishes DOT-DOE Joint Office of Energy and Transportation• Requires DOT to designate national EV charging corridors to support freight and goods movement

** Program sets aside funds for discretionary technical assistance grants; also if DOT withholds or withdraws funding from a State, DOT may award funds to local governments in the same State.*

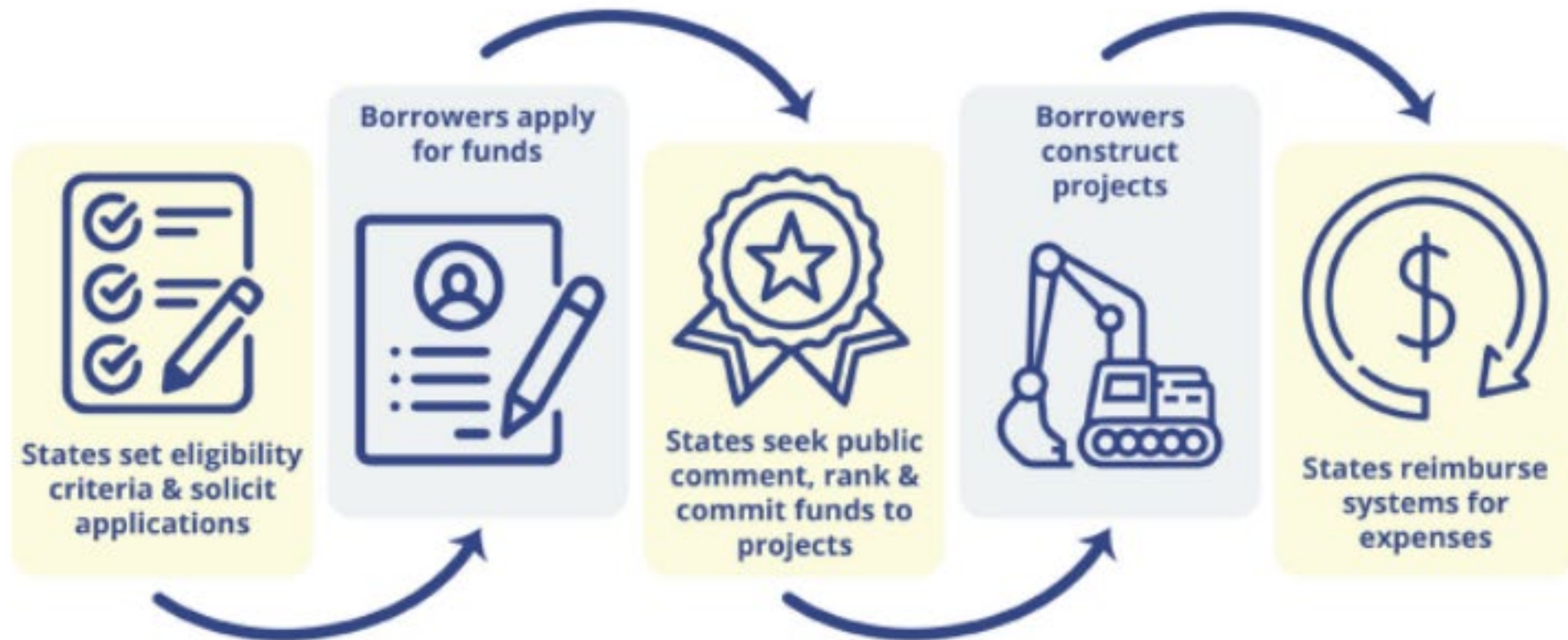
[NEW] Congestion Relief Program (discretionary)

Purpose	Advance innovative, integrated, and multimodal solutions to reduce congestion and the related economic and environmental costs in the most congested metropolitan areas with an urbanized area population of 1M+.
Funding	\$250 M (FY 22-26) in Contract Authority from the HTF
Eligible entities	<ul style="list-style-type: none">• State• MPO• City or municipality
Eligible projects	<ul style="list-style-type: none">• Planning, design, implementation, and construction activities to achieve the program goals, including:<ul style="list-style-type: none">○ deployment and operation of integrated congestion management systems, systems that implement or enforce HOV toll lanes or pricing strategies, or mobility services; and○ incentive programs that encourage carpooling, nonhighway travel during peak periods, or travel during nonpeak periods.• Subject to certain requirements and approval by the Secretary, provides for tolling on the Interstate System as part of a project carried out with a grant under the program

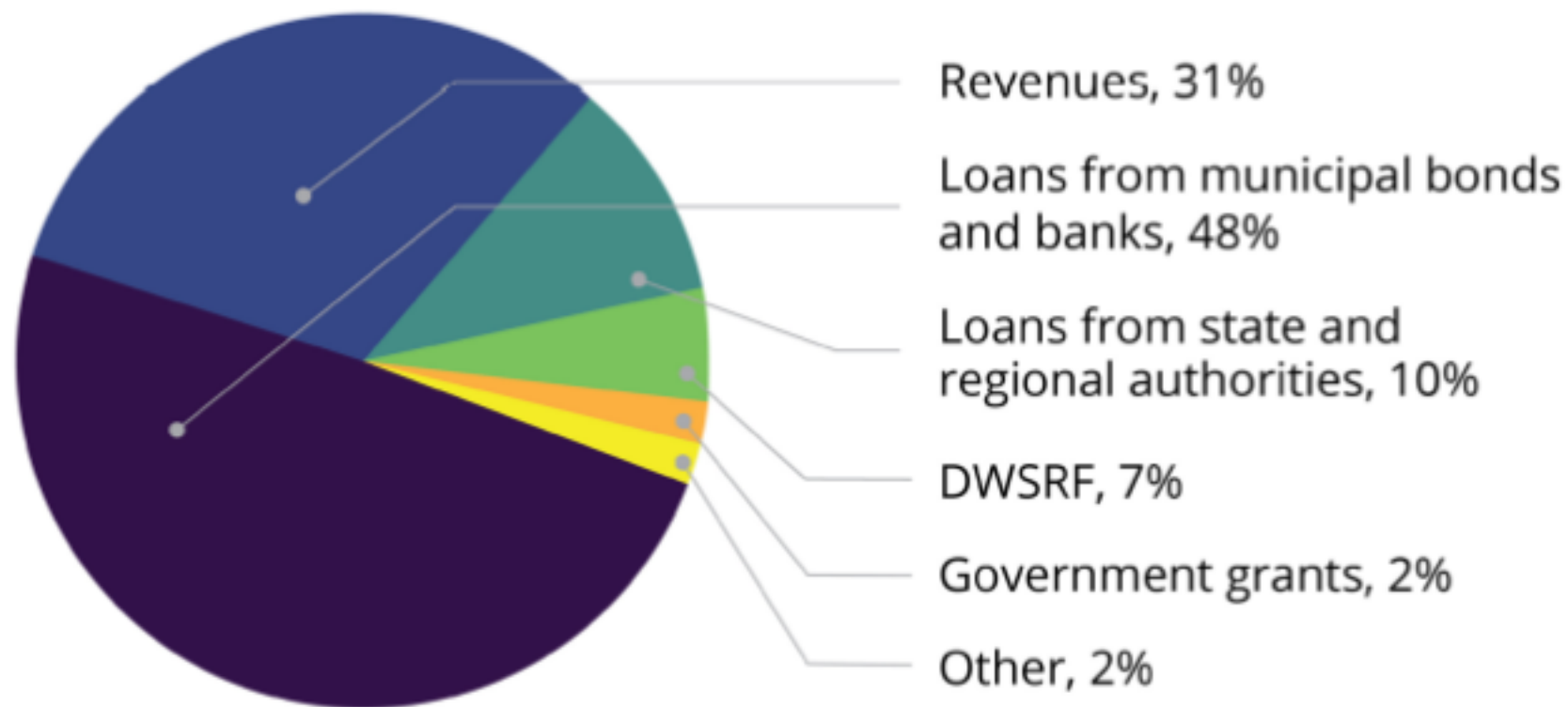
Drinking Water Infrastructure Needs Survey and Assessment, 2023



Administrative process of allocating SRF funds



Sources of funds for capital investments in drinking water systems



Note. Data: Community Water System Survey.

Percent of states with different ratios of demand to supply and median number of staff per million residents for SRF programs

Strong correlation between SRF staffing levels and demand for SRF funds

