

THE BOND BUYER

Restructured federal freight grants to offer 'more bang for the buck'

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DALLAS -- The Trump administration has reconfigured and renamed a \$4.5 billion discretionary grant program dedicated to freight-related transportation infrastructure to put more emphasis on projects that can leverage additional state, local, or private financing.



A survey by the American Association of Port Authorities found \$29 billion of landside projects are needed to unclog rail and road bottlenecks at U.S. seaports.

Georgia Ports Authority

The freight infrastructure program authorized by 2015's Fixing America's Surface Transportation Act will now be known as Infrastructure for Rebuilding America (INFRA) grants rather than the Fostering Advancements in Shipping and Transportation for the Long-term Achievement of National Efficiencies (Fastlane) as it was called by the Obama administration, according to a notice published in Thursday's Federal Register.

The revised program is intended increase the impact of projects by leveraging capital and allowing innovation in the project delivery and permitting processes, including public-private partnerships, the Transportation Department said in a fact sheet on the changes.

"We need to take steps to get more bang for the buck," according to the fact sheet. "By getting more of our partners to use federal funding as a supplement — not a substitute — we seek to increase the amount of overall funding that goes to infrastructure."

Though the INFRA grants can be used to fund highway, rail, and port projects, the program is specifically focused on projects in which the local sponsor is significantly invested and is positioned to proceed rapidly to construction, said Transportation Secretary Elaine Chao.

"By ensuring the right incentives, projects selected under this program will be better able to make significant, long-term improvements to America's transportation infrastructure," she said.

The notice of funding opportunity in the Federal Register said approximately \$1.5 billion of the grants would be available through fiscal 2018.

The notice gives states and localities 120 days from publication to submit new applications for the revised grant program. Projects proposed for the 2017 Fastlane grant cycle submitted by the mid-December 2016 deadline can be refiled, but the applicants must show how their new proposals address the program's amended criteria.

The FAST Act authorized \$800 million of the discretionary grants in fiscal 2016, \$850 million in 2017, \$900 million in 2018, \$950 million in 2019, and \$1 billion in 2020, the final year of the five-year highway funding bill.

The INFRA grant program preserves the statutory requirement in the FAST Act to award at least 25% of funding for rural projects.

"The administration understands that rural needs may well exceed this limit, and the department will consider rural projects to the greatest extent possible," the fact sheet said.

Highway projects in rural areas may not have the revenue stream needed to attract private investments, so the grant process "will consider an applicant's resource constraints when assessing the leverage criterion," the Transportation Department said.

The FAST Act caps the grants at no more than 60% of project costs, although additional loans and grants could boost the federal share to as much as 80%.

The first and so far only round of the annual grants provided \$759.2 million for 18 projects in 15 states and the District of Columbia in 2016. The successful projects were chosen from 212 applications seeking a total of \$9.8 billion.

No more than \$500 million of the \$4.5 billion of grants authorized by the FAST Act may go to freight rail or port projects, with the remainder reserved for highways and bridges. Approximately \$326 million of freight rail and port funding remains after the first round of grants.

More funding for freight infrastructure could be provided by a bill (HB 3001) introduced in the House on June 22 by Rep. Alan Lowenthal, D-Calif. The measure would create a Freight Transportation Infrastructure Trust Fund, funded through a national 1% tax on the cost of transporting goods.

The proposed tax would generate \$8 billion per year dedicated to freight-related infrastructure projects with a focus on multimodal projects and projects to restore aging infrastructure while relieving bottlenecks in the freight transportation system, Lowenthal said.