

THE BOND BUYER

Delays in federal grants cause uncertainty for issuers

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Despite President Trump's apparent zeal for investments in infrastructure, cutting the red tape on federal grants is taking longer than anticipated and a lack of transparency and consistency from the federal government's executive branch is not giving comfort to the municipal market.

Last week, a subcommittee of the House Committee on Transportation and Infrastructure reported that the Federal Transit Administration's Capital Investment Grant program takes twice as long to approve money under the Trump administration.

"These delays affected projects regardless of their size, indicating that the delays had nothing to do with the complexity of projects," the committee staff wrote.

The report was produced by staff for committee Democrats.

The report also found that local governments scrambled to pay for federal inaction as the data revealed about \$845 million in additional project costs created by the sluggish pace of approvals.

John Barton, senior vice president at HNTB, a construction engineering firm, said delays could be a symptom created by turnover in staff in the Trump administration.

"There's been a lot of people under this administration that have come in and then have left," Barton said. "So some of these delays appear to be a consequence of that turnover in those leadership positions."

Barton also said he's heard among the industry that Trump has a more hands-on approach with infrastructure instead of delegating in previous administrations, possibly creating delays.



In President Trump's administration, the industry has seen delays in infrastructure grant financing, but the Federal Transit Administration called it a false narrative. **Bloomberg News**

The FTA responded in an email to The Bond Buyer, writing that the narrative that transit agencies face longer waits under the current administration is false.

“The committee staff based this statement on the date an initial request was submitted by the project sponsor rather than when a complete request was received by FTA, which is necessary to process approvals,” an FTA spokesperson said. “Individual project time frames vary for a variety of reasons, most often involving actions at the local level related to funding commitments and third-party agreements.”

Barton said issuers are leery about going too far too fast without certainty that funding will be received. Also, the longer issuers wait the more expensive financing could be, negatively affecting credit ratings, he said.

“Pace is important in the bonding process,” Barton said. “You’ve got to be able to move quickly and with certainty to eliminate risks and to capture the market as soon as you can.”

Last week, Paul P. Skoutelas, American Public Transportation Association president, urged Congress to improve and strengthen the Capital Investment Grant program during a hearing of House T&I’s Subcommittee on Highways and Transit.

In his testimony, Skoutelas said in the past 20 years, both Congress and FTA have layered additional requirements on the CIG program, creating a “bureaucratic maze.” If a project suffers schedule or budget issues, Congress and the FTA have responded with new requirements across the board.

“Moreover, these burdensome requirements cause significant delay in project approvals, which result in considerable increases in project costs prior to construction,” Skoutelas said.

This all comes as the Government Accountability Office reported last week that the Department of Transportation’s process for reviewing applications for grants to fund projects under the Infrastructure for Rebuilding America program was flawed.

The discretionary program lacked consistency and transparency when following up with applicants and evaluating applications to see if they meet statutory eligibility requirements for an INFRA award, the office found.

GAO initially found that 97 applications had insufficient information to determine eligibility and that it only followed up with 42 of the 97 applicants. DOT also did not sufficiently document why it followed up with certain applicants over others.

“This lack of clarity is significant and is the product of long-standing issues that we have identified with DOT’s discretionary grant programs since 2011,” GAO wrote.

The DOT responded to GAO’s inquiries in the report, writing that it has taken actions to improve the INFRA 2019 program such as modifying the criteria and adopting a consistent and documented approach for following up with applicants for additional information during the evaluation process.

The DOT also plans to provide a more detailed response to the recommendations.

Barton said transparency and consistency has been an issue since the Obama administration when the discretionary programs were created. He said it

sometimes feels like a raffle to get the discretionary funding, and it's hard to tell why one project would get picked over another.

“There’s a feeling that it really doesn’t matter what you do, at the end of the day, everything’s equal after meeting the bar of the requirements,” Barton said. “Then after that it’s just one person’s opinion over another.”