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INSIGHT

Grant Funding for Freight Infrastructure: House and Senate Proposals

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The Fixing America's Surface Transportation Act of 2015 (FAST Act, P.L. 114-94) created two grant programs to facilitate freight movement, especially multimodal freight using some combination of trucks, trains, and/or ships. The National Highway Freight Program (NHFP, 23 U.S.C. §167) distributes funding to states according to a mathematical formula and can be used for projects located on a predefined highway network with some flexibility for multimodal infrastructure. The Nationally Significant Freight and Highway Projects Program (23 U.S.C. §117) is a competitive discretionary program that can be used for a wider variety of projects that may outstrip an individual state's financing capacity. Committees in each chamber have advanced legislation reauthorizing these programs with modifications. The House and Senate proposals for the NHFP have relatively few differences. In contrast, the proposals for the Section 117 program differ more dramatically. Broadly speaking, the Senate bill would retain the existing program with slightly increased funding while adding new eligibilities and set-asides, while the House bill would replace it with an entirely new program and nearly twice the funding.

Changes to the National Highway Freight Program

The Senate bill (S. 2302, America's Transportation Infrastructure Act of 2019) would authorize $8.5 billion for the NHFP over five years, to be distributed to the states according to the same formula used in the FAST Act. However, it does allow states to designate additional urban and rural connector routes as eligible for funding. It also would allow states to use up to 30% of their NHFP apportionments on multimodal infrastructure, including new eligibility for lock, dam, and inland waterway ("marine highway") projects, provided they are connected to a state's highway freight network and are deemed likely to reduce truck emissions once in service.

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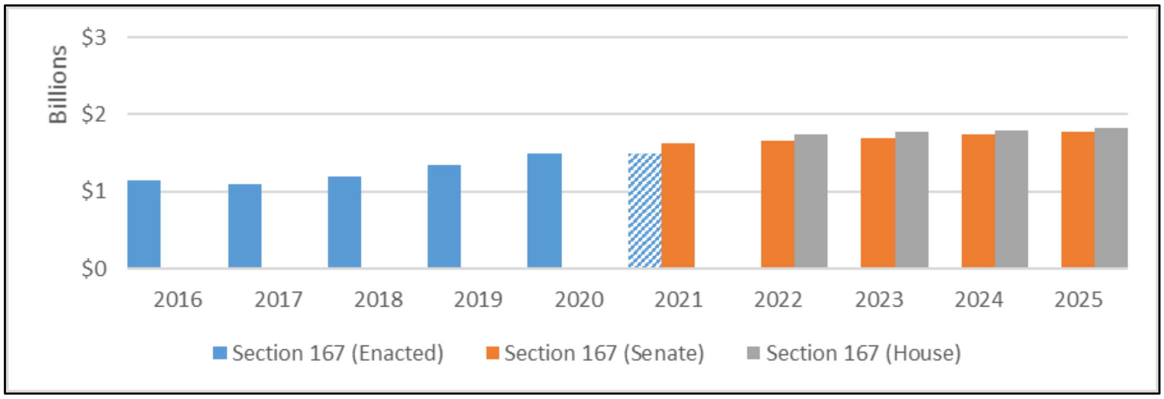
The House bill (H.R. 2, INVEST in America Act) is relatively similar; it would authorize $8.6 billion over five years without altering the formula. Changes to the program, including a funding increase, would not go into effect until FY2022; the NHFP as currently enacted would be extended to FY2021 at FY2020 levels (**Figure 1**). Like S. 2302, H.R. 2 would allow states to designate new urban and rural connectors, but only under certain circumstances. It would also allow states to spend more of their grants on multimodal port and rail projects, but would not extend eligibility to locks, dams, or marine highway projects.

Figure 1. Authorized Funding for 23 U.S.C. §167, FY2016-2025, as Enacted and Proposed

in nominal dollars



Source: P.L. 114-94, S. 2302 (116th Congress) as reported to the Senate, H.R. 2 (116th Congress) as ordered to be reported to the House, compiled by CRS.

Note: H.R. 2 extends Section 167 as enacted through FY2021 at FY2020 levels.

Changes to Section 117

S. 2302 would authorize $5.5 billion over five years, and expand eligibility to include wildlife crossings, the U.S. side of border-crossing facilities, and marine highway projects, similar to the expanded eligibilities under the NHFP. It also would allow states to begin spending their matching contributions from the moment a project is selected but before federal funds are legally obligated, to accelerate project delivery. The Senate bill also would maintain or create several overlapping set-asides:

- 25% ($1.375 billion) set aside for projects in rural areas (unchanged).
- $1.65 billion (30%) maximum for multimodal transportation infrastructure.
- $500 million for "critical rural state Interstate projects," for sparsely populated states with few intersecting Interstates, *and* $500 million for "critical urban state projects" for densely populated states. At least $1 billion would therefore be unavailable to at least 21 states that meet neither density requirement. Funds may be awarded to any project in FY2025 if the full set-asides are unable to be used.
- 15% ($825 million) set aside for "small" projects that do not meet the minimum project size requirements, up from 10% in the FAST Act. The maximum federal funding share for small projects would be raised from 60% to 80%.
- $750 million set aside for projects with 50% or higher nonfederal funding shares, via a $150 million set-aside each year. Priority would be given to projects requesting a smaller federal share. Within these funds, 10% would be set aside for small projects, and 25% would be set aside for projects in rural areas.

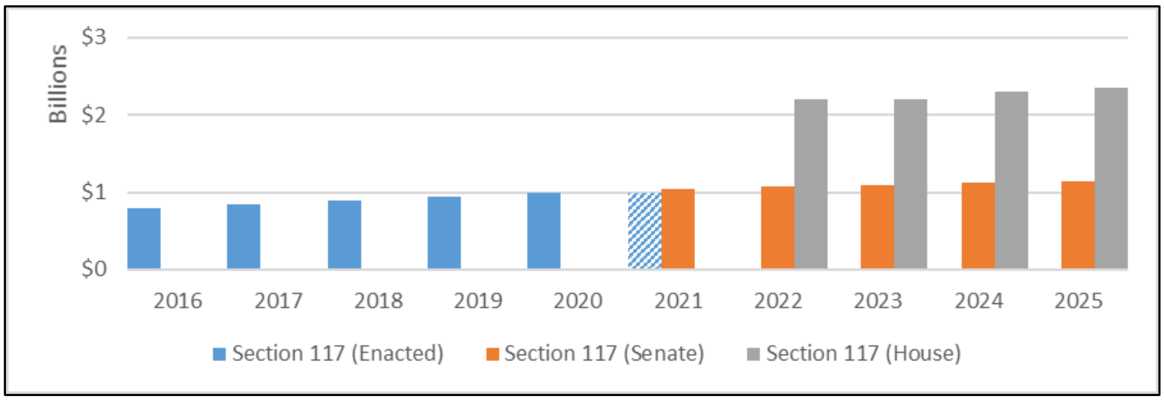
The House bill would preserve the current level of Section 117 funding through FY2021, but then would replace the program with a new Projects of Regional and National Significance Program beginning in FY2022. This program would be authorized at roughly $9 billion over four years (**Figure 2**) and would have

- new eligibility for public transportation and intercity passenger rail projects;
- no cap on intermodal or nonhighway spending;
- new evaluation criteria, including a methodology for approving grants to be published by the Department of Transportation;
- no set-asides for small projects or projects in rural areas; and
- new ability to issue multiyear commitments of funds to projects with total costs above $500 million.

Both the House and Senate bills would require the Department of Transportation to provide a justification for each project selection and, if asked, to explain why any project was not selected.

Figure 2. Authorized Funding for 23 U.S.C. §117, FY2016-2025, as Enacted and Proposed

in nominal dollars



Source: P.L. 114-94, S. 2302 (116th Congress) as reported to the Senate, H.R. 2 (116th Congress) as ordered to be reported to the House, compiled by CRS.

Note: H.R. 2 extends Section 117 as enacted through FY2021 at FY2020 levels.

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