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Neighborly Issuer Brief: Some Federal Road Dollars Flow to States Despite Lack of Infrastructure Bill.

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Some Federal Road Dollars Flow to States

While the "infrastructure plan" flounders in Congress, at least some federal dollars have been provided to states for immediate road projects. The Bipartisan Budget Act included $1.374 billion for Federal Highway Administration's (FHWA) "emergency relief" account. The agency taps what it calls the ER funds to help states pay both for quick repairs in the wake of current disasters and to reimburse DOTs for eventual expenses that develop well after those emergencies – including costs that may occur for years later.

In this federal fiscal year, USDOT provided $768.2 million in accrued reimbursement requests for emergency repairs to roads and bridges in 40 states. Included was $670.3 million that went directly to state agencies for emergencies dating back to 2009, and $97.9 million to other federal agencies for damages to roads they own from events dating back to 2010. The FHWA allocated about $467 million to state DOTs for qualifying expenses from events back to 2004, plus $52.5 million to federal land management agencies for repair costs from emergencies dating to 2010.

The ranking member on the House Transportation and Infrastructure Committee noted in October there was at least a $1.76 billion backlog of qualified ER needs – not counting the repair bills to come as a result of the devastating late-summer hurricanes and autumn western wildfires – and the FHWA account then had an unspent balance of $911 million. Congress, in its omnibus appropriations measure, voted last month to triple the TIGER funding pool for 2018 to $1.5 billion, and lawmakers included language requiring the USDOT to act along a specified timeline. The congressionally mandated schedule would have the department issue a notice of funding availability by May 22, receive all grant applications by Aug. 20 and announce grant recipients by Dec. 18.

Given the political environment in D.C., we see little chance of any infrastructure bill in 2018. Issuers should focus on the positive developments out of the budget agreement to find ways in which the federal government can complement their infrastructure needs.

Bay Area Ballot Initiative to Fund Transit is Proposed

Bridge tolls across the Bay Area will rise by three dollars if the voters in nine counties, including San Francisco, approve Regional Measure 3 to fund transportation in June. If the measure is approved by a simple majority, the toll on the Bay Bridge would rise from 6 to 9 dollars during commute periods, for instance. The price would not go up immediately, however, as the tolls are set to increase by $1 in 2019, $1 in 2022 and $1 in 2025.

The increased tolls would fund nearly $4.5 billion in transit projects across the region, meant to lessen traffic congestion and address a booming workforce. 75% of the funds from Regional Measure

3 would be used for regional transit projects, including in San Francisco. Around $500 million would help fund new BART cars, $140 million would replace and expand Muni's fleet and facilities and $325 million would help fund the Caltrain extension to the Transbay Transit Center in South of Market.

To prepare for the future, $50 million would go toward studying a potential new underwater Transbay Tube, which could carry BART or Caltrain rail cars. San Francisco car and shuttle commuters traveling south would also benefit, as the measure would fund improvements to the U.S. Highway 101/SR-92 Interchange and $130 million in improvements to the Dumbarton corridor.

The Metropolitan Transportation Commission is also developing a new regional transit fare discount program. That discount will reduce transit fares by 30 to 50% for low-income riders. Alameda County would net 32% of project funding, Contra Costa County 18%, Santa Clara County 15%, Solano County 10%, San Francisco County 9%, San Mateo County 8%, Marin County 4%, Sonoma County 3% and Napa County 1%.

Most bridge tolls are paid by Alameda county residents, who took 29% of total bridge toll trips between 2016 and 2017, according to the MTC. San Franciscans, by contrast, took 10% of bridge toll trips in that period. Bridges under the authority of the MTC and the Bay Area Toll Authority cost $5, but the Bay Bridge is $6 during peak commute hours. Golden Gate Bridge tolls, which are $7.75 if paid by license plate and $6.75 if paid by FasTrak, are managed by a separate agency and would not see tolls rise if Regional Measure 3 is approved.

As states and localities continue to deal with managing transportation initiatives, we see it inevitable that they will need to be agile in future planning for both their budgets and long-term planning for population changes.

Resilience Trumps Tradition in Houston

The City of Houston has had a long-time policy of minimal zoning requirements and a real lack of meaningful constraints on development. This has covered not only the type and pace of development but also its location. This has aided and abetted Houston's rapid rate of growth since 1900 but also has contributed to the City's long and well-documented history with flooding. Now though, it looks like nature may have won out over established attitudes as the result of Hurricane Harvey.

The Houston City Council agreed last week to require new homes built in the floodplain be elevated higher off the ground. This is the City's first major regulatory response to the widespread flooding Hurricane Harvey unleashed in 2017. The vote marks a shift away from Houston's long-time aversion to constraining development, as all new construction in the city's flood plains will have to be built two feet above the projected water level in a 500-year storm.

Current regulation mandates that buildings be constructed one foot above the flood level in a less severe 100-year storm and apply only within the 100-year floodplain, where properties are considered to have a 1% annual chance of being inundated. This will be the first time Houston is imposing minimum elevation requirements within the 500-year floodplain.

As we have noted before, it is important to disclose these impacts in Official Statements and Houston is moving in the right direction.

Pricing the Street as an Asset

The proposal by Boston's mayor to raise the cost of parking tickets as part of a plan to increase funding for public transit reflects a move toward the view that city streets are an asset which can be monetized. This has been an increasingly favored idea among those who are thinking of more creative ways to merge policy goals with funding goals in the transportation sector. The mayor's fiscal 2019 budget includes increases for 11 types of violations that residents complain about most. The penalty for double parking in downtown neighborhoods would increase from $45 to $75; parking during street cleaning would yield a $90 fine, more than double the current $40 cost; parking in a resident-only spot without a sticker would rise to $60, from $40; while overstaying a meter would shoot to $40, from $25.

Non-financial aspects of the plan would include the replacement of parking spaces with dedicated bus lanes and the creation of ride sharing pick-up/drop off spaces at selected areas. We noted earlier this year that Washington, D.C., is also implementing a plan that turns some spaces formerly dedicated to overnight street parking to designated areas for ride sharing vehicles to use. These areas are designed to support the city's thriving nightlife activities.

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