December 9, 2021

Infrastructure Investment and Jobs Act - What Your Town Needs to Know

Joe Flynn - Secretary, Agency of Transportation
Julie Moore - Secretary, Agency of Natural Resources
June Tierney - Commissioner, Department of Public Service

Vermont League of Cities and Towns
Infrastructure Investment and Jobs Act

Key Transportation Provisions

JOE FLYNN, SECRETARY

DECEMBER 9, 2021
What’s in the Highways Component of the IIJA?

- Five years of authorization and proposed funding levels for the federal transportation program
  - Replaces the previous five-year federal transportation authorization - Fixing America's Surface Transportation Act (FAST Act).
  - Vermont is anticipated to receive $1.645 billion in highway funding over five years.
  - Increases overall funding by $570.5 million (53%) compared to the FAST Act, including:
    - $324.3 million increase (30%) in core highway formula funds used to maintain highways and bridges across the state, and support for bike and ped, and park & ride projects.
      - New $32.8 million Carbon Reduction formula program.
      - New $37.3 million PROTECT Resilience formula program
    - New $225 million General Fund Bridge Program
    - New $21.5 million General Fund EV Charging Facilities program
What’s in the Public Transit & Rail Component of the IIJA?

• $22.5 million increase in Public Transit funding to Vermont over five years as compared to Federal Fiscal Year 21 levels
  o Represents a sustained 35% annual average increase over the FFY21 baseline.
  o New eligibility for micro mobility, which will allow Vermont to undertake more on-demand microtransit initiatives to ensure rural residents have access to public transit services for access to jobs, health care and other types of trips.
  o Sets Bus & Bus Facilities and Lo-No Emissions Bus competitive grant funding at $7.5 billion – nearly three times historic funding levels.
  o Sets freight and intercity passenger rail competitive grants programs at $41 billion, which will allow Vermont to compete for funding to improve its freight railroads and intercity passenger rail services.
What Transportation Competitive Grant Programs are Included in the IIJA?

- 26 competitive grant programs (including 20 new ones) worth approximately $100 billion. Competitive grants include focus on highway and bridge projects (including downtown revitalization), resilience, carbon reduction, healthy streets (including bike and ped), active transportation, and safe streets.

- Since these are new programs, we need to wait for the Federal Highway Administration (FHWA) to issue guidance on how these programs will be implemented, including non-federal match requirements and the Executive’s policy priorities which we anticipate will focus on:
  - Equity
  - Resilience
  - Carbon Reduction
Historically, federal competitive transportation grant programs require matching funds so eligible applicants (including state and local governments) should plan ahead to secure matching funds.

Details on matching funds to come from federal agencies.

<table>
<thead>
<tr>
<th>Major Competitive Grant Programs, FFY22-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Nationally Significant Freight &amp; Highway Projects</td>
</tr>
<tr>
<td>Bridge Investment Program</td>
</tr>
<tr>
<td>Congestion Relief Program</td>
</tr>
<tr>
<td>Charging &amp; Fueling Infrastructure Grants</td>
</tr>
<tr>
<td>Rural Surface Transportation Grant Program</td>
</tr>
<tr>
<td>PROTECT Grants</td>
</tr>
<tr>
<td>Healthy Streets Program</td>
</tr>
<tr>
<td>Technology &amp; Innovation Deployment Program</td>
</tr>
<tr>
<td>Training &amp; Education</td>
</tr>
<tr>
<td>Wildlife Crossings Pilot Program</td>
</tr>
<tr>
<td>Prioritization Process Pilot Program</td>
</tr>
<tr>
<td>Reconnecting Communities Pilot Program</td>
</tr>
<tr>
<td>Stopping Threats on Pedestrians</td>
</tr>
<tr>
<td>Invasive Plant Elimination Program</td>
</tr>
<tr>
<td>Pollinator-Friendly Practices on Roadsides and Highway Rights-of-Way Program</td>
</tr>
<tr>
<td>Active Transportation Infrastructure Investment Program</td>
</tr>
<tr>
<td>Transit Bus / Low No Grants</td>
</tr>
<tr>
<td>National Infrastructure Projects</td>
</tr>
<tr>
<td>Local and Regional Projects Grants</td>
</tr>
<tr>
<td>Safe Streets and Roads for All</td>
</tr>
<tr>
<td>National Culvert Program</td>
</tr>
<tr>
<td>SMART Program</td>
</tr>
<tr>
<td>Airport Infrastructure Grants</td>
</tr>
<tr>
<td>CRISI Rail</td>
</tr>
<tr>
<td>Rail Crossing Elimination Program</td>
</tr>
<tr>
<td>Federal-State Rail Partnership Grants</td>
</tr>
</tbody>
</table>
Specific Provisions for Municipal Governments

- **Surface Transportation Block Grant Program (STBGP) off-system bridge set-aside**
  - STBGP off-system bridge set-aside increased from 15% to 20% as compared to the FAST Act ($45.2 million FAST Act to $73.6 million IIJA).

- **General Fund Bridge Program off-system bridge set-aside**
  - 15% of total $225 million allocated to Vermont under the IIJA must be spent on off-system bridges ($33.7 million) at 100% federal.

- **Competitive Grant Programs**
  - 26 competitive grant programs (including 20 new ones) worth approximately $100 billion, most of which include municipalities as eligible entities for grant funds. Competitive grants include focus on highway and bridge projects (including downtown revitalization), resilience, carbon reduction, healthy streets (including bike and ped), active transportation, and safe streets.
Next Steps in Implementing the Transportation Provisions of the IIJA

• Appropriations required for Highway Trust Fund Programs
  o Congress still needs to make appropriations for certain highway programs funded from the Highway Trust Fund (HTF) (does not impact General Fund programs). Until this occurs, the transportation funding levels included in the IIJA cannot be fully allocated.

• Guidance from Federal Agencies
  o The U.S. Department of Transportation will need to issue guidance on new programs (i.e., Carbon Reduction Program, PROTECT Resilience and EV Charging Facilities) and particularly competitive grant programs.
Risks in Implementing the Transportation Provisions of the IIJA

• The need for full Congressional Appropriations
  o We are currently operating under a Continuing Resolution – which simply propels forward last year’s funding levels for HTF programs. As noted by the American Association of State Highway and Transportation Officials (AASHTO), States will not be able to fully benefit from increased transportation funding in the IIJA unless this appropriation occurs.

• Inflation concerns
  o The Consumer Price Index (CPI) is running at approximately 6%. Transportation is very sensitive to prices for labor and certain commodity such as lumber and steel. Sustained rates inflation at this level will take a toll on purchasing power and eat away at the increased funding levels included in the IIJA.
What is the Infrastructure Investment Jobs Act of 2021?

• The Infrastructure Investment and Jobs Act (IIJA) was passed by the Senate on August 10 by a bipartisan vote of 69-30
• This is a 2,702-page bill totaling $555 billion
• Reauthorizes and fully funds many existing, major federal infrastructure initiatives
  • Water section of the IIJA came largely from the *Drinking Water and Wastewater Infrastructure Act* which overwhelmingly pass the Senate in April 2021
What is the Infrastructure Investment Jobs Act of 2021?

<table>
<thead>
<tr>
<th>Area</th>
<th>Amount (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>$312</td>
</tr>
<tr>
<td>Power infrastructure (grid)</td>
<td>$73</td>
</tr>
<tr>
<td><strong>Resiliency and cybersecurity</strong></td>
<td>$50</td>
</tr>
<tr>
<td>Broadband</td>
<td>$65</td>
</tr>
<tr>
<td>Water/wastewater/stormwater</td>
<td>$55</td>
</tr>
<tr>
<td>Environmental remediation</td>
<td>$21</td>
</tr>
</tbody>
</table>
Water Infrastructure Universe of Need in Vermont = $2 billion

- Wastewater Repairs/Upgrades, $490,000,000
- Drinking Water Repair/Upgrades, $374,000,000
- Privately Owned Dams, $170,000,000
- 3-acre Stormwater Retrofits, $260,000,000
- Stormwater Impaired Waters, $130,000,000
- Municipal Roads Stormwater (MRGP), $130,000,000
- Village DW/WW Systems + Wastewater Pretreatment, $100,000,000
- CSO/SSO Abatement, $90,000,000
- MS4 Community (Stormwater), $65,000,000
- State-owned Water/Wastewater Repairs...
- MHP Water/Wastewater Repairs...
- Lead Service Line Abatement...
IIJA Water Infrastructure Investments – Annual Allocations

- Money will be received by Vermont over five years
- About half of the funding is “normal” water infrastructure money that will flow into the State Revolving Loan Fund (SRF) programs. Estimating:
  - $9.5M CWSRF this year, increasing to $13M by 2026.
  - $19M DWSRF this year, increasing to $26M by 2026
  - 10% match for first two years (increases to 20%); 49% subsidy
- Nationally, $15 billion for lead service line replacement projects. Estimating:
  - $30M/yr for 5 years, no match, 49% subsidy
- Nationally, $10 billion for emerging contaminants (PFAS focus). Estimating:
  - $500K CWSRF this year, increasing to $1.125M by 2026
  - $8M/yr DWSRF for 5 years
  - No match, 100% subsidy on all EC funds.
IIJA Water Infrastructure Investments – Supplemental Allocations

- Emerging contaminants and lead abatement
  - Assuming Vermont receives the same allotment as for the SRF programs (1/2 – 1%), could mean up to an additional $38M annually
  - For this next 5-year period, more federal money will be available for emerging contaminants and lead service line replacement than other system needs combined!
  - No state match requirement
  - Up to 49% subsidy for lead abatement; 100% grants for emerging contaminants
  - Funding is available “until expended”

- Lake Champlain
  - $8M/yr for 5 years for water quality projects
  - In addition to annual appropriation, thru the Lake Champlain Basin Program (~$6M per year)
  - These funds may also support projects in New York
Environmental Remediation, General

• Vermont has an estimated $355 million in site clean-up and remediation needs
• IIJA includes $21 billion for “environmental remediation”
  • Hazardous Substance Superfund Remediation
    • Provides $3.5 billion annually to the Superfund remedial account
    • Waives the state cost-share requirements
    • 12 Superfund sites currently on the National Priorities List (NPL) in Vermont
• Competitive Brownfields Grants
  • Provides $1.2 billion annually to the EPA's Brownfields program
  • There are more than 5,000 large and small brownfield properties in Vermont; at least one in almost every community
Climate Action, General

- Efficiency and building infrastructure
  - Authorizes numerous program to encourage and fund energy efficiency upgrades to buildings
    - Includes $3.5 billion for the existing Weatherization Assistance Program

- Infrastructure resiliency
  - Includes $3.5 billion for FEMA Flood Mitigation Assistance Program
  - $500 million to help states establish revolving loan funds to support projects that reduce natural disaster risk
  - $2.5 billion to Army Corps of Engineers for “for construction, replacement, rehabilitation, and expansion of inland waterways projects in the Corps Capital Investment Strategy”
    - Waterbury Dam?
Challenges

• Many unknowns and important details still need to be worked out
• IIJA expands domestic preference procurement requirements for SRF projects from American Iron and Steel to construction materials and manufactured products
• Distributing funds thru the SRF limits how much will be grants vs. loans
  • Vermont’s smallest systems are often challenged to take on additional debt due to limited user base
• State required match for SRF is 20%
  • State match is reduced to 10% for the first two years, but return to 20% for years 3-5
  • Capital bill is relied on to provide state match
• Capacity of state, regional and local staff is finite, as is engineering/contractor capacity
Federal Infrastructure Funding

June E. Tierney
Commissioner
Public Service Department
December 9, 2021
State Energy Program – Formula Funding

- Estimated $3.5 million formula funding – uncertain over 5 years or lump sum
  - Flexible Funds

- Estimated $700,000 – Energy Efficiency Revolving Loan Fund Grant Program
  - Potential to supplement State Energy Management Program Expansion

- Estimated $1.9 million – Energy Efficiency and Conservation Block Program
  - Vermont Communities may also be eligible for additional funding
  - Potential to supplement State Energy Management Program Expansion
  - Other Incentive/Grant Funding
Other Formula Funding

- Weatherization Assistance Program (estimated $15m)
  - Directed to Office of Economic Opportunity
- Grid Resilience & Reliability (pending amount)
  - Bill provides $2.5 billion to “states” via “a formula” determined by Secretary of Energy
  - Opportunity to convey feedback to DOE on formula and entity to receive funding
Competitive Programs

- Energy Auditors and Training Grants (State Energy Office Only)
- Grants for EE and RE at public schools – broad eligibility
- Building Energy Codes Tech Assistance & Training
- Rural and Municipal Utility Advanced Cybersecurity Grant and Tech Assistance
- And More ...
Broadband Funding

- National Telecommunications Information Administration
  - $42.45 B for Broadband Equity, Access, and Deployment (BEAD).
  - $1B for Middle Mile Infrastructure Program
  - $2B Tribal Broadband Connectivity Program
  - $2.75B – Digital Equity Program
- USDA
  - $2B for Distance Learning, Telemedicine, and Broadband Program (existing)
- FCC
  - $14.2B for Affordable Connectivity Program (successor to EBB).
Broadband Equity, Access, Deployment

- distributed among states for projects that support broadband infrastructure deployment and adoption.
- Eligible entities will receive initial funds to support broadband planning and related capacity efforts, from mapping, staffing state/territory broadband offices, to outreach and coordination with local communities.
- States will then propose projects that meet the statutory priorities. Unserved areas is the top priority.
Digital Equity Acts Program

• **State Digital Equity Planning Grant Program** - $60M grant program for states and territories to develop digital equity plans

• **State Digital Equity Capacity Grant Program** - $1.44B grant program for states and territories to implement digital equity projects and support the implementation of digital equity plans

• **Digital Equity Competitive Grant Program** - $1.25B program for political subdivisions to implement digital equity projects.
Other Programs

• USDA Distance Learning, Telemedicine and Broadband – a continuation of a program from CRF to expand distance learning and telemedicine activities.

• FCC’s ACP is a continuation of the Emergency Broadband Benefit. This program will provide a $30 subsidy to participating customers.