Car-Free Transportation Gets Boost from U.S. Grant Program

A program that primarily funded highways during the Trump administration has pivoted away from roads in its new disbursement, marking a potential shift in infrastructure spending.

By Laura Bliss **+Get Alerts**

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Workers apply orange coating along 90th Avenue in East Oakland, California, in 2019 as part of a paving and redesign project for pedestrian and bicyclist safety. *Photographer: Jane Tyska/MediaNews Group/The Mercury News via Getty Images*

A federal grant program that had become a honeypot for rural highway-building in the Trump years has pivoted in favor of projects for sidewalks, bikes and public transit.

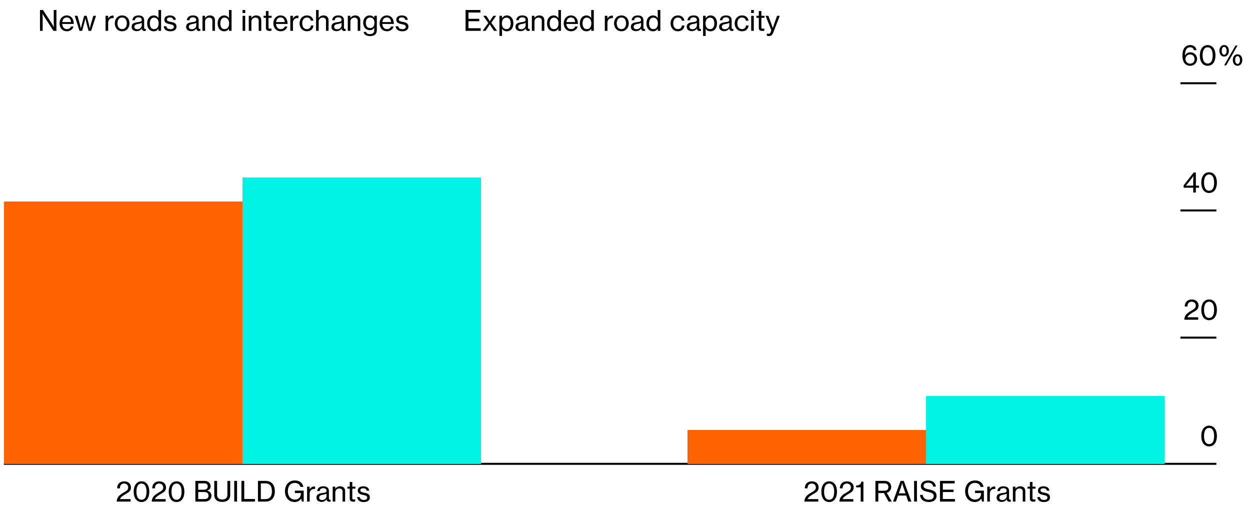
In the new tranche of almost $1 billion in RAISE grant selections from the U.S. Department of Transportation announced earlier this month, roads were the losers. RAISE – which stands for Rebuilding American Infrastructure with Sustainability and Equity – is the latest version of USDOT's multimodal grant program, which has gone by other names and priorities under previous presidents.

Born under the Obama administration as TIGER grants (Transportation Investment Generating Economic Recovery), the earliest iteration of the program doled out recession-era stimulus funds for streetcar extensions, pedestrian networks and other projects that didn't easily qualify for traditional sources of funding. Redubbed BUILD (Better Utilizing Investments to Leverage Development) in the Trump years, the program mostly funded new roads and wider highways.

Under President Joe Biden, the pendulum has swung once again: According to an analysis by Yonah Freemark, a senior research associate at the Urban Institute, only about 5% of RAISE funds will support new roads, and 10% will go to projects that increase road capacity. The rest will flow to a mix of projects such as a freeway cap in Atlanta, a greenway project in Cincinnati, transit planning in Omaha, Missoula and Charlotte, and pedestrian and bike safety improvements in Denver, Oakland and Wilmington. As the below charts show, that represents a significant departure from the previous year's grant winners.

Under Biden, Multimodal Grants Fund Fewer Roads

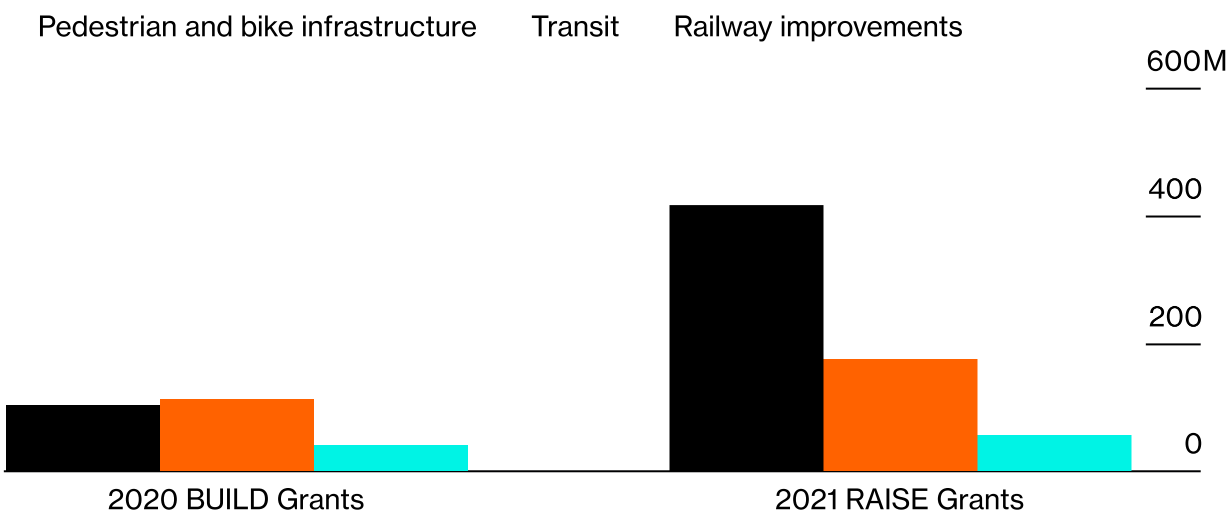
RAISE funding for new and wider highways falls dramatically from 2020



USDOT data analyzed and provided by Yonah Freemark of the Urban Institute

Under Biden, More Funding For Car-Free Transportation

RAISE grant selections mark a departure from Trump years



USDOT data analyzed and provided by Yonah Freemark of the Urban Institute
Y-axis shows amount of federal grant funding, in millions, for project categories.

That's promising news for car-free advocates who are warily eyeing the large share of the $1.2 trillion infrastructure bill that is devoted to all things automotive. But the Infrastructure Investment and Jobs Act (IIJA) also allocates roughly $100 billion for USDOT to dole out through competitive grant programs. That figure includes an annual $1.5 billion boost for the RAISE program, $1 billion for reconnecting communities divided by old infrastructure, $5 billion for cities to plan safer streets and many more billions for cleaner buses and ferries, pedestrianization projects and EV charging.

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"If these RAISE grants are an indication of how the administration plans to distribute funds under the infrastructure bill, they're a good sign," Freemark tweeted. "The administration clearly gets it: Prioritize pedestrians, bikes, and transit over roadway expansion."

Still, if transit, walking and biking programs are like U.S. soccer, driving infrastructure is like the National Football League. Even with historic levels of support for public transit ($39 billion) and intercity rail ($66 billion), the vast majority of the $550 billion in new funding in the IIIJA is for roads and highways.

Rather than be distributed at federal discretion, these funds will flow automatically to states based on existing formulas. State departments of transportation will then determine how to spend the roughly 30% funding increase they're set to receive, with few strings attached. A provision that would have required roads to be repaired before they are widened, for example, was taken out during Senate negotiations.

Expanding Highways

While highway money could be spent on bus rapid transit or bike paths, many of the nation's road builders are likely to stick to the status quo and simply add vehicle lanes, Freemark said in a follow-up interview.

"For the most part, states are so focused on highway expansion because that's what they've been doing for decades," he said. "This new money could be their opportunity to simply do more of that."

With formula funding heading out the door in the coming weeks, other parts of the country could start to announce building plans imminently. Adie Tomer, a senior fellow at the Brookings Institution, said he'll be watching to see which states opt for highway-building alternatives and how those choices align with politics. A recent Pew survey found that 73% of Republicans said they preferred to live in areas with larger homes even if it meant driving to schools, shops and restaurants, compared with 49% of Democrats, who preferred more compact, walkable communities.

"It's going to be fascinating to watch heartland states versus more coastal states spending this money," Tomer said. "Transportation is not in and of itself political. But we've started to see how transportation attitudes follow our political divides."

Yet highways are popular in both blue and red states: In Democrat-controlled Illinois, officials have already announced their hopes to use their $17 billion in federal infrastructure dollars to widen Chicago's Eisenhower Expressway and three other interstates, much to the chagrin of environmental and street safety advocates. With transportation generating nearly 30% of U.S. greenhouse gas emissions – the largest share of any sector – that means the lion's share of new federal resources aren't set up to solve the climate crisis. In fact, they may only deepen it.

For advocates, that places an even greater importance on the IIJA's billions of dollars in grant funding, which the Biden administration is expected to distribute with an eye towards racial equity and environmental impacts. It will take time for USDOT to shape those programs, hire staff to oversee them, and move through requisite approval processes. Under the American Recovery and Reinvestment Act of 2009, it took nearly a year for the first TIGER grants to get out the door. Rather than rush to spend the new resources, Tomer said he hopes cities and metropolitan regions in particular take the opportunity to plan how they want to grow and move far into the future.

Corinne Kisner, executive director of the National Association of City Transportation Officials, echoed that sentiment and described the new RAISE grant selections as a model for governments to follow.

“The U.S. is about to spend an unprecedented $1.2 trillion on infrastructure,” she said in a statement. “Cities and states must propose – and states and USDOT must select – projects that directly address the safety, climate, and equity crises that America faces today.”

THE FUTURE OF WHAT'S NEXT

Without Gas to Tax, EVs Will Change Highway Funding

Tennessee is projected to collect $655.2 million in the 2022 fiscal year through its gas and diesel taxes. As gas-powered vehicles give way to EVs, the state will need to make up the lost fuel-tax revenue.

November 29, 2021 • Andy Sher, Chattanooga Times Free Press

(TNS) — As the 100th anniversary of Tennessee's first gas tax approaches in 2024, state government officials here are warily looking down the road at how financing for highway and bridge construction, improvements and repairs will fare in an age when vehicles are powered increasingly by electricity.

"It's really not a big impact today, but we'd be foolish to think it's not going to be," interim state transportation Commissioner Joe Galbato told Gov. Bill Lee during the department's budget hearing earlier this month. "We know what's coming because most of the manufacturers are going to stop producing combustion engines."

It's an issue not just for Tennessee and local governments here but across the U.S.

Auto manufacturers are ramping up major investments in what they see as the future — electric vehicles — and that, along with ever-climbing mile-per-gallon improvements for fossil-fueled vehicles, is taking a toll on gas and diesel tax revenues going forward in what is seen as a yearslong decline in traditional funding.

The latest evidence for the electric technology revolution was Ford Motor Co.'s recent announcement that it is building a $5.6 billion electric Ford F-Series assembly plant and battery factory complex in rural West Tennessee.

Chattanooga-based Volkswagen, meanwhile, plans to invest $800 million into a new facility to build its new ID.4 compact SUV. General Motors says it will build a $2 billion electric vehicle factory in Spring Hill to produce a Cadillac

LYRIQ electric SUV. Smyrna-based Nissan, meanwhile, has for years assembled its LEAF line of cars here.

According to legislative estimates, Tennessee is projected in Fiscal Year 2022 to collect $655.2 million through its 26-cent-per gallon gas and 27-cent-per-gallon diesel tax, according to legislative estimates.

Vehicle registration fees account for another $278.9 million, while other taxes bring in $54.3 million to the state. Tally them all up and that's $988.4 million, according to the General Assembly's 2021-22 Fact Book issued by the Senate and House Finance Committees.

The state also shares an additional $324.2 million in fuel-tax revenue with local governments for their road needs, according to the analysis.

Galbato told Lee that a pre-COVID-19 pandemic analysis by the University of Tennessee estimated that by 2025 there could be a loss of $40 million in state gas and diesel taxes as Tennesseans purchase more electric cars and trucks combined with improvements in gas and diesel vehicles' mileage.

Calling it a "sizable drop," Galbato said he suspects COVID-19 would push that out by a "year or two. So by 2026/2027, there will be some real actions that are going to have to be made" to replace lost revenues, he added.

"At this point, again, electric vehicles are not causing any big revenue impact, but they will, and we've got to be prepared for that," Galbato said.

Tennessee last increased its gas and diesel taxes in 2017 when the GOP-run legislature approved then-Gov. Bill Haslam's IMPROVE Act. It raised gas and diesel taxes over a three-year period and was expected to raise an additional $350 million annually for work on 962 projects across the state over a 15-year period valued at $10.5 billion. Funded projects included a plan to fix Chattanooga's infamous "split" at the intersection of Interstates 75 and 24.

While refusing to include Republican Haslam's proposed inflation adjustment on fuel taxes, GOP lawmakers did create a new $100 registration fee for electric vehicles.

The electric-vehicle registration fee isn't bringing in much revenue yet, but it's growing. It brought in $254,000 in Fiscal Year 2018-19. In Fiscal Year 2020-21, the fee brought in $893,300, according to state Department of Revenue figures provided last week by the department to the *Times Free Press*.

During his department's budget hearing, Galbato said owners of about 9,100 electric vehicles were paying the fee prior to the pandemic's onset. Latest Revenue Department figures show owners of 12,454 electric vehicles are now paying the $100 fee.

In response to questions from Lee, Galbato said Tennesseans on average pay each year about $300 per car in gas taxes based on about 13,500 miles driven annually. About $175 of that comes from state gas tax payments, while another $125 is in gas taxes paid to the federal government.

"So if we wanted to — now I'm not proposing we do this — but somehow true them up, the dollar amount is $175 per vehicle?" Lee asked of Galbato regarding an increase in the electric vehicle fee.

Actually, Galbato said, the dollar amount per vehicle would be $300, because Tennessee gets its share of federal taxes back.

"What we sent to Washington comes back to us," Galbato said.

"So to true it up, it would not be $175, it would be $300?" Lee asked. Yes, Galbato replied.

In a sit-down interview last week with the *Times Free Press*, state Finance Commissioner Butch Eley emphasized the state is still "early in the process" in terms of electric vehicles on Tennessee roads.

"Certainly, there's nothing anytime soon that we need to be concerned about. Our gas taxes are providing the revenues in conjunction with our federal revenues in order to accomplish what they're set out to accomplish," Eley said. "Having said that, we do need to continue to monitor and plan for the future. We know that when you look at the future, that we're going to see more and more electric vehicles. We see that first hand with the announcement of the Ford plant and the announcements by other manufacturers."

Speaking last week with the *Times Free Press* by phone, Lt. Gov. Randy McNally, the Republican Senate speaker, said "the sky's not falling down yet.

"But we do need to be prepared if we do start seeing gas tax revenues begin to slide," he said. One solution would be to look at what the average car is paying, what the disparity is between types of vehicles and then "put the increase of registration fee proportionately."

Moreover, McNally said, he understands there is technology coming to track a vehicle's mileage or use of roads and officials could be in a position to correlate that and the amount of damage to roads.

"So you can use it as, I guess, like a fee," McNally said.

Officials with the Reason Foundation and the Georgia Public Policy Foundation, both libertarian think tanks, testified before the Georgia Freight & Logistics Commission and touted the mileage tax approach given expected diminishing returns on gas taxes heading into the future amid increased electric-vehicle usage, Capitol Beat News Service reported earlier in November.

Speaking by phone Friday with the *Times Free Press*, Tennessee House Transportation Committee Chair Dan Howell, R- Georgetown, said he's had a number of discussions with transportation officials.

"It's just growing exponentially," Howell said of electric-vehicle registrations. "So it's becoming clear that, for one thing, the $100-a-year registration is not sufficient. It's way below the state average paid by combustion-engine drivers. We're going to have to level the playing field there because it's just the fair thing to do."

Howell said he's had discussions with House leadership as well as Senate Transportation Committee chair Becky Duncan Massey, R- Knoxville.

"It's going to end up being a solution with several components probably," Howell said. "And I know this has been a sacred cow through the years — and I've even had discussions with some members of our leadership team in the House that historically we have just refused to even look at the general fund for any subsidies for roads — but we may even have to look at some component, not make that entirely but make it part of the equation because we've been having the last seven, eight years a major [general fund] surplus."

If the state is going to continue to have surpluses, Howell said he and some colleagues believe that the two "most important things" in keeping the state's economy growing are education and then sufficient infrastructure to attract industry and generate more jobs.

Future Shock

In an eye-opening study released in January 2020, Dr. William Fox, director of the University of Tennessee Boyd Center for Economic Research, suggested the rise of driverless cars, fleets and the transition to electric vehicles could eventually displace one in six jobs in Tennessee, as well as pose challenges to road funding.

"The thing I've emphasized about electric and soon after, autonomous vehicles, is that there's no cliff you fall off of," the economist said last week in a telephone interview. "There's just this continuous decline, I mean, that actually makes it harder because if you really fall off a cliff, you'd actually have to deal with it."

But in a situation where things "slowly erode," Fox said, "you can always put off making decisions. And that's my fear. A lot of what I've been talking about is this is an easy one to put off — and all of a sudden, we'll realize, 'Oh shoot!' and then it'll get harder to deal with.

"I'm not a politician, I'm an economist," Fox said. "But I think the political dimension of this gets harder because those opposing change will grow."

Fox said he suspects there will be faster adoption of electric vehicles in urban areas, citing Nashville and likely Chattanooga as well.

"What that means is that the relative tax burden shifts to the rural places and away from the urban places. So it's not like everyone evenly gets impacted by this. So you get this kind of continuous drop in related tax revenues but not necessarily from rural places. So the unevenness of it it's reason for concern. It's an inequity, but it's on geography rather than income."