

MARCH 2021

MAKING FEDERAL FUNDING WORK FOR CITIES

POLICY PROPOSALS TO ENSURE FEDERAL
TRANSPORTATION FUNDING MEETS LOCAL NEEDS

The Challenge

Addressing ongoing climate, equity, economic recovery, and safety challenges will require transformative transportation projects all across America. However, the mechanisms through which transportation and infrastructure funding currently moves from the Federal government to local projects on local streets is flawed. **To build back better, for equity, safety, and to respond to the ongoing crises of a global pandemic, racial and economic injustice, and accelerating climate change, Congress and USDOT must update their funding tools to reach cities and enhance not undermine local transportation priorities.**

What's Not Working?

Today's transportation system works extraordinarily well for its original intended purpose, to build a national highway system, but fails to meet the climate, economic recovery, equity, and safety challenges of the present day.

Under our current system, most transportation funding, allocated by Congress, goes from USDOT and its departments, to State DOTs and metropolitan planning organizations (MPOs). Money is then re-allocated at a state or regional level to cities. However, despite the fact that most Americans live in cities or urbanized areas, and over half of all trips in the U.S. are local (less than 3 miles), cities have little control over transportation funding. Instead, State Departments of Transportation (DOTs) control the overwhelming majority of transportation funding and have a long history of prioritizing highways over safe streets and public transit. Compounding matters, cities typically lack jurisdiction or even design review powers over state-led projects or projects on state-owned roads, even when those roads are located within city limits, through the heart of downtowns or local neighborhoods.

The outmoded funding pathway between Federal and local governments is an obstacle to substantively addressing the climate, economic recovery, equity, and safety challenges of the present day. Using local resources, many cities have begun to shift the transportation status quo towards safety and sustainability. Yet most cities do not control the majority of money, nor the decision making about the design and construction of projects within their own boundaries. In particular:

- **Repetitive state-level reviews of city projects slows down projects.** City-initiated projects often undergo excessive, time-consuming reviews from state DOTs who control their funding. Pedestrian, bicycle safety, and transit prioritization efforts are often targeted. Despite costing the parties involved significant time and resources, these reviews usually do not change the underlying project in any significant or positive way.
- **Cities lack control over the most dangerous streets within their transportation network.** In the US, 73% of traffic deaths occur on 15% of streets—arterials. Most arterials are owned by states; as a result, cities cannot make safety interventions on these streets. Even when dangerous arterials run through the heart of a downtown or neighborhood, cities have little to no formal input in their design or operations.
- **The current mechanisms for allocating funding and selecting projects are subverting the will of the voters.** As evidenced by results at the ballot box, voters want their governments to provide better transit and safer streets. However, the current funding pathways mean that local governments either don't get the funding to do so, or don't have the jurisdiction to ensure that what gets built in their constituents' backyards will meet their needs.
- **Federal dollars are paying for transportation and infrastructure projects that create few jobs and generate little economic activity.** Highway construction is highly mechanized, hiring large multi-state companies and providing fewer local jobs with no guarantees that any money will be reinvested in the community. In contrast, most city transportation projects (such as adding safety treatments to an intersection or changing a curbline) are people-intensive—they employ crews of people, typically local residents, who in turn spend money in local businesses and stores.

It's time to update federal policy to ensure that transportation funding supports national goals by empowering cities to build the safety and sustainability projects that the people want.

What do Cities Need?

Congress must enact policy which responds to four unique and interrelated needs of cities:

- Cities need authority to direct funding to their priorities;
- Cities need authority to approve or prevent project designs and construction of projects in their jurisdiction, including local streets that are under state control, but no longer serve a state highway function;
- Cities should have access to the same accelerated project delivery processes as states;
- Cities need a mechanism to participate in decisions about projects located outside their jurisdiction but that impact them.

Policy Recommendations

1 GRANT CITIES CONTROL OVER DESIGN AND CONSTRUCTION APPROVAL FOR PROJECTS WITHIN CITY LIMITS.

Congress should create two options for cities:

- a. **Provide design and construction approval to all cities** based on locally adopted design standards and comportment with priority performance metrics.
- b. **Create an opt-in program whereby cities can assume design and construction approval authority** for projects within their jurisdiction, provided the city is using an approved design guide (including the NACTO Urban Street Design Guide).
- c. For both programs, Congress should ensure that:
 - Design and construction approval should apply to any projects over \$100,000, excluding interstate highway projects, on public rights of way.
 - Design and construction approval should include local streets that are under state control, but no longer serve a state highway function.
 - For projects taking place within the borders of cities who have assumed design and construction approval authority, transportation improvement plans and state transportation improvement plans require city concurrence.
- d. **Congress should require states to provide cities with technical assistance** to build their capacity to directly receive and manage design and construction upon request.
- e. **Congress and USDOT should clarify that a state's statutory responsibility** to do design review on FHWA-State-City pass-through projects can be met by having the City use an approved design guide.

2 IMPROVE SUBALLOCATION FOR ALL CITIES.

While suballocation is a well intentioned policy to direct federal investments to cities and urbanized areas, these dollars are controlled by states and often invested in ways that go against or over the needs of cities. The following are recommendations to ensure suballocated funds support local needs.

- a. **Congress should require states to delegate design and construction approval to all suballocated funds obligated in a city participating in the opt-in design program.** To ensure states comply with the design and construction approval requirement, Congress should direct the USDOT to develop suballocation requirements which prevent states, MPOs, and other entities which manage suballocated funds from diverting suballocated funds intended for a city outside of the city's jurisdiction.
- b. **Congress and USDOT should require suballocated funds to be spent on projects and in a manner that meets specific performance requirements** around safety, carbon emissions reductions, and VMT reduction.
- c. **Congress should require states to provide cities with technical assistance** to build their capacity to directly receive and manage federal funds upon request. States must provide these cities with control over suballocated funds.

- d. **USDOT should be required to conduct periodic, random, statistically significant reviews** of state spending of suballocated funds to ensure compliance with city design and construction approval authority, eligible city control over suballocated funds, and requirements to obligate funds in support of city and local goals.
- e. **Congress should increase the percentage of STBGP funds** that are suballocated to local areas to at least 60 percent, consistent with the 2020 INVEST Act.

3 GRANT FEDERAL FUNDING DIRECTLY TO QUALIFIED CITIES.

Congress should create an opt-in program for USDOT to provide direct funding to cities that meet certain minimum technical, engineering, and financial capacity necessary to manage federal funds.

- a. **Congress should ensure that at least five percent of National Highway Performance Program funds should be made eligible** for this program.
- b. **Congress should ensure that funds provided under this program are in addition to any suballocated funds** under other programs and should require states to allow cities which participate in this program to directly receive funds suballocated under other programs, including STBGP.
- c. **Cities of all sizes should be eligible to opt-in** as long as they meet the minimum capacity requirements to be identified by the Secretary.
- d. **States should be required to provide interested cities with technical assistance** to build their capacity to directly receive and manage federal funds.

4 REFORM PROJECT DELIVERY PROCESSES AND ENHANCE TRANSPARENCY & ACCOUNTABILITY.

Congress should require that all cities be eligible to participate in any expedited project delivery processes available to states, including NEPA self-certification.

- a. **Exemption from State environmental and other reviews:**
 - Bicycle or pedestrian projects that fall within existing curb lines should be exempt from State environmental review or other reviews that are duplicative of existing federal processes.
 - All projects under \$5 million, including pedestrian and cyclist or transit infrastructure, should be exempted from State environmental or other review which are duplicative of an existing federal process. USDOT should issue guidance to clarify what constitutes a duplicative process.
- b. **USDOT should require states to report on their compliance** with this provision annually and to create a process through which cities can request a USDOT review of a state's action. USDOT should be authorized to impose an appropriate penalty on any state which fails to provide its cities with access to federally approved project delivery processes.

Policy Considerations

This paper introduces **ways that cities, using improved design review and funding control, can help substantively address the climate, economic recovery, equity, and safety challenges of the present day.** It does not spell out every detail or present legislative text. Policymakers and others interested in empowering cities will need to think through some additional policy considerations, such as:

- Should the USDOT have an oversight role? While empowering cities will address most concerns, it may be necessary for USDOT to ensure state compliance. This can be accomplished through the existing Division Office structure or through a separate oversight structure that can have a technical assistance function for cities.
- Cities need to be able to weigh in on state and regional projects that impact them or are being built within their borders. This could take the form of requiring concurrence on projects before TIPs/STIPs are approved. Who should be required to give concurrence?
- Should there be a process for cities to appeal to USDOT for relief if a state fails to enact these reforms?
- How can USDOT ensure that cities are able to participate in project designs and construction for projects outside their jurisdiction, but which impact them?
- How can metropolitan planning organizations (MPOs) participate in these processes and what MPO reforms may be necessary to support this effort?

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About the National Association of City Transportation Officials (NACTO)

NACTO is an association of 86 major North American cities and transit agencies formed to exchange transportation ideas, insights, and practices and cooperatively approach national transportation issues. The organization's mission is to build cities as places for people, with safe, sustainable, accessible, and equitable transportation choices that support a strong economy and vibrant quality of life. To learn more, visit nacto.org or follow us on Twitter at [@NACTO](https://twitter.com/NACTO).



About Transportation for America

Transportation for America is an advocacy organization made up of local, regional and state leaders who envision a transportation system that safely, affordably and conveniently connects people of all means and ability to jobs, services, and opportunity through multiple modes of travel.