To amend title 23, United States Code, to direct the Secretary of Transportation to establish an innovation in surface transportation program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Innovation in Surface Transportation Act of 2014”.

A BILL

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SEC. 2. INNOVATION IN SURFACE TRANSPORTATION PROGRAM.

(a) IN GENERAL.—Chapter 1 of title 23, United States Code, is amended by inserting after section 104 the following:

"§ 105. Innovation in surface transportation program

"(a) PURPOSES.—The purposes of this section are—
"(1) to increase the return on investment in the surface transportation system of the United States;
"(2) to make the surface transportation system of the United States more reliable, safe, and efficient by advancing innovative projects selected through State competitions;
"(3) to increase input from local government and stakeholders on projects receiving funding; and
"(4) to leverage Federal highway dollars further through in-State competitions.

"(b) DEFINITIONS.—In this section:

"(1) ELIGIBLE ENTITY.—The term ‘eligible entity’ means—

"(A) a local government;
"(B) a metropolitan planning organization;
"(C) a regional transportation authority;
"(D) a transit agency;
"(E) a tribal government;
“(F) a private provider of public transportation;
“(G) a nonprofit transportation organization;
“(H) a port authority;
“(I) a joint power authority;
“(J) a freight rail provider; and
“(K) a local rail authority.

“(2) ELIGIBLE PROJECT.—The term ‘eligible project’ means—
“(A) a project eligible under—
“(i) section 133(b), relating to the surface transportation program;
“(ii) section 148, relating to the highway safety improvement program;
“(iii) section 149(b), relating to the congestion mitigation and air quality improvement program; or
“(iv) section 213(b), relating to the transportation alternatives program; and
“(B) a surface transportation project that will improve the movement of goods along a primary freight network, including multimodal facilities near a primary freight route.
“(3) Program.—The term ‘program’, except as otherwise specifically provided, means the ‘innovation in surface transportation program’ established under this section.

“(4) Rural local government.—The term ‘rural local government’ means a local government for an area that is not an urbanized area (as defined by the Census Bureau).

“(5) State selection panel.—The term ‘State selection panel’ means an innovation in surface transportation selection panel established by a State under subsection (e).

“(c) Establishment.—The Secretary, in coordination with State transportation departments, shall establish an innovation in surface transportation program in accordance with the requirements of this section.

“(d) Grants.—

“(1) In general.—A State shall make grants under this section to eligible entities for eligible projects to be carried out in the State using funds reserved by the State for a fiscal year under subsection (j)(1).

“(2) State competitions.—

“(A) In general.—For the purposes of making grants under this section, a State shall
conduct a competition each fiscal year under which the State will accept grant applications submitted by eligible entities.

“(B) COMPETITION DATES.—A State shall conduct a competition under subparagraph (A)—

“(i) not later than 180 days after the date of enactment of the Innovation in Surface Transportation Act of 2014; and

“(ii) not later than 30 days after the first day of each fiscal year beginning after the date of enactment of the Innovation in Surface Transportation Act of 2014.

“(3) SELECTION CRITERIA.—

“(A) ESTABLISHMENT.—The State selection panel under subsection (e) shall establish and make available to the public the project selection criteria that will be used by the State in conducting competitions under paragraph (2).

“(B) FACTORS.—The project selection criteria of a State shall provide for the approval of project applications based on the extent to which the projects—

“(i) improve the safety for all users of the transportation network;
“(ii) strengthen the contribution of a national multimodal freight network to the economic competitiveness of the United States;

“(iii) promote multimodal connectivity;

“(iv) strengthen return on investment, particularly the impact on local economic development;

“(v) improve access to jobs and sources of labor, schools and opportunity;

“(vi) optimize the usage and efficiency through better design and operation of existing transportation facilities;

“(vii) improve the reliability of the transportation system of the United States;

“(viii) improve environmental performance of the transportation system;

“(ix) encourage innovation and the use of technology; and

“(x) further the purposes described in subsection (a).

“(C) SPECIAL CONSIDERATION OF CERTAIN FACTORS.—In addition to the factors
specified in subparagraph (B), the project selec-
tion criteria of a State shall provide that special
consideration be given equally—

“(i) to projects that—

“(I) maximize the amount of pro-
posed project costs that can be borne
by the applicant from non-Federal
sources; or

“(II) have prior significant Fed-
eral or non-Federal investment; and

“(ii) to projects in public jurisdictions
with high poverty areas (as defined by the
Census Bureau).

“(D) FUNDING DISTRIBUTION.—The
project selection criteria of a State shall take
into consideration the equitable distribution of
funds by geography and population.

“(4) SPECIAL RULE FOR PRIVATE TRANSPORTA-
TION PROVIDERS.—An eligible entity that is a pri-

tate transportation provider may submit a project
application in a State competition conducted under
paragraph (2) only if the application is sponsored by
a public entity.

“(e) INNOVATION IN SURFACE TRANSPORTATION SE-
LECTION PANEL.—
“(1) IN GENERAL.—A State (including the Governor and State Department of Transportation), in coordination with local transportation stakeholders, shall establish an innovation in surface transportation selection panel in accordance with this subsection.

“(2) DUTIES.—A State selection panel shall—

“(A) review project applications submitted to the State during a competition conducted under subsection (d)(2); and

“(B) approve and disapprove the project applications based on the criteria set forth in subsection (d)(3).

“(3) MEMBERSHIP.—A State selection panel shall be composed of the following members to be appointed by the State:

“(A) Not fewer than 3 individuals representing the transportation department of the State.

“(B)(i) Not fewer than 3 individuals representing local governments in the State, with at least 1 representative from each of—

“(I) a jurisdiction with a population of 50,000 individuals or fewer;
“(II) a jurisdiction with a population of more than 50,000 individuals and not more than 1,000,000 individuals; and

“(III) a jurisdiction with a population of more than 1,000,000 individuals, if applicable.

“(ii) If a State does not have a jurisdiction that meets the criteria of 1 of the subclauses of clause (i), the selection panel shall select a representative from a jurisdiction eligible under any of the other subclauses in order to secure the appropriate number of representatives pursuant to this subparagraph.

“(C) Not fewer than 3 individuals representing metropolitan planning organizations, councils of governments, rural planning organizations, and other joint powers authorities in the State charged with transportation responsibilities, including Indian tribes and tribal coalitions.

“(4) ADDITIONAL MEMBERS.—In addition to the members appointed under paragraph (3), a State selection panel shall be composed of members to be appointed by the State, in coordination with
local transportation stakeholders, from among individuals representing—

“(A) local chambers of commerce, including transportation management organizations, travel and tourism boards, and other coalitions of employers and commerce;

“(B) local air quality boards or organizations supporting improved air quality;

“(C) State safety boards or local organizations supporting safety;

“(D) transit agencies;

“(E) port authorities, if applicable;

“(F) active transportation organizations;

“(G) public interest organizations; and

“(H) public health quality boards or local organizations supporting improving public health.

“(5) DISTRIBUTION OF REPRESENTATIVES.—A State shall appoint members to the section panel of the State in a manner such that—

“(A) the number of members appointed under each of subparagraphs (A), (B), and (C) of paragraph (3) is equal; and

“(B) not less than 1 member, and not more than 9 members, appointed under para-
graph (4) shall be described in each of subparagraphs (A), (B), (C), (D), (E) if applicable, (F), (G), and (H) of paragraph (4).

“(6) **Geographic Diversity.**—The members of a State selection panel shall be geographically diverse, to the extent practicable.

“(7) **Representation Limitation.**—Except for the representatives described in paragraphs (3)(A) and (3)(B), no entity may be represented on a State selection panel for more than 2 consecutive years if a comparable entity can also be represented on the panel.

“(8) **Continuity.**—A State shall appoint members to the selection panel of the State using a 2-tiered rotation process that ensures continuity of the panel by rotating the membership of the panel on a staggered basis.

“(f) **Technical Assistance for Certain Areas.**—

“(1) **Rural Eligibility.**—The State shall support development of project applications under this section if requested by an eligible rural local government.

“(2) **Reservation of Funds.**—The State may reserve not more than 0.25 percent of the funds re-
served for a fiscal year under subsection (j) to meet specific requests for support from eligible rural local governments.

“(g) TRANSPARENCY.—Not later than 30 days after a State has selected projects for a fiscal year to receive funding under this section, the State shall make available, in a publically accessible medium that is easy to navigate—

“(1) the criteria and methodology used to select the projects;

“(2) a list of all the projects for which funding was requested, including, for each such project—

“(A) the total estimated project cost;

“(B) the amount of funding requested; and

“(C) the type of modal project;

“(3) a list of projects that were selected to receive funding under this section, including, for each such project—

“(A) the amount of funding requested;

“(B) the amount of funding granted; and

“(C) the source of the non-Federal share of cost of the project; and

“(4) the ranking and scoring of all projects for which funding was requested.

“(h) REPORTING REQUIREMENTS.—
“(1) **State reports.**—Not later than 180 days after the last day of each fiscal year, a State shall submit to the Secretary a report that describes—

“(A) the information required under subsection (g);

“(B) the organizations that were represented on the selection panel of the State;

“(C) the portion of the funds available to the State for the program that have been obligated; and

“(D) the percentage of the funds available to the State for the program that were used for administrative expenses.

“(2) **Biennial report to Congress.**—Not later than September 30, 2016, and biennially thereafter, the Secretary shall submit a consolidated report on the program, including a review of the State reports submitted pursuant to paragraph (1), to—

“(A) the Committee on Banking, Housing, and Urban Affairs of the Senate;

“(B) the Committee on Commerce, Science, and Transportation of the Senate;

“(C) the Committee on Environment and Public Works of the Senate; and
“(D) the Committee on Transportation and Infrastructure of the House of Representatives.

“(3) AVAILABILITY.—The Secretary shall make the report submitted under paragraph (2) available on the public Internet website of the Department of Transportation.

“(i) SPECIAL RULE FOR STATES WITH COMPETITIVE AND SUBALLOCATED PROGRAMS.—

“(1) IN GENERAL.—The Secretary may permit a State to distribute funding described in subparagraph (A), (B), (C), (D), or (E) of subsection (j)(1) through the mechanisms described in paragraph (2) if the Secretary certifies that the State is distributing the funding in a manner that fulfills the purposes of this section.

“(2) DISTRIBUTION MECHANISMS.—Distribution mechanisms that qualify under paragraph (1) include—

“(A) an open and competitive State program that is substantially similar to the requirements of this section;

“(B) direct suballocation to metropolitan areas of 40 percent of all funds—
“(i) apportioned to the State under sections 104(b)(1), 104(b)(2), 104(b)(3), and 104(b)(4); and
“(ii) allocated to the State under section 213(a)(1); and
“(C) has a competitive State program and direct suballocation to metropolitan areas or direct recipients of funds under section 5307 of title 49, of more than 95 percent of the funds—
“(i) apportioned to the State under sections 104(b)(1), 104(b)(2), 104(b)(3), and 104(b)(4); or
“(ii) allocated to the State under section 133(d)(1)(B); and
“(D) a certification by the Secretary that the State is distributing grant funding in compliance with the requirements of this section or in a manner that is substantially similar to such requirements.
“(3) Publication in Federal Register.—Before making a certification under paragraph (1), the Secretary shall—
“(A) publish in the Federal Register the intent of the Secretary to make the certification;
“(B) provide the public not fewer than 90 days to comment on the proposed certification; and

“(C) take into consideration any comments received during the comment period.

“(4) LETTER TO CONGRESS.—At least 15 days before making a certification under paragraph (1), the Secretary shall submit a letter to the congressional committees referred to in subsection (h)(2) and the members of the congressional delegation of the State that includes—

“(A) a notification of the Secretary’s intent to make the certification; and

“(B) a justification for the proposed certification.

“(j) FUNDING.—

“(1) RESERVATION OF FUNDS.—On October 1 of each of fiscal year, a State shall make the following reservations of funds:

“(A) NATIONAL HIGHWAY PERFORMANCE PROGRAM.—The State shall reserve 10 percent of the amount apportioned to the State for the fiscal year under section 104(b)(1)—

“(i) for carrying out State competi-


“(ii) for making grants under this section for eligible projects.

“(B) Highway safety improvement program.—The State shall reserve not less than 33 percent of the amount apportioned to the State for the fiscal year under section 104(b)(3) for making grants under this section for eligible projects that are projects described in section 148.

“(C) Congestion mitigation and air quality improvement program.—

“(i) In general.—The State shall reserve not less than 33 percent of the amount apportioned to the State for the fiscal year under section 104(b)(4), and unobligated balances for this section from the prior fiscal year for making grants under this section for eligible projects that are projects described in section 149(b).

“(ii) Nonattainment areas.—States with nonattainment areas (as defined in section 171(2) of the Clean Air Act (42 U.S.C. 7501(2))) shall use amounts reserved under this paragraph for making grants under this section for eligi-
ble projects described in section 149(b) in those areas.

“(D) Surface Transportation Program.—The State shall reserve not less than 33 percent of the amount allocated to the State for the fiscal year under section 133(d)(1)(B) for making grants under this section for eligible projects.

“(E) Transportation Alternatives Program.—The State shall reserve 33 percent of the amount reserved by the State for the fiscal year under section 213(c)(1)(B) for making grants under this section for eligible projects that are projects described in section 213(b).

“(2) Special Rule.—Any funds that a State directly suballocates to metropolitan areas or direct recipients of funds under section 5307 of title 49 or awards through an open statewide competition to eligible entities shall be excluded from the funds from which the reservations under subsection (f)(2) are made.

“(3) Nonawarded Funds.—

“(A) In General.—A State shall recompe

the funds using the process under sub-
section (d)(2) for funds reserved under this subsection if—

“(i) any funds reserved by the State for a fiscal year under paragraph (1) have not been awarded by the State in grants under this section on or before the last day of the fiscal year; and

“(ii) any funds awarded in grants under this section remain unobligated by the grant recipient after the last day of the 3-year period beginning on the date on which the grant was awarded.

“(B) REDIRECTION OF FUNDS.—Once a State has fulfilled the requirements of subparagraph (A), a State may redirect funds reserved under this subsection for sections 104(b)(1), 104(b)(2), 104(b)(3), and 104(b)(4), and 213 (a)(1) for funds that remain unobligated for an additional 3 fiscal years.”.

(b) CLERICAL AMENDMENT.—The analysis for chapter 1 of title 23, United States Code, is amended by inserting after the item relating to section 104 the following:

“105. Innovation in surface transportation program.”.