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White House Unveils Long-Awaited Infrastructure Proposal

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On Monday, February 12, as part of the President's FY19 budget proposal, the Trump Administration lifted the curtain on a $1.5 trillion infrastructure package that would focus on public private partnerships and increased state and local funding. Since the last election, the Administration has promised to unveil a significant infrastructure-spending package aimed at rebuilding America's roads, bridges, waterways, airports, and other infrastructure. The 55-page infrastructure plan calls for $200 billion in direct federal spending aimed at leveraging a total of $1.5 trillion in infrastructure spending to overhaul U.S. public works. The plan is broadly structured around four goals: 1) generate $1.5 trillion in total investment for an infrastructure proposal, 2) streamline the permit process down to two years, 3) invest in rural infrastructure projects, and 4) advance workforce training.

$100 billion of the $200 billion in federal seed money would go toward an incentive program to match financing from state and local governments investing in rebuilding projects, while a quarter of the appropriations would be used for rural projects in the form of block grants to states so governors may decide where to invest. $20 billion will be allotted for new "transformative programs" rather than rehabilitation of old infrastructure. Another $20 billion is intended to expand the use of loans and private activity bonds, a common tool used to fund infrastructure projects. The last $10 billion would go into a "capital financing fund."

Another major focus is to streamline the approval process for bigger projects, cutting down regulatory red tape. The White House's stated goal is to streamline such projects to two years from the current five to ten. The plan would allow one agency to make the final decision on granting permits – which the White House is calling a "one agency, one decision" approach. Another provision would sunset federal requirements if a project's federal funding is repaid. Currently, projects that utilize federal-aid highway funds for highway or bridge construction are constrained by federal requirements even after the project is completed. The Administration argues that these "perpetual" federal requirements can inhibit a state's ability to obtain value from a facility.

Other elements of the proposal include:

- Use money generated from "mineral and energy development on Federal lands and waters" to establish a new fund for repairing infrastructure on public lands like parks and forests;
- Allow states to toll on existing Interstates and to "commercialize" rest areas on those highways, both of which are currently restricted by law;
- Consider allowing federal agencies to sell off assets, such as Ronald Reagan National Airport and Washington Dulles International Airport on the theory that state and local agencies or the private sector may be better asset managers (Though technically owned by the federal government, both Reagan and Dulles airports are operated by a regional authority under long-term lease agreement);
- Allow workers with out-of-state trade licenses to work on new infrastructure projects; and
- Limit legal actions due to environmental concerns that can delay projects.

The funding proposal is a departure from typical spending on infrastructure, as the federal government usually covers a bulk of the total project cost, typically up to 80 percent. The proposal would see local governments and the private sector providing significantly higher matching funds.

The proposal faces long odds on Capitol Hill, where members of both parties – especially Democrats – are skeptical of any plan that fails to create a dedicated new funding stream to address the nation's infrastructure needs. Lawmakers also fear that only $200 billion in federal investment would be insufficient to spur the levels of infrastructure spending envisioned by the Administration. The plan also faces hurdles from some Republicans who are loathe to add $200 billion in spending without offsetting cuts after they have already passed significant spending increases as part of the two-year budget deal agreed to last week. Last year, there were rumors that the federal spending element of the proposal would be paid for through a tax on repatriated earnings, but that option is no longer available as it was included in the tax cuts package enacted at the end of last year. Others have proposed an increase in the federal gas tax, which at 18.4 cents per gallon, has not been increased since 1993. Many argue that even without a new infrastructure program, an increase in the gas tax or some other funding source will have to be implemented to shore up the Highway Trust Fund, which faces insolvency in the near future. However, such an increase in the gas tax is deeply unpopular with Republicans.

The full infrastructure proposal can be viewed here.