

Trillion-Dollar Plan

Federal Infrastructure Takes Shape

By Rebecca Patrick

You can't say President Trump doesn't aim big.

His \$1 trillion comprehensive infrastructure package sets out to reform projects from start to finish – focusing on how they are regulated, funded, delivered and maintained.

To get there, the administration intends to rely heavily on user fees, federal loans and corporatization.

The general idea is for a \$200 billion infusion from the federal government to spur an additional \$800 billion in private funding over the course of 10 years. And that federal money will be targeted toward those seen as transformative projects.

In late May and early June – right when the principles of the President's plan were released – *BizVoice*[®] talked individually with the three members of Indiana's delegation who reside on the infrastructure committees that will first see and shape legislation. They are Sen. Todd Young, Congressman André Carson (IN-07) and Congressman Todd Rokita (IN-04).

While all were eager to see more details beyond the budget proposal, they didn't hold back on what they liked or didn't like.

First impression

Republicans Young and Rokita are supportive – to a point.

"Particulars need to be put forward with respect to how we're going to pay for the President's priorities and the priorities of the American people. (But) I'm glad he's focusing on infrastructure," Young begins.

"It's essential we continue to invest in our surface transportation, our next generation electric grid, our airports and so on. But these things have to be paid for in the most cost-effective way."

Young also applauds that the plan looks at redoing the environmental review and permitting processes – a step that would be music to the ears of contractors that deal with "a burdensome, duplicative and highly-inefficient permitting process for major transportation projects. That would allow each taxpayer dollar to go further."

Rokita notes, "I stand with the President in trying to update our nation's infrastructure and appreciate that he's focusing on all the different facets of it. I think in the near term this will help create jobs. In the long term, it's going to maintain our economic competitiveness."

Democrat Carson is an initial skeptic.

"Unfortunately, President Trump's budget just does not contain, I don't think, a very serious proposal that will help revitalize a very vibrant network of transportation, water, energy and even civic infrastructure in places like Indianapolis.

"It puts my Republican colleagues in a very tough situation because it cuts federal aid, highway transit and highway safety, and guaranteed funding from the Highway Trust Fund by over \$95 billion over the next two years."

Funding options

Carson also takes issue with aspects of the funding strategy.

"It pushes the responsibility off our federal balance sheets and replaces it with unidentified incentives for Wall Street investors to participate in speculation on transportation projects," he contends.

Additional emphasis is put on greater involvement from private investors. Gone would be the \$15 billion cap on private activity bonds, which are like municipal bonds but broader in application.

Private activity bonds are often part of a public-private partnership's (P3) financial package, with the bonds paid back from a variety of eligible sources.

Young defends the approach, noting a local success.

U.S. Rep. André Carson led the charge for the Red Line, a proposed rapid transit bus route from Hamilton to Johnson counties. Recently, Congress agreed to provide \$50 million to Indianapolis for this effort to improve and expand the city's public transit system.





Senator Todd Young hopes that “as we approach infrastructure investment in a bipartisan way, everyone will agree not all states are created equally and have all the same preferences and needs.”

Private activity bonds were used “to help build the East End Bridge from the east end of Louisville to southern Indiana and to rework traffic patterns on the Indiana side of the river,” he explains. “So we know that financing mechanism is an effective one.”

Carson’s firm belief is “private investment can’t tackle most transportation projects. Certainly not without a robust public funding apparatus alongside.

“It has almost no applicability, especially for smaller projects without revenue streams – like rural highways. ... It just doesn’t make sense.”

Young agrees that private capital isn’t always going to be the solution, but stresses his concern over adding to the \$20 trillion national debt.

“In short, we need public-private partnerships, but they can’t pay for everything. They tend to work in certain types of settings, where you have a lot of traffic and predictable traffic patterns.”

Young’s final thought on P3s: “We should look beyond our own shores for private capital. I see real opportunity there.”

Separately, the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, which provides credit assistance to significant projects, is set for an increase of a billion dollars every year.

Young says TIFIA is very popular and he’s heard from mayors and contractors in Indiana who wanted that preserved or expanded. “That merits strong consideration for inclusion in whatever infrastructure legislation might wind its way through Congress.”

Power to the states

The administration has made it clear that transferring more responsibilities to states is

desired.

In the budget overview, it notes that the federal government “acts as a complicated, costly middleman between the collection of revenue and the expenditures of those funds by states and localities.”

All three delegation members are eager to see Indiana have more control.

“If Indiana has shown the country anything, it’s that oftentimes state-level solutions are better. When Washington comes up with solutions, there ought to be flexibility imbedded within those so that states can tailor infrastructure investments and other public policies to the unique needs of their own population,” Young describes.

Carson cautions that there will need to be proper federal oversight.

“We don’t want these funds going to different states without any stipulations, because if there aren’t stipulations attached to the funding, you’re going to have another slush fund where roads and bridges can be ignored and that money is going to other areas ... but states know their needs better than the federal government.”

Rokita has no hesitation in the matter: “I’m completely comfortable with devolving as much power to the states as possible.”

About that bipartisanship...

Though it’s third in the queue behind health care and tax reforms, infrastructure appears to be the only one among them with any chance for bipartisan support. The question is what effects the other two battles and the heightened political environment will have by the time the focus turns to infrastructure in the fall or early 2018.

Carson announces: “We have over 10,000

roads and bridges that need to be repaved, resurfaced, rebuilt in our country. ... I’m willing to work with anyone to revitalize American’s infrastructure and provide the necessary foundation for job growth and opportunities.

“The federal government needs to invest in the basic needs of the American people and not make cuts to already limited resources, I know that my Republican colleagues are on this European austerity push, but we’re not Europe. We’re America.”

Rokita quips, “Quite honestly, the talk we are getting out of Democrats right now isn’t on infrastructure. It starts off with Russia, Russia, Russia and then the fourth thing is (former FBI director Jim) Comey and the fifth is ‘hell no on health care’ – and then it’s down the road from there.

“My hope is that they relieve themselves of their partisanship and work with us on all these things.”

Last word

For Carson, public transportation is top of mind for his constituents.

“(It) spurs economic growth in communities. For every \$1 spent, it generates \$4 in economic returns. I’m deeply concerned about (where) public transportation (fits in the picture).

“In a very real sense, a lot of my Republican colleagues are on board because they come from urban centers or rural districts that have growing transportation needs,” he insists. “And it’s especially important with millennials; they don’t drive.”

Young’s goal is simple: “I want Congress to look for every opportunity to expand the scope of our investment beyond direct federal spending.

“That will probably mean empowering the states to do more with their own investments through regulatory relief and possibly through some programmatic changes.”

Rokita also returns to his fiscally conservative roots. “Our biggest threat and the most unfair thing we’re doing to the next generation is not paying for the things that we are doing with money. That has to be part of the discussion.

“I can certainly argue that a road, a bridge, a lock, a dam – those kinds of things – are good investments. Even if they aren’t paid for immediately, the next generation will be able to use them. So in that sense, this kind of government spending is better instead of let’s say food stamps, which doesn’t really help the economy long term or the next generation.”