Insight

Trump's Infrastructure Plan: What We Know from the FY 2018 Budget

BRIANNA FERNANDEZ | JUNE 7, 2017

Summary

Late last month President Trump released his budget for FY 2018. Trump's budget provided few specifics on a plan to secure infrastructure investment, or what areas investment should target. The budget includes:

- A target of $1 trillion in private/public infrastructure investment.
- Outlays of $200 billion for infrastructure initiatives.
- Significant cuts to transportation programs such as Federal Transit Administration's Capital Investment Program (New Starts) and the Transportation Investment Generating Economic Recovery (TIGER) grant program.

2018 Budget

Trump's spending proposal includes a brand-new section that would "provide an infrastructure plan to support $1 trillion in private/public infrastructure investment." The administration plans for the $1 trillion to be a combination of Federal funding, incentivized private sector funding, and expedited projects that "would not have happened but for the administration's involvement," such as the Keystone Pipeline. The Budget also includes $200 billion in outlays related to the infrastructure initiative. However, there are no details provided on how the $200 billion will be split among agencies.

Overall, Trump's budget would cut the Department of Transportation's discretionary budget by 12.7 percent, to $16.2 billion. This includes a $928 million reduction in funding for FTA's New Starts program. New Starts provides funding to projects with existing full funding grant agreements. The cut to New Starts puts the Gateway Tunnel project under the Hudson River in jeopardy, a project that U.S. Transportation Secretary Elaine Chao called "an absolute priority." Furthermore, the budget eliminates the successful TIGER discretionary grant program, which provides funding to multi-modal and multi-jurisdictional programs that are difficult to fund through traditional federal programs. The TIGER grant program has provided a combined $5.1 billion to 421 projects in all 50 states, the District of Columbia, and U.S. territories since 2009. Trump's spending plan further proposes a $630 million reduction to Federal support for long-distance Amtrak service and $95 million in cuts to Highway Trust Fund outlays.

Furthermore, the budget proposes changes to air traffic control and Essential Air Service (EAS). It proposes shifting air traffic control to an independent, non-governmental entity by 2021. The effort to privatize air traffic control was undertaken by Canada in 1996 when the Canadian government sold the country's air navigation services to Nav Canada, which operates Canada's civil air navigation system to this day. The budget also proposes a cap reduction in discretionary spending of $72.8 billion and a reduction of aviation excise taxes of $115.6 billion. Regarding EAS, the budget calls for the elimination of discretionary funding for the EAS. EAS provides subsidized commercial air service to rural airports, however, many flights are not full. The proposal is estimated to save $175 million.

Key Principles

In an addendum to the budget, the administration released an infrastructure initiative fact sheet which lays out a set of "key principles" around which the administration will focus proposals. The principles highlight targeting Federal dollars toward projects that provide the most benefit to taxpayers, encouraging localities to independently make infrastructure investments, the efficient disposal of underused capital assets, and leveraging private-public partnerships. These key principles emphasize Trump's vision for private sector investment, yet little detail is given on how the administration will leverage such investment. Furthermore, the administration has provided little insight on what they will do with the funds once they have secured investments. Both the budget and the fact sheet are underwhelming with regard to infrastructure, as they fail to provide any significant information about what a Trump infrastructure plan may look like.

Lack of a Plan

This budget lacks a concrete plan for infrastructure. The budget features many cuts to transportation programs, some of which may be quite sensible, paired with the promotion of $1 trillion in infrastructure investment. While P3s are championed as the key avenue for investment, P3s will not fund all infrastructure projects. In P3s private entities can take on the responsibility of designing, building, financing, operating, maintaining, or a combination of the five. In exchange, P3s receive revenues from a fee for service, payment by the government or fees collected from uses, such as highway tolls. This transfers certain risks from the public sector to the private partner in return for prospective rewards. While highways and bridges can easily be tolled to collect concessions, other infrastructure investments do not have the same luxury. This poses a challenge to fund infrastructure beyond surface transportation projects. Additionally, the small populations in rural areas will likely be unable to produce necessary revenues for P3 investments, leaving rural areas vulnerable to neglect.

Furthermore, the administration has yet to identify which infrastructure areas should be the focus of the $1 trillion of investment. While political leaders dream up their own lists of projects that should be included in Trump's infrastructure plan, the administration has provided few concrete examples. The numerous cuts to transportation programs seem to contradict President Trump's emphasis on infrastructure investment, leaving many uncertain of his vision.

Conclusion

While Trump has claimed infrastructure to be a top priority for the administration, the White House hasn't yet communicated a clear vision for America's infrastructure. An infrastructure proposal offers the potential for bipartisan support, but the numerous cuts and increased tolling proposed in the president's budget will likely draw criticism from both sides of the aisle. While the administration continues to focus on private investment, there are many questions left unanswered. The country needs more than a list of "key principles," it needs an infrastructure plan that identifies concrete avenues for investment and top infrastructure projects to receive direct funding.