Insight

The White House Infrastructure Plan

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On Monday the White House released its highly anticipated infrastructure plan. The legislative outline calls on Congress to draft an infrastructure bill that simulates at least $1.5 trillion in new investment over 10 years – although the plan would only cost the federal government $200 billion (though the plan failed to specific how the government will come up with that $200 billion). States and the private sector are expected to pick up the remainder of the tab. The $200 billion in federal funding would be appropriated to projects that already have some level of private or state investment, as well as rural infrastructure, "transformative projects," and increasing the capacity of existing credit assistance programs. The plan also contains numerous improvements to existing federal infrastructure financing programs and the lengthy permitting process.

State and Private Investment

The plan dedicates 50 percent of the federal money from an infrastructure bill to spur state, local, and private investment in core infrastructure through an incentive initiative. Incentives are provided in the form of grants. Receipt of grants will be contingent on achieving milestones within an identified timeframe. Grants cannot exceed 20 percent of total project costs, meaning the White House expects $100 billion to generate $500 billion in new infrastructure investment.

The plan also outlines evaluation criteria for grant edibility. Evidence supporting how the applicant will secure and commit new, non-federal revenue is given the greatest weight of the evaluation criteria. Greater weight will be given to states who have taken actions to raise revenue within the last three years. Taxpayers dollars should target projects that spur economic growth and boost the economy but would otherwise have difficulty obtaining investment. Therefore, giving weight to projects that already have state, local, and private investment does not help to remedy the market failures that currently exist in infrastructure project funding. Additionally, the criteria fail to prioritize safety, on which transportation funding in the past has focused.

Rural Infrastructure

Approximately $50 billion will be invested in rural infrastructure in the form of formula grants with no federal requirements. The plan leaves room for rural areas to decide which types of infrastructure projects will be funded, including non-traditional infrastructure such as broadband. The inclusion of broadband as a program eligible for the rural infrastructure program leaves rural areas to make their own decisions on whether to use awarded grants on broadband or other infrastructure areas, which may result in grants being used for broadband instead of improving the safety of roadways and bridges. This is problematic because rural roads and bridges are critical to spurring economic growth. Poor road and bridge conditions cause transportation delays and add costs to farmers and ranchers, hindering rural communities' ability to move their products to market. Investment in rural road and bridges can facilitate access to jobs, education, and healthcare, while improving manufacturing, agriculture, tourism, and other segments of the rural economy.

Existing Infrastructure Financing Programs

Another $14 billion would be appropriated to expand the capacity of existing federal leveraging programs. Such programs include the Transportation Infrastructure Finance and Innovation Act (TIFIA), the Water Infrastructure Finance and Innovation Act (WIFIA), Railroad Rehabilitation and Improvement Financing (RRIF), and Private Activity Bonds (PABS). The Budget estimates the expansion of these PABS would cost $6 billion.

TIFIA and WIFIA provide long-term, low-supplemental credit assistance to surface transportation projects and water infrastructure projects, respectively. Investment in these programs is makes sense, as both TIFIA and WIFIA loans have high investment leveraging ratios. Every $1 of TIFIA appropriated funding can leverage $42 in total investment, while every $1 of WIFIA appropriated funding can leverage over $100 in total investment.

The infrastructure plan also calls for broadening program eligibility for TIFIA, RRIF, and WIFIA assistance. Under the plan, TIFIA eligible projects would include airport infrastructure enhancement and expansion projects, and non-Federal waterways and ports. RIFF would be expanded to cover short-line freight and passenger rail projects. And WIFIA eligibility would expand to include non-Federal flood mitigation, navigation, and water supply; Brownfield rehabilitation and cleanup of Superfund sites; water system acquisitions and restructurings; and Federal deauthorized water resource projects. The plan also calls for easing eligibility requirements for WIFIA borrowers and expanding eligible borrowers to include community water systems. Expansion in these successful programs will allow more infrastructure projects to qualify for assistance and implement essential projects that otherwise would go unfunded.

Remaining Spending

The remaining infrastructure spending is allocated towards transformative projects, and a federal capital revolving fund. $20 billion would be available for transformative projects – ground-breaking ideas that offer a larger reward profile, such as Elon Musk's Hyperloop. The delivery of transformative infrastructure projects would help to drive economic growth, innovation, and productivity. Another $10 billion would be allocated to establish a mandatory revolving fund to finance purchases, construction, ore renovation of Federally-owned civilian property.

Permit Reform

A large portion of the infrastructure plan includes streamlining the infrastructure permitting process. The plan establishes a "one agency, one decision" environmental review structure. Under this structure lead agencies would be required to complete environmental reviews under the National Environmental Policy Act (NEPA) within 21 months, and necessary permits would be issued no later than three months after the completion of the environmental review. Additionally, lead agencies would be required to develop a single Federal environmental review document compared to the multiple documents required under current law. In an effort to further streamline the NEPA process, the plan calls for eliminating redundancies in reviews of environmental impact statements under the Clean Air Act, revising regulations, and modifying the Federal Power Act.

Conclusion

With the White House infrastructure plan released, it is now up to Congress to draft a legislative infrastructure bill. The plan calls for $1.5 trillion in infrastructure investment over 10 years but leaves Congress with the difficult tasks of drafting a feasible plan to achieve this goal, and of figuring out from where the $200 billion in initial investment will come. Before Congress drafts a bill it should carefully consider which programs, existing or new, will benefit from federal dollars to avoid massive deficit spending and ensure efficient infrastructure spending.