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## *January 25<sup>th</sup> Infrastructure Insights*

**This is as of COB Jan. 25. Note: Senate Democrats infrastructure proposal addressed herein.**

### **The Administration**

The President, by all accounts, is still committed to an omnibus mega infrastructure proposal. It was one of the cornerstones of his campaign...jobs, jobs, jobs. Per the campaign rhetoric it would be a \$1 trillion 10 year plan that would be multi-faceted in scope and funded by private investments and federal bonds that could be purchased by investors and/or private citizens. That rhetoric has carried through post the campaign. He recently announced the creation of an Infrastructure Council, headed by two New York businessmen (Steven Roth and Richard LeFrok) to include 10-15 major engineering and developer representatives. He addressed it in his inaugural speech - the only time that I could recollect in my days in DC that infrastructure received any attention in such speech - and he continues to do so, for example in meetings this week with representatives of the business community, labor and congressional leaders. Today, the Republicans begin their annual issues retreat. Infrastructure is on the agenda and the President is expected to attend. In addition, infrastructure/jobs questions have been raised at the recent news conferences with responses by the Administration that are all positive and encouraging. Even off-the-record comments by non-press secretarial personnel on the issue all reaffirm the President's commitment. His nominees for OMB and DOT testified at their confirmation hearings in support of the plan, the latter stating that one of her first orders of business once confirmed is to establish an infrastructure task force within the DOT.

Having said that, it appears that this initiative will likely be a "Day 200" issue developed later this spring as health care, taxes and regulatory overhaul are already dominating discussions during the first 100 days. Also, notwithstanding the overall rhetoric and commitment, there are still more questions than answers from the Administration including:

How is infrastructure being defined? Will it primarily be transportation and water infrastructure or will it include pipelines, such as the Keystone pipeline, the electric power grid, cybersecurity, broadband, public buildings, etc.? The broader the definition, the less money potentially for a particular sector.

What form will the investment take? Will it be predominately private sector financing including P3s, tax credits, repatriation, or tolling; i.e. loans which need to be paid back and are only applicable to a select number of projects, or will it include long-term, sustainable federal funding for the Highway Trust Fund such as a gas tax or other revenue increases?

Will it be focused primarily on iconic or legacy projects as some have suggested? This approach would benefit certain critical mega projects such as NY/NJ's Gateway, Chicago's CREATE, Ohio's Brent Spence Bridge, etc., but could leave nothing for some states and for much needed maintenance and rehabilitation projects across the country.

Who will have the lead in developing the plan? Will it be US DOT or perhaps the Treasury Department given the focus on tax revenues or the White House given Trump's personal interest? Will it be driven by the House Ways & Means and Senate Finance Committee rather than the traditional transportation authorizing committees?

Will Congress cooperate with the Trump Administration? Many fiscal conservatives in Congress, including Rep. Mick Mulvaney (R-SC) who has been nominated to lead the Office of Management & Budget (OMB), are leery of funding proposals that would increase the deficit.

Lastly, there was a report circulating yesterday indicating that the Administration had already identified projects that would be funded via the President's proposal. To set the record straight, a former member of the Trump transition's landing team for DOT said a list of infrastructure projects supposedly tied to the new Administration is actually fake. "We saw it and confirmed it did not come from the transition team," Brigham McCown, the chairman of the Alliance for Innovation and Infrastructure, reported. He also said that some of the projects listed aren't requesting funding from the federal government and that some of these projects have been completed, some are in development, some are good candidates, and others would not be the types of projects we would have recommended.

### **Congressional Republicans**

At this time, both House and Senate Republicans have taken a "wait and see" approach pending the confirmation of an OMB Director, Secretary of Transportation, the President's FY18 Budget, and ongoing discussions. However, they also do believe that they and the new Administration can still make headway on an infrastructure measure over the coming months - just out of the spotlight. They still maintain that sticker shock will be the largest challenge to getting Republican lawmakers on board, which means that Members will have to be convinced that spending money on infrastructure is different than funding a program - this is an investment, and there's a return on that investment. In further support for infrastructure action, outgoing Senate EPW Chairman Jim Inhofe will hold onto one of the committee's subcommittee gavels this Congress, taking charge of the Transportation and Infrastructure panel. That subcommittee will have primary jurisdiction over any infrastructure legislation and Inhofe is a strong infrastructure advocate. Inhofe was also named to the Commerce Committee, giving him two platforms from which to advocate for what he thinks should be in any grand infrastructure package.

### **Congressional Democrats**

Senate Minority Leader Schumer and House Minority Leader Pelosi said that while Democrats are open to a conversation with the Administration about infrastructure, they need more details before they can commit their support to any legislative package. Both are advocating for direct spending on infrastructure, arguing that a program of tax credits isn't going to get the job done. Yesterday, Senate Democrats unveiled their own 10-year \$1T infrastructure plan earlier today - "A Blueprint to Rebuild America's Infrastructure". Here is a link to a summary of the plan (<https://www.dpcc.senate.gov/files/documents/ABlueprinttoRebuildAmericasInfrastructure1.24.17.pdf>). It would be paid for with federal funds by closing tax loopholes. It includes:

\$100B for roads and bridges

\$130B for transit and bus systems

\$50B for rail (including Amtrak and HSR)

\$30B for airports

\$10B for ports and waterways

\$10B for TIGER

\$200B for a "Vital Infrastructure Program" for priority projects

\$110B for water and sewer systems

\$100B for energy infrastructure

\$10B for new innovative financing tools, such as TIFIA, RIFF, WIFIA and an infrastructure bank

\$100B for "Main Streets" in local communities

\$75B for schools

\$10B for VA hospitals and other VA facilities

\$20B for expanded broadband

\$20B for infrastructure on tribal and public lands

Regarding water infrastructure, the plan states that “we will make major investments in the Clean Water and the Drinking Water state revolving funds, and USDA water programs, to address the growing backlog of water and sewer projects. We will also give States new flexibility to provide communities with more grants rather than loans. This will unlock thousands of new water and sewer infrastructure projects without burdening local ratepayers. In addition, we propose decreasing the local matching funds required of states and local governments who simply cannot afford to take on more debt. Finally, we will increase funding for the Water Infrastructure Finance and Innovation Act program that provides federal loans to support large-scale water infrastructure projects with national and regional significance.” See also the link above re WIFIA funding.

Also, in attempts to keep the pressure on, Reps. John Delaney (D-Md.), Ted Yoho (R-Fla.) and Rodney Davis (R-Ill.) will soon reintroduce two infrastructure bills that have failed to gain enough traction in the past but may be more viable now that Trump has vowed to upgrade the nation's infrastructure. One of the bills, "The Partnership to Build America Act," would establish a fund to finance infrastructure projects on the state and local level. The other bill, "The Infrastructure 2.0 Act," would tax repatriated profits at a lower rate and use the revenue to invest in infrastructure. We are also awaiting Congressman McNerney's bill that could factor into the deliberations.

### **Clean Water Construction Coalition**

To date, advocacy efforts in support of infrastructure legislation that addresses the Clean Water and Safe Drinking Water SRF's funding and possibly other water project funding have included: support for the McNerney bill; providing briefing material to the Transition Team on the Coalition and its issue positions; providing briefing material to the Department of the Interior and the Environmental Protection Agency land teams again on the Coalition and its issue positions; advising the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee, both with jurisdiction over any infrastructure bill, of the Coalition's support and positions; and coordinating with the U.S. Water Alliance, the National Water Resources Association, the Water Resources Action Project, Inc; the Association of Clean Water Administrators, the Clean Water Action; the American Water Works ; the American Rivers; the National Water Resources Association, Food & Water Watch; and, the Water Infrastructure Network on a combined advocacy strategy to ensure that any final infrastructure bill includes robust funding to meet the nation's water needs.