

## News Release

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### **CED Report: Public and Private Sectors Need Close Collaboration on Implementation of Infrastructure Law**

**New York, NY, October 18, 2022...**Today, the Committee for Economic Development, the public policy center of The Conference Board (CED), issued a new **Solutions Brief**, [\*Rebuilding America: Implementing the Bipartisan Infrastructure Law\*](#).

The **Solutions Brief**—the latest in CED’s *Sustaining Capitalism* series—examines the \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law. Specifically, it evaluates the bill’s stated goals and progress on spending to date; details the various challenges to implementation; and proposes a series of solutions, with the overriding recommendation being the need for close collaboration between private sector leaders and public officials at all levels of government.

As the new report emphasizes, the stakes for successful implementation of the Infrastructure Investment and Jobs Act are high, given the complexity of this historic bill and the intricate coordination required, the \$1.2 trillion to be spent, and the centrality of infrastructure to the US economy. What makes carrying out the legislation particularly challenging are factors that include elevated inflation and an imminent recession, labor shortages and supply chain challenges, in addition to permitting issues and other regulatory hurdles.

“In recent decades, infrastructure has been a critical area in which the world-leading US economy has faltered. However, this new law—which includes impressive commitments to modernize 21<sup>st</sup>-century infrastructure, including broadband—provides an extraordinary opportunity to strengthen US competitiveness—but we have to get implementation right,” said Lori Esposito Murray, President of CED. “The rollout of the bill’s funding remains in its early stage, allowing for course-corrections where necessary. Success will in large part hinge on robust partnerships between government—federal, state, and local—and the private sector.”

#### **Key Insights from the Solutions Brief:**

##### **Economic impact of infrastructure spending: The IIJA should be expected to have several macroeconomic impacts**

- In the long run, infrastructure projects are a form of capital accumulation, which can often enhance the performance and productivity of the economy. In a country like the United States, where infrastructure quality lags many other measures of economic health, more infrastructure spending at the margin can have a particularly high return on investment.
- In the short run, however, the \$550 billion in new spending increases aggregate demand. This can increase employment but also contribute to inflation. In a time of low unemployment, infrastructure spending might bid up the prices of scarce materials and labor, and consequently, the costs of the projects. The result is less infrastructure modernization at higher costs.

##### **In several aspects of infrastructure, the US has fallen decades behind its top economic competitors**

- 7.5 percent of US bridges are considered structurally deficient, and 40 percent of US roads are in poor or mediocre condition, according to the American Society of Civil Engineers.
- As part of the fallout from COVID-19, supply chains have been strained and ports have been backlogged.
- Regulatory paralysis is a key cause of the US’ infrastructure shortfall. Major economic competitors including China, Japan, and South Korea are all able to build major infrastructure projects faster than the US system permits.

## **The law's broadband and energy grid projects are most in danger of significant delays**

- The COVID-19 pandemic led many institutions and firms to move new operations online, making broadband connections more important to participate in work, education, and commerce. Despite the critical need, the required data that maps the availability of high-speed broadband and that informs funding allocation will likely not be ready until the middle of 2023.
- Upgrading the US power grid is critical for renewable energy sources and resilience, but energy transmission projects are often crippled by having too many decision-makers. Looking to recent history, energy transmission projects have regularly failed to come to fruition even when they have been funded and supported by the federal government.

## **Additional challenges to the law's implementation include**

- **Workforce issues:** Job openings in construction reached 440,000 this year, even as over 7.7 million workers are already employed (seasonally adjusted) in construction, approximately an all-time high.
- **Supply chain challenges:** Since the COVID-19 pandemic, materials have become more delayed and expensive. As of August 2022, the Bureau of Labor Statistics Producer Price Index for construction materials had risen an extraordinary 45 percent from pre-pandemic levels.
- **Public/Private coordination and administrative challenges:** The depth and breadth of infrastructure funding in the new law is likely to pose a challenge to many states. While states have pre-existing capacity, especially in surface transportation spending, they will require more capacity to administer funds from new programs.
- **Permitting:** One of the longest barriers to a construction project, if it requires a federal permit, is environmental review under the National Environmental Policy Act (NEPA). Over time, this process has become increasingly lengthy: for example, the average environmental impact statement between 2010 and 2018 took 4.5 years to complete.

## **Key Recommendations from the Solutions Brief:**

The IJIA presents an important opportunity for policymakers and private sector leaders to work collaboratively to fix the US' infrastructure. Recommendations in the Solutions Brief include:

### **Set priorities**

- Public and private sector leaders on the federal, state, and local levels need to collaborate closely to set priorities for infrastructure projects.
- Accelerating broadband coverage and completing energy grid projects should receive priority attention. These two critical areas of infrastructure funding in the new law are in danger of delays.

### **Address regulatory paralysis: modernize and streamline regulation**

- Regulation must promote competition. Streamlining regulatory procedures and cutting red tape across federal, state, and local governments is key to increasing investment, decreasing cost, and maximizing efficiency.
- The federal government should use the One Federal Decision process, as encouraged by the new law, even in areas where it is not explicitly required by the law.
- Limit standing for lawsuits against permitting and limit the use of last-minute lawsuits to impose maximum delay.
- Limit the time and length of environmental statements to two years and 300 pages, respectively.
- Policymakers should streamline the decision-making process on power transmission and reduce the number of authorities with capacity to block the project.
- Stakeholders in the public and private sectors should work together to reach lower-bound estimates on each state's allotment of essential broadband funding to move forward.

### **Increase private/public coordination, build administrative capacity, and share data**

- State and local leaders should pursue public-private partnerships (PPPs) where they are appropriate.
- State and local agencies should make use of creative contracting arrangements, including integrated project delivery, where appropriate.

- The federal government should consolidate competitive grant applications where possible, ensure that federal help desks for state and local agencies are well-staffed, and educate state and local agencies on transparency and reporting requirements.
- State and local agencies should seek participation from local private-sector firms with expertise on maintenance and operations costs. Maintenance and renewal must be included in the analysis of benefits and costs.
- The federal government should consolidate competitive grant applications where possible.

### **Improve transparency**

- States should invest funds provided by the new law with state-level oversight.
- States should create databases of information that reflect federal funds in use by project.
- The federal government should continue to update the new law's guidebook with more detailed timetables, and the build.gov website with timely information on where and how the money is being spent.
- The Administration should consider assigning an oversight team for the implementation of the law that collaborates with individual agency inspectors general.

### **Address supply chain issues, materials costs, and delays**

- State and local agencies should collaborate with private sector leaders from local construction firms on tackling supply problems.
- Federal trade negotiators should work with trading partners to reach agreements that will allow the US to reduce tariffs on key construction inputs.
- The Administration should extend the waiver of "Buy American" provisions for construction inputs which may be delayed by those provisions.
- Public and private sector leaders at the federal, regional, state, and local levels should work together to determine how best to direct infrastructure funding towards improving supply chains.

### **Address the labor shortage**

- Public and private sector leaders, including from unions, on the federal, state, and local levels should collaborate on training the labor force for the new law's projects, including through apprenticeships.
- Public and private sector leaders should work together to identify and recognize occupational licenses across state lines in reciprocity agreements for key construction or civil engineering occupations where location has little impact on the job substance. They should also review other areas where they may be able to streamline requirements.
- Federal policy leaders should reform the H1-B non-immigrant visa program by replacing the random lottery with a modified wage-ranking approach and prioritize high-skilled workers needed in infrastructure.

The new **Solutions Brief, *Rebuilding America: Implementing the Bipartisan Infrastructure Law***, can be accessed [here](#).

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### **About CED**

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