

## Infrastructure Brief: Overview of recent proposals

August 31, 2020

The largest source of funding for infrastructure is usually the surface transportation bill, which is typically reauthorized in up to 5-year increments. While some investment in transportation is paid-for with the revenues from the Federal gas tax (which are deposited into the Highway Trust Fund), Congress has typically authorized a margin of funding over and above the dedicated revenues (via transfer from general funds). The current five-year \$305 billion surface transportation bill will expire September 30, 2020.

### House Democrats

On July 1, House Democrats passed (on party lines, 233-188) the [Moving Forward Act](#), their \$1.5 trillion infrastructure proposal, including a 5 year, ~\$500 billion surface transportation proposal. The Democrats have not identified how they would offset the cost of new or additional investments above the currently expected “gas tax” revenues (nor committed to deficit financing).

- Surface Transportation – Includes Democrats’ [INVEST in America Act](#) re-authorization proposal for highways and transit, providing a nearly 50 percent increase in current investment levels out of the Highway Trust Fund (i.e. would provide \$400+ billion over five year) and an additional \$80 billion to help stabilize state and local transportation agencies affected by COVID-19-related drops in revenue or increased operational costs. As with prior Democratic proposals, would increase the share of funding that goes to public transit like Amtrak (\$29 billion) and buses (\$100 billion) relative to highway and bridge repair (\$300 billion).
- Broadband – Provides \$100 billion ([Accessible, Affordable Internet for All Act](#)) for broadband connectivity, including \$80 billion for expansion of broadband in unserved and underserved communities, a \$50 monthly subsidy for all low-income families paying for broadband, and \$5 billion for student connectivity (hotspots, devices, and access to services).
- Schools – Provides \$100 billion in grants and \$30 billion in bond authority over five years to improve public school infrastructure (through the [Reopen and Rebuild America’s School Act](#)), as well as \$10 billion in child care facility improvements.
- Housing - Provides over \$100 billion for improving or expanding affordable housing, expands the Low-Income Housing Tax Credit, and creates a new tax credit to subsidize the rehabilitation of vacant homes or construction of new homes in distressed areas for owners planning to reside in such homes.
- Energy – Provides \$70 billion for improvements in the electric grid and extends or expands tax credits to incentivize clean energy technology deployment and the purchase of “zero-emission” vehicles
- Water - Provides \$25 billion for the Drinking Water State Revolving Fund and directly invests \$40 billion in new wastewater infrastructure
- Hospitals – Provides \$30 billion to increase hospital capacity or upgrade existing infrastructure
- Post Service – Provides \$25 billion to update the fleet and improve postal infrastructure

- Infrastructure tax credits – In addition to more targeted tax credits and incentives, renews the expired Build America Bonds program and expands Private Activity Bonds.

The Statement of Administration Policy opposing the bill is available [here](#).

### **The Trump Administration**

The Trump Administration is rumored to be preparing a ten-year, \$1 trillion infrastructure proposal including a ten year, \$800+ billion reauthorization of surface transportation funding. The release of the proposal was reported as imminent in mid-June but has not been made public yet, so the limited details are based on what has been rumored or [reported](#). In addition to a reauthorization of surface transportation spending, the bill is expected to have roughly \$200 billion in support for water infrastructure, rural broadband, 5G, and other non-transportation infrastructure. A ten year reauthorization would be the longest surface transportation bill in history and is assumed to be a product of attempts to reach a \$1 trillion proposal price tag, matching the level of funding President Trump [campaigned](#) on.

In 2018, the Trump Administration released a [blueprint](#) for infrastructure investment that proposed an additional \$200 billion in Federal funding meant to encourage \$1.3 trillion in additional private and state and local spending. The \$200 billion would have been in addition to existing authorized funding for surface transportation.

The largest component of the 2018 proposal was \$100 billion for competitive grants to states that could demonstrate sustainable non-Federal sources of funding. Additionally, \$50 billion would have been provided for rural infrastructure projects like broadband internet service, and \$20 billion would have been provided to projects that could be commercially viable but involved technology or other risk elements that would discourage private investment. The Trump Administration called for an offset for the \$200 billion of additional spending but did not identify one.

In 2019, the President [reportedly](#) disavowed the earlier 2018 proposal and agreed to work with Congressional democrats on scoping a \$2 trillion infrastructure package but no progress was made and the President declared negotiations over after the House moved forward with impeachment proceedings.

### **The Biden Campaign**

One pillar of the Biden campaign's recent "Build Back Better" economic recovery [proposal](#) was dedicated to \$2 trillion in investments in infrastructure and clean energy in his first term (i.e. over four years). The newer, larger plan builds on top of an earlier and more detailed \$1.3 trillion infrastructure [proposal](#) released last fall. There are few details on the division of funding within the new Biden campaign proposal publicly available. Instead, they outline descriptive goals as to what the funding will accomplish. For example, the campaign says its proposal will:

- Transform "crumbling transportation infrastructure – including roads and bridges, rail, aviation, ports, and inland waterways..." and "the energy sources that power the transportation sector..."

- Spark “the second great railroad revolution” delivering “the cleanest, safest, and fastest rail system in the world — for both passengers and freight.”
- Expand and improve public transit by 2030 so that all Americans in metros with more than 100,000 people have access to quality clean-energy systems.
- Ensure “clean, safe drinking water is a right in all communities”
- Expand “broadband, or wireless broadband via 5G, to every American”

While the Biden campaign has not addressed financing of the new proposal, the original \$1.3 trillion proposal envisioned offsetting its expense and putting the Highway Trust Fund on a sustainable path with new revenues raised from the Biden campaign tax proposals (including reversing corporate tax cuts, reforming international taxation, changing treatment of certain investments and income, etc.).

### **Senate Republicans**

In the summer of 2019, the Senate Committee on Environment and Public Works unanimously advanced a surface transportation reauthorization [proposal](#) for consideration by the full Senate though the Senate has taken no additional action. The committee proposal would authorize \$287 billion over five years for transportation infrastructure. Senate Republicans have generally [argued](#) against larger price-tag infrastructure proposals favored by the Administration and democrats and have instead pointed to the much smaller and narrower but bipartisan committee agreement on surface transportation funding as the basis for a deal.