TRUMP THE BUILDER – WHAT WILL HE BUILD AND HOW?

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President-elect Donald Trump has said over and over he likes to build things. He has emphasized throughout the campaign and reiterated since his election that infrastructure investment will be an important economic centerpiece of his administration's agenda. His "America's Infrastructure First" policy envisions a proposed investment of $1 trillion over 10 years to improve the nation's infrastructure. He talks consistently about the sad state of the nation's roads, bridges, airports and rail systems as compared to much of the rest of the world and has recognized infrastructure as a quintessential job creation plan. There's no question Mr. Trump wants to be Chief Ribbon Cutter. Let's take a look at what he wants to build and how he intends to pay for it.

The specifics of the president-elect's infrastructure plan at this time are few, having been defined only in broad terms. A major unknown is what definition of "infrastructure" the president-elect intends to address. Is he focused on traditional "little i" infrastructure, meaning the typical publicly-owned modes such as roads and bridges, transit, rail, airports, ports and waterways? Or is he looking at broader "Big I" infrastructure, which includes the traditional modes plus facilities such as pipelines, telecommunications and broadband, tech and cybersecurity, energy, electric grid and others? During a post-election rally in Ohio, the president-elect added schools and hospitals to his list of targeted infrastructure improvements. Questions have arisen about whether the plan will include President-elect Trump's most famous potential building project and another signature of his campaign, the southern border wall. Until it's fully defined, every infrastructure interest in Washington is clamoring to get in on the President-elect's drawing boards. At the end of the day, the broader the definition the more resources will have to be brought to bear to ensure it results in significant and, perhaps more important politically, visible improvements to the average American.

Key Players

Administration: Elaine Chao, *Secretary of Transportation*

Senate

Environment and Public Works Committee

John Barrasso (R-WY)
Chairman

Tom Carper (D-DE)
Ranking Member

Commerce, Science and Transportation Committee

John Thune (R-SD)
Chairman

Bill Nelson (D-FL)
Ranking Member

Banking Committee

Michael Crapo (R-ID)
Chairman

Sherrod Brown (D-OH)
Ranking Member

Finance Committee

Orrin Hatch(R-UT)
Chairman

Ron Wyden (D-OR)
Ranking Member

House

Transportation and Infrastructure Committee

Bill Shuster (R-PA)
Chairman

Peter DeFazio (D-OR)
Ranking Member

Ways and Means Committee

Kevin Brady (R-TX)
Chairman

Richie Neal (D-MA)
Ranking Member

The infrastructure plan as originally envisioned would utilize tax credits and repatriation of overseas profits to incentivize the private sector to invest in infrastructure projects. The plan assumes an equity investment of about $165 billion in private sector investment through tax credits and breaks from repatriated earnings that could be leveraged for five times that amount to come up with the $1 trillion investment figure. It effectively relies on private investment and a tax credit bond market. While President-elect Trump criticized Secretary Clinton's support of a national infrastructure bank during the campaign, his post-election team appears to be taking a new look at some form of a national bank seeded with federal dollars that would issue loans, lines of credit and other credit instruments for infrastructure projects as an additional part of the plan.

The plan has been criticized by many for its narrow application and lack of direct public revenues. The public private partnership (P3) approach limits the choice of projects to those projects that have some type of a guaranteed revenue stream from which to pay back the costs, interest and principal on the debt and dividends on equity. On the public side, this approach limits the types of projects that could be invested in to a small subset of projects, primarily toll roads and bridges, or projects where there is a pre-existing public bond measure from which to repay investors. The plan will not be helpful to many entities without a dedicated revenue stream or an appetite to incur more debt. The approach could more easily assist with construction and enhancements to privately-owned facilities such as pipelines, telecommunications, freight railroads, energy and utility facilities where a portion of commodity sales could be utilized to pay off investors. In its current form, the plan would exclude the bulk of road and bridge projects that cannot be effectively tolled and virtually all rail and transit systems which must be subsidized. While toll facilities are expanding across the nation as a matter of necessity, tolls are increasingly unpopular with the general public, especially the commercial motor vehicle community... At the federal level, the 2015 surface transportation bill passed by Congress rolled back tolling expansion opportunities rather than expand them.

The House Transportation and Infrastructure Committee convened a special panel on public private partnerships in 2014 and released a comprehensive report entitled "**Public Private Partnerships: Balancing the Needs of the Public and Private Sectors When Undertaking P3's to Finance the Nation's Infrastructure**". One of the report's significant bipartisan findings was that while P3's can fill a role in the puzzle of how to sufficiently address the nation's infrastructure needs, they are not a silver bullet solution. The report stated: "One consistent theme throughout the Panel's work was that P3s are not a source of funding and should not be thought of as the solution to overall infrastructure funding challenges. Adequate federal investment in transportation and infrastructure is a necessary precondition to modernize our Nation's highways, bridges, rail and transit systems, airports, ports, waterways, and public buildings – regardless of whether individual projects are carried out as P3s or not." For example, the report concluded that in the 24-year period between 1989-2013, 98 highway P3 projects totaling $61 billion were completed, representing 1.5% of approximately $4 trillion spent on highways during that same period by all levels of government.

Business and infrastructure advocates are pressing the presidential transition team that some form of direct federal funding must be a part of the infrastructure plan as a complement to private sector investment in order to make a meaningful dent in the nation's infrastructure problems. The transition team is reportedly considering a range of proposals for additional public revenue but with the caveat that any new infrastructure spending proposal must be budget neutral and accompanied by offsets. At the same time, many conservative Republicans in Congress are cautioning that they are not necessarily up for supporting a massive new federal infrastructure spending proposal. President-elect Trump remarked recently that he did not realize Republicans traditionally are skeptical of infrastructure bills. In addition, a subset of the extreme right wing is supportive of getting the federal government out of the infrastructure business entirely and devolving this responsibility to States, local government and the private sector. Most believe any infrastructure proposal would have its best shot at success as part of a comprehensive tax reform initiative. So while there is generally little argument that our nation is falling behind in infrastructure investment by every measure, there is still deep division on how to pay for it.

As the president-elect and his nominee for Secretary of Transportation Elaine Chao begin to wrestle with the definition of infrastructure -- and the costs, application and political realities on Capitol Hill of their proposal –the builder's plan is undergoing a process of dynamic evolution.