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Trump's Vow to Fix 'Third-World' U.S. Airports Is Hurt by Tax Bill.

- **House measure would end tax-free bonds used to fund projects**
- **Infrastructure advocates lobby to kill measure in final draft**

President Donald Trump has compared landing at Los Angeles International and other U.S. airports to arriving in a third-world country. But a provision in the tax bill passed by the House of Representatives would eliminate a tool central to his $1 trillion pledge to upgrade airports and other public works.

The House measure would eliminate a form of tax-exempt debt called private-activity bonds. That would leave Los Angeles World Airports, which runs LAX, with the choice of scaling back projects in its $14 billion modernization plan or finding $500 million in new revenue because of higher borrowing costs, Chief Financial Officer Ryan Yakubik said in a interview.

"Certainly, it had been made clear that infrastructure was a great priority, and that finding ways to do that was important," Yakubik said. "This doesn't seem pointed in that direction."

While the Trump administration has called for expanding the use of the bonds to attract more private investment in U.S. infrastructure, the House tax bill passed on Thursday would eliminate them after Dec. 31. Airport executives, state transportation officials and other advocates unsuccessfully lobbied lawmakers to remove the provision. It's not in the current Senate plan, and they're pushing to keep it out of any final bill.

Fewer Projects

Advocates say losing the tax exemption would mean airports, port authorities, state and local governments and other entities would complete fewer projects or face higher costs at a time the American Society of Civil Engineers has said the U.S. needs an additional $2 trillion for infrastructure by 2025. Trump has promised to invest $1 trillion over 10 years.

"They just won't be able to do these deals," Toby Rittner, president and chief executive of the Council of Development Finance Agencies, said by phone. "At the end of the day, you just hope smart-minded people in the House and Senate see the ramifications of this."

Private-activity bonds, or PABs, are issued by state and local governments and other public authorities to give private entities access to tax-exempt debt to increase their participation and lower costs for qualified projects. They're also used by hospitals, universities and other non-profit groups.

Without the tax exemption, borrowing costs for state and local governments would rise by as much as 35 percent, Ritter said in a Nov. 3 letter to congressional leaders on behalf of more 200 cities, banks and other entities nationally and in 39 U.S. states and territories.

The impact would be especially felt at LAX and other U.S. airports, where PABs accounted for 60 percent of bonds issued for terminal renovations and other capital projects during the past decade, according to Airports Council International – North America. The group represents owners and operators of commercial airports in the U.S. and Canada.

Cancel or Delay

Airports have an estimated $100 billion in infrastructure needs by 2021, and financing that work without PABs could increase costs to the airport industry by $3.2 billion over the life of the bonds, according to a Nov. 13 letter sent to Senate Finance Committee leaders by the Council and the American Association of Airport Executives. Some airports may have no choice but to cancel or delay projects, the groups said.

Voters in Kansas City approved a new $1 billion terminal on Nov. 7, and the elimination of PABs could throw the project's future into question because of higher borrowing costs, Mayor Sly James said. Philadelphia International Airport would have to re-evaluate the sequence of about $377 million in planned projects, Chief Executive Chellie Cameron said in a statement. Denver International Airport would have to evaluate other financing options if the bonds were eliminated because it had expected to use them for about three-quarters of a planned $3.5 billion capital improvement program, Chief Financial Officer Gisela Shanahan said.

Borrowing Costs

Republican tax-writers said the federal government shouldn't subsidize the borrowing costs of private businesses when their competitors must pay higher interest rates on debt. Eliminating the tax exemption also would increase federal revenue by $38.9 billion through 2027 to help pay for tax cuts, according to the Joint Committee on Taxation.

Still, there's a misperception about PABs because the bulk of the deals are for assets that the public uses, said Susan Monteverde, vice president for government relations at the American Association of Port Authorities.

"We are building a transportation hub for trade, which everyone sees as a valuable public asset," Monteverde said.

Advocates also were surprised by the provision because the Trump administration had proposed expanding the bonds as a way to tap more private capital for the president's infrastructure plan, which is expected after the tax overhaul. The White House has called for allocating $200 billion in federal funds to generate $800 billion in spending by states, localities and the private sector.

"Any objective assessment would conclude that terminating the use of PABs will make these levels of infrastructure investment much more difficult to achieve, if not impossible," associations representing state transportation officials, construction companies and other contractors said in a Nov. 3 letter to leaders of the House Ways and Means Committee.

More Expensive

Without the tax-exempt bonds, projects such as the $3 billion Interstate 66 project in Virginia, which includes new express lanes and relies on about $737 million of PABs, may not get off the ground or would be more expensive, said Aubrey Layne, the Virginia secretary of transportation.

"If they truly are serious about infrastructure, then this is not helping," Layne said.

The Trump administration “strongly” supported passage of the House bill and didn’t publicly object to the provision eliminating PABs. The White House said Trump is committed to generating $1 trillion in infrastructure investment.

“We are confident that when the debate on tax reform is complete, we will be well positioned to make American infrastructure once again the envy of the world,” White House spokeswoman Lindsay Walters said in a statement. Walters didn’t specifically address the potential elimination of the tax-free bonds as a financing source.

’Third-World Countries’

Trump has said multiple times during the presidential campaign and since his election that U.S. airports are “like third-world countries.”

“We had the most beautiful airports,” Trump said during a June 21 rally in Cedar Rapids, Iowa. “Now we’re more like a third-world country. LaGuardia, Newark, LAX, Kennedy. They’re like third-world airports.”

While there are concerns about what eliminating the bonds would mean for infrastructure work, the U.S. Chamber of Commerce also is taking a holistic view of the tax overhaul and the potential for economic growth and benefits to companies, said Neil Bradley, the chamber’s chief policy officer.

Even so, reductions in the corporate tax rate won’t help businesses if they don’t have adequate roads and other infrastructure, said James, the Kansas City mayor.

“If they limit our ability to do anything with infrastructure, then this country will literally fall apart,” James said.

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