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New Center for American Progress Brief Shows How Trump's Infrastructure Proposal Is Fatally Flawed.

Washington, D.C. —(ENEWSPF)–December 1, 2016. President-elect Donald Trump's fatally flawed infrastructure proposal enriches Wall Street investors while passing the bill to middle-class Americans in the form of high tolls and other user fees, a new issue brief from the Center for American Progress explains. In the place of actual federal spending on critical projects, President-elect Trump has pushed the idea of authorizing a pool of tax credits that would flow to equity investors in large public-private partnership, or P3, deals. These project debts would be repaid by tolls and other fees levied on the people and businesses that use the new facilities.

"Trump's infrastructure plan, which is built on tax credits for Wall Street, is not a plan for America because it would do nothing for the vast majority of Americans," said Kevin DeGood, Director of Infrastructure Policy at CAP.

As CAP's brief explains, Trump's plan suffers from a number of major flaws:

The plan would push state and local governments to use equity capital that can cost 300 percent to 500 percent more than capital raised through traditional municipal bonds. The primary challenge facing state and local governments with regard to infrastructure financing is not access to credit but a lack of tax revenues to repay project debts. The Trump plan calls for spending as much as $137 billion in the form of tax credits designed to lower the cost of equity capital to a level roughly equivalent to municipal bonds. As the massive $3.7 trillion municipal bond market already provides project sponsors with access to low-cost financing, these credits only enrich elite investors rather than helping build needed projects.

The plan would provide no support for thousands of critical maintenance and reconstruction projects. The Trump infrastructure plan does nothing for repair and incremental expansion, which make up the vast majority of critical infrastructure projects. Many of these projects, while necessary for the communities in which they are located, would not be attractive to the elite Wall Street investors toward whom Trump's plan is geared. This includes projects in rural communities and smaller cities and towns.

The plan would raise taxes on middle-class Americans in the form of high-cost tolls and other user fees necessary to satisfy the 10 percent to 14 percent annual returns demanded by equity investors. By using expensive equity capital and a concession model based on tolling and revenue risk transference, Trump's plan would raise the total cost of major projects by more than 30 percent—money that must come from the American taxpayer.

The plan would not meaningfully increase total economic activity, employment, or real wages. The most likely outcome of Trump's infrastructure plan is little to no net increase in overall construction activity. Assuming the plan is passed in its current form, state and local leaders—who are responsible for planning and building infrastructure projects—would receive zero additional funding from Washington, while Wall Street would receive considerable tax breaks.

In contrast, CAP proposed an infrastructure plan that lays out a comprehensive approach to repairing and expanding the country’s infrastructure. CAP’s plan not only calls for increasing investment across sectors but also for substantial policy reforms to ensure that federal funds flow to the projects that would generate the greatest economic, social, and environmental return on investment—an approach that would pay dividends for generations to come.