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Progressive Think Tank: Trump's \$1 Trillion Infrastructure Plan 'Shovels Money at Wealthy Investors'

President-elect Donald Trump's ambitious plan to raise \$1 trillion for infrastructure is a boondoggle that would line the pockets of wealthy investors while not meeting the need for infrastructure repair or improvement in much of the country, according to an analysis released Thursday by a progressive think tank.

Trump's plan "shovels money at wealthy investors instead of solving real infrastructure challenges," according to a white paper from the Center for American Progress.

The paper figures to be the first salvo in a lively debate if Trump follows through on his promise to make refurbishing the nation's roads, bridges and transit systems a centerpiece of his administration, coupling it with his vow to put unemployed middle-class Americans back to work.

"It's really a huge failure because it just doesn't deliver on what the actual needs are out there," said Kevin DeGood, the report's author. "These really complicated deals for which contracts [with private investors] can be beneficial only apply to one-half of 1 percent of the need that is out there."

Trump's transition team did not respond when forwarded a copy of DeGood's report for comment.

DeGood is director of infrastructure policy at the center, which was founded and led by John Podesta until he resigned to become chairman of Hillary Clinton's presidential campaign.

The challenge is a simple one: Investors want a return on their money, and very few transportation projects provide one. Tolls can be imposed on selected roads and bridges, but the vast majority of them offer no opportunity to recoup investment.

"That would be a very rude shock to a lot of people who voted for Donald Trump if they suddenly found that the rural roads in Nebraska or Indiana — the interstate highway, which they paid for and they're still paying gas taxes — now they have to pay a toll on top of that?" said Rep. Peter A. DeFazio (Ore.), the ranking Democrat on the House Transportation Committee. "They probably wouldn't be happy."

The Congressional Budget Office said last year that just 26 private-investment projects were completed or underway nationwide.

The Trump plan would give private investors an 82 percent tax credit to put money into projects. Trump said his plan would lead to up to \$1 trillion worth of new projects, but simply lowering the cost of money with tax credits to investors is unlikely to unleash a new round of big-ticket projects, because states already have access to the municipal bond market.

According to Trump, his proposal would play a central role in funding \$1 trillion in projects without draining taxpayer dollars lost by offering the tax credit incentives. That's because, he said, the tax revenue would be recouped by taxing the wages of people put to work on the projects and from

taxes paid by contractors hired to do the work.

DeGood's paper says: "The Trump plan calls for spending as much as \$137 billion from the federal treasury in the form of tax credits to wealthy Wall Street investors. This massive subsidy would lower the cost of equity capital to a level roughly equivalent to municipal bonds."

In an interview as his analysis was released, DeGood said the lack of sufficient tax dollars, not a need for financing, was the cause of the failure to address infrastructure needs.

"If just having access to debt at 3 percent were all that project sponsors needed to kick off big projects, then that would have happened already," he said. "We're in the lowest cost financing universe that we've been in since World War II, and yet we don't see explosive growth in construction activity because it's a lack of tax revenue, not a lack of access to debt."

The second part of the Trump plan involves repatriation, a much-talked about idea to lure home \$2.5 trillion in cash held overseas by U.S. corporations. Trump has proposed reducing the rate companies would pay to bring the money home to 10 percent from 35 percent. Those companies then could invest slightly more money in infrastructure projects, gain the 82 percent tax credit and effectively erase that 10 percent tax.

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