
[Private Funding Is Key Challenge of Trump Infrastructure Plan.](#)

Effort reflects the difficulty of coming up with taxpayer dollars in era of constrained budgeting; administration has released few details

WASHINGTON — President Donald Trump's proposed infusion of funding for infrastructure turns on a critical question: how the administration will get private investors to put up most of the money.

Mr. Trump launched on Monday what he said would be a week focused on U.S. infrastructure with an embrace of a long-debated proposal to privatize the nation's air-traffic control system.

His advisers said the proposal is a model of how they want to approach an overhaul of national infrastructure maintenance, turning to user fees and private-sector management to fund and operate what has been a federal government service.

But there has so far been little detail on Mr. Trump's lofty infrastructure promise. The GOP president has proposed spending $200 billion over 10 years on programs to incentivize greater use of financing from private investors. The administration said that funding will leverage a total expenditure of $1 trillion to fix and build roads, bridges, dams and broadband lines.

The effort to shift to private funding reflects the difficulty of coming up with taxpayer dollars in an era of constrained budgeting. The last big transportation policy bill to pass Congress, in late 2015, was cobbled together with funding from a Federal Reserve surplus account and other sources that some lawmakers said were unorthodox.

"I think you'll see a huge increase in infrastructure fund balances once we put into place the two things we're doing investors care about," DJ Gribbin, the special assistant to the president for infrastructure policy, said in an interview.

The administration hopes to cut lead times to get projects from the planning stage to construction by reducing permitting requirements. That will lessen the political risk that has deterred some private investment, officials said.

Secondly, it plans to encourage cities and towns to raise fees—like roadway tolls or water-usage charges—that will provide the revenue streams for private-equity investors.

It isn't clear, however, that private investors will swarm to some of the country's most seriously decrepit infrastructure projects because not all of them will provide commercial returns.

"I'm a huge supporter of increasing private capital in infrastructure," said Heidi Crebo-Rediker, an adjunct senior fellow at the Council on Foreign Relations who served in the administration of former President Barack Obama, a Democrat. "But it is not a silver bullet, and as a country we are not set up to take on a fully private investment in public infrastructure."

The municipal bond market remains a more attractive source of funding to many state and local officials needing funding for major projects, Ms. Crebo-Rediker said, and many local governments lack expertise in how to structure public-private partnership deals.

Private-equity executives and bankers who specialize in infrastructure investing said that finding money for projects isn't the problem. It is the dearth of attractive investments, they said.

Last year, investors world-wide committed a record of about $59 billion to private-infrastructure funds, pushing to more than $140 billion the amount of ready-to-invest cash in such funds, according to Preqin, a provider of investment-fund data. Much of that money is likely to be spent outside the U.S., where most private infrastructure investing happens in the energy sector

Fundraising has remained strong this year, with another $29 billion flowing into such funds during the first quarter, Preqin said. Blackstone Group LP disclosed last month that Saudi Arabia has agreed to invest $20 billion in an infrastructure fund that the New York firm hopes will reach $40 billion and have spending power of as much as $100 billion once debt is added.

The White House's challenge will be to steer Wall Street's mountain of infrastructure money to projects that have traditionally been bypassed, such as toll roads and bridges, because of political hurdles, low returns and project time lines that exceed the length of time these funds have investors' cash locked up—usually 10 years or so. Speeding up permitting processes could make more projects palatable to private-equity investors, investors say, particularly as competition for deals that fit well within current funds, such as pipelines and power plants, pushes up asset prices.

Blackstone, for example, has spent more than six years securing permits to bury transmission lines that will carry electricity generated by dams in Quebec to New York City and Massachusetts. It could take years more before the power lines are completed, and the firm begins collecting on its investment. Blackstone executives say the massive fund they are raising, which would be more than twice the size of the current record, will have no timeline on returning cash to investors and targets lower returns.

Officials at several major transportation agencies have expressed concern about the administration's infrastructure approach in recent days. One government official, referring to the administration's desire to shift responsibility for providing direct funding from the federal to state and local governments, said Mr. Trump's administration was trying to "starve the beast" and force states and cities to find ways to finance privately.

Others noted with alarm that while the administration said it would devote $200 billion more to infrastructure over the coming 10 years, the department is also cutting funding to existing programs that support major projects.

The administration's infrastructure initiative will be "over and above" the amount of funding provided by Congress through conventional grant programs, said Reed Cordish, a White House adviser.

Ms. Crebo-Rediker praised the administration's embrace of programs that provide loans, loan guarantees and lines of credit for projects with national significance, allowing states and cities that qualify to add leverage to building projects. The administration also called for expanding a similar loan program for water infrastructure, and it said it would lift the cap on a program that allows the Transportation Department to allow the issuance of tax-exempt bonds for private entities.

But she said it wasn't clear how Mr. Trump's plan will prepare cities and states to strike private-financing arrangements to take care of some of their most critical needs.

“The devil’s in the details and there have been no details,” she said.

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