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Trump Infrastructure Plan Seeks to Shift Decisions - and Bills - to States, Cities.

White House puts localities in driver's seat for funding as it aims for $1 trillion goal, but some local officials raise alarms

Top advisers crafting President Donald Trump's infrastructure plan say they aim to upend the way U.S. public works are financed, shifting the bulk of the decision-making and costs to states and cities and away from Washington.

The administration is proposing $200 billion in new federal funding as the central piece of its $1 trillion plan to improve the nation's infrastructure. President Donald Trump frequently cited the need for upgrades on the campaign trail.

Most of the $200 billion, White House officials say, will be parceled out as incentives to localities that raise their own funding for building projects, with the aim of reaching the administration's overall goal. Cities and states could turn to private-sector financing or levying tolls and taxes to pay for new bridges and roads instead of relying on the federal government for the bulk of the funding.

"Right now the dynamic is: Come, ask for a whole lot, bang on the table, have your economic studies showing the tens of thousands of jobs that will be created, have your regional study saying this will transform America, bang on the table some more, hire some lobbyists and you get money," a senior White House official said in a recent interview. "We'd rather have people come and say, 'Listen, we're chipping in this much, give us this little increment and we can make this thing happen.'"

The administration's approach—which it hopes to deliver this fall to Congress as a set of "principles" for legislative action—alarms supporters of some of the country's biggest planned projects, who say that local cost-sharing and private financing efforts would fall well short of making up for sharply reduced federal funding.

Funds for roads, bridges and other infrastructure currently come from a variety of sources, including the Federal Highway Trust Fund and formula grants that the administration says it will maintain.

The proposed 20-80 split of federal to local contributions would dramatically change parts of the current system. Though funding levels vary, the federal government generally pays about 80% of highway projects and up to 90% of projects at airports, with the remainder coming from local government. In mass transit and passenger rail, there is no formula funding, and the federal share of funds varies widely, as local systems compete for grants by offering to accept smaller shares of federal money.

The Trump White House wants to continue and expand some priorities of the Obama administration, including encouraging the use of public-private partnerships where possible, and expanding low-cost federal loan programs to help pay for major building projects.

At the same time, the White House wants to change the way states and cities approach the pools of

federal capital that are used to initiate large projects, saying Washington can encourage local governments to make smarter investments by awarding grants to communities that compete based on how much of the cost they are willing to take on themselves.

“If we’re putting in a dollar, we want a state or a locality to have ideally four dollars that they’re putting in,” the senior official said. “This gets us to the trillion.”

Talking to local government officials about the incentive plan earlier this week, White House Budget Director Mick Mulvaney said he had spoken to a governor who was nearly ready to begin a $200 million bridge project, and needed just $20 million from the federal government to complete the financing.

“That’s the kind of thing that we want to put at the top of the list,” Mr. Mulvaney said.

Still uncertain is whether that approach will work on projects with much larger price tags. Officials working on a proposed new railroad tunnel under the Hudson River and related improvements say they were concerned at the White House’s refusal so far to commit to a large share of the more than $29 billion cost.

Republican New Jersey Gov. Chris Christie and Democratic New York Gov. Andrew Cuomo have said they expect the federal government to cover half the cost of the Gateway project, which also includes bridges and track improvements. The White House looks on such calls for funding as just the sort that they would like to curtail.

“There’s no people or economic activity in that region that could possibly cover the cost of that?” said the administration official, when asked about a recent appeal by Mr. Cuomo for federal aid for the project. “I think that’s a tough sell, would be my response.”

The suggestion that New York and New Jersey could pay their own way on the project, while not a final decision on federal funding, shocked some of the tunnel’s advocates. Already, local officials say the state and local share of infrastructure investment has been rising, thanks to congressional gridlock and no increase in the federal gasoline tax to help pay for public works.

“You’re just not going to be able to raise the level of funding that’s necessary” without federal support for the tunnel, Amtrak Co-Chief Executive Richard Anderson said in an interview.

Even with project leaders seeking private investors to help finance the tunnel project, direct federal funding is essential to making the project feasible, said Scott Rechler, the chairman of the Regional Plan Association, a research organization that studies mobility and transportation in the greater New York region.

“It’s an absolute impossibility for the states to be able to handle these projects on their own,” he said.

There have been early signs of resistance from the Republican-controlled Congress, which will draft and ultimately vote on the administration’s plan. A Senate transportation subcommittee reversed an array of 2018 budget cuts proposed by the White House, including in infrastructure grant programs relied on by states and cities for new transit lines.

The White House also acknowledges that it faces a crowded autumn calendar. The senior official said that the administration still plans to take up infrastructure only after it tackles a proposed overhaul of the tax code. And Congress must also handle more immediate responsibilities first, including raising the federal borrowing limit and agreeing on a budget for fiscal year 2018. The

administration still plans to send its principles to congressional leaders some time this fall, but the timeline will be dictated by the progress of the tax bill.

The Trump administration points to the rising number of local initiatives raising funds for infrastructure, including in regions with Democratic leaders, as evidence for the wisdom of its approach.

In Los Angeles, a 2016 ballot initiative to raise taxes for a 40-year, $120 billion plan to maintain and expand the region's mass-transit system passed with more than 70% of the vote. Officials in the administration of Mayor Eric Garcetti, a Democrat, have spoken with Trump administration officials to express their enthusiasm for a federal funding formula that rewarded cities and regions that help raise their own capital, according to city and White House officials.

On top of the local funding, the Los Angeles plan still anticipates billions in grants from the federal government over the next several decades, a city official said.

In West Virginia, Gov. Jim Justice, a Democrat who turned Republican this summer in a show of support for Mr. Trump, helped push through a package of tax and fee increases to expand the state's capacity to repair and extend its highway network.

"The days of the federal government bailing us out on infrastructure are gone," said Illinois Transportation Secretary Randall Blankenhorn, an appointee of Republican Gov. Bruce Rauner.

Mr. Blankenhorn has urged the state legislature to consider options from new tolls to increased taxes to support investment in the state's highways and railroads.

"We're going to have to find other sources" of funding, Mr. Blankenhorn said. At the same time, he said: "I do think that there's still going to be a role for the federal government in those major, mega projects."

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