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Trump's Apparent About-Face on Partnerships Injects 'Huge Question Mark' into Infrastructure Plan.

The infrastructure industry and public officials are trying to figure out how to interpret President Trump's recent move to back off what had been a major pillar of his \$1 trillion infrastructure investment plan.

Trump said he doesn't favor using public-private partnerships to finance infrastructure projects because they don't always work, he told Democrats on the House Ways and Means Committee during a Sept. 26 meeting.

In the spring, the White House released a six-page outline of its infrastructure priorities that encouraged public-private partnerships as part of an incentive program in which the federal government offers up to \$200 billion to state and local governments that enter into the agreements and other private sector deals.

It's too soon to know if Trump's seemingly off-the-cuff skepticism toward public-private partnerships represents a policy shift, but key constituents of the infrastructure initiative say the comments inject uncertainty into a slow-moving process that has yet to result in the White House offering a concrete plan.

"It's very dismaying," said Robert Poole, director of transportation policy at the Reason Foundation, a free-market research group. "You saw during the first six months of this year, everyone involved with public-private partnerships, including the construction and finance industries, were all saying, the U.S. will be the big next frontier for these deals. That now has a huge question mark on it," Poole told the Washington Examiner.

A public-private partnership acts as it sounds, with private investors helping fund construction and repair of roads, bridges, and airports in exchange for a share of future revenue. It is not quite privatization, in which a government sells a public asset to a private company.

Lawmakers who participated in the meeting with Trump say he cited the experience of Vice President Mike Pence, who was Indiana's governor when a private group helped the state operate a major toll road and the developers went bankrupt.

The U.S. market for public-private partnerships is barely formed, but supporters say the deals can be quicker and more efficient and entail less taxpayer risk if structured properly.

But such deals are also financially complex, which public officials can struggle to understand, leading to agreements that don't work.

"They are not the answer to the infrastructure needs in this country, but can be a part of some of these projects," said Aubrey Lane, Virginia's secretary of transportation, who has briefed Trump administration officials on infrastructure. "I didn't believe the first hype from the administration that public-private partnerships would be all the answer, and I don't believe this new hype they aren't

good at all," Lane told the Washington Examiner.

Virginia is an outlier in the U.S. with its deep experience with public-private partnerships, which are known as PPPs or P3s in transportation circles.

Since 2007, the state has closed five public-private partnership deals worth more than \$9 billion collectively, with more than \$2.5 billion coming from private equity, less than \$1 billion in public funds, and the remaining from privately backed debt.

The Trump administration had seemed to like such projects before the president's recent comments.

Trump chose an expert on public-private partnerships as his top White House official focused on infrastructure.

D.J. Gribbin, Trump's special assistant for infrastructure policy, previously worked on public-private partnerships for Macquarie Capital and Koch Industries.

Gribbin spoke at the P3 Hub Americas conference, a major industry gathering promoting public-private partnerships, on Sept. 26, the same day Trump met with House Democrats.

"It's so frustrating someone would make off-the-cuff comments like that about P3s," Poole said of Trump. "I can't imagine that he was coordinating with his staff. The whole reason Gribbin was hired was to do P3s. That has been his specialty for the last 20 years both in government and out of it. It's very strange."

The White House did not respond to emailed questions from the Washington Examiner about Trump's comments and whether they represent a policy change.

Experts interpreting Trump's comments have different perspectives on their significance.

Supporters of a more robust federal investment in America's infrastructure say Trump's comments don't necessarily reflect a flip-flop on public-private partnerships, but rather an appreciation for the different funding solutions needed to tackle the issue.

"It just shows the totality of the problem we are trying to address," said Ed Mortimer, executive director of transportation infrastructure at the U.S. Chamber of Commerce. "The private sector has to have a role. It's also a recognition there has to be a significant federal investment in infrastructure."

He said his engagement with the Trump administration has not changed in recent weeks.

"We have not sensed any reticence from the administration to move forward, and we will continue to push them to move forward on this," Mortimer said. "It's too important to economic growth. We cannot continue to fall behind the rest of the world."

Democratic lawmakers, meanwhile, cheered Trump's comments, viewing them as proof he is willing to extend his recent embrace of bipartisanship to infrastructure, and ready to rely on significant direct federal funding to pay for projects.

"I was actually very encouraged to hear that," said Rep. Peter DeFazio of Oregon, the top Democrat on the House Transportation and Infrastructure Committee. "I guess he is a businessman and can see through that concept as a false promise. Hopefully, he sees infrastructure as capital expenditures as opposed to operating costs and is willing to get innovative on how we are going to

finance it.”

But conservatives have long opposed major funding initiated by the federal government, and deficit hawks likely will recoil even more in light of the tax cuts recently proposed by Republicans.

“The president is clearly frustrated with Republicans in Congress,” said Michael Sargent, an infrastructure policy expert at the Heritage Foundation. “Doesn’t this open the door to working with Democrats on infrastructure? That is something I am wary of. If we are moving away from public-private partnerships, if you want to spend \$1 trillion you will need more offsets to raise that money, or tack it onto the debt. Either way, that’s a very large bill that will have to come from somewhere.”

Infrastructure spending boosters realize they will need conservative support for any plan to become law.

“It’s just not going to happen to have an infrastructure bill out of the Republican House and Senate that doesn’t have some private financing,” Marcia Hale, president of Building America’s Future, told the Washington Examiner.

Layne, Virginia’s transportation secretary, would just like some clarity, as he prepares to fulfill the infrastructure needs of his state.

“I am glad to hear all the infrastructure talk, but I don’t want it to be all talk and expectations and find out nothing is going to happen,” he said. “I still don’t know where we are nine months into the administration. I don’t know what their plan is. I don’t see specifics I can act on as the person in charge of the construction program for the state with the nation’s third-largest road network.”

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