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Infrastructure Plan Falls Flat for Investors.

President Donald Trump's infrastructure plan has left investors in infrastructure firms unimpressed

Maybe it should be called "Infrastructure Weak."

In the days following the 2016 U.S. presidential election, investors took President-elect Donald Trump at his word that he would open the floodgates of federal spending and deregulation to fix America's creaking transport, energy and water systems.

A basket of 10 U.S. stocks with exposure to infrastructure spending beat the S&P 500 by nearly 13 percentage points in the eight trading sessions through November 17, 2016. In the four sessions following Monday's much-delayed release of the White House's infrastructure plan, though, the same stocks lagged behind the broader market.

Whether one calls it a $1.5 trillion plan or a $200 billion plan—the latter is the actual value of proposed new federal spending over a decade—investors clearly sense that there is less to it than meets the eye.

One reason is the assumed ratio of funding. The largest chunk, $100 billion for the so-called Incentives Program, would be awarded based largely on an at-least four-to-one the ratio of nonfederal to federal money. That gets the value of the administration's plan to $1.5 trillion. Most of the nonfederal money must come from state or local governments rather than private entities.

That ratio, though, is far above the one-to-one typical of large projects such as the recently completed new Tappan Zee Bridge in New York. A more serious problem is that the White House's budget proposal would reduce existing federal infrastructure funding elsewhere.

The recently passed tax cut also weighs on the infrastructure plan. The growing federal budget deficit and rising bond yields have made borrowing more expensive for state and local governments. A lower marginal top tax rate makes municipal bonds less attractive to wealthy individuals, their biggest buyers. And limits on deductions for state and local taxes makes it harder for governments to raise taxes.

Unless the federal government comes up with more funding for existing programs like the Highway Trust Fund, whatever gains are achieved by the infrastructure programs will be offset by cuts elsewhere.

The Highway Trust Fund, which was bailed out in 2016, will need about $100 billion in the next decade to stay solvent, based on Congressional Budget Office projections—the same amount as the proposed Incentives Program. The U.S. Chamber of Commerce, which praised the infrastructure program, also called this week for a gasoline tax increase of 25 cent per gallon to support the highway fund.

Gaudy headline numbers aside, investors are clear in their view that Mr. Trump's infrastructure plan, even if adopted, would do little to boost overall spending. New rules and incentives are nice, but more spending and the revenue to back it up are the missing ingredient.

The Wall Street Journal

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Feb. 16, 2018 5:30 a.m. ET

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