
Trump "$1.5 Trillion" Infrastructure Plan Is a Mirage.

Administration officials claim that the President's new infrastructure plan will support $1.5 trillion in infrastructure investment, but his 2019 budget reveals that that number's a mirage: the President would cut annual federal support for infrastructure in the long run and shift costs to states, cities, and private individuals. As we previewed here, it likely would mean cuts to some of the areas in which new infrastructure investment is needed most — while providing a potential windfall for private investors.

At its core, the President's approach is a bait and switch that would cut federal support for infrastructure over the long term. The centerpiece is $200 billion in "new" federal funds that the Administration claims can support at least $1.5 trillion in investment. But the budget proposes deep cuts to programs in the same agencies that would receive new grant-making authority under his infrastructure proposal.

For example, the budget (even with its "addendum" to account for the budget deal) slashes support for mass transit, ends the Transportation Department's TIGER program (which supported some of the most innovative local infrastructure projects over the last eight years), and cuts investment for new projects at the Army Corps of Engineers. It also eliminates the Department of Housing and Urban Development's main programs for building and renovating affordable housing, even as the Trump infrastructure initiative would not support much-needed housing infrastructure.

In addition, the President's budget includes — buried on page 122 of the supplemental "Analytical Perspectives" document — a major cut in federal spending from the Highway Trust Fund that would reach $21 billion a year by the end of a decade. Normally trust fund projections would reflect the spending needed to maintain the current levels of investment. But the Administration proposes to spend no more in a given year than the dedicated trust fund revenues it's currently projected to receive each year, largely through the federal gas tax. This change would move away from a bipartisan consensus in recent years to provide additional money to the fund to prevent such an outcome, effectively resulting in a cut of $122 billion in Highway Trust Fund spending over the last seven years of the budget's ten-year timeframe. The budget reflects this lower spending without proposing anything (beyond the new infrastructure initiative) to address it. Indeed, "Analytical Perspectives" states that the "Federal Government should incentivize more States and localities to finance their own transportation needs," showing that this lower level of support represents an explicit policy choice. Similarly, the budget justifies its other infrastructure cuts on the basis of the new infrastructure initiative, illustrating the President's approach of giving with one hand while taking with the other.

The headline $1.5 trillion figure hides the fact that the proposal would shift costs to states, cities, and individuals. The $1.5 trillion figure simply assumes that states, localities, and the private sector will provide $1.3 trillion of that support. The core element of the new initiative — $100 billion in grants that must account for no more than 20 percent of a project's cost — puts the burden on states and localities to fund the vast majority of any investment, while punting on the question of how they will raise the money. And that's on top of other burdens that the budget would impose on states and localities by cutting programs like Medicaid and SNAP (formerly food stamps), even as the new tax law may make it harder for them to raise revenues by limiting the state and local tax deduction.

The Administration has indicated that private investment will be a major component of its plan, with investors providing funding through public-private partnerships that achieve a financial return through collecting tolls, fees, or other revenues. But this approach could give short shrift to projects that don't lend themselves to tolls, fees, or other dedicated revenue streams — from repairing bridges to filling potholes to modernizing schools to rebuilding infrastructure in low-income communities. And it raises the likelihood that the ultimate cost of the proposal will be borne by low- and moderate-income people through new regressive taxes or fees. Meanwhile, the emphasis on private investment creates potential windfalls for investors through subsidies for projects they might have pursued anyway.

The President wants spending cuts to pay for his proposal but hasn't specified them. Administration officials explained over the weekend that while they haven't attached specific offsets to the proposal, they envisioned paying for it with cuts elsewhere in the budget — including to infrastructure. For example, the President's budget cuts the core Transportation Department budget by more than 19 percent, and White House officials say they might seek to use some of these savings, from cuts to programs like mass transit, to pay for the infrastructure initiative.

The President could also seek to use his infrastructure proposal as a cudgel to try to force Congress to pass his other proposed cuts, in programs ranging from health care to food assistance to housing, as a way to help offset the $200 billion cost. Those cuts would come in lieu of offsetting the cost by raising revenues from wealthy taxpayers or corporations that benefited the most from the recent tax bill. The result? Even beyond any measures that states and localities may need to take to fill the funding gap left by federal infrastructure cuts, the President's initiative could ultimately hurt the same low- and moderate-income families he claims to help.

Center on Budget and Policy Priorities

by Jacob Leibenluft

Feb 12, 2018

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com