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[Issuer Brief: Trump's Infrastructure Plan Does Very Little to Help the Municipal Industry]

The Infrastructure ‘Plan’ Needs Some Constructive Criticism

The Trump Administration’s preliminary plan to support additional infrastructure financing, is purportedly in the form of $200 billion in Federal funding that, along with state, local and private sector resources, would supposedly trigger a total of $1.5 trillion in new infrastructure spending over the next 10 years.

Frankly, we remain highly doubtful that any significant incremental project funding will be triggered by this proposal, which requires considerable new private sector investments, and assumes that state and local governments will enthusiastically seek out subsidies paid at a meager rate of 20 cents in Federal moneys for 80 cents in state or local moneys. Historically, Federal subsidies of state and local programs have provided as much as 80% of total costs of projects, as opposed to the proposed 20% level. We anticipate that the ultimate form of any successful new law will diverge quite dramatically from the initial 53-page proposal.

The plan is structured around four main pillars:

1. Generate $1.5 trillion for an infrastructure proposal, including $100 billion through an incentives program that supports governmental infrastructure. It would also focus on regulations reform to streamline the permitting process for new project down to two years.
2. Invest in rural infrastructure projects and advance workforce training. Half of the federal seed money ($200 billion) would go toward an incentives program to match financing from state and local governments, while a quarter of the appropriations would be used for rural projects in the form of block grants to states so governors may decide where to invest.
3. $20 billion is for “transformative programs” meant for new projects rather than rehabilitation of old infrastructure, while another $20 billion is meant to expand the use of loans and private activity bonds, a common tool used to fund infrastructure projects.
4. The last $10 billion would go into a “capital financing fund,” which would fund the construction of federal office buildings and similar infrastructure for actual government use.

Our bottom line at this point is that the proposal 1) doesn’t really add ANY new moneys to current Federal spending on infrastructure and 2) reduces the amount of aggregate funding that state and local governments have available. A number of infrastructure experts have already put out analyses and releases that are sharply critical of the proposal, and we expect more to come. While the proposal and budget anticipate more use of private activity bonds, they are offset by deep cuts to existing funding for state and local governments.

The proposal is complex (even the outline is more than 50 pages long). While some commentators have expressed a desire for the President to have called for more spending, the proposal appears to seek a balance between providing capital and encouraging the participation of additional resources to create a sustainable financing mix that will not require permanent budgetary support from the

Federal government. Translating the proposal into legislation and getting it through Congress will not be easy, and with mid-term elections looming in the Fall, time is of the essence. That said, we are hoping that the proposal will incorporate much of the criticism before being resurrected in a more effective form. Hoping, but far from confident: any proposal that incorporates actual significant net spending to help support infrastructure in an effective fashion will run into massive resistance from fiscal conservatives who have been reborn since the tax bill was passed, and in the face of $1 trillion dollar or more annual deficits.

Ride-Hailing Fees Popping Up in Chicago, Philadelphia and Others

As Uber and Lyft and other ride-hailing services grow more and more ubiquitous, municipalities are moving to tax these services to fund the existing mass transit facilities against which these services compete. Some examples include Chicago, where a 15-cent fee on Uber, Lyft and other ride-hailing services is helping to pay for track, signal and electrical upgrades to make the city's trains run faster and smoother. In Philadelphia, a 1.4% tax expected to raise $2.6 million this year for the city's public schools that will also generate more than a million dollars for enforcement and regulation of the ride-hailing industry itself.

South Carolina has adopted a 1% ride-hailing fee has yielded more than a million dollars for municipalities and counties to spend as they choose. Massachusetts collects 20 cents for every ride-hailing trip this month, earmarking the revenue to improve roads and bridges, fill a state transportation fund and even help the taxi industry adapt with new technologies and job training. New York State approved a 4% assessment on ride-hailing trips that begin outside New York City (rides in the city are already subject to state and local taxes). It is expected to raise $24 million a year for the state's general fund.

In Oregon, Portland sought to create a single standard for taxis and ride-hailing cars and assessed a 50-cent ride fee on both of them, which is paid by passengers. The 50-cent fee has added up to more than $8 million to help pay for city enforcement efforts, including spot inspections of cars and incentives to companies and drivers to choose wheelchair accessible cars.

Predictably, the ride-hailing industry feels it is being singled out. It views its service as complementary rather than competitive with taxis and mass transit. We beg to differ. Ride hailing has its place but its continued implementation of a business model that resists regulation as one of its basic tenets should not be surprised to find itself in the position of being targeted for its tax revenue generating potential. Another aspects that the public transit system benefits everyone who lives and works in the city regardless of whether they're using it.

Chicago estimates that ride-hailing companies have cost the city about $40 million a year in lost revenue from transit fares, parking fees, licenses and permits. A newly imposed 15-cent fee was the first of its kind to raise money solely for public transit from those who might not even use it because they could afford the ride-hailing cars. It is projected to bring in $16 million this year, which will be turned over to the Chicago Transit Authority. The money will be used to secure additional funding through bond sales to pay for a total of $179 million in capital improvement.

As these companies continue to grow, states and localities will need to keep up revenues and can look to these examples as a creative way to fund infrastructure.

Neighborly

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