Bond Case Briefs

Municipal Finance Law Since 1971

Selling Government Assets Would be a Responsible Move in Infrastructure Deal.

It's common in Washington to enact a law and pay for it by simply putting on the country's metaphorical "credit card." So with the conversation about revitalizing America's infrastructure heating up, will we pump trillions more into the deficit? With the national debt already at a staggering \$21 trillion, taxpayers have good reasons to be cautious. However, a new plan is gaining traction among Democrats and Republicans that would fund infrastructure projects while cutting into the national debt.

The National Taxpayers Union recently released <u>guiding principles</u> that lawmakers should follow when crafting a legislative package. Among the principles that need to be prioritized are using competitive bidding processes, implementing regulatory reform, and that revenue-raisers should be user-funded. For infrastructure policy, private capital should always be put ahead of public funding.

Each party has already laid their plan on the table and they'll need to a build a bridge to connect the space between them. President Trump supports a plan that prioritizes private capital, relies heavily on state and local spending, and possibly increases the national gas tax. The Democratic plan crafted by Sen. Chuck Schumer (D-N.Y.) would eliminate roughly two-thirds of the already successful Tax Cuts and Jobs Act, effectively raising taxes on families and businesses. These two approaches are radically different, but bipartisanship might be the road forward.

A new initiative introduced by Republican Rep. Mike Kelly, Democratic Rep. William Lacy Clay of the Congressional Black Caucus, and Rep. Ted Budd of the House Freedom Caucus shows promise for a new and debt-friendly way forward on infrastructure policy. The Generating American Infrastructure and Income Now (GAIIN) Act would sell off some government assets and use the generated revenue in two unique ways: half would be sent to the Treasury Department to pay down existing debt and the other half would be used to fund projects in the 100 poorest communities around the U.S. While selling government assets isn't new (it was proposed by President Reagan to pay for tax reform and mentioned by President Trump last year), taxpayers should appreciate lawmakers looking for creative ways to generate revenue without levying a tax increase.

Here's how such a plan would work: The government would package certain assets, like buildings or debt, and auction them off to institutions that are willing to pay the highest price. Sale of government assets can have a substantial societal benefit if the private market can maximize their potential. For investment firms, this proposal could actually be a much sounder investment than investing in public-private partnerships because the market does not like uncertainty. Private investors could be willing to pay a higher price for an existing asset that could immediately be monetized rather than fund a construction project that could take years to design, approve, and construct with no certainty that it will be successful.

In most recent data from FY17, the government held about \$3.5 trillion in assets, not counting any mineral or natural resource assets. These government assets include net loans, net property, plant, and equipment. According to a recent report, the government owns over 45,000 underutilized

buildings which carry operating costs close to \$2 billion annually.

Politicians love enacting infrastructure laws because they result in construction projects that generate jobs and economic activity. By allocating money into the poorest communities, the work would create jobs for people in areas that lack sufficient job opportunities. Creating jobs in low-income communities could spark new commerce, investment and development in urban areas like Detroit, Michigan and Camden, New Jersey, as well as in rural areas in the South and struggling former mining towns in West Virginia and Pennsylvania.

Taxpayers should be receptive to this plan because it accomplishes three main things: First, it avoids having to raise the gas tax by a significant amount. Increasing this tax would disproportionately harm lower-income Americans and a gasoline tax increase of 25 cents could wipe away 60 percent of the last year's tax cut benefit for consumers. Second, this plan would not require new government spending. This means Washington can put the credit card away (for the time-being) and pay the bill up front. Finally, using some of the revenue to pay down the debt will put America's finances in a better position than they would otherwise be.

Selling public assets can be a fiscally responsible solution especially in the context of a comprehensive infrastructure package. Lawmakers should use all the tools at their disposal to ensure there is a balance between taxpayer interests and an infrastructure system that promotes economic growth and efficiency.

THE HILL

BY THOMAS AIELLO, OPINION CONTRIBUTOR

06/19/18

Thomas Aiello is a policy and government affairs analyst with the National Taxpayers Union, a nonprofit dedicated to lower and fairer taxes at all levels of government.

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com