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Rising Debt Imperils Trump, Dem Hopes on Infrastructure.

President Trump and Democrats are in a crunch as they try to pursue a $2 trillion infrastructure package amid rising concerns in some quarters about the deficit and national debt.

While many support the concept of an infrastructure push, members of Congress and outside groups are worried about how to pay for such a massive haul with national debt topping $22 trillion.

“It’s $200 billion a year, so that’s not an easy pay-for. I don’t know how you’d do it without raising taxes,” said Rep. John Yarmuth (D-Ky.), who chairs the House Budget Committee.

“If we can find a way to pay for it, or pay for a substantial portion of it, I think it’s a great goal to have,” he added.

Trump and congressional Democrats have both frequently named infrastructure as one of their priorities and view the issue as an opportunity for bipartisan legislation in a divided government. Democratic leaders said that in a meeting on Tuesday, they and Trump agreed to pursue a $2 trillion bill. Lawmakers and the White House are expected to meet again in the coming weeks to discuss funding options.

But finding the money is a problem, and Democrats have left it to Trump to suggest a plan for their next meeting.

“We know we can spend the money. People will be delighted to spend the money on roads and bridges and inland waterways and ports and rural broadband, no problem. But the part of the discussion that’s lacking is, how are you going to pay for it?” said Rep. Tom Cole (R-Okla.), an appropriator.

The government will be forced to borrow money for any part of the plan it can’t offset with new revenues or other cuts, and that could spell trouble for the debt.

Even before infrastructure is considered, the country’s debt burden will reach 105 percent of gross domestic product by 2029 if current tax and spending policies are left in place, just a point below the record debt level at the end of World War II, according to a Thursday report from the Congressional Budget Office.

Budget watchers say that the debt path is unsustainable and will eat into the country’s economic well-being if it is not addressed.

“Rebuilding infrastructure can be critical and productive for our economy, but that also means it’s important enough to be paid for. If we can agree it’s necessary, we can agree we should pay for it,” Michael Peterson, CEO of the Peter G. Peterson Foundation, which focuses on addressing fiscal issues, said in a statement to The Hill.

While debt levels are currently high, interest rates are currently low, which could give lawmakers some breathing room to phase in offsets to infrastructure spending over the course of several years.

“Interest rates are still pretty low, so it doesn’t need to be paid for in year one,” said Marc Goldwein, senior vice president and senior policy director of the Committee for a Responsible Federal Budget (CRFB).

But Goldwein said that it’s important for an infrastructure package to eventually be fully paid for. He said that there isn’t evidence that an infrastructure bill would pay for itself and that after the GOP tax law and government spending legislation added to deficits, “we can’t just keep adding $2 trillion at a time.”

The CRFB projected that just the interest costs of the debt are on track to surpass defense spending by 2024.

Kent Smetters, a professor at the University of Pennsylvania’s Wharton School, said that infrastructure is the most pro-growth when it’s not deficit financed and public investments are made without private capital being shifted to public capital.

“That’s where you get the biggest bang for your buck,” he said.

Senate Minority Leader Charles Schumer (D-N.Y.) has expressed interest in rolling back the GOP tax law to pay for an infrastructure package, but that’s a non-starter for Republicans and business groups. Some lawmakers are supportive of gas-tax increases, and Trump has expressed an openness to that idea in the past, but other lawmakers view gas tax hikes as regressive or oppose increasing taxes altogether.

“I’m certainly not in favor of any type of tax increase, no gas tax increase. That would be a bad idea, and $2 trillion is an unbelievable amount of money, particularly when we’ve got a $20 trillion debt,” said Rep. Jim Jordan (R-Ohio), a conservative who often has Trump’s ear.

Anti-tax crusader Grover Norquist, president of Americans for Tax Reform, suggested that the federal government’s contribution to an infrastructure package could come from selling off loans, and that amount could be supplemented by contributions from state and local governments and the private sector. He pointed to bipartisan legislation that has been introduced in the past to require the Agriculture Department to sell distressed assets.

“We have bipartisan, left-right agreement on using the sale of loans to create the capital to rebuild and fix the various roads and bridges,” he said.

Most Democrats want an infrastructure package to mostly consist of direct federal investment, and they said that Trump has criticized his own past proposals that rely heavily on public-private partnerships.

Progressives say that there are plenty of revenue options to cover costs.

“There are so many ways to pay for infrastructure,” said Rep. Pramila Jayapal (D-Wash.), co-chair of the Congressional Progressive Caucus (CPC), which included a $2 trillion infrastructure plan in its proposed budget last year.

“From a wealth tax to a financial transactions tax, there’s all kinds of specific, documented ways in our CPC budget that we propose paying for that,” she said.

The CPC budget outlines a tax code overhaul that would cut a slew of corporate deductions, change capital gains taxes, raise top-level income taxes, including a new bracket for income above $1 million, and broaden estate taxes.

Some progressives, such as Rep. Dan Kildee (D-Mich.), argued that Washington should borrow money and take on more debt to help fund the multitrillion-dollar package.

“I want us to have an honest conversation about what it’s going to take to pay for it and not start with the idea that we take debt off the table,” said Kildee, who has pushed for a bigger federal response to the Flint water crisis.

“We borrow money to buy a house, but we have the asset of the house so we don’t really fret with the amount of debt associated with it. We have to look at infrastructure as an asset.”

But the idea of borrowing money to help fund an infrastructure package won’t sit well with fiscal hawks in either party.

“I think it should be fully offset,” said Rep. Dan Lipinski (D-Ill.), a member of the Blue Dog Coalition of centrist Democrats. “Transportation and infrastructure has always been done by user fees, and I continue to support doing that.”

If Trump, who in a recent Gallup poll had a 91 percent approval rating among Republicans, puts his full-throated support behind a tax hike to pay for infrastructure, he may yet be able to win over some members of his party.

“I think enough Republicans could support something like that if the president were for it,” said Cole, the appropriator.

But, he added, “I don’t know what the president is for. He hasn’t told us.”

THE HILL

BY NAOMI JAGODA AND NIV ELIS – 05/06/19

Scott Wong contributed.

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