

# **Bond Case Briefs**

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## **Lawmakers Tap Budget Maneuvers to Make Infrastructure Plan Work.**

- **\$125 billion comes from re-purposing money from other bills**
- **Bill could take weeks to finalize as details are hashed out**

A bipartisan Senate group succeeded in finding \$579 billion to pay for their infrastructure framework by relying on tried-and-true budget maneuvers that have yet to be scrutinized by Congress's official scorekeepers.

The spending on roads, bridges, public transit and other items in the deal is offset by a hodgepodge of revenue-raising measures, economic-impact assumptions and projected savings from eliminating waste.

It's the result of weeks haggling over where to find hundreds of billions of dollars without reversing the 2017 tax cuts — a red line for Republicans — or increasing levies on households making less than \$400,000, a Democratic priority.

The bipartisan deal uses budgetary maneuvers to close the gap by finding the most money from politically palatable sources that both parties can agree to, including special municipal bonds, selling spectrum, and imposing a fee on chemical polluters.

"This deal is the usual host of not-wildly-innovative, plain-vanilla pay-fors that have been used in the past," Gordon Gray, a former Senate Budget Committee aide, said. "There's not a conspicuous tax increase or a conspicuous spending cut."

### **Reused Funding**

The plan relies on repurposing some funding allocated in already passed legislation, as well as factoring in economic growth and associated revenue that would come about as a result of the infrastructure investment. The recycled funds include unspent money for broadband and federal unemployment benefits leftover from states that ended early some \$300 a week in supplemental jobless payments.

"It all adds up to \$125 billion that comes out of Covid funding repurposed," Senator Rob Portman, an Ohio Republican who was one of the leaders of the negotiations, said.

However, that money isn't "free," said Gray, now with the right-leaning think tank American Action Forum. "They want to have benefits without costs, but those costs happened at some point."

The plan also is offset by \$58 billion generated by extra economic growth, something known in budget circles as dynamic scoring. Portman called that estimate "conservative," though he acknowledged the Congressional Budget Office had not completed its modeling of the dynamic impact of the spending on the economy.

## **'Feedback Loop'**

"Every economist has looked at this and said, this is not spending on social programs. This is spending on long-term capital assets that make the economy more efficient, and therefore add to the productivity of the country," he said. "It also obviously adds jobs. And there's a feedback loop there for revenue."

But not all economists are as optimistic as the lawmakers, saying some figures could be overly rosy. That could mean that members of Congress may have to find more revenue or agree to deficit-finance a portion of the plan if the CBO doesn't agree with their estimates.

"There are some good policies in here. I'm concerned that they only cover a fraction of the cost," Marc Goldwein, senior vice president for the think tank, Committee for Responsible Federal Budget, said. "A lot of the numbers seem inflated from what I would expect."

For example, the lawmakers are projecting that strengthening federal programs against fraud and waste will raise \$72 billion, according to a draft of the deal obtained by PBS. That's a lot higher than previous estimates, Goldwein said, noting that Biden's budget proposal in May projected that so-called integrity initiatives would raise \$12 billion over five years, or \$45 billion over 10.

## **Tougher IRS**

One of the thorniest issues for lawmakers was how much money could be raised from giving the Internal Revenue Service \$40 billion to ramp up audits and enforcement on wealthy taxpayers. Republicans had pointed to a CBO report from last year that said a \$40 billion proposal would generate an additional \$103 billion, for a net \$63 billion. Democrats had pushed for more. The group compromised on a net \$100 billion raised, which was done in consultation with the CBO, Portman said.

The additional money could also help improve customer service at the IRS and help the IRS deal with Bitcoin and digital currencies, he said.

The deal also calls for \$100 billion to come from private investment, including public-private partnerships. That money could be used to build private highways or bridges that would also likely mean user fees or tolls for drivers using the new roadways.

More than half of the bill has already been written but will likely take weeks to finalize, Portman said.

## **Bloomberg Politics**

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