FACT SHEET
2018 BUDGET: INFRASTRUCTURE INITIATIVE

Importance of Infrastructure

The President has consistently emphasized that the Nation's infrastructure needs to be rebuilt and modernized to create jobs, maintain America's economic competitiveness, and connect communities and people to more opportunities. The United States no longer has the best infrastructure in the world. For example, according to the World Economic Forum, the United States' overall infrastructure places 12th, with countries like Japan, Germany, the Netherlands, and France ranking above us. This underperformance is evident in many areas, from our congested highways, which costs the country $160 billion annually in lost productivity, to our deteriorating water systems, which experience 240,000 water main breaks annually.

The Current System is Not Working

The Federal Government inefficiently invests in non-Federal infrastructure. In part, our lack of sustained progress has been due to confusion about the Federal Government's role in infrastructure. During the construction of the Interstate System, the Federal Government played a key role – collecting and distributing Federal tax revenue to fund a project with a Federal purpose. As we neared the completion of the Interstate System, those tax receipts were redirected to projects with substantially weaker nexus to Federal interests.

The flexibility to use Federal dollars to pay for essentially local infrastructure projects has created an unhealthy dynamic in which State and local governments delay projects in the hope of receiving Federal funds. Overreliance on Federal grants and other Federal funding can create a strong disincentive for non-Federal revenue generation.

At the same time, we continue to apply Federal rules, regulations, and mandates on virtually all infrastructure investments. This is despite the Federal Government contributing a very small percentage of total infrastructure spending. Approximately one-fifth of infrastructure spending is Federal, while the other four-fifths are roughly equally divided between State and local governments on one hand and the private sector on the other.

We will reevaluate the role for the Federal Government in infrastructure investment. For example, in the Interstate System, the Federal Government now acts as a complicated, costly middleman between the collection of revenue and the expenditure of those funds by States and localities. Put simply, the Administration will be exploring whether this arrangement still makes sense, or whether transferring additional responsibilities to the States is appropriate.

The Administration's Goal: Seek and Secure Long-Term Changes

Given these challenges, the Administration's goal is to seek long-term reforms on how infrastructure projects are regulated, funded, delivered, and maintained. Providing more Federal funding, on its own, is not the solution to our infrastructure challenges. Rather, we will work to fix underlying incentives, procedures, and policies to spur better infrastructure decisions and outcomes, across a range of sectors.

Key Principles

As the Administration develops policy and regulatory changes, and seeks statutory proposals working with Congress, we will focus on proposals that fall under the following key principles:

1. *Make Targeted Federal Investments*. Focusing Federal dollars on the most transformative projects and processes stretches the use and benefit of taxpayer funds. When Federal funds are provided, they should be awarded to projects that address problems that are a high priority from the perspective of a region or the Nation, or projects that lead to long-term changes in how infrastructure is designed, built, and maintained.

2. *Encourage Self-Help*. Many States, tribes, and localities have stopped waiting for Washington to come to the rescue and have raised their own dedicated revenues for infrastructure. Localities are better equipped to understand the right level – and type – of infrastructure investments needed for their communities, and the Federal Government should support more communities moving toward a model of independence.

3. *Align Infrastructure Investment with Entities Best Suited to Provide Sustained and Efficient Investment.* The Federal Government provides services that non-Federal entities, including the private sector, could deliver more efficiently. The Administration will look for opportunities to appropriately divest from certain functions, which will provide better services for citizens, and potentially generate budgetary savings. The Federal Government can also be more efficient about disposing underused capital assets, ensuring those assets are put to their highest and best use.

4. *Leverage the Private Sector*. The private sector can provide valuable benefits for the delivery of infrastructure, through better procurement methods, market discipline, and a long-term focus on maintaining assets. While public-private partnerships will not be the solution to all infrastructure needs, they can help advance the Nation's most important, regionally significant projects.

2018 Budget

The President's target of $1 trillion in infrastructure investment will be funded through a combination of new Federal funding, incentivized non-Federal funding, and newly prioritized and expedited projects. While this Administration proposes additional funding for infrastructure, we will structure that funding to incentivize additional non-Federal funding, reduce the cost associated with accepting Federal dollars, and ensure Federal funds are leveraged such that the end result is at least $1 trillion in total infrastructure spending.

While we will continue to work with the Congress, States, tribes, localities, and other infrastructure stakeholders to finalize the suite of Federal programs that will support this effort, the 2018 Budget includes $200 billion in outlays related to the infrastructure initiative.

In addition to the $200 billion, these proposals are also in the 2018 Budget:

- **Air Traffic Control Corporatization**. The *Budget* proposes to create a non-governmental entity to manage the nation's air traffic control system. Many countries have corporatized their air traffic control function, separating it from the governmental aviation safety regulation function. This will be a multi-year effort resulting in a more efficient airspace while maintaining our premier aviation safety record. The proposal would reduce aviation passenger taxes and the new entity would be responsible for setting and collecting fees directly from users based on their use of the Nation's airspace.

- **Increase Infrastructure Flexibility at VA.** The Department of Veterans Affairs (VA) has a nationwide physical footprint that includes aging facilities, which are not always located where veterans most need care. The Administration will pursue numerous reforms to help VA acquire and maintain the facilities necessary to provide veterans high quality medical care where they live. The *Budget* includes proposals to expand VA's authority to lease out its vacant assets for commercial or mixed-use purposes and to speed its ability to pursue facility renovations and improvements. Future reforms will encourage public-private partnerships and reduce barriers to acquisition, contracting, and disposals.

- **Divestiture of the Power Marketing Administration's (PMA's) Transmission Assets**. The *Budget* proposes to sell the PMA's transmission assets. Investor-owned utilities provide for the vast majority of the Nation's electricity needs. The PMA's transmission infrastructure assets (lines, towers, substations, and rights of way) could be leased out so the private sector could fulfill transmission functions. Leasing these assets will more efficiently allocate economic resources and help relieve long-term pressures on the Federal deficit related to future Federal capital investment.

- **Reform the laws governing the Inland Waterways Trust Fund.** The *Budget* proposes to reform the laws governing the Inland Waterways Trust Fund, including by establishing a fee to increase the amount paid by commercial navigation users of inland waterways. In 1986, the Congress mandated that commercial traffic on the inland waterways be responsible for 50 percent of the capital costs of the locks, dams, and other features that make barge transportation possible on the inland waterways. The additional revenue proposed in the *Budget* will finance future capital investments in these waterways to support economic growth.

Illustrative Examples of Funding Proposals

The following proposals will be pursued by the Administration as part of the Infrastructure Initiative.

- **Expand the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.** TIFIA helps finance surface transportation projects through direct loans, loan guarantees, and lines of credit. One dollar of TIFIA subsidy leverages roughly $40 in project value. If the amount of TIFIA subsidy was increased to $1 billion annually for 10 years, that could leverage up to $140 billion in credit assistance, and approximately $424 billion in total investment. In addition, the Administration supports the expansion of TIFIA eligibility.

- **Lift the Cap on Private Activity Bonds and Expand Eligibility to Other Non-Federal Public Infrastructure**. The Private Activity Bonds (PABs) program allows the Department of Transportation to allocate authority to issue tax-exempt bonds on behalf of private entities constructing highway and freight transfer facilities. PABs have been used to finance many Public Private Partnerships (P3s) projects, along with TIFIA. As of August 15, 2016, nearly $11.2 billion in PABs have been issued for 23 projects. The Administration recommends removing the $15 billion cap under current law to ensure that future P3 projects can take advantage of this cost-saving tool, and encourage more project sponsors to take advantage of this tool. The Administration also supports the expansion of PAB eligibility.

- **Incentivize Innovative Approaches to Congestion Mitigation**. The Urban Partnership Agreement Program – and its successor, the Congestion Reduction Demonstration Program – provided competitive grants to urbanized areas that were willing to institute a suite of solutions to congestion, including congestion pricing, enhanced transit services, increased telecommuting and flex scheduling, and deployment of advanced technology. Similar programs could provide valuable incentives for localities to think outside of the box in solving long-standing congestion challenges.

- **Liberalize Tolling Policy and Allow Private Investment in Rest Areas**. Tolling is generally restricted on interstate highways. This restriction prevents public and private investment in such facilities. We should reduce this restriction and allow the States to assess their transportation needs and weigh the relative merits of tolling assets. The Administration also supports allowing the private sector to construct, operate, and maintain interstate rest areas, which are often overburden and inadequately maintained.

- **Fund the Water Infrastructure Finance and Innovation Act program (WIFIA) Program**. The Environmental Protection Agency's new WIFIA loan program is designed to leverage private investments in large drinking water and wastewater infrastructure projects, particularly those large, high-cost projects that have private ownership or co-investment. Because WIFIA loans can only support up to 49 percent of a project's eligible cost, the Federal investment must be leveraged with non-Federal sources.

- **Encourage the Use of Army Corps of Engineers (Corps) Contributed/Advanced Funding Authorities**. Most construction work by the Corps is funded on a cost-shared basis between the Corps and a non-Federal sponsor. However, many projects authorized for construction, though a priority for non-Federal sponsors, do not present a high return for the Nation and therefore do not receive Federal funding. Some non-Federal sponsors have therefore chosen to fund construction activities on their own. The Administration will leverage the Corps' authorities to enter into such agreements to take advantage of this innovative approach to delivering projects.

New Federal Tools:

The Federal Budget is recorded on a cash basis, which provides a transparent mechanism to record and control spending. Given the size of the Federal Government, cash budgets make sense because they are less complicated to produce and less subject to changes in economic assumptions. However, cash budgeting may not give appropriate weight to the long-term benefits of investing in infrastructure and cause the Government to make project choices that have lower short-term but higher-long term costs. We should discuss different tools to support better decision-making while maintaining transparency and fiscal restraint, such as:

- **Federal Capital Revolving Fund.** The Administration is developing a proposal to establish a mandatory revolving fund for the financing of Federally-owned civilian capital assets. The Fund would be repaid with annual appropriations, and would help address the underinvestment in capital assets driven in part due to the large upfront costs of such procurements. Creation of such a fund parallel to the appropriations process to fund investment in Federally-owned civilian capital assets would avoid capital investments having to compete with operating expenses in the annual appropriations process. Instead, agencies would pay for capital assets as they are utilized. The repayments would be made from future appropriations, which would provide an incentive to select projects with the highest return on investment, including future cost avoidance.

- **Partnership Grants for Federal Assets**. In a number of sectors, the Federal Government has utilized loans to non-Federal partners to improve infrastructure. However, credit assistance cannot be utilized to improve Federal assets. In essence, the Government neither can loan itself funding, nor can it make loans to private entities to improve assets that will remain Federal. In some circumstances, however, a private partner might want to build or improve a Federal facility and donate it to the Government in exchange for the right to retain revenue from the associated activities. The Administration is developing a proposal to offer those partners grants in lieu of loans to buy down the cost of a Federal asset improvements, which would benefit both the Government, through new facilities for Government use, and the non-Federal partner, through continued access to revenue sources.

Environmental Review and Permitting Process Enhancements.

The environmental review and permitting process in the United States is fragmented, inefficient, and unpredictable. Existing statutes have important and laudable objectives, but the lack of cohesiveness in their execution make the delivery of infrastructure projects more costly, unpredictable, and time-consuming, all while adding little environmental protection. The Administration will seek several proposals that will enhance the environmental review and permitting process, such as:

- **Improving Environmental Performance**. The inefficiencies of the current process result in too much time and too many resources dedicated to time-intensive analyses that do not necessarily improve the environment. The Administration will propose pilot programs to experiment with different ways projects will perform to better protect and enhance the environment.

- **Accountability**. The review and permitting of projects should be included in each agency's mission, and their performance should be tracked and measured. For agencies that significantly underperform, the public should know how much that costs both the taxpayers and the project. The Administration will seek proposals for tools to start holding agencies accountable for their performance.

- **One Federal Decision**. Project proponents have to navigate the Federal environmental review and permitting process on their own. Under the current system, project sponsors work with one agency, only to be told to stand in line with several other agencies for numerous other approvals. We can do better. The Federal Government is capable of navigating its own bureaucracy and designating a single entity with responsibility for shepherding each project through the review and permitting process.

- **Unnecessary Approvals**. The funding of infrastructure is predominately State, local and private, yet the Federal Government exerts an inordinate amount of control over all infrastructure with unnecessary bureaucratic processes. The Administration supports putting infrastructure permitting into the hands of responsible State and local officials where appropriate.

- **Judicial Reform**. The current standards of judicial review force Federal agencies to spend unnecessary time and resources attempting to make a permit or other environmental document litigation-proof. The Administration believes our resources would be better spent on enhancing the environment rather than feeding needless litigation. As such, the Administration will submit proposals that curtail needless litigation.