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Is the Time Finally Here for Infrastructure?

Godot never arrived to Vladimir and Estragon, but with Democrats in control of the House of Representatives, will this be the time that an infrastructure bill finally appears?

Amid stories of crumbling roads and bridges in the United States, repairing the nation's infrastructure has been a political priority of members of both parties for a number of years. (Just one example of how bad the problem really is. The American Society of Civil Engineers recently gave U.S. roads a D rating.) Infrastructure, of course, was one of President Trump's proposed major initiatives when he took office. Shortly after his inauguration, he announced a \$1 trillion infrastructure plan which was based on significant participation from state and local governments and the private sector. Public Private Partnerships were critical to its success. Eighty percent of the financing for projects were to come from state and local governments and the private sector, and only \$200 billion coming from the federal government. Democrats criticized those plans claiming that state and local governments would be hard pressed to come up with that amount of money. And more offensive to democrats was the fact that the private sector would be given too much control over the nation's roads and bridges, subjecting Americans to new and increased tolls. Regarding the federal money, the President's proposal was silent on how it would be financed. Democrats suspected that it would not be paid for and would add to the mounting deficit.

Now that Democrats control the House of Representatives, they have an opportunity to weigh in. And it appears that they intend to do just that. The House of Transportation and Infrastructure Committee, chaired by Representative Peter DeFazio (D-OR), will hold a hearing on February 7th to examine the nations' infrastructure investment needs. DeFazio projects expenditures of \$1 trillion and counting to address airports, bridges, roads, and other infrastructure needs.

That hearing will be just the beginning of what will be a lengthy process, but whatever they settle on, it will be longer on federal spending and



involvement, and shorter on state, local and P3 participation than the President's plan. That doesn't mean, however, that P3 won't be in the picture. And those in the industry should be making themselves known to the Democrats who will be drafting their plan.

This raises the question of how will Democrats pay for their plan? They will turn to the House Ways and Means Committee, chaired by Representative Richard Neal (D-MA), to assess and identify ways to offset their plans for federal spending which would be five times as much as the Trump Administration has proposed. First on their list, is an increase in the gas tax. Today, the federal excise tax on gasoline is 18.4 cents. That tax was last raised in 1993 and was not been indexed for inflation. On top of the federal excise tax on gas, states also assess their own excise taxes, which vary from state to state. The highest is found in Pennsylvania, at almost 60 cents per gallon. In most states, the tax ranges between 20 and 40 cents. Given the fact that the federal tax has not been raised in 25 years, many believe that it's time to increase that tax, which is deposited into a federal trust fund and is apportioned to the states for roads and bridges. The number that is discussed most often is a 25 cent per gallon increase. Many believe that voting for an increase in the gas tax is political suicide, especially for republicans. But right leaning groups, such as the U.S. Chamber of Commerce, for some time have advocated for that. In fact, to highlight the need, the Chamber will host a national discussion on infrastructure today, February 5th. That is coincidentally the same day that President Trump will deliver his State of the Union address. It's anticipated that he will reference infrastructure as well. It should be noted that the President himself has called for an increase in the gas tax in the past and will be interesting to see if he continues to do so.

It is likely that a plan coming out of the House will in large part mirror the process under which infrastructure projects have been managed in the past. That is, projects will be identified in authorizing legislation and then funded through the appropriations process. This will inject more political decision-making into the process and less involvement of bureaucrats in the Executive Branch. And yes, we are likely to see a return to directed congressional spending, better known as earmarks, to identify and fund local projects. In doing so, members of both sides of the aisle will have an opportunity to have skin in the game, which could be driving force needed to finally make infrastructure a reality.

Unlike Godot, we believe that infrastructure will arrive.

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