President Trump has repeatedly said that he wants to prioritize investment in infrastructure, to the tune of $1 trillion. Unfortunately, the reality doesn’t match the rhetoric coming out of the White House and the U.S. Department of Transportation. The more details that trickle out about the President’s infrastructure “plan”, the more it confirms that this Administration intends to do nothing to address the massive funding backlog facing our crumbling transportation and water infrastructure.

Instead, this Administration proposes:

- privatizing and selling off vital public assets;
- charging the public tolls that will be set at a level high enough to pay for private sector profits;
- eliminating environmental and other protections in the name of “reform”;
- enacting an FY 2018 Budget that slashes more in infrastructure funds over ten years than it generates; and
- reducing the Federal role in infrastructure and shifting the burden to States, cities, and small communities.

If enacted, these changes will have a profound impact by inflicting new tolls and fees on citizens, commuters, and commercial freight operations; limiting public input into infrastructure projects; and shifting the burden for infrastructure investment to States, cities, and small communities. These proposals will not fix our crumbling infrastructure and, as a result, they are not proposals Democrats support.

**Privatizing Public Assets and Charging Excessive Tolls**

Privatization has very limited applicability. Private capital and financing is, at best, a supplement, not a solution to our Nation’s infrastructure challenges. Private investment cannot tackle most transportation projects, certainly not without robust public funding alongside financing tools. Private financing is not a substitute for real funding.

The Administration’s vision can only work on revenue-generating projects, such as toll roads and other projects that make money for investors. It has almost no applicability to smaller projects without revenue streams (e.g., rural highways) or highway and transit maintenance projects. It is not possible to profitably toll every road and bridge in America—so potholes will grow larger; congestion will delay commuters; small businesses will see costs increase to get goods to market; American families will pay more in gas and car repairs; and public transit systems will continue to crumble. This plan will do virtually nothing to address the $90 billion backlog in critical needs for transit. Nor will privatization make a serious dent in the 56,000 structurally deficient bridges on the National Highway System that need repair and replacement.
Privatization is outsourced double taxation. While President Trump has suggested he would be open to higher Federal gas taxes, privatization is an effort to avoid making tough political choices. This scheme effectively outsources taxation to private toll collecting companies. Americans will be forced to pay new or higher highway tolls while continuing to pay the gas tax. This is a scheme to take free roads and turn them into fee roads. That is a bad deal for drivers.

Privatization wastes scarce public infrastructure dollars. Simply put, selling off our public assets to private entities will inflate the price tag of solving our infrastructure woes, because it requires paying to fix and maintain the asset, plus raising enough revenue to cover private sector profits. In an attempt to better market privatization, the Administration refers to privatization by a more innocuous term—asset recycling.

Asset recycling is just another name for privatization. Asset recycling is extracting the value out of existing infrastructure by selling the rights to new or increased tolling from the existing infrastructure, and “recycling” the sale proceeds into infrastructure projects that do no generate their own revenue. Under the Administration’s plan, asset recycling is little more than rebranding privatization or Public-Private Partnerships (P3s).

The Administration proposes to directly subsidize privatization. In its principles document released with the FY 2018 Budget, the Administration proposes to offer Urban Partnership Grants to the private sector to “buy down the cost of Federal asset improvements” so that the private sector can build or improve a Federal facility but then retain more revenue from the facility. In other words, the Administration wants to expend Federal grant dollars to directly subsidize the privatization of existing federally owned infrastructure assets. The Administration diverts Federal investment from direct infrastructure investment to incentive payments to privatize. Earlier iterations of the Administration’s infrastructure proposal suggested providing generous tax credits to investors, a less direct means to subsidize privatization.

The State of Virginia has long been viewed as a leader in allowing and utilizing public-private partnerships for infrastructure, and the State has advanced many transportation projects using this model. Last month, in testimony before the Senate Committee on Environment and Public Works, Virginia Secretary of Transportation Aubrey Lane cautioned Congress on the consequences of expending Federal dollars on incentives for public-private partnerships. Secretary Lane stated that “these incentive concepts are particularly troubling because a significant portion of the federal incentive will end up being consumed in the transaction. That is to say the public will not realize benefits for a significant portion of this federal spending.” He went on to state that while tax credits help attract private equity and lower the cost of equity, these tax credits will end up being sold at a discount in the market because there is not usually any taxable income for a number of years after they are created. This creates a situation where “the federal government would bear 100% of the cost of the tax credit but only realize a discounted benefit – likely in the 60-70% range.” Secretary Lane also

**Indiana Toll Road Case Study**

The privatization of the Indiana Toll Road in 2005 is one example of how a P3 using asset recycling does not offer a magic cure-all solution to our infrastructure needs. The proceeds from the Indiana Toll Road sale were diverted to fund other road projects across the State, but once the initial money was spent, the State of Indiana had to raise its gas tax by 10 cents a gallon. At the same time, the state subsidy to keep down toll rates expired, and motorists on the Indiana Toll Road will pay more than double the original toll rate for the next 75 years. The net result is Indiana lost 75 years of toll revenue for a short-term influx of money, only to raise its State gas tax and pay higher tolls.
cautions that asset recycling will likely result in some portion of the Federal subsidy intended for States and local governments to be consumed by the private sector, meaning that taxpayers are expending funds that do not translate into a public benefit.

**Environmental Streamlining and Regulatory Reform**

To add insult to injury, this Administration is using our infrastructure funding deficit as an excuse to further erode environmental protections and public input in the Federal transportation program. Earlier this year, in reference to our failure to repair our Nation’s crumbling transportation system, Secretary Chao erroneously stated: “[T]he problem is not money. It’s the delays caused by government permitting processes that hold up projects for years, even decades, making them risky investments.”

This claim is not supported by the facts. Numerous analyses have determined that a lack of funding for transportation projects is indeed pushing our transportation system into disrepair. The Administration’s rationale for more weakening and reducing environmental regulations omits or distorts a number of important facts:

Environmental regulations are not the problem; lack of funding is the problem. A 2016 report, commissioned by the U.S. Department of the Treasury, identified 40 economically significant transportation and water projects whose completion has been slowed or is in jeopardy. The report found that “a lack of public funding is by far the most common factor hindering the completion of transportation and water infrastructure projects.” Further, the report found that delays resulting from environmental review and permitting were identified as a challenge to completing less than a quarter of the projects.

The vast majority of projects are already exempt from full environmental review. According to the Congressional Research Service (CRS), the overwhelming majority of federally assisted highway projects—90 percent—proceed under a Categorical Exclusion (CE). Only four percent of projects require the preparation of an Environmental Impact Statement, the most detailed review document.

Congress has already passed legislation to expedite environmental reviews. MAP-21 and the FAST Act include dozens of “streamlining” provisions that provide States and Federal agencies the tools necessary to help ensure that environmental reviews are completed in an efficient and timely manner. Among other measures, the bills require earlier and more effective collaboration among State and Federal agencies; a reduction of duplicative environmental review processes; and greater transparency of project reviews and approvals. This April, the Business Roundtable sent a letter to the White House stating that, thanks to recent Congressional action, “existing law already provides a mechanism for comprehensive reform of the process of permitting major infrastructure projects.” The letter urges the Administration to focus on implementing the FAST Act’s streamlining provisions.

More streamlining will slow down environmental reviews. In March 2017, the Department of Transportation’s Inspector General (IG) found that the Department of Transportation (DOT) has completed work on the majority of the 42 actions it was required to take to implement the streamlining provisions that Congress approved as part of MAP-21. However, the IG found that DOT now has delayed implementing a significant number of MAP-21’s reforms because they must
be revised to comply with additional streamlining provisions mandated in the FAST Act. Piling additional streamlining measures on top of each other before they can be implemented—and before we can assess their effectiveness—is not going to solve our infrastructure problems.

We cannot streamline our way out of our funding shortfall. The Administration has used misinformation regarding the delays caused by environmental regulations and the savings associated with their elimination to justify gutting important safeguards. In fact, Secretary Chao has cited an error-riddled and misleading study titled “Two Years Not Ten Years” in claiming that severely curtailing the environmental review process will save hundreds of billions of dollars. The report, written by anti-regulatory activist lawyer and lobbyist Philip Howard, claims our transportation infrastructure needs can be solved by gutting critical clean water and environmental protections. Those claims have been debunked in analysis by the Congressional Research Service and the Center for American Progress. An effective infrastructure package will add real revenues for infrastructure investment rather than relying on measures that eviscerate longstanding environmental safeguards.

**Devolving the Federal Program**

In addition to saddling road users with tolls, President Trump also wants to shift the responsibility of infrastructure improvement away from the Federal Government and on to cash-strapped States, cities, and small communities. Despite the rhetoric of building 21st century infrastructure to promote commerce and facilitate economic growth, this Administration proposes to cut Federal investment in highway and transit programs over the next ten years by over $100 billion.

Gasoline and diesel user fees are the principal means to fund the Highway Trust Fund. However, the user fees, last adjusted in 1993, have lost more than 40 percent of their purchasing power, creating a large shortfall in the Highway Trust Fund. Instead of acknowledging the reality that these user fees need to be adjusted to account for inflation, the FY 2018 Budget proposes to limit investments from the Highway Trust Fund to existing revenues, resulting in a cut of $95 billion over 10 years. Far from innovative or visionary, this is a rehashed Republican plan to devolve the Federal role in transportation that has been rejected by Congress in the past, most recently as a failed amendment to the FAST Act.

The Budget also zeroes out the popular TIGER grant program and proposes to limit funding for the Federal Transit Administration’s Capital Investment Program (New Starts) to projects with existing full funding grant agreements. The TIGER program, funded at $500 million in FY 2017, has provided $5 billion in funding for 421 transportation projects since its creation in 2009. The Budget also cuts the New Starts transit program in half, from $2.4 billion in FY 2017 to $1.2 billion in FY 2018. This cut would wipe out 56 transit projects that are in the planning stages, many of them almost ready for a Federal funding commitment.

To support the President’s promise of $1 trillion investment in infrastructure, the Budget envisions $200 billion in “outlays related to the infrastructure initiative” over 10 years. In FY2018, the Budget includes only $5 billion with no specific information as to how that amount would be spent. The Administration includes various modes of transportation including roads, bridges, rail, transit, aviation, water, and ports in its definition of infrastructure, as well as energy, broadband, and Veterans Administration hospitals. The math just doesn’t add up.
The Trump Administration has suggested that State and local governments are shirking their duties to invest in infrastructure, and that additional Federal funding will only continue this trend. Actually, since 2013, 22 States have raised their State gas taxes, including many deeply conservative States. Localities are also stepping up. In 2016, voters approved 305 of 436 transportation ballot measures across the country (70 percent) totaling at least $250 billion. Voters specifically approved 34 of 49 (69 percent) of transit-related ballot measures worth almost $200 billion.

A recent analysis by CRS of Congressional Budget Office highway and transit expenditure data shows that State and local investment is consistently above Federal investment levels, and investment levels move in tandem. This demonstrates the hallmark Federal-State-local partnership in surface transportation programs and highlights the need for greater levels of investment at all levels of government. The only deviation from this trend occurred in FY2010 – 2011, when States were struggling to recover from the recession and were under tight timelines to expend Federal funds provided by the American Recovery and Reinvestment Act.

![Highways and Transit Capital Spending by Federal and State/Local Government (FY1992-FY2014)](chart)

### Infrastructure Needs Continue to Grow

While the White House wants to use budget gimmicks and marketing strategies to mask massive corporate giveaways to the private sector, the Nation’s infrastructure needs continue to grow. The Congressional Budget Office estimates that we need **$144 billion** over the next 10 years just to continue limping along at status quo highway and transit funding levels. That is the amount of real money needed just to fill the gap between revenues coming into the Trust Fund and current...
levels of investment going out. Filling this gap—with real revenues deposited into the Trust Fund—needs to be the first priority of any infrastructure package. Ensuring the viability of the Trust Fund will create the necessary long-term certainty that States and cities need to make critical infrastructure investments.

Even $1 trillion in real investment over 10 years is insufficient to meet our actual infrastructure needs. According to DOT’s 2015 Conditions and Performance Report, the United States needs to invest $1.7 trillion over the next 10 years to maintain, improve, and expand just our highways and transit systems. The Nation faces an $836 billion backlog of unmet capital investment needs for highways and bridges, with a need to invest $142.5 billion per year to improve the conditions and performance of our roads and bridges and address future highway needs. We also face an $89.8 billion backlog in public transit state of good repair, with the need to invest a minimum of $26.4 billion per year on maintenance and to accommodate future transit ridership growth.

According to the American Society of Civil Engineer’s 2017 Infrastructure Report Card, America’s roads receive a D rating, bridges receive a C+ rating, and transit receives a D-. In addition to this abysmal report card, the American Society of Civil Engineers estimates that if we continue status quo funding through 2025, each American household will lose $3,400 each year in disposable income due to poor infrastructure. If the gap between what we spend and what we need to address infrastructure deficiencies is not addressed by 2025, the economy is expected to lose almost $4 trillion in Gross Domestic Product, costing the economy 2.5 million jobs. See American Society of Civil Engineers, Failure to Act, 2016.