

From: Tracy Mehan [Ex. 6]
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To: Tracy Mehan [tmehan@awwa.org]
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• POLITICS

Infrastructure Plan Puts Onus on Local Governments

Plan would shift responsibility for funding major new public works from the federal government to cities and states.



President Donald Trump speaking during an infrastructure-initiative meeting at the State Dining Room of the White House in Washington on Monday. PHOTO: T.J. KIRKPATRICK/BLOOMBERG NEWS

By

Ted Mann

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The Trump administration released a long-awaited infrastructure plan on Monday that seeks to replace traditional federal public-works programs with a new system of incentives intended to prod state and local governments to raise their own funds for physical improvements.

The administration says \$100 billion in incentives over 10 years could yield more than \$1 trillion in total investment in roads, bridges, rails and water systems, adding that Washington should provide assistance of no more than 20% of a new project's cost. The plan would shift the responsibility for funding major new public works from the federal government to cities and states. Still, it wasn't clear where the government would find the \$200 billion in direct federal spending outlined in the plan.

The administration has challenged Congress to find the federal share of the money—a \$200 billion challenge made all the more difficult when President Donald Trump signed a two-year budget agreement last week. Mr. Trump could face resistance from Republicans leery of adding to the deficit, as well as moderate Republicans and

Democrats who successfully blocked his proposals for deep cuts in transportation and infrastructure grant programs when he introduced in his first budget proposal last year.

Higher deficits resulting from tax cuts and last week's spending bill make Mr. Trump's infrastructure-funding push an "absolute long shot," said Andy Laperriere, a policy analyst at the research firm Cornerstone Macro.

"House Republicans will not go along with an infrastructure bill that adds to the deficit. This will meet fierce resistance," he said.

White House officials have said that their budget proposal includes sufficient cuts to free up the \$20 billion a year needed to fund the program. And advisers have consistently stayed neutral on calls—including from business groups like the U.S. Chamber of Commerce—to raise the federal gas tax for the first time since the early 1990s to fund a major infrastructure program.

Tax increases are viewed skeptically on Capitol Hill, especially in the wake of a \$1.5 trillion tax-cut package and entering an election year. And Mr. Trump may struggle to get members of Congress to approve deep cuts in existing spending.

Mr. Trump's budget, if enacted, would slash existing infrastructure programs, potentially imperiling major projects whose sponsors intended to tap them for construction funds in the coming months. For instance, the administration proposes to save more than \$1.4 billion by eliminating the Federal Transit Administration's New Starts program, though it would permit projects that already have signed agreements to be funded through those grants to proceed.

Eliminating New Starts would complicate efforts to develop funding plans for major projects like a proposed new tunnel under the Hudson River between New Jersey and New York City, one of the biggest priorities of political leaders in both states.

In Los Angeles, city officials warn that they soon must finalize a \$1.3 billion New Starts grant to begin construction on the third phase of the expansion of the Metro's Purple Line—an expansion that is needed to be in place before the city hosts the 2028 Summer Olympics.

Leaving a meeting with the president and his advisers at the White House, Tennessee Gov. Bill Haslam, a Republican, praised the administration's efforts but said states also

need the administration and Congress to find a way to replenish the Highway Trust Fund, which provides the majority of federal transportation funding to the states.

“We’re concerned with the Highway Trust Fund balance where it is now,” said Mr. Haslam. That account is funded by the 18.4-cent-per-gallon federal gas tax, which hasn’t been raised since 1993 and is headed for insolvency by 2021 without infusions of additional funding or a tax increase.

“People need to understand that trust fund’s out of balance and if not now, at some point in time we’re going to pay the price for that,” Mr. Haslam said. “We still need that to happen.”

Mr. Trump will also face headway on other cuts, like a proposal to slash by half the annual subsidy for Amtrak, with a focus on making states pick up more of the cost of the national railroad’s long-distance routes. The proposed cut of \$757 million is similar to the cut proposed by the administration for fiscal 2018.

But that cut was quickly rejected in the Republican-controlled Senate last summer, along with a number of other reductions to transportation and housing and urban grants.

A senior White House official said this week that the administration believes it has strong support from local elected officials, who will support having to raise a greater share of funding for infrastructure improvements but will have greater control over individual projects.

Mr. Haslam, the Tennessee governor, said Monday he was reassured that his state would be given credit for a transportation-funding package it passed last year if the administration succeeds in switching to an incentive-based federal grant system.

But Los Angeles Mayor Eric Garcetti, a Democrat the White House has often cited as an official who has already embraced the model of raising local funds for major transit projects, was less impressed.

“Any federal plan must expand real dollars and not increase the burden on local government to pick up the slack when Washington won’t lead,” Mr. Garcetti said, saying the administration needed to provide the “fair share” of funding from Washington. “They can’t count on our dollars if they aren’t matching them.”

Rep. John Yarmuth of Kentucky, the top Democrat on the House Budget Committee, told reporters Monday that getting the proposal through Congress will be “very difficult. While Democrats are ”certainly willing to discuss any proposal, we think this one’s totally inadequate and relies too much on speculative private investment,” he said.

Mr. Yarmuth said he wanted to see more than \$200 billion invested in infrastructure over 10 years and that even if that could leverage additional private funds, it would be insufficient. “There’s not going to be much Democratic support for this one,” he said of Mr. Trump’s proposal.

—*Nick Timiraos, Kristina Peterson and David Harrison contributed to this article.*

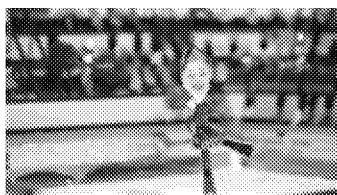
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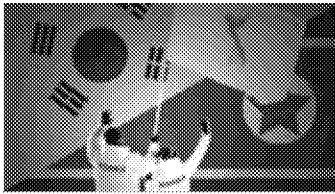
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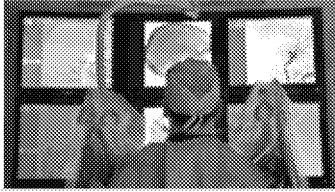
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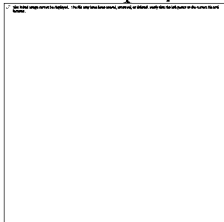
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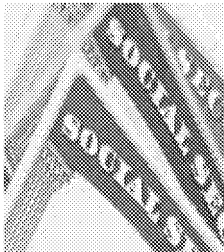
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