BIPARTISAN POLICY CENTER

TO: TRANSITION TEAM FOR PRESIDENT-ELECT TRUMP

A Plan to Modernize America's Infrastructure

Executive Council on Infrastructure
Bipartisan Policy Center

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We are very encouraged that the president-elect has prioritized infrastructure in the new administration's agenda. **We share the goal of modernizing U.S. infrastructure** to create jobs, maintain the health and safety of America's communities, and put the nation on track for decades of greater prosperity.

The president-elect has called for **the private sector to take on a larger role in infrastructure.** We agree. Our council has spent nearly two years designing a plan to accomplish that goal. Our **New Model to Modernize U.S. Infrastructure** provides a path forward, built on bipartisan consensus, that we believe will attract broad support in Congress.

Who We Are

Our council of CEOs and business leaders is working to prove there is a better model for making these critical investments. We have held public forums around the country and met with local and state officials, representatives of organized labor, institutional investors, and a variety of practitioners—virtually all of whom agree that the United States should be doing more to attract private investment to its infrastructure.

The Executive Council on Infrastructure is an initiative of the Bipartisan Policy Center. The Bipartisan Policy Center is a non-profit organization that combines the best ideas from both parties to promote health, security, and opportunity for all Americans. BPC drives principled and politically viable policy solutions through the power of rigorous analysis, painstaking negotiation, and aggressive advocacy.

What We Believe

Meeting America's infrastructure needs requires more private investment and a stronger framework to absorb it. With already stretched resources, government cannot meet these needs alone. Private capital is available, but the United States lacks the necessary framework for absorbing it on a wide scale. Private capital does not eliminate the need for robust public investment. Yet, by our estimate, the United States could attract an additional $250 billion in private capital over five years by embracing the use of public-private partnerships as other nations do.

Partnerships between the public and private sectors can lead to faster delivery and better projects. The private sector stands ready with innovative solutions and valuable expertise that can save time and money and improve projects. Integrating these resources would allow public agencies to share the long-term costs and risks of infrastructure projects with private partners, lowering overall costs to taxpayers and maximizing the value the public receives.

The federal government's role is critical. Not only must the federal government continue its traditional role as infrastructure funder, it should expand financing programs and modernize the rules and processes that are preventing communities from fully utilizing private expertise and financing. As a funder, lender, and provider of technical expertise, the federal government should establish the framework needed to unleash greater private investment in infrastructure.

Private participation in infrastructure need not be politically divisive. The private sector already participates throughout infrastructure development and delivery. Our work has shown that the public will support more formal public-private partnerships when the benefits of a project are clearly demonstrated and public input is meaningfully incorporated. Our plan offers a way for the new administration to remove barriers to private participation while protecting public interests.

Our Plan

We call for a renewed focus on modernizing the nation's infrastructure. The administration should lead the way by adopting a new approach that brings both public and private resources to bear:

ENGAGE The administration should directly *engage* public agencies at all levels of government through its infrastructure programs to develop a pipeline of projects that can utilize private capital and expertise.

EMPOWER The administration should *empower* states and localities to use public-private partnerships by providing analytical tools and technical assistance, and by expanding funding and financing options.

EVALUATE The administration should encourage federal agencies, states, and localities to objectively *evaluate* all options for delivering projects, including public-private partnerships.

ACCELERATE The administration should *accelerate* permitting by increasing transparency, expanding use of simultaneous reviews, and designating final decision-makers for multi-agency reviews.

Implementing this plan could unleash billions in additional capital that would **create millions of jobs, deliver more critical projects more quickly, and ensure sustainable economic growth.** We stand ready to assist the president in developing an infrastructure package built on the principle of shared responsibility between the public and private sectors, and we believe this strategy holds great potential to secure the bipartisan support necessary for early action in 2017.

Our recommended federal policy changes are provided on the following pages. For further details, see the council's report, *Bridging the Gap Together: A New Model to Modernize U.S. Infrastructure.* For examples of successful public-private partnerships in the United States, see *bipartisanpolicy.org/infrastructure-case-studies/.*

Federal Policy Proposals

The table below identifies specific legislative and regulatory changes that could be incorporated into new or existing infrastructure programs to **deliver better outcomes** and attract **more private capital.**

Proposal	Problem	Solution	Result
Life-cycle accounting and P3 screening	Communities often focus on lowering upfront costs rather than reducing long-term expenses and fail to consider innovative delivery methods.	Applicants for federal funding or financing should demonstrate that they have accounted for long-term costs and risks and have evaluated all delivery approaches allowed by state law.	More projects that creatively engage the private sector and make the most efficient use of limited federal dollars.
Capacity-building fund / one-stop shop	State and local staff need to build capacity for risk assessment, life-cycle costing, P3 screening, and value for money analysis. There is currently no single point of contact at the federal level through which state and local staff can receive assistance.	The administration should develop a "one-stop shop" to provide assistance with new project delivery and financing models, and should support better decision-making at state and local agencies through capacity-building grants.	More objective decision-making leads to more opportunities for cost-saving and private investment.
Expedited permitting	The risk of delay in permitting an environmental review makes investors reluctant to commit resources to U.S. infrastructure projects.	The president should designate an agency to resolve disputes in multi-agency reviews, and should expand the permitting dashboard and use of simultaneous reviews.	Faster delivery of infrastructure projects (both conventional and P3) reduces costs and increases private investment.
New financing options	Municipal debt has limited appeal for investors without federal tax liability and cannot always be used to finance projects with a private equity component.	Build America Bonds, expanded Private Activity Bonds, equity tax credits, and other new tools should be made available for a broad class of infrastructure projects.	New capital will be available for more types of infrastructure projects.
Inventory of federal infrastructure	Many federal agencies lack information about the condition of their infrastructure assets, inhibiting strategic planning and efficient use of resources, and limiting opportunities for sharing costs with the private sector.	All federal agencies that own real property or infrastructure should prepare a comprehensive inventory, including asset condition, cost to maintain, cost of replacement, and potential impact of a failure.	Federal agencies will be better able to prioritize pressing needs; find new ways to generate revenue from surplus land, defunct facilities, or air rights; and increase public transparency.
Improve scoring for financing programs	The federal government is projected to receive 99.9% of TIFIA loans back. But budget scoring assumes an average loss of 10%, causing TIFIA to have a higher budget cost than needed.	Budget scoring for TIFIA and WIFIA should be aligned with actual loss experience. This change would allow both programs to support more infrastructure without additional budget authority.	Additional projects (both conventional and P3) will be built with TIFIA or WIFIA credit assistance without committing additional resources.
Amend regulatory impediments	Some federal rules inhibit use of private financing, such as OMB Circular A-11, tax-exempt debt defeasance rules, and rules governing the state revolving funds for water projects.	The administration should audit its regulations, guidelines, and circulars to identify and amend those that inhibit private financing of infrastructure.	More infrastructure delivered more cost-effectively through partnerships with the private sector.

Executive Council on Infrastructure

Doug Peterson
President and CEO, S&P Global
Co-Chair, Executive Council on Infrastructure

Susan Story
President and CEO, American Water
Co-Chair, Executive Council on Infrastructure

Eric Cantor
Vice Chairman and Managing Director, Moelis & Co.
Former House Majority Leader

Jack Ehnes
Chief Executive Officer, California State Teachers' Retirement System (CalSTRS)

Patrick Decker
President and CEO, Xylem Inc.

Jane Garvey
Chairman of North America, Meridiam

Michael Ducker
President and CEO, FedEx Freight

P. Scott Ozanus
Deputy Chairman and COO, KPMG

Suzanne Shank
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Former Secretary, U.S. Department of Housing and Urban Development, and Former Mayor of San Antonio

Antonio Villaraigosa
Former Mayor of Los Angeles

bipartisanpolicy.org | 202-204-2400
1225 Eye Street NW, Suite 1000 | Washington, D.C. 20005

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