BIPARTISAN POLICY CENTER

Executive Council *on* Infrastructure

OBJECTIVES FOR THE 2018 INFRASTRUCTURE PLAN

THE ROADS, WATER SYSTEMS, PORTS, AIRPORTS, AND ENERGY GRIDS IN THE UNITED STATES ARE FALLING BEHIND, WHILE BASIC ACCESS TO THE INTERNET REMAINS INACCESSIBLE TO MILLIONS OF AMERICANS. THERE IS AN OBVIOUS NEED FOR A NEW INFRASTRUCTURE PLAN IN 2018, BUT THE SUCCESS OF THAT PLAN WILL LARGELY DEPEND ON THE COMMITMENT OF BOTH CONGRESS AND THE TRUMP ADMINISTRATION TO CREATE A SUBSTANTIVE, INCLUSIVE, AND BIPARTISAN PACKAGE THAT WILL BEGIN TO ADDRESS THE COUNTRY'S MULTI-TRILLION DOLLAR INFRASTRUCTURE FUNDING SHORTAGE. THERE IS A LONG LIST OF PRIORITIES IN WASHINGTON THIS YEAR, AND GETTING STARTED ON FIXING THE COUNTRY'S INFRASTRUCTURE MUST BE ONE OF THEM. THE 2018 INFRASTRUCTURE PLAN SHOULD ACHIEVE THE FOLLOWING OBJECTIVES:

CONTINUE TO ACCELERATE PERMITTING

In 2015, Congress passed the FAST Act, which laid down a framework for the federal government to add more transparency, efficiency, and certainty to the permitting process. In 2017, through executive order and rulemaking, the Trump administration continued implementation of the FAST Act's reforms and launched the "One Federal Decision" initiative. Though significant progress has already been made on this front, there are still several areas in the permitting process that Congress and the administration will need to address this year. Importantly, the new infrastructure bill must also align with—and not disrupt—the important work that has been done thus far.

PROMOTE BETTER ASSET MANAGEMENT

Modern asset management practices such as life-cycle accounting and asset inventories will help create savings and lead to better infrastructure projects.

Too often, public projects fail to account for maintenance or the possibility of the infrastructure failing prematurely. Life-cycle accounting considers all costs over the entire life of a project and can improve how projects are developed, encouraging projects to consider using contracts that interconnect the design and building costs with the eventual performance and maintenance of the asset. Most public agencies also lack a comprehensive overview of the condition and long-term needs of their infrastructure. An asset inventory is a living database of all the infrastructure assets that a government owns or maintains. When combined with life-cycle accounting practices, these inventories can track deferred maintenance and estimate future infrastructure needs, allowing officials to plan and prepare accordingly.

As the 2018 infrastructure plan dedicates new resources, the final package should incorporate life-cycle accounting and asset inventories to assure that the money is being spent on long-term solutions, rather than short term fixes.

BUILD CAPACITY

One of the previously stated tenets of the infrastructure proposal is to leverage new investments over the next decade from a combination of state, local, and private sector sources. One of the options for new investments could be through the creation of public-private partnerships (P3s). P3s are a valuable vehicle to modernize the country's infrastructure. But today, P3s only represent a fraction of the current infrastructure portfolio, in part because local governments may lack the resources or expertise to identify potential projects and partners.

The 2018 infrastructure plan should increase the capacity for state and local leaders to develop new projects (for both P3s and traditional approaches), and navigate often cumbersome federal application processes. The federal government could increase these capacities by providing technical assistance, predevelopment funding, a clearinghouse of best practices, and designated agency liaisons—in addition to improving and expanding the existing federal "capacity building" efforts, such as USDOT's Build America Bureau and USDA's Circuit Rider Program for rural water systems.

IMPROVE FINANCING MECHANISMS

Last year's infrastructure principles included a commitment to expanding infrastructure financing tools like Private Activity Bonds. The new Tax Cuts and Jobs Act retained the tax-exempt bond market as a viable infrastructure financing mechanism, but that debt may become more expensive under the new tax code. Meanwhile, the federal government also operates a series of financing programs for infrastructure projects, the largest of which are the TIFIA and WIFIA programs. These financing programs provide localities with an alternative option to the traditional debt financing approach. The 2018 infrastructure plan should expand the existing financing mechanisms. Additionally, expanding Private Activity Bonds and offering a new form of direct payment bonds, such as the 2009 Build America Bond, could attract new capital for both traditional projects and public-private partnerships.

RECOMMENDATIONS

1. *Incorporate a life-cycle approach*
2. *Develop a capacity-building fund and one-stop shop for infrastructure modernization*
3. *Enforce and expand expedited permitting and review*
4. *Expand financial tools that attract private investment and ensure robust and stable federal funding*
    - a. *Increase Authorization levels for TIFIA and WIFIA*
    - b. *Authorize Direct Payment bonds*
    - c. *Raise the cap on Private Activity Bonds*
    - d. *Authorize Equity Tax credits*
5. *Inventory federally-owned real property and infrastructure assets*
6. *Align scoring for credit assistance programs with actual experience*
7. *Change OMB scoring rules to promote federal P3s*
8. *Address tax defeasance rules that require private partners to repay tax-exempt debt of municipal partner*
9. *Address unique rural infrastructure needs*
    - a. *An Office of Rural Partnerships, either in the White House or a cross-cutting cabinet agency, to coordinate "on-the-ground" technical assistance teams, encourage state and regional coordination, identify best practices, and provide pre-development funds to help communities develop projects that are appropriate for private investment*
    - b. *A Rural Bundling Pilot Program to help rural areas combine multiple projects into a single procurement in order to increase efficiency, reduce costs, and potentially attract private investment*
    - c. *A Rural Liaison in each infrastructure agency to help rural communities compete for funding or financing, which would help position those areas to attract additional private sector investment, and to coordinate and streamline application processes and eliminate duplicative requirements*
    - d. *Flexible financing for rural communities should be incorporated into any new infrastructure financing program, such as reduced application fees, long-term loans, or the potential for loan forgiveness. Moreover, infrastructure projects should be eligible for any new financing programs developed for rural areas outside an infrastructure package*
10. *Prioritize water affordability*
    - a. *Make SRFs more flexible, including extending loan repayment periods*
    - b. *Prioritize pre-development assistance*
    - c. *Encourage state adoption of regionalization tools and provide merging systems with a regulatory grace period*
    - d. *Amend the Community Reinvestment Act of 1977 to give financial institutions credit for investments in pay for success (PFS) projects*
11. *Promote water innovation through the creation of an Advanced Research Program Agency for Water*