



Bipartisan Policy Center

From Sea to Shining Sea: A Bold Bipartisan Plan to Rebuild American Infrastructure

THE BIG PICTURE: BOLD, BIPARTISAN, COMMITTEE-DRIVEN LEGISLATION IS THE BEST OUTCOME FOR AMERICA.

Our nation has a critical opportunity to spur near term employment, enhance global competitiveness, build the foundation for a real climate solution, and strengthen our democracy by making historic investments in physical infrastructure. The president, Senate Republicans and a bipartisan group of House members have all put forth substantial infrastructure packages. While these proposals reflect a shared desire to invest in surface transportation, climate resilience, water resources, and broadband, substantial differences exist in the scope and cost of proposed investment. Encouragingly, the Biden administration and Senate Republican leaders have expressed the willingness to modify current proposals in pursuit of a negotiated agreement.

The Bipartisan Policy Center proposes a \$1 trillion infrastructure investment package that seeks to address the priorities and concerns that define the current debate. While we have no expectation that a final negotiated package will precisely track our recommendations, we offer this proposal as proof of the possible and to stimulate the constructive debate necessary to achieve the best outcome for the American people.

BPC believes that it is possible to generate bipartisan support for a package that is considerably broader than traditional infrastructure investments while maintaining a focus on the built environment inclusive of targeted investments

in surface transportation, clean energy, child care facilities, and affordable housing. While BPC independently supports fiscally responsible legislative action on many other aspects of the administration's American Jobs and Families plans, we believe that these important debates should proceed separately and through the committee process.

Since the adoption of the Federal Aid Road Act over a century ago, Congress has come together every few years to address the nation's constantly evolving infrastructure needs. Committees of jurisdiction hold hearings, receive witnesses, conduct markups, report legislation, debate, and vote. While it's reasonable to question the likelihood of a successful negotiation based on the current legislative environment, most embrace the premise that it is in the national interest for Congress to rediscover the capacity to deliberate, reconcile differences, and pass durable legislation. Recently, both Democratic and Republican majorities have bypassed this regular order process and relied on the adoption of a budget resolution with reconciliation instructions to enact partisan legislation, avoiding the possibility of a Senate filibuster. However, beyond further damage to the democratic process, there are significant substantive and tactical limits to using the budget reconciliation process for infrastructure legislation that must be factored into the majority party calculus.

Policy Constraints – The budget reconciliation process is an effective means of directing resources absent bipartisan support but creates significant hurdles to the effective expenditure of public funds. An effective effort to modernize the foundation of our economy requires the creation of new policy that is not achievable outside of the traditional legislative process. An effective national infrastructure plan must include regulatory, administrative, permitting, and environmental provisions—none of which can be included in a budget reconciliation bill. For example, under the historic process, spending from the federal highway trust fund cannot be authorized through reconciliation. Moreover, the administration's goal of directing a substantial fraction of total resources toward disadvantaged communities will require durable policy design that is best achieved through the legislative process.

The Reconciliation Process may not work – It is by no means certain that Senate Democrats can create unified support for a partisan infrastructure package and highly implausible that a Democrat-only approach will contain all the elements of the administration's nearly \$3 trillion Jobs Plan (more on the math shortly.) In order to establish a reconciliation bill, Congress must first adopt a concurrent budget resolution, requiring the House and Senate Budget Committees to construct a budget for the upcoming fiscal year, pass it out of their committees and their respective chambers, and eventually pass a conference agreement. Given that a budget resolution entails the outlines for the entire federal government, more than just infrastructure would be debated in its adoption, adding debate and time to the calendar.

The bottom line: The chance of enacting a bipartisan \$1 trillion+ program, like

that outlined below, is equal to or greater than the chance of Democrats enacting a \$3 trillion package using the reconciliation process.

Understanding the True Costs of Opening Bids

Both the Republican plan and President Biden’s plan are initial policy frameworks. In order to enable a coherent discussion, BPC has endeavored to normalize assumptions across the two opening offers and propose a compromise. While we fully anticipate that some will question or challenge our assumptions, we believe our effort will help begin the process of filling in the details necessary to advance a serious legislative debate.

SPENDING

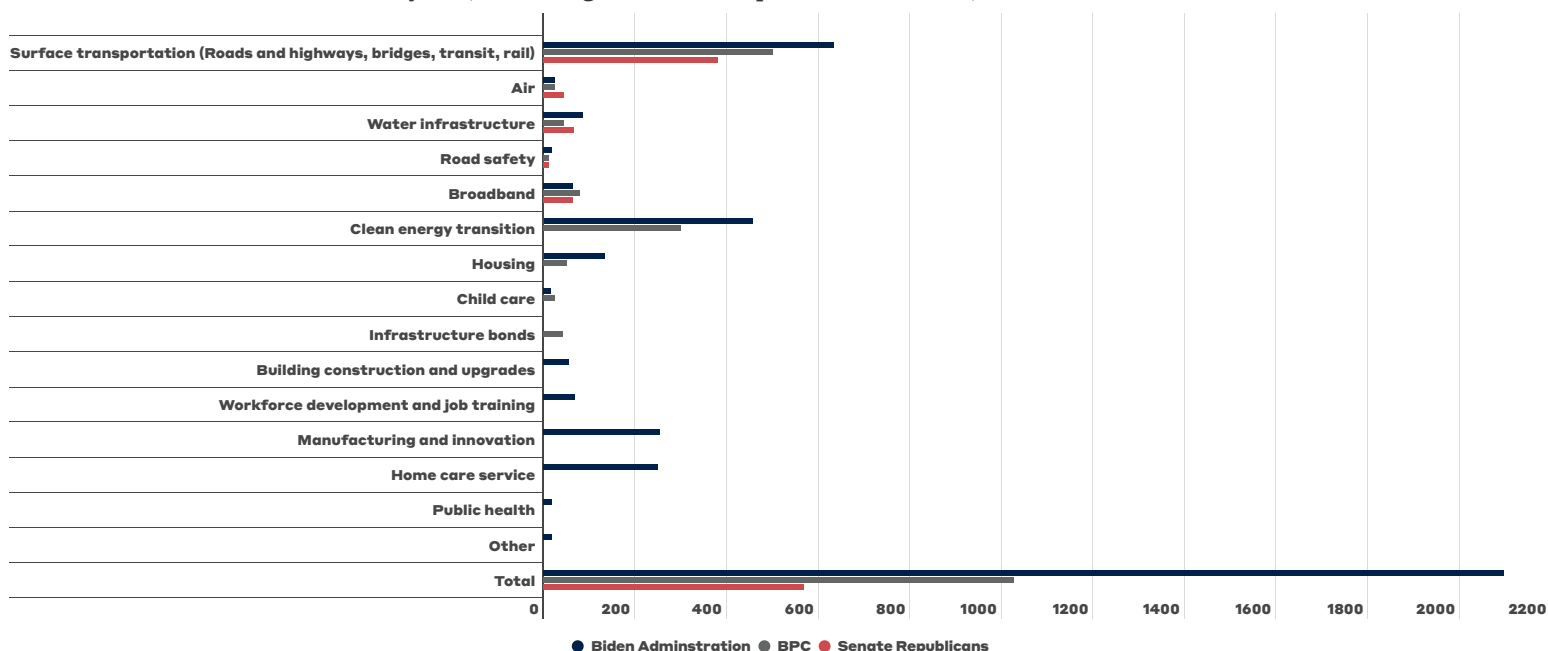
By including most baseline spending, Republicans make their package appear larger. The Republican \$568 billion plan includes current funding levels—the baseline—in all but its broadband numbers.

By excluding all baseline spending, Democrats make their package appear smaller. The president, in contrast, underrepresents the true costs of his proposal by neglecting to include the \$360 billion in baseline infrastructure funding and by undercounting the cost of renewable energy tax credits. When including these expenditures, the true cost of the administration’s plan approaches \$3 trillion over eight years.

Five years vs. eight years. The timeframes for both expenditure and revenue differ between the two proposals. The Republican plan proposes that federal resources be spent in five years—which is traditional for surface transportation authorizing legislation. Note, the recently passed S. 914—adopted on April 29 with an 89-2 Senate vote—reauthorizes federal water programs for five years. The president similarly seeks to authorize federal surface transportation programs for five years, but other program spending is authorized over eight years. Adjusting the administration plan to five years, assuming “straight line” spending, reduces its cost from nearly \$3 trillion to just over \$2 trillion.

Spending proposed in infrastructure plans

Over 5 years, including surface transportation baseline, billions of dollars



* Included in surface transportation

REVENUE

Both the administration and Republican plans propose to spend federal resources faster than they raise them. The Republican plan proposes to spend in five years and pay in 10. The administration’s plan, as written, proposes to spend over eight years and pay over 15. While disassociating revenue and spending timeframes is not per se inappropriate, the lack of contemporaneous revenue will place upward pressure on the federal debt, as Congress can be expected to continue to expend resources between 2027 and 2037 with a more limited set of revenue options. On a more positive note, delayed offsets are preferable to direct deficit spending; both parties should be acknowledged for the attempt to pay for these investments.

BPC’s proposal takes the following approach:

- We include the baseline for surface transportation programs and assume new spending for all other areas;
- To be consistent with the five-year window for reauthorization of surface transportation programs, we compare all three proposals over five years; and
- We include both five and 10 year projections for our revenue proposals—ex-

cept for the baseline motor fuel revenues to the Highway Trust Fund, which are only scored for five to match the spending.

BPC PROPOSAL

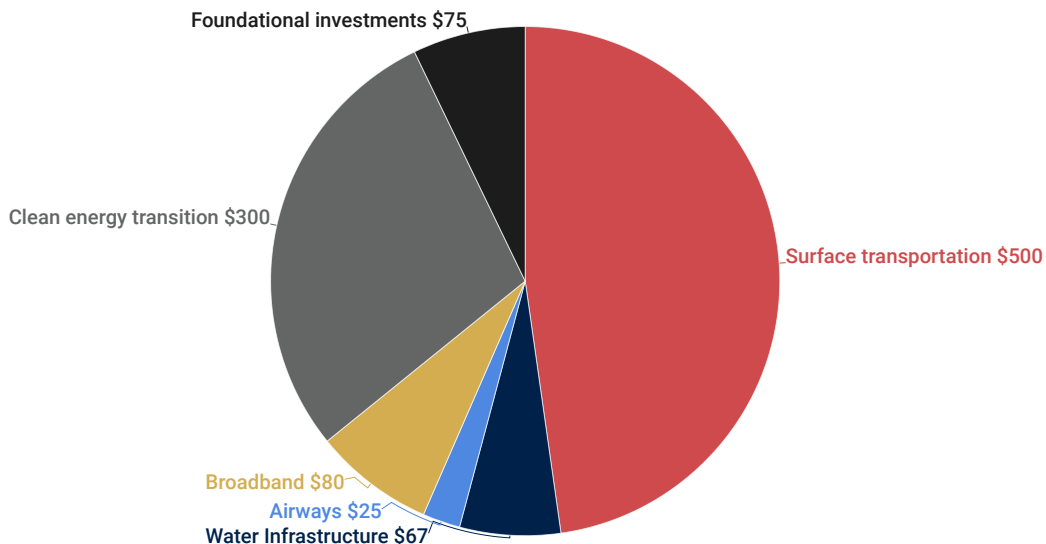
BPC takes a broad view of physical infrastructure. The president’s proposal expands the definition of infrastructure to encompass a broad combination of administration priorities—many of which stray beyond the traditional understanding of infrastructure as the built environment. Conversely, the Republicans’ constrained focus on surface transportation is not adequate to address economic recovery from the COVID-19 pandemic or provide a basis for bipartisan legislation that takes priority over a partisan reconciliation strategy.

BPC proposes a package of \$1 trillion in spending over the next five years. BPC’s proposal prioritizes traditional infrastructure projects that will put Americans back to work, expand digital access that is essential to participation in the 21st century economy, provide child care facilities so that parents can return to the workforce, grow the supply of affordable homes to provide construction jobs and a foundation for employment, and promote infrastructure that is consistent with the imperative to decarbonize the economy. Importantly, the key provisions in BPC’s proposal all have a strong history of broad ideological and bipartisan support. In most cases, there is pending bipartisan legislation that aligns with these provisions.

By the numbers: BPC’s infrastructure plan

Proposed spending over 5 years, billions of dollars

● Surface transportation ● Water Infrastructure ● Airways ● Broadband ● Clean energy transition ● Foundational investments



*Airways number updated on May 13, 2021

\$500b Surface Transportation. America’s surface transportation is a complex and interconnected network of roads and highways, bridges, tunnels, transit systems, and railroads. These assets are essential to economic growth, as they enable individuals to access jobs and services, and enable goods to be moved from farms and factories to consumers. In addition, building, operating, and maintaining these assets creates good-paying jobs in construction, manufacturing, and other sectors: Research has shown that \$1 in infrastructure investment creates 1.5 million jobs.ⁱ At the same time, our transportation network is in dire need of repair. The American Society of Civil Engineers (ASCE) recently gave America’s roads a grade of D, and our transit systems a D-. According to ASCE, bringing our transportation infrastructure into a state of good repair will require a total of \$3 trillion over in investment over the next 10 years at all levels of government, an increase of \$1.2 trillion above current levels. Transportation is also the largest contributor of greenhouse gas emissions in the country, making investments in cleaner transportation essential to reaching net-zero emissions.

Consistent with the ASCE needs assessment, BPC proposes \$500 billion for surface transportation over the next five years. This figure includes the \$360 billion baseline for traditional surface transportation plus an increase of \$140 billion above current levels, an amount that is grounded in the reality of our nation’s surface transportation needs and which will not overwhelm state and local transportation agencies’ capacity for efficient investment. With this funding, transportation agencies can begin to address the nation’s deferred maintenance while supporting the development of cleaner, more resilient infrastructure, safer roadways and bridges, and expanded connections between and within America’s cities, towns, and rural areas, all of which will help to lay the foundation for a modern, resilient, and competitive economy.

\$67 Billion - Water Infrastructure. The Environmental Protection Agency estimates that the United States needs \$743 billion over the next 20 years to meet its water and wastewater infrastructure needs. Most of this funding will come directly from water and sewer ratepayers across the country. However, since the passage of the Clean Water Act in 1972, the federal government has been contributing funds to meet these needs. Importantly, bipartisan work is already underway in the House and Senate to meet the federal share of the costs. The Senate recently passed the Drinking Water and Wastewater Infrastructure Act of 2021 (S. 914) which provides \$35 billion over five years in much needed resources to America’s municipal systems. The bill aligns with several of BPC’s priorities:

- It provides grants to states with a high number of underserved communities and water systems that voluntarily connect low-income homes to their systems;
- It reauthorizes the Drinking Water and Clean Water State Revolving Loan

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Funds and the Water Infrastructure Finance and Innovation Act program;
and

- While the committee stopped short of our recommendation of the creation of an ARPA-W to invest in water and wastewater sector innovation, the bill includes several provisions which will greatly further these same aims.

In addition to legislation to help municipal water, sewer, and stormwater systems, the chairs of the relevant committees in the House and Senate have announced their intention to pass a Water Resources Development Act next year to authorize U.S. Army Corps of Engineers water projects—including dredging of ports and waterways and improvements to Corps of Engineers-owned dams. We propose \$17 billion over five years for Corps of Engineers projects and \$15 billion over five years for the Bureau of Land Management.

\$80 Billion - Broadband. Broadband, the network that provides high-speed internet and access to the modern economy, remains unavailable or unused by nearly a quarter of the U.S. population. Investment in broadband for rural and urban areas is essential to providing equitable access to distance learning, telehealth, remote work, and precision agriculture, and enabling many of the tools Americans use every day. Over the past 10 years, data needs in the home have risen 800%. As more Americans are connected to the internet to access their basic needs, the speed at which they can download and upload data is the determining factor in the resources available to them. Modernizing teleconnections requires updating old connections and ensuring new broadband connections have the capacity to meet future data needs as they are built. While Congress has provided over \$30 billion in broadband funding in recent months, more will be required to provide service to all those who need it. Therefore, we call for:

- **Broadband Deployment: \$60 billion.** An estimated 16% of rural and tribal areas lack sufficient broadband access due to challenges in deploying broadband infrastructure in sparsely populated areas. Accurate mapping of connection speeds and large investments in future-proof broadband infrastructure is needed to ensure these areas do not get left behind in the digital divide.
- **Broadband Adoption: \$20 billion.** Despite access to broadband in most urban settings, millions of Americans do not have the resources to afford a connection in their homes. Only 44% of Americans making less than \$30,000 have home broadband. Nearly 12 million school-aged children do not have broadband, extending the homework gap among the economically disadvantaged. Equitable adoption and use of existing broadband infrastructure will require better affordability of services and devices, such as computers and smartphones, and improved digital literacy. Revitalizing the Lifeline program in the Universal Service Fund to meet the needs of every eligible person will require more efficient use of resources.

- **Reform of programs to meet the data needs of the future.** Raising the Lifeline program's subsidies and improving how it is funded will ensure the program is sustainable. Funding broadband access through VA benefits would ensure that our veterans have the resources they need for care and work. Finally, FCC should update its definition of high-speed internet to reflect the data needed for remote work and learning.

\$300 Billion - Clean Energy Transition

Over the next 30 years, the U.S. must undertake a massive and urgent effort to transform our infrastructure to achieve net-zero greenhouse gas emissions. The key to success is accelerating the development and widespread deployment of new low and zero carbon energy systems and enabling resiliency measures to address a changing climate. The Biden administration proposes an aggressive and ambitious investment in a broad range of options that can help the U.S. transition to a low-carbon and economically robust energy system by mid-century. By looking broadly across key sectors and targeting a portfolio of policy interventions ranging from enhancing research funding, boosting technology demonstrations, investing in enabling infrastructure, and pushing a new wave of new deployment, the general framework offers a new strategic approach to clean energy. A politically viable path forward through Congress should retain this approach, which should appeal to Democrats and Republicans who are in general agreement on the critical role of energy innovation, but focus on a narrower set of priority investments. Smart, future-focused infrastructure-related investment now will enable us to achieve environmental goals at far lower costs and with less regulatory constraint later.

BPC believes there are four key elements to success:

Innovation and Scaling: \$100 billion. We do not currently possess the technological capacity to achieve domestic net-zero emissions consistent with the nation's economic needs. Expanded public investment in clean energy R&D combined with a significant new effort to accelerate commercial scale demonstration of next generation technologies is necessary to avoid unacceptable climate impacts. The administration's proposal wisely invests in our national laboratories and in a variety of critically important commercial-scale demonstration projects to rapidly bring forward new technologies in partnership with the private sector. In particular, the demonstration of large-scale industrial projects focusing on carbon capture and storage (CCS) and low-carbon manufacturing systems should be a priority along with efforts to speed the commercial development of advanced nuclear facilities and carbon removal technologies.

Deployment: \$100 billion. Investment in deployment of clean energy infrastructure is needed to build out next generation technologies. We must extend and expand clean energy tax credits to support wind (off-shore and on-shore), solar, CCS and direct air capture, nuclear technologies, hydrogen, and energy

storage. We should further leverage the buildout of enabling infrastructure, including infrastructure for transporting captured carbon dioxide, and use federal procurement to induce demand for cutting edge low-carbon energy and products. BPC supports inclusion of the SCALE Act and improvement of the 45Q tax credit, as proposed by the administration.

Transmission: \$50 billion. The energy mix of the future will require a significant expansion and upgrade of our grid structures, increasing resiliency, and connecting more renewable sources across the country to match intermittent generation with demand. It is estimated that we'll need to triple the size of the current grid as we shift away from fossil fuels and electrify other sectors of the economy. Tax credits and public financing tools are both needed to spur private sector investment to build out this new transmission in time.

Electric Vehicles: \$50 billion. Electrification of vehicles will be an important pathway for reducing transportation sector emissions, but the race to scale currently faces a chicken and egg problem with respect to charging infrastructure and consumer demand for electric vehicles. The federal government should spur the construction of charging infrastructure, with a significant focus on medium duty and heavy-duty vehicles, to accelerate private sector investment. We must also ensure this charging infrastructure is available in and beneficial to historically underserved communities. Furthermore, we must focus on developing a robust domestic supply chain that includes sourcing of the critical minerals necessary for these advanced technologies along with the manufacturing capabilities associated with building these next generation vehicles to maintain America's leadership in this sector, support our nation's high-paid and high-skilled automotive jobs, and continue our long tradition of successful exports to the global economy.

BUILDING FASTER

Historically, there has been strong bipartisan support for incremental and common-sense improvements to the federal environmental review and permitting process. Such measures were included in transportation reauthorization bills passed in 1998, 2005, 2012, and 2015. Moreover, Republican and Democratic administrations have authored generally consistent guidance documents, issued executive orders, and launched other initiatives designed to improve the National Environmental Policy Act (NEPA) process.

[BPC's Executive Council on Infrastructure](#) found that unnecessary delays in the environmental review and permitting process add to project costs, slow the delivery of needed—often cleaner—projects, and discourage private capital from investing in U.S. infrastructure. For many private investors, the risk of changing political dynamics is simply too great if the time between project conception and construction is several years. The imperative to achieve net-zero

carbon emissions by 2050 is an enormous undertaking that will not succeed unless we modernize our permitting processes to match the required breakthroughs in energy technology. There are both important small steps and innovative approaches Congress must take to ensure we can build all our infrastructure faster without jeopardizing our environment and while taking into full consideration the interests of affected communities. Recently, BPC's Smarter, Cleaner, Faster Infrastructure task force released 23 policy recommendations to accelerate the deployment of clean infrastructure, including:

GENERAL GOOD GOVERNMENT REFORMS TO ACCELERATE PERMITTING

- Congress should support coordinated federal, state, and local agency action by requiring, to the extent possible that:
 - A lead agency be designated to lead multiagency environmental reviews and work collaboratively to develop a single permit plan and permitting timetable for the necessary environmental review and approvals;
 - Participating agencies raise and adjudicate any issues that might limit schedule adherence early in the process and work concurrently rather than sequentially; and
 - The lead agency and participating agencies prepare a single environmental document and sign a single record of decision.
- Congress should reauthorize FAST-41;
- Congress should direct agencies to maximize the use of programmatic reviews for all types of infrastructure projects and direct the administration to coordinate and transparently maximize the use of categorical exclusions (CEs) for clean infrastructure projects.
- Congress should expand NEPA assignment pilots and further look toward piloting NEPA assumption programs to allow states with state-level environmental laws—that are as stringent or more than federal requirements—to assume federal NEPA responsibilities along with federal audits and monitoring.
- Congress should allow applicants to prepare environmental documents, while maintaining requirements for federal agencies to retain responsibility for oversight, transparency, and the final document.
- Regarding the Federal Permitting Improvement Steering Council (FPISC), Congress should:

- Remove the sunset and merge it with CEQ;
 - Improve the FPISC's ability to accelerate clean infrastructure projects by expanding the number and types of projects eligible and by assigning and funding dedicated staff to ensure clean infrastructure projects are efficiently reviewed and permitted;
 - Require federal agencies to adopt remedial plans when they fail to use CEQ/FPISC best practices for efficient and effective execution of their authorizations and environmental reviews; and
 - Ensure that FPISC is finalizing and operationalizing the Environmental Review Improvement Fund.
- Congress and the administration should maximize use of the Permitting Dashboard, requiring all NEPA analyses to be included on the site along with permitting timetables, plans, and project details.
 - Congress and the administration should support improving public engagement by codifying the NEPA 2020 regulations' expansion of scoping and directing all agencies to prioritize early engagement and consensus building.
 - Congress should provide the training, support, and staff salaries and expenses funding necessary to ensure agencies have sufficient resources to conduct accelerated, coordinated reviews and permits.
 - To ensure representation of underserved communities, Congress should:
 - Ensure underserved communities have the necessary resources to participate in the environmental review and permitting process;
 - Codify CEQ's 2011 mitigation guidance and support well-established compensatory mitigation programs; and
 - Direct CEQ, in its capacity as Chair of the White House Environmental Justice Interagency Council, to provide comprehensive direction regarding the consideration of disproportionate and adverse environmental effects and the use of mitigation to reduce such effects.

Pre-Approve Projects on Mass Scale. Congress should create a state grant program for states to identify and pre-approve sites for clean infrastructure projects and direct the administration to pre-approve federal land for clean infrastructure projects with aggressive target goals for capacity. Further, Congress should authorize a new National Grid Planning Authority and update the Energy Corridors program to reflect current clean infrastructure needs

Race to Net-Zero Grants. Congress should authorize a new, competitive grant program to create an incentive for states to work as quickly as possible to reduce their own greenhouse gas emissions. Under such a program, states would be eligible for several rounds of competitive grants for planning and building clean infrastructure projects, permitting streamlining and harmonization to speed the deployment of clean infrastructure, and achieving actual emissions reductions compared to baseline. This proposed program recognizes the unique role states play in our federal government and that actions at the state level are just as important as action at the federal level.

ENCOURAGING PRIVATE INVESTMENT

BPC's [Executive Council on Infrastructure](#) estimated that there could be as much as \$250 billion of private capital ready to invest in American infrastructure projects over the next five years. But to achieve this level of investment, Congress must first take several important steps:

- Eliminate the volume cap on private activity bonds;
- Restore advance refunding bonds;
- Authorize a new direct payment bond;
- Enact the “Building Faster” reforms noted above;
- Require state and local governments and federal agencies to conduct asset inventories and adopt asset best practices, such as life-cycle cost analyses;
- Require projects receiving federal funding to conduct public-private partnership screens, using value-for-money analyses to select the most efficient and cost-effective project delivery method; and
- Provide technical assistance and support state and local capacity building to promote the use of innovative project delivery and financing options.

Further, in the distribution of federal infrastructure funding, Congress can ensure that jobs are created and sustained locally by encouraging greater small business participation in procurement opportunities. Congress can do this by:

- Simplifying RFP processes and requirements so small businesses are not discouraged from applying;
- Creating greater transparency in bid processes so small, local companies are aware of procurement opportunities around infrastructure;
- Reducing the regulatory burden that small business contractors face; and
- Strengthening accountability for prime contractors in their use of small businesses for subcontractors.

\$75 Billion – Foundational Investments that Enable and Support Work

The pandemic revealed critical weaknesses in systems that support and enable work. In infrastructure legislation, BPC believes Congress should prioritize two critical physical infrastructure inadequacies that are impeding workforce participation—inadequate child care facilities and the shortage of affordable homes.

Child Care - \$25 billion in one-time funds to be expended over five years.

There are over 129,000 child care centers and 1 million in-home child care providers in the U.S. An investigation in 10 states conducted by the Health and Human Services inspector general found that 96% of child care inspections during unannounced visits had one or more potentially hazardous conditions and noncompliance with health and safety requirements. The Environmental Protection Agency has found that approximately 500,000 child care facilities are not even regulated for lead in drinking water. Child care businesses operate on razor-thin margins and lack the capital to invest in facility improvements and there is no public source of funding to support improvements.

The National Children’s Facility Network estimates it would take \$14 billion to bring existing facilities up to standards. In addition, BPC’s state analysis of the potential need for child care and the existing capacity shows a nationwide gap of 32%. Another \$11 billion in capital investments would buy an additional 655,000 new child care spaces.

Housing - \$50 billion over the next five years. One of the enduring lessons of the COVID-19 pandemic is the fundamental necessity of a home. In addition to providing safety and sanctuary, homes have become the center of much of our economy and education. The annual supply of new homes is running at least 100,000 behind new housing demand. The attendant supply-demand mismatch falls most heavily on low- and moderate-income families, burdening millions of families with rents that often exceed 50% of their monthly paychecks. The administration’s American Jobs Plan proposes to invest \$213 billion over eight years (\$133 billion over five years), with the aim of producing, preserving, and retrofitting more than 2 million affordable homes. A bipartisan path forward, if investments in housing are coupled with more traditional “infrastructure,” would advance the elements of this proposal that traditionally garner strong bipartisan support and most directly address the severe shortage of affordable homes, strengthening families and supporting a more robust economic recovery:

- **A 50% expansion in the Low Income Housing Tax Credit (LIHTC).** With other key reforms, an expansion of the LIHTC—as [previously proposed by BPC](#) and included in the bipartisan [Affordable Housing Credit Improvement Act](#)—would [increase affordable housing production](#) and the supply of affordable homes.

- **A new federal tax credit for home rehabilitation and construction.** Bipartisan legislation—the [Neighborhood Homes Investment Act](#) (NHIA)—was introduced and later included in the Biden administration’s infrastructure plan to direct investment in the development and renovation of single-family homes in distressed urban, suburban, and rural neighborhoods. Each \$1 billion in NHIA investment is estimated to support 25,000 homes built or rehabilitated and 33,393 jobs in construction and construction-related industries.
- **Preserve public housing.** About 2.2 million people in nearly 1 million low-income households live in public housing. Yet nearly half of the public housing stock was built before 1970, resulting in significant maintenance and rehabilitation needs. As previously proposed by BPC, and included in the American Jobs Plan, additional funding of \$4 billion annually is needed to address the capital backlog in public housing. However, these dollars should also lift programs like HUD’s Rental Assistance Demonstration program, which brings in private capital to support revitalization and modernization efforts.

New home-building activity will have a substantial ripple effect throughout the U.S. economy, leading to the creation of tens of thousands of jobs, more income for local businesses, and greater tax revenue that can help fund essential services. Improving access to stable, affordable housing can also lead to better health outcomes for families and stronger academic achievement for children.

PAYING FOR INFRASTRUCTURE

Balancing User Fees and Corporate Taxes - BPC proposes federal infrastructure spending of \$1 trillion over the next five years, including baseline spending of \$360 billion plus additional spending of nearly \$700 billion. BPC believes that this spending should be principally offset by a combination of user fees and corporate tax increases proposed in the Democrat and Republican plans. This balance will address the regressivity and competitiveness concerns that result from relying solely on one approach or the other. In addition, we have identified offsetting savings that can be derived from fees on private-sector beneficiaries of taxpayer investments and opportunities to reprogram some funds that remain unspent from previous federal economic relief legislation and can be better applied toward economic recovery. Finally, we believe that changes accelerating infrastructure permitting and efforts to encourage private investment noted above will result in hundreds of billions in additional private-sector funding to augment public investments.

User Fees - The first principle that should apply to funding infrastructure is simply that those who primarily benefit directly from increased infrastructure

spending—passenger vehicles, freight transporters, internet users, electricity consumers—should shoulder much of the increased costs.

Therefore, BPC proposes to offset the \$500 billion of spending on surface infrastructure with targeted user fees, including an increase in excise fees on motor fuels—currently 18.4 cents per gallon of gas and 24.4 cents per gallon of diesel fuel and unchanged since the last increase in 1993. Increasing these taxes by 15 cents and indexing for inflation would offset some of the increase in the proposed surface transportation expenditures.

However, the “gas tax” cannot sustain the Highway Trust Fund long term given the rise of fuel-efficient and electric vehicles. In 2020, over 810,000 vehicles were sold in the United States with some form of electric or hybrid engine capacity—a 70% increase from 2015. Some estimates suggest electric and hybrid vehicles could comprise more than 60% of the purchase market by 2030.

To ensure that all those who use the roads help pay for them and institute a long-term solution to the HTF, Congress should expand on efforts to begin the transition to a Vehicle Miles Travelled (VMT) fee. The Federal Highway Administration’s Surface Transportation System Funding Alternatives (STSFA) is already funding several state pilot programs to begin testing VMT systems. Congress should dramatically expand the STSFA grant program and mandate that each state DOT develops and begins testing a plan to implement a VMT user fee, deploying the best practices derived from existing pilots.

Corporate Taxes - Investments in our public infrastructure will increase private-sector productivity, create jobs, and result in economic growth. It is appropriate that business tax rates be increased to offset a portion of the additional public expenditures in a manner that doesn’t hurt long-term growth. BPC recommends an increase in the corporate tax rate from 21% to 25% to fund approximately \$400 billion over a 10-year period. From a competitive standpoint, a 25% federal corporate tax rate would be near the OECD weighted average of 25.85%.

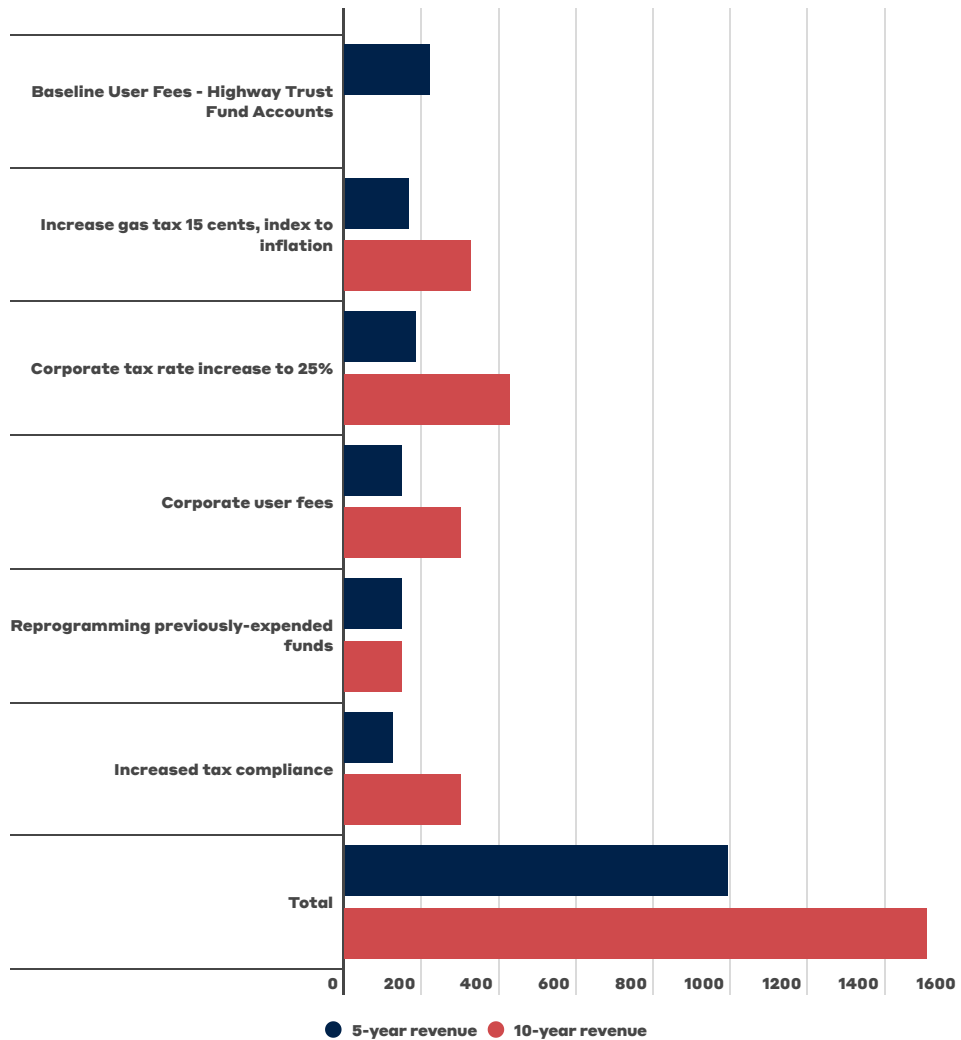
Tax Compliance - In addition, it is conservatively estimated that nearly \$300 billion in federal income taxes owed but unpaid could be collected over the next decade with increased tax compliance.

The Transition from Crisis to Recovery - The federal government has expended nearly \$6 trillion over the last year to combat the pandemic. Most of this spending was necessary and essential to turning the tide of the public health crisis. However, some of the spending authorized has not been spent and is not expected to be outlaid for many years to come. Reprogramming a portion of these funds through the budget rescission process can provide needed monies now for funding current infrastructure needs. Conservatively, we believe that \$150 billion, less than 3% of committed spending, should be reprogrammed to support the nation’s economic recovery. Some examples follow:

- FEMA Disaster Relief Fund (\$47 billion/American Rescue Plan Act): Of the \$50 billion authorization under the bill, CBO expects only \$47 billion of spending, 52% of which will occur from 2023 through 2030.
- The Higher Education Emergency Relief Fund (\$39.6 billion/American Rescue Plan Act): CBO projects that 50% of this funding will spend out from 2023 through 2028.
- Economic Injury Disaster Loan (EIDL) program (\$475 billion/Paycheck Protection Program and Health Care Enhancement Act): Funded with \$50 billion in loan subsidy, around \$200 billion of EIDLs have been approved to date, and loan approvals have stalled in recent months, leaving \$275 billion still available. Barring anything unexpected with respect to the virus and the economy, the vast majority of this \$275 billion in remaining authorization will remain unspent—representing around \$21 billion in remaining loan subsidy.

The three principles and the offset examples accompanying them provide revenues more than sufficient to cover BPC’s proposed \$1 trillion, five-year investment in our nation’s infrastructure.

Pay-fors for BPC’s infrastructure proposal



Raising revenues is never politically popular, and identifying options that least offend both parties is a challenge. Therefore, we have identified a few other potential offsets based on industries that will benefit from further federal investments in infrastructure. It is reasonable to expect these industries to pay for a portion of the expense. There are numerous options, but three with promise are:

- Create a wires charge, which would levy a small fee on retail electricity sales, creating a pool of resources that can be used to support electricity-related infrastructure;
- Increase the Federal Universal Service Fund rate to cover the additional \$80 billion in increased expenditure. Those who benefit directly from increased access to internet services would see an increase in their connection charges. However, the country's major digital safety net program—Lifeline—would continue to aid low-income households' internet charges; and
- Additional transportation-related user fees, including fees on new cars and tires.

Other options could be considered. BPC believes these principles for funding federal infrastructure should be applied to ensure increased spending does not lead to a marked worsening of the federal fiscal outlook.

CONCLUSION

Our nation's economy and democracy are both fragile and in need of significant investment. A \$1 trillion infrastructure package would be a transformational investment of financial capital, creating good jobs, increasing global competitiveness, and addressing the growing climate crisis. In addition, a significant bipartisan achievement would be a transformational investment of political capital, strengthening public faith in government and rebuilding the trust and goodwill required to govern a divided nation.



Bipartisan Policy Center

Learn more about Bipartisan Policy Center's Infrastructure Initiative at:

bipartisanpolicy.org/policy-area/infrastructure/