President-elect Donald Trump has stated that infrastructure will be one of his top priorities upon taking office, and many in Congress have signaled a willingness to act on infrastructure. However, the Trump Administration and Congress should evaluate the needs of the nation and make structurally sound reforms rather than rushing to pass an infrastructure package focused on politically motivated short-term spending.

Infrastructure Priorities

- **Consider real infrastructure needs, not hyperbolic rhetoric.** The notion that America’s infrastructure is “crumbling” and in uniquely poor condition is not supported by data. The percentage of the nation’s bridges deemed “structurally deficient” (not necessarily unsafe, but requiring extensive maintenance) has declined annually since 1990 and now sits at under 10 percent, well under half of what it was 25 years ago.\(^1\) Similarly, analyses of highway pavement quality conclude that the nation’s major roads have been steadily improving in quality and are likely in their best shape ever.\(^2\) Our airports and airways safely move more people and goods than those of any other nation.\(^3\) Overall, the U.S. ranks near the top of G-7 nations for infrastructure quality.\(^4\)

This is not to say that improvements are not needed or that they should not be made, but America’s real infrastructure needs are not monolithic and would be best addressed using a targeted approach at local levels of government and by the private sector. Congress recently passed a 5-year, $305 billion highway bill that contained many questionable investments and relied on dubious gimmicks for funding.\(^5\) Another top-down federal spending program created to address a non-existent crisis will not serve the country’s needs and could prove to be counterproductive.

- **Reduce red tape and delays in permitting and environmental review processes.** The Administration should build on the efforts of Congress and the Obama Administration to speed projects through the federal permitting process and National Environmental Policy Act (NEPA) review. Reforms such as eliminating greenhouse gas emissions analysis from the review process, narrowing the NEPA review to only major environmental issues, and requiring NEPA to incorporate previous analyses into similar projects would accelerate transportation and infrastructure projects.

- **Reform costly and discriminatory labor rules.** Federal funding for infrastructure comes with regulations that drive up the price of taxpayer-funded infrastructure for the benefit of special inter-
Embrace privatization and Public Private Partnerships. The nation’s infrastructure network has much to gain from increased private sector participation. Private sector ownership, financing, operation, and maintenance of infrastructure and transportation services leads to increased efficiency, better project evaluation, lower taxpayer risk, and expanded access to large swaths of private sector capital. Furthermore, the President should augment this effort by suspending the Davis–Bacon Act, which requires contractors to pay wages 22 percent higher on average than the market rate. These actions would stretch each federal dollar spent on infrastructure further, providing taxpayers with a far better deal than current practice.

- Approve needlessly hindered energy infrastructure projects. The new Administration should immediately approve the energy infrastructure projects that were delayed or cancelled under the Obama Administration’s prohibitive regulatory regime. The first step should be to approve the Keystone XL pipeline, which is environmentally responsible, economically beneficial, and provides much-needed energy infrastructure that will help keep energy affordable for the American people.

Undo destructive Internet rules that hamper broadband investment. Unprecedented federal regulation of the Internet under the guise of “net neutrality” provides a direct disincentive for telecommunications firms to continue investing in their broadband infrastructure. Indeed, the net-neutrality rules promulgated by the Federal Communications Commission coincided with the first year-over-year decline in major broadband investment outside a recession. This is especially detrimental because broadband firms are among the largest private investors in the national economy. The Administration should immediately reverse these rules and restore the previous bipartisan restraint that led to a free and dynamic Internet.

Apply a “light touch” regulatory approach to emerging technologies. New technologies, such as automated vehicles and drones (unmanned aerial vehicles, or UA vs), have the potential to transform our transportation network. The new Administration should pursue a regulatory regime that is as minimally invasive as possible in order to allow these technologies to thrive. For example, the Administration should no longer seek authority to require pre-market approval of automated vehicles, which would likely come with tremendous costs and delay the deployment of a lifesaving technology. Similarly, intrusive and unlawful FAA regulations that govern both commercial and recreational small UA vs should be ratcheted back.

Enact structural funding reforms. The President will have an opportunity to take the lead in reforming the federal government’s involvement in transportation. As The Heritage Foundation detailed in its Blueprint for Reform, there is much that can be done to get the federal government out of the way to allow the states and private sector to address the nation’s diverse infrastructure needs more efficiently.

Surface Transportation. Focus the federal role on the truly interstate aspects of the transportation network, i.e. the National Highway System. Eliminate all funding for local and wasteful projects such as mass transit, local roads, and bike paths. Lift the ban on tolling the Interstate Highway System. Draw down federal gas taxes from the current 18.4 cents per gallon to 5 cents per gallon or less over 5 years. Limit Highway Trust Fund spending to revenues, reserved for maintenance of the National Highway System and reclassify this spending as discretionary. This reform will pave the way for states, localities, and the private sector to take the lead on investing in their unique infrastructure needs.

Aviation. The current system of federal airport funding is woefully inefficient. Instead, airport funding should be localized by eliminating the burdensome Airport Improvement Program and its related taxes while empowering airports to generate and spend their own revenues through airport user fees. This will allow the nation’s airports to run like businesses with minimal interference from the federal government.

more, the provision of Air Traffic Control should be removed from the FAA and privatized, thus allowing for the repeal of aviation taxes.17

- Define the federal government’s role in infrastructure funding. Since the Interstate Highway System was completed in the early 1990s, the federal government’s role in funding infrastructure has been amorphous and expansive. The federal government is now involved in funding transcontinental highways, local roads, streetcars, bike sharing programs, sidewalks, and everything in between, often with little justification for federal involvement. The new Administration should establish a clear definition of the federal role, with defined boundaries and goals to which a federal program can be held accountable. Taking this simple action will provide much-needed direction and clarity to the federal government’s involvement in infrastructure.

What Not to Do on Infrastructure

The Trump Administration and Congress should not:

- Pursue massive stimulus spending. Studies reviewing fiscal stimulus packages conclude that their results are a mixed bag at best, and often have negative effects.18 Promises of job creation from infrastructure spending are rarely fulfilled because federal spending on infrastructure is especially ill suited to create new jobs quickly. Planning, permitting, and review processes bog down infrastructure projects for years before construction can be started. Furthermore, unemployment across the economy is low, especially for the highly skilled construction workers required for infrastructure projects.19 Indeed, the Associated General Contractors report that more than two-thirds of contractors are having trouble hiring skilled workers.20 Thus, new spending would do very little to spur employment in the current environment.

Instead, stimulus spending directed by the federal government can be detrimental because it would likely shift resources to politically favored projects and locales rather than those that actually require investment.21 With national debt nearing $20 trillion, tacking on hundreds of billions of dollars in new debt with little justification would be an affront to fiscal responsibility. The Administration should unequivocally oppose any calls for infrastructure stimulus and instead focus on reversing the government-imposed barriers holding the economy back.

- Use repatriated revenues to fund new infrastructure spending. International business tax reform is long overdue. But proposals that use new revenues from corporate income repatriated from abroad for a spending binge on infrastructure simply amount to a tax hike and spending increase. The Administration should reject this tax-and-spend scheme, which has been favored by both President Obama and Hillary Clinton. One-time revenues from repatriation should instead be reserved to offset other much-needed changes necessary for comprehensive tax reform.22

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Create new tax expenditures or subsidies. Providing federal tax credits for infrastructure projects has often been proposed as an alternative to federal spending.\(^23\) Supporters tout tax credits as a deficit-neutral way to finance infrastructure projects by making use of private capital. However, infrastructure tax credits would add to the billions already provided in tax expenditures every year and would not proactively solve any real problem. Tax credits for infrastructure projects would require investments to generate cash profits, a stipulation that is not well suited to the basic maintenance and expansion work that is needed. Creating the few kinds of new infrastructure ventures that are profitable in the current environment is already achievable without such credits and more can be spurred by systemic reforms. Indeed, tax subsidies would instead put taxpayers on the hook by incentivizing companies to pursue otherwise inviable projects such as high-speed rail or toll roads to nowhere. Taxpayers should not be made to pay for any more Solyndra-like boondoggles through federal tax subsidies.

Infrastructure tax credits are also highly unlikely to be deficit-neutral. Negating the cost of providing the credits would require that all investments generate a positive rate of return (unlikely in current infrastructure environment) and that all workers engaged in new construction to have been previously unemployed—an optimistic assumption, as discussed previously. Furthermore, if these credits are provided to private firms such as railroads and broadband companies that are already investing billions into their networks, they would simply amount to crony subsidies provided at the expense of taxpayers. The Administration can spur this private investment by focusing on fostering privatization and PPPs through deregulation and the aforementioned funding reforms.

Establish an infrastructure bank. Federally subsidized loans meant to spur private investment in nationally significant transportation projects are already provided under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.\(^25\) Adding and institutionalizing more subsidized credit for infrastructure programs would put taxpayers further at risk, as evidenced by the poor record of other government credit programs such as Fannie Mae and Freddie Mac.\(^26\) The Administration should oppose the establishment of a federal infrastructure bank and instead pursue funding and regulatory reforms that make it easier to invest in major infrastructure projects.

The Right Way Forward on Infrastructure

President-elect Trump should not be taken in by hyperbolic rhetoric about the state of the nation’s infrastructure or lured by false promises of stimulus-induced job creation. Instead, he and his Administration should carefully consider the nation’s needs and the federal government’s role in meeting them. The best way for the new President to improve the nation’s infrastructure is to remove the federal government from the equation through deregulation and funding reforms, not to follow his predecessor down the path of more government spending.

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\(^24\) The eligibility for a TIFIA loan has been watered down considerably to include projects that cost just $10 million. Most projects of this size are unlikely to be of true national significance. Michael Sargent, “Going Nowhere FAST.”
