Hicks-Ray Associates

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## A New Future for Infrastructure Funding? Is it a Bridge too Far?

Do you like to watch implosions of buildings? Most of us have a mental image in our heads of a button being pressed and a doomed structure collapsing in a swirl of dust and smoke. One of the responses to our $14+ trillion deficit and the new Congressional policy of not allowing Members to advocate for their own infrastructure projects may have the effect of imploding the "old structure" of funding from agencies such as USEPA, the Corps of Engineers, and the Bureau of Reclamation and moving towards the concept of infrastructure banks. These banks would be capitalized by the Federal government but would quickly become self-sustaining and eventually have the capacity to provided hundreds of billions of dollars in financial assistance to local agencies.

The Obama Administration supports this concept as do leading Senators such as Kay Bailey Hutchison of Texas and John Kerry of Massachusetts who introduced the BUILD Act this week. At a time when big labor and business seem to be at each other's throats, the heads of the AFL-CIO and the US Chamber of Commerce both showed up at the launch of the BUILD program to strongly endorse the plan.

At the same time, the Congress is making dramatic reductions in traditional programs such as USEPA's Clean and Drinking Water Resolving Loan program and the Corps of Engineers Construction account. The rationale is that with a more than $14 trillion deficit and an FY11 deficit of $1.6 trillion, everything has to be cut. Or it might be more accurate to say that "everything" in the 16% of Federal funding that represents domestic non-defense discretional spending, is being reduced.

It is impossible to know whether these cuts will be institutionalized in the coming years or whether reforms for how Members of Congress can advocate for individual projects will allow these funding programs to be restored. The one thing that is certain is that trillions of dollars in infrastructure needs will continue to accumulate.

Infrastructure bank proposals are beginning to fill this void. While it would be difficult to find up to $10 billion in Federal funding at present to capitalize some of these banking concepts, the prospect of hundreds of billions in new financing being made available for infrastructure projects is likely to attract wide-spread support. As this process moves forward, it is important for WESTCAS members to pay close attention to the details of how infrastructure banks would operate and how this would work for the arid west.

**Summary & Take-Away .**

**A Bridge too Far?**

We have talked about Infrastructure banks before, there were several proposals in the 111th Congress, but with the $14 trillion plus deficit, the 112th is again looking at infrastructure banks, which would be capitalized by the feds and become self-sustaining.

**Take-Away:**
Infrastructure banks may be the key to providing future funding; however, WESTCAS must carefully review the details because once established it may be very difficult to cross the bridge back to the system of Members' advocating for individual infrastructure projects.



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For example, under the Kerry/Hutchison BUILD legislation, project and funding decisions would be made by a seven member board appointed by the President with a CEO and staff reviewing and deciding which projects to submit for Board consideration.

Under the current process, Corps and Bureau of Reclamation infrastructure funding require a process of first Congressional authorization and a Presidential signature on the legislation, followed by years of trips to the Energy and Water Appropriations Committee and work with Federal agencies at the district, regional, and national levels. The BUILD Act would substitute all of these steps with the review and the decisions of just a handful of officials appointed by the President. And their decisions would be made on projects submitted by the bank staff. Who would they be? Perhaps experts on finance managing loans? Or could they be drawn from USEPA, CEQ, US Fish and Wildlife Service, and other agencies serving "on detail" to the bank?

We don't know.

The USEPA Clean and Drinking Water revolving loan programs usually require agencies to work with the appropriate state agencies that review applications and administer the program. Under the BUILD program, these agencies would no longer be playing their accustomed roles.

These questions are important because if infrastructure funding is increasingly provided by special Congressionally chartered banks, traditional programs, and possibly the agencies that administered them, could wither on the vine because severe reductions in funding inevitably cause these agencies to lose their expertise in administering these programs.

Before hitting the "implode" button on these traditional funding programs and risking having no point of return should the new infrastructure banks be a disappointment, WESTCAS members need to carefully ask themselves how these new banks would work.

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