



BIDEN'S BOLD BID TO SAVE AMERICA'S INFRASTRUCTURE

In the final analysis, an infrastructure package appears likely.

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Dwight D. Eisenhower, America's 34th president, once said, "Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. The ceaseless flow of information throughout the Republic is matched by individual and commercial movement over a vast system of interconnected highways crisscrossing the country and joining at our national borders with friendly neighbors to the north and south."¹ Clearly, Eisenhower understood nation-building and economics.

Alas, many of his successors have not been so gifted. In 2017, the American Society of Civil Engineers (ASCE) gave the nation's infrastructure system an unflattering grade of D+.² The organization went on to state that for the United States to close its then-existing \$2.1 trillion infrastructure gap over the course of a decade, infrastructure investment would have to expand by more than \$200 billion per year.³

Since that time, there has been progress. In its most recent report, the ASCE supplied the nation a new grade: C-.⁴ While such a grade would hardly impress class valedictorians, it was an indication that prior to the pandemic, the United States had managed to step up its investment in infrastructure and had at least begun the long road toward physical capital adequacy. This represented the first time in 20 years that the nation's score began with a letter better than D.

Among the factors at work has been stronger state and local government finances. The expansion ending with the onset of the pandemic has been associated with increasing property values, employment growth, rising wages, and active consumer and hospitality markets. This has produced a crescendo of property, income, retail sales, and hotel tax collections, while certain forms of social spending have declined. That has freed up money for infrastructure investment. Low interest rates have helped.

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The ASCE report spotlighted five categories in which infrastructure has improved meaningfully since release of its 2017 report. This group includes aviation, drinking water, energy, inland waterways, and ports.⁵

Unfortunately, improvement has eluded certain categories, including bridges. The grade for bridges slipped from a C+ in 2017 to a C in the most recent report. According to the ASCE, chronic underfunding has led to a \$768 billion backlog of road and bridge capital needs.⁶ The economic implications of this are massive (and correctable). According to one statistic, one in three trips taken on the nation's roads were impacted by severe or extreme congestion.

Still, hope springs eternal. Remarkably, the pandemic has not ruined state and municipal finances to the extent one might intuit. When the crisis commenced, governors and other leaders were wrestling with many issues, not the least of which was how much damage would ultimately be done to state finances. However, by some measures, states ended up collecting nearly as much revenue in 2020 as they did in 2019.

A recent J.P. Morgan survey calls 2020 virtually flat with 2019 based on the financial performance of 47 states that report their tax revenues every month.⁷ The only states that do not are Alaska, Oregon, and Wyoming. Research emerging from the Urban-Brookings Tax Policy Center determined that total state revenues from April through December of last year were down just 1.8 percent from the same period in 2019.⁸

Moody's Analytics embraced a different perspective and found that 31 states now had enough cash to fully absorb the economic stress emerging from the pandemic without federal assistance.⁹ There have been a number of factors at work, including the fact that many white-collar workers, who often pay significant state income taxes, are able to work remotely and continue to be paid. Federal stimulus has also helped boost consumer spending, which has translated into solid retail sales tax collections.

Since the beginning of 2021, state and local fiscal circumstances have improved dramatically. While this is due in part to a

recovering economy, the more significant factor was the passage of the American Rescue Plan Act of 2021, which was signed by President Biden on March 11. The package included \$350 billion in support for state and local governments.¹⁰ Some of this money will be spent on infrastructure, including on school construction.

A very large federal infrastructure package

The newish administration in Washington, DC has proposed spending \$2.25 trillion addressing the nation's infrastructure challenges.¹¹ As reported by the *The New York Times*, White House officials indicate that the proposal's combination of spending and tax credits would physically translate into repairs to the 10 most economically important bridges in the United States, 20,000 miles of rebuilt roads, the elimination of lead pipes, and a lengthy list of other projects. These will create millions of jobs in the near term and strengthen U.S. competitiveness over the century to come.¹² Provisions of the package are also fashioned to increase wages, accelerate Internet service, render drinking water purer, and shorten commute times.

All of this is welcome. What is more challenging is paying for such a package. Costs of stepped-up infrastructure investment would be financed by expanded corporate tax revenues raised over 15 years, especially from multinationals that earn and/or book profits overseas.¹³ Spending would transpire over eight years.

Looking ahead

As of this writing, the plan remains in its formative stages. Although Biden's party has a majority in the House and a technical one in the Senate, there are Democrats who would like to see a bipartisan plan. A report published by *The Hill* states that Senator Joe Manchin (D-WV) is hesitant about pushing the package through Congress without some support from Republicans, stating, "For the sake of our country, we have to show we can work in a bipartisan way."¹⁴

Senate Republicans have countered Biden's plan with a far more modest \$568

billion package.¹⁵ Many would argue that this plan is more tightly focused around traditional definitions of infrastructure, providing additional federal funding for roads, bridges, transit systems, railways, airports, and water systems. Moreover, Manchin believes that raising the top corporate tax rate to 28 percent represents a step too far, preferring a move to 25 percent instead.¹⁶

In the final analysis, an infrastructure package appears likely. Perhaps in 2025, the grade for the United States will rise to a C or better. One can only hope. ■

NOTES

- ¹ Eisenhower, D.D., "Special message to the Congress regarding a national highway program" (Feb 22, 1955). Available at: <https://www.presidency.ucsb.edu/documents/special-message-the-congress-regarding-national-highway-program>.
- ² "2017 infrastructure report card: A comprehensive assessment of America's infrastructure," American Society of Civil Engineers. Available at: <https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/2017-Infrastructure-Report-Card.pdf>.
- ³ *Ibid.*
- ⁴ "2020 infrastructure report card: A comprehensive assessment of America's infrastructure," American Society of Civil Engineers. Available at: https://infrastructurereportcard.org/wp-content/uploads/2020/12/National_IRC_2021-report.pdf.

⁵ *Ibid.*

⁶ *Op cit.* note 4.

⁷ Leachman, M., "House budget bill provides needed fiscal aid for states, localities, tribal nations, and territories," Center on Budget and Policy Priorities (Feb 10, 2021). Available at: <https://www.cbpp.org/research/state-budget-and-tax/house-budget-bill-provides-needed-fiscal-aid-for-states-localities>.

⁸ Walsh, M.W., Virus did not bring financial rout that many states feared, *The New York Times* (Mar 1, 2021). Available at: <https://www.nytimes.com/2021/03/01/business/covid-state-tax-revenue.html>.

⁹ *Ibid.*

¹⁰ "President Biden announces American Rescue Plan," the White House (Jan 20, 2021) (press release). Available at: <https://www.whitehouse.gov/briefing-room/legislation/2021/01/20/president-biden-announces-american-rescue-plan/>.

¹¹ "FACT sheet: The American Jobs Plan," the White House (Mar 31, 2021) (press release). Available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>.

¹² Tankersley, J., Biden details \$2 trillion plan to rebuild infrastructure and reshape the economy, *The New York Times* (Mar 31, 2021). Available at: <https://www.nytimes.com/2021/03/31/business/economy/biden-infrastructure-plan.html>.

¹³ *Ibid.*

¹⁴ Bolton, A., Manchin pumps brakes on Biden infrastructure plans, *The Hill* (Apr 27, 2021). Available at: <https://thehill.com/homenews/senate/550382-manchin-pumps-brakes-on-biden-infrastructure-plans?rl=1>.

¹⁵ *Ibid.*

¹⁶ *Op. cit.* note 14.