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Infrastructure: The President's Fiscal Year 2015 Budget in Brief

The President's budget includes several important infrastructure initiatives designed to modernize the nation's critical infrastructure while helping to power our economy and put more Americans back to work. Most significantly, the budget provides a \$302 billion four-year surface transportation reauthorization bill. It also includes a package of tax incentives for infrastructure and calls for the establishment of a national infrastructure bank.

Surface Transportation Reauthorization

One of the budget's key initiatives is reauthorization of the current highway bill, which expires on September 30. In addition, gas tax revenues under current law have not been an adequate source of revenue for the Highway Trust Fund in recent years, as more efficient vehicles, a reduction in miles driven, and the inability of a per-gallon tax to keep pace with inflation have all worked to reduce revenue growth. As a result, Congress has acted several times in recent years to shore up the Trust Fund. Now, under current projections, the Trust Fund could run into cash flow difficulties even before September 30. In addition, projected revenues fall short of even current spending levels at a time when many believe increased infrastructure investments are necessary to maintain healthy economic growth.

The President proposes a \$302 billion four-year reauthorization bill that would increase infrastructure investment by \$87 billion over four years. The increase is financed by using \$150 billion of temporary corporate tax revenues that result from the corporate tax reforms proposed elsewhere in the budget. The budget transfers those sums into the Highway Trust Fund, filling the Fund's existing shortfall and financing the proposed increase.

The reauthorization proposal would feature:

- \$199 billion for highways, including a new \$10 million multimodal freight grant program;
- \$72 billion for transit programs;
- \$19 billion for rail programs;
- \$6.7 billion for highway safety programs; and
- \$5 billion for the TIGER competitive grant program.

Infrastructure Bank

The budget again calls for the creation of a National Infrastructure Bank to leverage public and private capital to support infrastructure projects of regional or national significance. The Bank would use loans

and loan guarantees to invest in a broad range of infrastructure, including transportation, energy, and water projects.

Infrastructure Tax Provisions

The budget also proposes \$6.9 billion in tax incentives for infrastructure. Highlights of this package include an America Fast Forward Bonds program that would build on the success of the Build America Bonds programs. These bonds would attract new capital for infrastructure investment and are designed to draw interest from public pension funds and foreign investors that do not receive tax benefits from traditional tax exempt debt. The budget also changes the Foreign Investment in Real Property Tax Act to make investments more attractive to a broader range of private investors.

Other Infrastructure Proposals

The budget proposes \$14 billion in discretionary funding for air, maritime, rail safety, and pipeline and hazardous material transportation. Highlights include:

- \$836 million for the Next Generation Air Transportation System, a multi-year project to modernize our air traffic control system (plus an additional \$186 million proposed in the budget's separate Opportunity, Growth, and Security Initiative);
- \$370 million to reduce the Federal Aviation Administration's maintenance backlog;
- \$40 million to support safe shipping of crude oil; and
- \$158 million for a stronger pipeline safety program.

The budget also seeks to modernize the permitting process for infrastructure projects, and focus airport grants on smaller airports while allowing larger airports to raise additional local resources.