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PERSPECTIVE

Infrastructure: Where we're going and how we plan to get there

By Elizabeth Dubeck, Denise Raytis and Eric Richards

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President Joe Biden speaks in Philadelphia, April 30.

On March 31, the Biden administration released its American Jobs Plan, an ambitious conceptual proposal around which implementing legislation will ultimately be developed, calling for around $2 trillion in investments across a broad range of American industries. Although touted as an "infrastructure" proposal by Democrats, Republicans have objected that the proposal strays far beyond "core infrastructure" concerns — such as roads and bridges that Americans have come to accept as properly meriting federal investment — and into areas not traditionally viewed as infrastructure at all. The partisan divide over what should properly be included in an infrastructure bill and how those projects should be funded reveals sharply differing views of the role government should play in American society.

Defining Infrastructure

The national debate over the Biden administration's infrastructure proposal has started at the most basic level: what do we mean by "infrastructure"? This is not the first time (or probably the last) that we consider this question or that Congress or a president seeks to guide us in answering it. After all, what we collectively view and accept as infrastructure-related not only informs what we deem to be proper for federal involvement and funding but also what we view as being in the national interest.

"Infrastructure" is often interpreted narrowly to mean primarily transportation infrastructure — i.e., rail, roads and highways, ports, airports and transit systems. In other words, infrastructure is what Americans use to get from point A to point B. Americans generally recognize and agree that promoting and connecting this type of infrastructure requires a national, concerted effort. (Examples of this type of federal initiative include the development of a coast-to-coast rail system and, years later, building a national highway system.) Proponents of this narrow view argue that only this type of infrastructure requires national attention today, given the dire state of our roads and bridges and the clear need for modernization of our rail and airport facilities, not to mention the high cost of accomplishing just those important tasks.

The American Jobs Plan, undeterred by such narrow lanes, takes an entirely different approach. President Biden's plan identifies "infrastructure" everywhere. Yes, roads and bridges are included. But the proposal also calls for investment in digital infrastructure, drinking water infrastructure, climate and clean infrastructure, caregiving infrastructure and power infra-

Elizabeth Dubeck, Denise Raytis *and* **Eric Richards** *are partners in the Project Finance & Development practice at O'Melveny & Myers LLP in Los Angeles.*

structure — not to mention child care, education and housing. The plan uses the term, in essence, to describe any essential facilities or services that are viewed by the Biden administration as critical to national productivity, and the plan seeks to address them all. This broader definition of "infrastructure" reflects a broader view of the government's role in supporting a wide range of society's needs and the idea that the national government can, and should, financially support (at least in significant part) those needs. Whether Americans will now accept these new categories of "infrastructure" as essential elements of our national productivity and economy will be determined as the national debate on the proposal continues.

How to Pay for Infrastructure

Regardless of how broad the scope of any infrastructure package is, the options for how to pay for the included projects remains essentially unchanged. At root, there are only two possible sources of funds for large-scale infrastructure spending: (1) user fees and (2) tax revenues. (Although private sector involvement — largely through public-private partnerships — can be a popular and important component of infrastructure development, private expertise and capital does not come for free. The private actors involved will need to recover their costs and earn returns, and to supply those amounts, the options, again, are either user fees or government payments from tax revenues.)

By way of example, the largest source of federal funding for surface transportation infrastructure over the last several decades has been user fees in the form of the federal gas tax. However, the gas tax long ago stopped generating sufficient funds even to pay for the federal government's share of maintaining our existing surface transportation assets, let alone other desired projects. Increasing the gas tax to the levels required to fund the significant investments widely acknowledged to be needed for our surface transportation infrastructure would make the tax prohibitively expensive. User fees are also regressive, impractical for many types of infrastructure assets, and can be eroded by changing consumer behavior, as increasing fuel efficiency and the growing prevalence of electric vehicles has undermined the gas tax.

The inadequacy of the gas tax is emblematic of the limitations of user fees generally, indicating that user fees are unlikely to be a sufficient funding approach for any material new infrastructure program. Therefore, assuming infrastructure investment of any material scope can be agreed upon, there will almost certainly need to be new or increased taxes to pay for it. The Biden administration's infrastructure proposal seems to recognize this, calling for increased corporate taxes to fund much of its proposals, and the administration will bear the burden of convincing the American public that the return on its proposed additional investments in infrastructure is worth the burden of these additional taxes. But to be clear, to the extent the administration's tax increase proposals are rolled back, we can also expect a rollback in the scope and reach of its ambitious plans.

Who Leads?

As the Biden administration seeks to convert its extensive conceptual proposal into implementing legislation, it will also have the challenge of designing effective programs and policies to bring about the comprehensive and coordinated investments in infrastructure that it is aiming to achieve.

Most infrastructure assets in the United States are developed, owned, and operated by state and local governments, and for many decades federal policies have been largely focused on providing incentives for state and local governments to support infrastructure development and maintenance in their respective jurisdictions — such as federal grants and loan programs, many requiring significant "matches" of local governmental funding. These traditional approaches to infrastructure sponsorship and funding are probably insufficient to accomplish significant, swift, and coordinated infrastructure development on a national scale. They carry too much opportunity for state and local actors to opt out from supporting the proposed policy objectives, and they can also lead to patchwork results. The federal high-speed rail legislation launched during former President Obama's administration, for example, has experienced challenges on these fronts. Looking to history, our most successful national infrastructure accomplishments —such as the interstate highway system — have involved strong federal vision and leadership, in partnership with state and local authorities. Thus, even if it is successful both in redefining our national conception of "infrastructure" and in obtaining all of the spending authority that it is seeking, the Biden administration will have to score a hat trick by also successfully enacting strong and thoughtful federal implementing programs and policies to complement such successes in order to truly transform the country's approach to infrastructure and recognize the full ambitions of its proposals. ■

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