AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Building on Experience
100 YEARS

INFRASTRUCTURE INVESTMENT

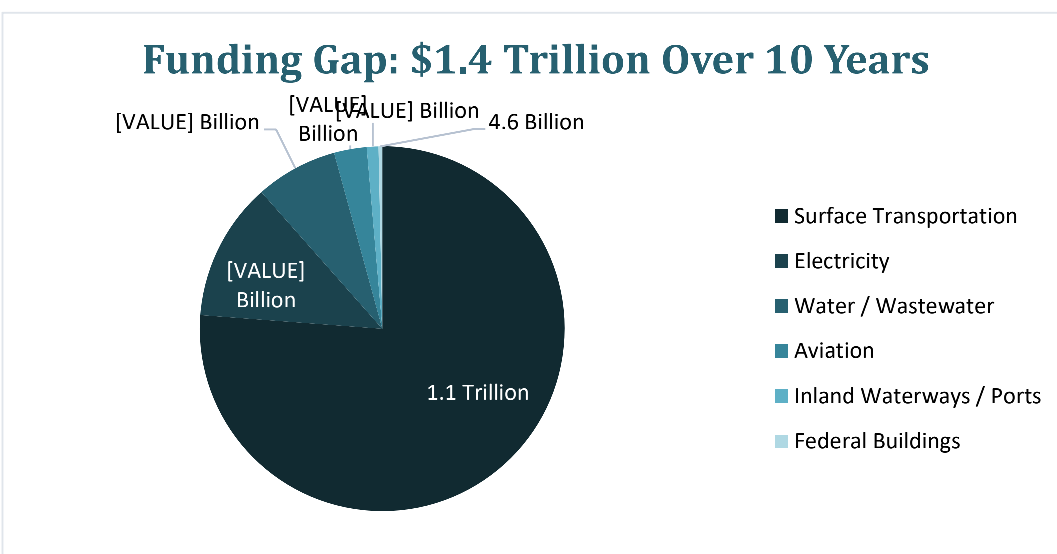
Combine Tax Reform with an Infrastructure Bill to Maximize Economic Impact

Background:

- Federal infrastructure spending programs that provide sustained investments have a positive impact on economic growth in the short and long term. The Congressional Budget Office estimates that, on average, every dollar invested in infrastructure generates as much as $2.50 in incremental output. This is the highest multiplier among all other major spending programs or from tax cuts.

AGC Message:

- **Combining Comprehensive Tax Reform and Infrastructure Investment Is a Win for Our Economy.** America's aging infrastructure and uncompetitive tax code are significant barriers to job creation and economic growth. The United States has underinvested in our infrastructure for decades. In 2015 a mere 2/3 of one percent of GDP went towards infrastructure – the lowest levels in more than 50 years.
- **Combining Comprehensive Tax Reform and Infrastructure Investment Makes Political Sense.** Infrastructure enjoys bipartisan support and broad public support, and can help move a tax reform package through Congress. Policies such as repatriation, and increasing user fees and excise taxes also enjoy bipartisan support.
- **Comprehensive Tax Reform and Infrastructure Investment Are Already Connected.** Tax policy impacts funding for highways, transit systems, airports, waterways and other public works.
- **The Administration's Infrastructure Plan Does Not Fully Address Our Nation's Infrastructure Needs.** The FY 2018 budget request from the administration called for a ten-year $200 billion infrastructure plan. The plan falls significantly short of the $1 trillion investment promised but does provide an opportunity to be built upon by AGC's recommended concepts for a tax reform and infrastructure package.
- **Tax Reform Should Address Infrastructure Needs.** According to the American Society of Civil Engineers' 2016 Failure to Act report, there will be funding gap of $1.4 trillion over the next 10 years if we maintain current investment levels in surface transportation, water/wastewater, electricity, airports and inland waterways and ports.



$1T Infrastructure Package Should Include:

Surface Transportation *Current Funding:* $ 941 B *Gap:* $ 1.1 T *Total Needs*: $ 2.042 T *AGC Solutions:* $ 545-613B	*Solutions:* **Highway Trust Fund**: Increasing the gas tax by 20 cents would *raise $340 billion over 10 years.* **Private Activity Bonds (PABs):** increasing the volume cap for transportation PABs by $5 billion would *result in an additional $19 billion in investment.* **Dedicate Partial Revenue from Repatriation to Surface Transportation –** *$125 billion* **Dedicate 15% of Customs Revenue to Infrastructure Investment**—*$58.3 billion* **$100 Annual Registration Fee on Electric Cars, $50 on Hybrid Electric –** *$2.971 billion* **One Cent Car and Four Cent Truck Vehicle Mile Traveled Fee** – *$408 billion*
Electricity *Current Funding:* $ 757 B *Gap:* $ 177 B *Total Needs*: $ 934 B *AGC Solution:* Permitting Reform	*Solution:* Federal funding is not a primary concern, as many electric/energy projects are funded with private dollars. However, significant delays in the environmental permitting process causes delays and increases costs. Conducting environmental reviews and permitting processes concurrently will eliminate duplicative consultations and will deliver projects faster and more cost efficiently.
Aviation *Current Funding:* $ 115 B *Gap:* $ 42 B *Total Needs*: $ 157 B *AGC Solution:* $ 25 B	*Solution:* Increase funding for the Airport Improvement Program and lift the $4.50 cap on the Passenger Facility Charge (PFC). *Raising the PFC to $8.00 would raise $25 billion over 10 years.*
Water / Wastewater *Current Funding:* $ 45 B *Gap:* $ 105 B *Total Needs*: $ 150 B *AGC Solutions:* $ 71 B	*Solutions:* **Private Activity Bonds (PABs):** Lifting the volume cap for water infrastructure *unlocks up to $6 billion in private investment.* **WIFIA:** Provide $200 million annually over 5 years for WIFIA loans to Clean and Drinking Water SRF's. *This $1 billion appropriation would generate $65 billion in loans.* **Maintain Tax Exempt Status of Municipal Bonds:** Eliminating the tax exempt status of municipal bonds would *remove $310 billion annually for state and local infrastructure.*
Inland Waterways / Ports *Current Funding:* $ 22 B *Gap:* $ $15 B *Total Needs*: $ 37 B *AGC Solution:* $ 18 B	*Solution:* **Harbor Maintenance Trust Fund/Inland Waterways Trust Fund:** Ensure all user-generated revenue sources that support these trust funds are fully utilized for water infrastructure. *This would increase investment by $18 billion over 10 years. Include $1 billion from other sources to each trust fund to expedite work on critical projects.*
Federal Buildings Fund *Current Funding:* $ 8.8 B *Gap:* $ 4.6 B *Total Needs*: $ 13.4 B *AGC Solutions:* $ 5-15 B	*Solutions:* **Civilian BRAC:** The disposal of unneeded federal real property would allow for billions of dollars in construction work. For example, GSA sold an abandoned heating plant in Washington, D.C., for $19.5 million that will be converted into high-end condos, requiring more than $100 million in private construction. Disposal of the property has the potential to *generate $8 billion through the sale of these properties*. **A-11 Reform:** Modify outdated budget scoring policy and enable federal agencies to make infrastructure, real property and procurement decisions that unlock private sector investment. **Private Activity Bonds (PABs):** Expanding PABs to include additional types of public infrastructure *would cost $48 million over 10 years and result in $5billions of dollars of private investment.*
Additional Financing and Funding Sources *AGC Solutions:* $ 226 B	*Solution:* **Move America Forward Tax Credits/Bonds.** Private sector purchasers would be allocated tax credits to attract private investment in public infrastructure. This proposal would *turn $8.1 billion cost into $226 billion in bond authority*.

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