Transportation interests move closer to historic investments

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On Aug. 10, the U.S. Senate marked a monumental achievement in a months-long effort to secure historic investments in our nation's infrastructure. With a final vote of 69–30, the Senate wrapped up debate, sending the Infrastructure Investment and Jobs Act of 2021 (IIJA) to the House of Representatives for consideration.

The sprawling 2,702-page bill touts a US$1.2 trillion price tag, and it represents the largest long-term investment in our nation's infrastructure in nearly a century, more than four times greater than the 2009 American Recovery and Reinvestment Act. Final passage delivers a major accomplishment for President Joe Biden and his administration, as well as the bipartisan group of senators who negotiated the bill and the scores of interested stakeholders that fought for its success.

If enacted, the bill promises to inject billions of dollars in new spending for highways, rail, bridges, water, broadband, and more. However, as the dust settles from the heated political firestorm, many still are asking: What is actually in the bill, how is it paid for, and what is next?

In what is being sold as a once-in-a-generation investment, the IIJA includes US$550 billion in new spending over five years to rebuild roads and bridges (US$110 billion), improve public transit systems (US$39.2 billion), expand passenger and freight rail (US$66 billion), upgrade ports and waterways (US$16.6 billion); upgrade airports (US$25 billion), invest in broadband infrastructure (US$65 billion), fix water systems (US$55 billion), modernize the power sector (US$65 billion), and improve climate resilience (US$47.2 billion).

Investments are applauded: but how are they paid for?

How to pay for the bill has always been a major point of contention. On Aug. 4, the Congressional Budget Office (CBO) released its "score" of the bill, estimating that over the 2021–2031 period, enacting Senate Amendment #2137 to H.R. 3684 (the legislative vehicle for the infrastructure bill) would decrease direct spending by US$110 billion, increase revenues by US$50 billion, and increase discretionary spending by US$415 billion. On net, the legislation would add US$256 billion to projected deficits over that period.

This development was a major point of contention for Senate Republicans, who were under the impression that the bill would be entirely paid for. Lead Senate negotiators, Senators Rob Portman (R-OH) and Kyrsten Sinema (D-AZ), noted that new spending under the bill would be offset through a combination of new revenue and savings, some of which is reflected in the formal CBO score and some of which is reflected in other savings and additional revenue identified in estimates, as CBO is limited in what it can include in its formal score.

The White House responded by saying that the CBO score does not count real savings and that there is strong evidence from a number of economists, including Moody's, that infrastructure investment such as this bill can pay for itself over time.

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With these considerations at play, the bill's negotiators were creative in approaching the pay-fors, including the following estimates:

- US$210 billion from repurposing of certain unused COVID-19 relief dollars, including rescission of funds from COVID-19 relief bills (prior to the American Rescue Plan), and estimates of savings produced from reduced uptake and sunsetting of underutilized tax credits.
- US$51 billion from delaying the Medicare Part D rebate rule.
- US$53 billion from savings produced by certain states returning unused enhanced federal unemployment insurance supplement.
- US$20 billion from sales of future spectrum auctions and US$67 billion from proceeds of the February 2021 c-band auction.
- US$56 billion in economic growth resulting from a 33 percent return on investment in these long-term infrastructure projects.
- US$28 billion from applying information reporting requirements to cryptocurrency.

- US$21 billion from extending fees on government-sponsored enterprises.
- US$14.45 billion from reinstating certain Superfund fees.
- US$8.7 billion from the mandatory sequester.
- US$6 billion from extending customs user fees.
- US$6 billion in sales from the Strategic Petroleum Reserve.
- US$3 billion in savings from reducing Medicare spending on discarded medications from large, single-use drug vials.
- US$2.9 billion from extending available interest rate smoothing options for defined benefit pension plans.

Infrastructure week was a marathon: What is next?

Senate proceedings on the IIJA began in the evening on July 28. Final passage came midday on Aug. 10.

With over 500 amendments filed, lack of agreement between senators from both sides of the aisle, and a US$3.5 trillion budget resolution looming, the process was punctuated with hurdles at every step. However, despite the laudable success of the infrastructure bill, there is little time to celebrate, with more barriers to final passage awaiting in the U.S. House of Representatives.

Speaker Nancy Pelosi (D-CA) has repeatedly taken the position that the House will not consider the bipartisan infrastructure bill until the Senate passed both the bipartisan infrastructure bill and the proposed Democratic budget resolution.

House Democrats will be pressured to take up the IIJA in its current form, but there will be no shortage of opposition, with more progressive members of the Democratic Caucus eager to weigh in on their priorities, moderates pushing back against the US$3.5 trillion bottom line in the budget resolution, and notable dissent from Transportation and Infrastructure Committee Chairman Peter DeFazio (D-OR), who has called for a formal conference between the House and Senate.

Democrats will potentially return to Washington in late-August or early September to consider both the infrastructure package and the budget resolution, but how the process comes together remains an open question.

Fresh off a legacy legislative achievement on infrastructure, the Senate immediately pivoted to the US$3.5 trillion budget resolution, also referred to as the "social spending" portion of the president's infrastructure package.

The first step in moving a Democrat-only reconciliation bill, the budget resolution would unlock a simple majority vote on several priorities from President Biden's American Families Plan, including expansions of the Child Tax Credit, Earned Income Tax Credit, and Child and Dependent Care Tax Credits; funding for the Clean Energy Standard, Clean Energy and Vehicle Tax Incentives, and federal procurement of clean technologies; and funding for Universal Pre-K, Paid Family and Medical Leave, and Nutrition Assistance. The multitrillion-dollar price tag will be offset by a combination of health care savings, corporate and individual tax increases, and projections from long-term economic growth.

A protracted floor debate carried on late through Tuesday night and into Wednesday morning, with hundreds of amendments filed and many receiving votes. Around 4 a.m., Senate Majority Leader Chuck Schumer (D-NY) cobbled together the 50 votes needed for final passage, after considerable input from influential moderate Senators Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ).

The work of the bipartisan group of 22 in the Senate is the first, but a significant, step along a challenging road to an infrastructure bill signing in the White House Rose Garden. However, for stakeholders with financial interests in freight logistics, highway construction, port terminal operations, and broadband towers, this is a significant milestone, and a reason to pay close attention.

As the IIJA makes its way through the scrutiny of the legislative process, and eventually through the careful regulatory consideration of implementation, there will be unprecedented opportunities for engagement in these historic investments. Both risk and opportunity remain, highlighting the need for continued involvement throughout the entire process.

About the authors



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