PRESIDENT TRUMP'S PROPOSED INFRASTRUCTURE PLAN:
THE SHIFT TO LOCAL FUNDING & ILLINOIS' RESPONSE

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On Monday, February 12, 2018 President Trump released his long-awaited infrastructure plan. The $1.5 trillion proposal emphasizes the need to leverage federal funding with local or private support as a fix to the existing broken infrastructure funding system. The following analysis by the Illinois Economic Policy Institute reviews the proposed infrastructure plan in the context of Illinois' existing infrastructure funding methods. Ultimately, it begs the question of how Illinois will respond: acknowledge that the current Administration is unwilling to provide direct support and offer local funding solutions or continue to hold out for broader federal aid?

INFRASTRUCTURE PLAN PROPOSAL

The proposed plan is divided into four sections: funding and financing infrastructure improvements, additional provisions for infrastructure improvements, infrastructure permitting improvement, and workforce development. This brief will focus solely on the proposed funding programs.

As summarized in Table 1, the plan proposes $200 billion in federal funding between five major programs to support infrastructure ranging from transportation to electricity and broadband systems. The funding will come from cuts to existing programs (Lemire and Crutsinger, 2018).

Table 1: Outline of Funding in President Trump's Proposed Infrastructure Plan

Program	Description	Total
Infrastructure Incentives Program	▪ Available for a variety of transportation, water, and brownfield and superfund projects ▪ Funds administered by Department of Transportation (DOT), United States Army Corps of Engineers (USACE), and Environmental Protection Agency (EPA) ▪ Funds awarded by grant application and selection process ▪ No more than 20% of total project cost can be federal funds	$100 billion
Rural Infrastructure Program	▪ Available for transportation, broadband, water and waste, and power and electric projects in rural areas (populations less than 50,000) ▪ 80% of funds divided between states via formula that will be administered as block grants ▪ 20% of funds for rural performance grants ▪ Portion of funds will be set aside for tribal and territorial infrastructure	$50 billion
Transformative Projects Program	▪ Available for transportation, clean water, drinking water, energy, commercial space, and broadband sectors ▪ Focused on "ambitious, exploratory, and ground-breaking project ideas" that are commercially viable, but hold unique risks ▪ Awarded competitively under three tracks that offer 30-80% federal support of total project cost	$20 billion
Infrastructure Financing Programs	Expansion of existing financing programs, including Transportation Infrastructure Finance and Innovation Act (TIFIA), Railroad Rehabilitation and Improvement Financing (RRIF), Water Infrastructure Finance and Innovation Act (WIFI), and Rural Utilities Service (RUS)	$20 billion
Federal Capital Financing Fund	Fund will be created to finance purchases of federal owned civilian real property; funding is used to capitalize the revolving fund	$10 billion
	TOTAL	$200 billion

Source: The White House, 2018

The general trend throughout these programs is a reduced federal role in funding major infrastructure projects. For example, the largest funding is allotted to the Infrastructure Incentives Program at $100 billion. The funds will be managed by federal agencies and awarded by grants to state and local agencies. Most notably, only 20% of total project costs will be covered by federal funds, with the remaining generated by local sources. Similarly, the plan offers $20 billion to the Transformative Projects Program, of which federal funds will cover between 30% and 80%, depending on whether the project is in the demonstration (30%) or capital construction (80%) stage. Also, $20 billion will support existing Infrastructure Financing Programs, like the Transportation Infrastructure Finance and Innovation Act (TIFIA). TIFIA is a credit assistance program for large-scale transportation projects, designed to leverage private co-investment by the federal government providing supplemental capital (DOT, 2017).

Ultimately, instead of proposing new infrastructure funding or new innovative sources – like an increased motor fuel tax or vehicle miles traveled fee – the majority of funding proposed in President's Trump plan is focused on leveraging federal funding against state and local funds. In light of the Administration's proposal to minimize the federal role in transportation funding, states should now be closely examining their funding mechanisms to ensure adequate funding for their systems and their ability to take advantage of these federal programs.

TRANSPORTATION FUNDING IN ILLINOIS

Little has changed in Illinois over the last two decades in regards to transportation funding. State policymakers have continued down the same road, relying on the motor fuel tax and vehicle registration fees as primary funding sources. The gasoline tax remains at $0.19 per gallon and has not been increased in 27 years (CMAP, 2015). And despite the fact state gasoline tax receipts have decreased from almost $1.8 billion (2017$) in 1999 to under $1.4 billion (2017$) in 2015 – due to the loss of its purchasing power from inflation and increased vehicle fuel efficiency – lawmakers have not sought to increase the fee, tie it to inflation, or propose new funding sources. To put it into perspective, from 1999 to 2015, the average motor fuel tax paid by a licensed driver in Illinois decreased from $223 to $158 (2017$) (FHWA, 2016).

Furthermore, Illinois has not passed a capital funding bill since 2008. Since the 1980s, the state has passed a bill roughly every 10 years to provide capital funding for transportation and other major projects. Illinois Jobs Now! was a $31 billion program funded by a combination of state debt and federal and local matching funds. It provided over $21 billion for transportation projects, including roads and bridges, public transit, rail, and airport improvements (State of Illinois, n.d.). While 10 years have come and gone, a new bill is not on the horizon.

TRANSPORTATION NEEDS IN ILLINOIS

As a result of lackluster funding, Illinois' transportation system is in dire needs of improvements. From roads and bridges to transit systems, maintenance is being deferred and new projects to address safety or congestion needs become unlikely and more difficult.

Almost 20% of all Illinois Department of Transportation (IDOT) roadways are currently in "poor" condition, compared to only 8% in 2001; and the number of roadway miles in "excellent" condition decreased from 33% in 2001 to only 20% in 2016 (IDOT, 2017a). IDOT has also indicated that if current funding strategies continue, the number of "backlog" road miles and bridges are expected to increase by 101% and 64%, respectively, by the year 2023 (IDOT, 2017b). Furthermore, over 31% of all bridges in Illinois are over 50 years old (FHWA, 2016), and 8% of bridges on IDOT's roadway system are considered to be "backlogged" (IDOT, 2017b). Congestion has also steadily increased, from 52 hours of delay annually in 2000 for the average peak hour commuter in the Chicago region, to 61 hours in 2014 (TTI, 2015).

MOVING FORWARD

The needs are great in Illinois and it is alarming to imagine the future conditions of the state's transportation network if funding is not identified soon. While policymakers may have hoped that the federal government would step in and provide a sweeping funding package, it is now obvious that that is not the case. The federal government is looking to state and local governments to foot a large part of the bill and it is time for Illinois to step up.

Regardless of whether every proposed change outlined in the Trump Infrastructure Plan is beneficial to the nation's infrastructure network or population and workforce, the State of Illinois and local governments should start acknowledging that this proposed infrastructure reform will not provide substantial federal support. Despite the myriad of policy options proposed by transportation policy experts to fix the current infrastructure funding shortfall in the nation – from a motor fuel tax increase to a vehicle miles traveled fee – the federal government instead chose to let state and local governments take the lead. While it is still uncertain whether this plan will pass, considering the quick enactment federal tax reform, Illinois lawmakers would do well to begin considering how they will come up with infrastructure funds needed to compete under this new plan.

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