

Investing in American Infrastructure

Meeting Our Greatest Challenges: The President's Fiscal Year 2017 Budget

Under the President's leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

Our nation's transportation system was built around President Eisenhower's vision of interstate highways connecting 20th century America. That vision enabled economic expansion and prosperity, fostered a new era for automobiles, and supported the growth of our metropolitan areas. But what remains of that system today – our crumbling highways, roads, bridges, and passenger rail system – is not ready to meet the challenges of a growing 21st century economy. And today's transportation system imposes a hidden tax through congestion, which every year costs families \$160 billion and businesses almost \$30 billion. Experts estimate that we need trillions of dollars of new investments by 2020. We must also begin investing for future decades. By 2040, our population will grow by 60 million, freight movement will increase by 45%, and growing mega-regions will increase the economic interdependence of millions of Americans.

Late last year, Congress passed a bipartisan long-term transportation bill that finally broke a 10-year cycle of short term extensions and made important gains on permitting reform, innovative finance and dedicated freight funding. However, with only a modest increase in infrastructure funding, this was only a down payment on what our economy needs.

Building a Clean 21st Century Transportation System

As President Obama has repeatedly said, “no challenge poses a greater threat to future generations than climate change.” At the same time, the President has made clear that taking steps to reduce carbon pollution presents an enormous opportunity to strengthen the economy, drive innovation, and create new jobs.

A key step in that effort includes making smart and strategic investments to create a new, cleaner, sustainable transportation system. Today, our transportation sector accounts for 30 percent of U.S. greenhouse gas emissions. A new approach to our transportation system can help to speed goods to market, expand Americans’ transportation options, build connected communities, and integrate new technologies like autonomous – or self-driving – vehicles. And to address the challenges of the 21st century, we need a transportation system that reduces our reliance on fossil fuels, cuts carbon pollution, and strengthens our resilience to the impacts of climate change.

President Obama’s budget lays out a bold new plan for achieving these goals by building a 21st Century Clean Transportation System. The plan is funded by a new fee paid by oil companies. The President’s plan would increase American investments in clean transportation infrastructure by roughly 50 percent while reforming the investments we already make to help reduce carbon pollution, cut oil consumption, and create new jobs. The new fee on oil will also encourage American innovation and leadership in clean technologies to help reshape our transportation landscape for the decades ahead.

The President's 21st Century Clean Transportation Plan

The President’s 21st Century Clean Transportation Plan would set America on a long-term path to achieving our economic and climate goals by (numbers below are annual averages for the ten-year initiative):

- **Refocusing Federal investment to enhance transportation options for American families.** The President’s plan would invest nearly \$20 billion per year above current spending to reduce traffic and provide new ways for families to get to work and school. It also would expand transit systems in cities, suburbs and rural areas; make high-speed rail a viable alternative to flying in major regional corridors and invest in new rail technologies; modernize our freight system; and expand the Transportation Investment Generating Economic Recovery (TIGER) program to support high-impact, innovative local projects.
- **Rewarding State and local governments for innovations that lead to smarter, cleaner, regional transportation systems:** The President’s plan would invest roughly \$10 billion per year to transform regional transportation systems by shifting how local and State governments plan, design and implement new projects. The proposal aims to reshape the existing transportation formula programs to ensure that local, regional and State governments are maximizing returns on public investments and delivering better outcomes. As part of reforming formula programs, the President’s plan would create a new Climate-Smart Performance Formula Fund that incentivizes States with bonus funding for cutting carbon pollution, improving efficiency, maximizing returns on public investments, and delivering better outcomes in the transportation sector. The plan would also launch three new competitive grant programs: a 21st Century Regions Grant program to implement regional-scale transportation and land-use strategies, a Clean Communities Grant program to support more livable cities and towns with expanded transportation choices, and a Resilient Transportation Grant program to spur investments that bolster resilience to climate impacts.

- **Accelerating the integration of autonomous vehicles, low-carbon technologies, and intelligent transportation systems into our infrastructure to reduce climate emissions, increase safety, and improve transportation options for American families.** The Plan would invest over \$2 billion per year to launch a new generation of smart, clean vehicles and aircraft. It would expand clean transportation R&D; launch pilot deployments of safe and climate-smart autonomous vehicles; and accelerate the transition to cleaner vehicle fleets in communities around the country, including expanding funding for the Diesel Emissions Reduction Grant Program. It would also support the creation of regional fueling infrastructure for low-carbon vehicles. Working with State and local governments and through public-private partnerships, the plan would focus investments where they have the greatest impact. It also would help ensure that all Americans have access to at least one alternative transportation fuel by 2020, including electric vehicle charging, advanced biofuel fuel pumps, and other low-carbon options. In concert with the Plan, DOT will consider ways to improve its capacity to conduct advanced research.
- **Ensuring transportation safety keeps pace with changing technology.** The Plan would invest \$400 million a year to ensure that new and changing technologies are integrated safely into our transportation system. Technology is fundamentally changing our transportation system, from driverless cars to electric trains to traffic demand management systems. These technologies need to be incorporated quickly and safely into our transportation networks. The Department of Transportation will work with experts and partners around the country to develop interoperable standards that keep all users safe, stay ahead of cybersecurity threats, and ensure safety standards can adjust to the speed of innovation.
- **Paying for the plan in a fair and sustainable way.** The Plan would be funded by a new \$10 per-barrel-fee on oil paid by oil companies, which would be phased in over five years. The fee not only would fund the new investments we need but also provide for the long-term solvency of the Highway Trust Fund to ensure we maintain the infrastructure we have. By placing a fee on oil, the President's plan creates a clear incentive for private sector innovation to reduce our reliance on oil and invest in clean energy technologies that will power our future.
- **Utilizing one-time revenues from business tax reform.** The Plan would continue the President's call to utilize the one-time revenues from pro-growth business tax reform to provide a temporary near-term surge in investment to set us on the right path for the years ahead.
- **Providing assistance to relieve energy cost burdens for families.** Consistent with other Congressional proposals to increase energy fees, the Plan would provide assistance to families to relieve energy cost burdens, including a focus on supporting households in the Northeast as they transition from fuel oil for heating to cleaner forms of energy.

Expanding Public Private Collaboration on Infrastructure

Addressing the Nation's infrastructure deficit will require collaboration across the public and private sectors. While no replacement for robust public investment, private capital and expertise can play an important role in financing the construction of major infrastructure projects.

That's why, in conjunction with the 21st Century Clean Transportation Plan, the Budget seeks to advance proposals to expand private-sector collaboration on infrastructure development, especially the Nation's transportation and water infrastructure. Additionally, the President's Build America Initiative includes efforts to expand Federal resources to better coordinate and execute the programs and resources that are already in the Federal government's toolkit. These include:

- **Strengthening the Innovative Financing Bureau at the Department of Transportation**, which will help promote public-private collaboration, coordinate projects across the Department, and work with State and local governments through technical assistance.
- **Enhancing the EPA Water Infrastructure and Resiliency Finance Center's** ability to provide objective financial technical guidance and help stakeholders find solutions to financing drinking water, wastewater, and stormwater infrastructure projects.
- **Supporting ongoing predevelopment efforts**, for example, at the Department of Interior and Department of Transportation, to help ensure the appropriate resources are dedicated to upfront planning and coordination with the private sector so that projects can best achieve the desired economic, social, and environmental outcomes.
- **Providing direct loan financing of significant and innovative water and wastewater projects** to entities including corporations, partnerships, municipalities, and State Revolving Fund programs through EPA's new Water Infrastructure Finance Innovation Act (WIFIA) Program. EPA anticipates that the subsidy levels included in the FY2017 President's Budget could support up to \$980 million in infrastructure financing.
- **Creating an innovative, low-cost infrastructure bond called a Qualified Public Infrastructure Bond (QPIB)**. QPIBs level the playing field for public/private partnerships and will attract billions of dollars of new private capital for our nations' airports, ports, mass transit, solid waste disposal, sewer, water, and surface transportation projects.
- **Establishing a new Federal credit program to support public-private partnerships** within the Department of the Treasury, called the Financing America's Infrastructure Renewal ("FAIR") program, that will provide direct loans to U.S. infrastructure projects developed through public-private partnerships that meet applicable environmental and labor standards.

Continuing to call for the establishment of a National Infrastructure Bank (NIB) that will facilitate increased private investment in infrastructure projects that will accelerate our Nation's economic competitiveness. The NIB would offer broad eligibility and unbiased selection for transportation, water, and energy infrastructure projects. Projects would have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream. Interest rates on loans issued by the NIB would be indexed to U.S. Treasury rates, and the maturity could be extended up to 35 years, giving the NIB the ability to be a patient partner side-by-side with State, local, and private co-investors.