

Obama Budget Would Double Infrastructure Spending

By **Liz Hoffman**

Law360, New York (February 13, 2012, 3:41 PM ET) -- President Barack Obama's 2013 budget, unveiled on Monday, would nearly double federal infrastructure spending over the next six years and open up new sources of funding for high-speed rail, but faces dim prospects in Congress.

Obama proposes \$476 billion in new federal spending by 2018 to shore up the nation's roads, bridges and railroads. The plan would be partly funded by savings from the wind-down of the wars in Iraq and Afghanistan, and for the first time would allow gas taxes to go toward improving passenger rail.

Obama also renewed his support for a national infrastructure bank that would leverage private investment to support large-scale transportation, energy and water projects.

"Most Americans understand that a crumbling infrastructure is not the way to build an economy that can last," Jacob Lew, Obama's newly appointed chief of staff, told CNN's Candy Crowley on Sunday.

But the proposals face an uphill battle in Congress, where both houses have floated their own transportation bills with smaller spending pots and different priorities.

The U.S. Senate infrastructure bill — which Obama supported last week — lasts only two years and spends just \$109 billion. A two-year, \$260 billion version in the U.S. House of Representatives would zero out funding for mass transit from gas taxes and other user fees in the highway trust fund. Most experts expect a final bill somewhere in between, if one is passed at all before the 2012 presidential election.

"Most of what's being proposed are nonstarters," said David Levinson, a transportation policy expert at the University of Minnesota. "Infrastructure is a big part of what [Obama] is trying to do on the economy, but he's unlikely to get most of what he's asking for."

Fixing the nation's aging infrastructure has been a centerpiece of the administration's job creation efforts. The 2009 stimulus included the single biggest federal infrastructure spending push since the 1950s, and subsequent laws like the American Jobs Act have tried to fast-track funding and cut red tape.

"So much of America needs to be rebuilt," Obama said last month in his State of the Union speech, which took aim at failing roads and bridges, inefficient power grids and patchy high-speed Internet coverage.

“Take the money we're no longer spending at war ... and do some nation-building right here at home,” he said.

Monday's budget would kick-start the process with an immediate infusion of \$50 billion, to be split among U.S. Department of Transportation agencies for projects like bus grants and track upgrades.

By 2022, the plan would put \$774 billion toward the Transportation Trust Fund, which would be expanded for the first time since the 1980s to support eligible inter-city rail projects. About \$135 billion of the new funding would come from revenue hikes on gas, motor oil and tire taxes. The move is controversial because it shifts more revenue from drivers to nondrivers and faces strong opposition in Congress, especially the House.

The administration is standing firm in its support for high-speed rail, whose political prospects have declined in recent months. Republican governors in Florida, Ohio and Wisconsin have killed plans to expand rail corridors and California's initiative has been plagued by funding uncertainties.

The budget sets aside \$47 billion over the next six years for rail, including merging the subsidies Amtrak has received since 1971 into a more comprehensive program to provide 80 percent of Americans with railroad access within 25 years. That's slightly down from the \$53 billion pledged to high-speed rail in February 2011.

At least some of the new funding would flow through a proposed national infrastructure bank to leverage private investments for public works. The idea has been floating around Washington for years — the first congressional bill appeared in 2007 and Obama has made similar proposals in his past three budget proposals — but has gone nowhere.

“There's a reason this keeps coming up and keeps going nowhere,” said Paul Forrester, an infrastructure finance partner at Mayer Brown LLP in Chicago. “There's clearly a role for government to help get some commercially risky projects up and running, but there's not a lot of proof that they're any good at it.”

The U.S. Department of Transportation gets \$74.5 billion in 2013 under the plan, up from \$72.7 billion in 2012. Overall, the new budget projects a \$901 billion deficit for the coming fiscal year, down from a \$1.3 trillion deficit projected for 2012.

The budget sets \$1 billion aside to advance an ambitious Federal Aviation Administration program to wean the country's airports off ground-based radar in favor of satellite radar that would find more efficient routes. It also proposes raising the fees airline passengers pay for increased security measures.

--Editing by John Quinn.