

Congress and the White House are working to pass not one, but two, massive infrastructure bills that could reshape many parts of the economy, from transportation to education and health care. This memo provides context for the legislation, what the bills include (or may include) and the outlook for their eventual passage.

## BACKGROUND

Candidate Joe Biden was elected in 2020 partly on his platform of “Build Back Better,” promising increased spending on infrastructure, action on climate change, and expansion of the social safety net. The 2020 election results, a 50-50 split in the Senate coupled with the Democrats’ narrow majority in the House, gave Democrats control of all the policymaking levers in Washington, but barely.

Traditional infrastructure, meaning roads, bridges, water systems, rail and other “hard” elements, has traditionally received bipartisan support, but in the current partisan environment, even infrastructure is a hard sell. Meanwhile, Biden’s call for more spending on “soft” infrastructure like early childhood education, senior care, clean energy and the like, has received near-unanimous opposition from Republicans.

Although Democrats have a functional majority in the Senate (50 Senators plus the tiebreaking vote of the Vice President), Senate filibuster rules mean that Democrats need to secure the support of at least 10 Republicans to move any legislation, with one exception (more on that in a second). And Democrats can’t even count on all 50 Senators sticking together, with a caucus that ranges from super-progressive Bernie Sanders (VT) to conservative Joe Manchin (WV).

The one exception to the filibuster rule is a process called “reconciliation,” which is used for legislation to address the federal budget (taxes and spending). A reconciliation bill can’t be filibustered, meaning Democrats need just 50 Senators – but because everything in a reconciliation bill has to directly affect the federal budget, a lot of things Democrats want can’t be passed in a reconciliation bill (i.e., back to needing 60 votes).

Consequently Biden – who also campaigned on his ability to negotiate deals in the Senate – adopted a two-track process: work with some Republicans on a “hard” infrastructure package that could get 60 votes, while at the same time using reconciliation on a Democrats-only package that includes a lot of his other priorities.

## THE BIPARTISAN “HARD” INFRASTRUCTURE PLAN

Earlier this week, the Senate approved a bipartisan “hard” infrastructure package that would spend \$1.2 trillion over 8 years, including \$579 billion in new spending, on roads, bridges, water systems, broadband and other traditional infrastructure.

The bill was approved by the Senate 69-30, with 19 Republicans joining all 50 Democrats to pass it, and send it to the House.

## WHAT IS IN THE BILL

### ROADS AND BRIDGES

The bill provides \$110 billion for roads, highways and bridges. Some of the highlights include:

- \$37 billion for bridges via a competitive grant program to assist the repair and replacement of deficient and outdated bridges and ease the national bridge repair backlog. In addition to the competitive program, this funding also supports a bridge formula program to help support the \$125 billion bridge repair backlog (as estimated by the American Society of Civil Engineers).
- \$7.5 billion for Rebuilding American Infrastructure with Sustainability anti Equity (RAISE) grants, which support surface transportation projects of local and/or regional significance.
- \$5 billion for Safe Streets for All program, funds state and local “vision zero” plans and other improvements to reduce crashes and fatalities, especially for cyclists and pedestrians.

## **PASSENGER AND FREIGHT RAIL**

The bill provides \$66 billion in passenger and freight rail. The White House has said this is the largest investment in Amtrak since its creation. This amount includes:

- \$5 billion for Consolidated Rail Infrastructure and Safety Improvement (CRISI), which funds projects that improve the safety, efficiency, and reliability of intercity passenger and freight rail.
- \$3 billion for the Railroad Crossing Elimination Program, a competitive grant program provides funds for the elimination of hazards at railway-highway crossings.

## **PUBLIC TRANSIT**

The bill provides \$39 billion to modernize public transit. This includes:

- \$8 billion for Capital Investment Grants, which support new and expanded commuter and light rail, bus, and ferry service. The program includes New Starts for the construction of new systems and expansion of existing systems, Small starts for new systems and expansion projects with capital costs less than \$300 million, Core Capacity for projects related to corridor development, and projects with combined system goals.
- \$2 billion for enhanced mobility for Seniors & Americans with disabilities
- \$5.25 billion for the Low-No Program, which provides funding to state and local governments for the purchase or lease of zero-emission and low-emission transit buses, including acquisition, construction, and leasing of required supporting facilities.

## **ELECTRIC VEHICLES**

The bill provides \$7.5 billion to create the first federal network of charging stations for electric vehicles.

## **BROADBAND**

The bill includes \$65 billion to expand broadband Internet access, including funds to ensure those who do have connectivity can afford their monthly payments. Highlights of this section include:

- \$40 billion for grants to states, territories and the District of Columbia for the purposes of broadband deployment. The program does not favor particular technologies or providers. Projects would have to meet a minimum download/upload build standard of 100/20 megabits per second.
- \$2 billion for rural areas, via programs administered by the U.S. Department of Agriculture, including the ReConnect Program, which provides loans and grants (or a combination of loans and grants) to fund the construction, acquisition or improvement of facilities and equipment that provide broadband service in rural areas.

## **WATER INFRASTRUCTURE**

The bill provides \$55 billion for water infrastructure. This includes:

- \$9.55 billion for Army Corps of Engineers infrastructure priorities, including \$5.15 billion for construction projects to help address the backlog of authorized projects that have yet to receive funding. This also includes \$4 billion for Corps Operations and Maintenance, which would be spent over a three-year period, there is funding for dredging Federal navigation projects and repairing damages to Corps Projects caused by natural disasters

## **RESILIENCE**

The bill provides \$46 billion for resiliency, including cybersecurity as well as programs to protect and mitigate against natural disasters Some of the highlights include:

- \$1 billion for the FEMA Building Resilient Infrastructure and Communities (BRIC) Program. This is a pre-disaster mitigation program, supporting states, local communities, tribes and territories undertaking hazard mitigation projects to reduce the risks they face from disasters and natural hazards.
- \$216 million over 5 years for tribal climate resilience, adaptation, and community relocation planning, design, and implementation of projects which address the varying climate challenges facing tribal communities across the country. Of that, \$130 million is for community relocation and \$86 million is for climate resilience and adaptation projects.

- \$5 billion for a new DOE grant program to support activities that reduce the likelihood and consequence of impacts to the electric grid due to extreme weather, wildfire, and natural disaster.

## **BUILDINGS**

The bill includes some provisions related to buildings, including:

- \$500 million for energy efficiency upgrades to public schools
- \$50 million for a pilot program to award grants to provide nonprofit buildings with energy-efficiency materials.
- \$3.5 billion for the Weatherization Assistance Program in the next fiscal year.
- \$550 million for the Energy Efficiency and Conservation Block Grant Program in the next fiscal year.
- \$250 million in the next fiscal year for a revolving loan fund capitalization grant program within the State Energy Program for recipients to conduct commercial energy audits, residential energy audits, or energy upgrades or retrofits.

## **DRINKING WATER**

The bill provides \$55 billion to improve the country's drinking water, including a program that seeks to replace every lead pipe in America.

## **AIRPORTS**

The bill provides \$25 billion for repairs at major airports.

## **ENERGY GRID**

The bill provides \$73 billion to modernize the nation's energy grid.

## **POLLUTION**

The bill provides \$21 billion to respond to environmental concerns, including pollution. This includes:

- \$1.5 billion equally distributed over 5 years for State and Tribal Assistance Grants: Brownfields
- \$3.5 billion available for 5 years for the Remedial account within the Hazardous Substance Superfund.

## **OFFSETS**

The bill's sponsors say that its spending is fully offset by spending reductions in other places. These include:

- \$205 billion from repurposing of certain unused COVID relief dollars
- Funding from recouping fraudulently-paid benefits from enhanced federal unemployment insurance supplement
- \$49 billion from delaying Medicare Part D rebate rule
- \$53 billion from certain states returning unused enhanced federal unemployment insurance supplement
- \$20 billion from sales of future spectrum auctions (and \$67 billion from proceeds of the February 2021 c-band auction (Source: CBO estimate)
- \$56 billion in economic growth resulting from a 33 percent return on investment in these long-term infrastructure projects
- \$28 billion from applying information reporting requirements to cryptocurrency
- \$21 billion from extending fees on Fannie Mae and Freddie Mac
- \$13 billion from reinstating certain Superfund fees
- \$6 billion from extending customs user fees (Source: CBO score)
- \$6 billion in sales from the Strategic Petroleum Reserve
- \$3 billion in savings from reducing Medicare spending on discarded medications from large, single-use drug vials

## THE DEMOCRATIC “SOFT” INFRASTRUCTURE PLAN

Two weeks ago, the White House and Senate Democrats came to an agreement on the broad outline of a \$3.5 trillion “soft” infrastructure bill last week. The size of the bill is smaller than progressive Democrats had wanted, but larger than moderate and conservative Dems had been aiming for.

Earlier this week, the Senate approved, on a party-line vote, a budget resolution that creates the framework for the \$3.5 trillion bill. The resolution contains instructions for the various Senate Committees to draw up their portions of the larger bill (the House will have a similar bill). As such, the resolution does not contain a lot of detail about specific policy proposals, but it does give a clear sense of what Democratic leadership hope to put into the bill. A summary of some of the topline items is below.

### WHAT IS IN THE RESOLUTION

According to the Senate Budget Committee, “The [resolution] calls for the \$3.5 trillion in long-term investments to be fully offset by a combination of new tax revenues, health care savings, and long-term economic growth. In addition, the agreement would prohibit new taxes on families making less than \$400,000 per year, and on small businesses and family farms.”

#### SOCIAL INFRASTRUCTURE

- Universal Pre-K for 3 and 4-year olds
- Child care for working families
- Tuition-free community college
- Increase the maximum Pell grant award
- Pandemic preparedness
- Improve housing affordability and equity by providing down payment assistance, rental assistance, and other homeownership initiatives
- Paid Family and Medical Leave
- ACA expansion extension and filling the Medicaid Coverage Gap
- Expanding Medicare to include dental, vision, hearing benefits and lowering the eligibility age
- Child Tax Credit/EITC/CDCTC extension
- Long-term care for seniors and persons with disabilities (HCBS)
- Health equity (maternal, behavioral, and racial justice health investments)
- Lawful permanent status for qualified immigrants

#### CLIMATE

According to the Budget Committee, “The Budget Resolution will allow the Senate to make the most significant investment in tackling the climate crisis in US history, and put America on a path to meet President Biden’s climate change goals of 80% clean electricity and 50% economy-wide carbon emissions reductions by 2030.”

- Electrifying the federal vehicle fleet
- Agriculture conservation, drought, and forestry programs to help reduce carbon emissions and prevent wildfires
- Rural development and rural co-op clean energy investments
- Civilian Climate Corps funding, including a Native Civilian Climate Corps
- Coastal resiliency, healthy oceans investments, including the National Oceans and Coastal Security Fund
- Clean Energy Technology Accelerator that would fund low-income solar and other climate-friendly technologies
- Environmental justice investments in clean water affordability and access, healthy ports and climate equity

## **BUILDINGS AND COMMUNITY DEVELOPMENT**

- Creation and preservation of affordable housing by making historic investments in programs like the Housing Trust Fund, HOME, the Capital Magnet Fund, and rural housing
- Community investment, development and revitalization through initiatives like Community Land Trusts, investments in CDBG, zoning, land use, and transit improvements and creating healthy and sustainable housing
- Consumer rebates to weatherize and electrify homes
- Federal procurement of energy efficient materials
- Electrifying and rehabilitating federal buildings
- Upgrades to VA facilities
- Clean energy, manufacturing, and transportation tax incentives

## **OFFSETS (SPENDING REDUCTIONS AND TAX INCREASES)**

- Corporate and international tax reform
- Tax fairness for high-income individuals
- IRS tax enforcement
- Health care savings
- Carbon Polluter Import Fee

It is important to note that just because an item is on this list does not necessarily mean that it will end up in the final bill. For one thing, Democrats need all 50 of their Senators to support the bill, and there are at least 2 Democratic Senators who have expressed some concerns over the overall price tag and/or specific provisions.

Second, under the special “reconciliation” rules that will allow Democrats to bypass a GOP filibuster, any provisions that the Senate Parliamentarian determines do not directly affect the budget (i.e., raise or reduce revenue, or increase or decrease spending) will be stricken.

## **OUTLOOK**

There are two key deadlines for action on the infrastructure bills, one official and one less so.

The official deadline is September 30, when the current surface transportation law expires. If Congress fails to act, states will not receive billions of dollars in funding for roads, bridges and other transportation needs. Therefore, the bipartisan “hard” infrastructure bill will likely serve as the vehicle for that.

The non-official deadline is the 2022 midterm election, when all of the House and a third of the Senate are up for grabs. Democrats, worried that they may very well lose their majorities in a year, are anxious to get as much of Biden’s agenda passed now. Since passing major legislation gets trickier the closer you get to an election, they hope to wrap up the larger bill by the end of 2021.

## **“HARD” INFRASTRUCTURE BILL**

Although the “hard” infrastructure bill passed the Senate this week, the bill still needs to pass the House, where numerous members of the Democratic majority are unhappy that the bill does not include more investments in fighting climate change, advancing racial equity and helping workers. They are pressuring House Speaker Nancy Pelosi (D-CA) to hold up the bipartisan bill until Senate Democrats pass the larger social infrastructure bill.

In addition, House Democrats also want to have the opportunity to amend the Senate bipartisan bill, but the Senate and White House are concerned that any changes the House makes to the bill could upend the delicate bipartisan agreement.

That said, considering the amount of political capital that President Biden has put into getting the infrastructure bill passed (and into demonstrating that bipartisanship is still possible in Washington), most observers agree that it is only a matter of time before the “hard” infrastructure bill gets to Biden’s desk for his signature.

## **“SOCIAL” INFRASTRUCTURE BILL**

Passage of the \$3.5 trillion social infrastructure bill is theoretically easier because under the so-called budget reconciliation rules Democrats are using to pass it, they do not need the support of any Republicans in either chamber of Congress. That said, success is not guaranteed due to the broad spectrum of ideologies within the Democratic party.

At least one moderate Senate Democrat – Sen. Kyrsten Sinema (D-AZ) – has said she would like to see the bill’s overall price tag reduced from \$3.5 trillion, a position progressive Democrats say is a nonstarter. Even if Democrats can agree on the overall size of the bill, how that money is divvied up among multiple priorities will be the subject of extensive debate.

As with the “hard” infrastructure bill, President Biden has expended a lot of capital on getting his “Build Back Better” program passed, and most Congressional Democrats do not want to undermine his agenda, and so the odds remain high that the bill will be passed, possibly by the end of 2021.

### **ABOUT IDA**

IDA is the premier organization for urban place professionals who are shaping and activating dynamic city center districts. Our members are city builders and downtown champions who bring urban centers to life, bridging the gap between the public and private sectors. We represent an industry of more than 2,500 place management organizations, employing 100,000 people throughout North America and growing rapidly around the world. Founded in 1954, IDA is a resource center for ideas and innovative best practices in urban place management. For more information, visit [downtown.org](https://downtown.org).

### **FOR MORE INFORMATION**

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