

January 31, 2018

Three Reasons Why Infrastructure Probably Won't Happen in 2018 —and Three Reasons Why It Might

For a year now, the administration and leaders on both sides of the aisle on Capitol Hill have talked about their interest in advancing an infrastructure package. Now that tax reform is behind us, and the health care fight has been put on hold, many stakeholders are hoping that 2018 may be the year that an infrastructure bill gets signed into law. Here are three reasons why that's unlikely—and three reasons why it just might happen:

Three reasons why it's unlikely to happen—

(1) **The Details:** Everyone is in favor of infrastructure spending—but no one agrees on what that means. Even internally, the administration is struggling to define what should be included in this package. Roads and bridges will certainly be a part of any package and rural broadband has been a recurring theme. But the president's long-awaited, 70-page proposal on infrastructure has been delayed repeatedly and rumors are swirling that there are disagreements within the administration on the details.

(2) **Compromise Is Hard:** Right now, Democrats see little incentive to compromise with the deeply unpopular president. Given the potential Democratic takeover of the House in 2019, Democrats feel they are better off waiting until they have a stronger negotiating hand a year from now. This is especially true given the lack of trust between congressional Democrats and the president. This trust deficit makes it even more difficult to negotiate a deal.

(3) **No Funding Source:** Infrastructure is expensive, and it is not clear how any infrastructure package would be funded. Proposals to use private-public partnerships have run into headwinds, including presidential reluctance. Suggestions to increase the gas tax have been shot down by congressional Republicans. Tax revenue from repatriation of corporate funds held overseas has traditionally been discussed as a funding source, but Republicans used that stream of revenue to partially offset corporate tax cuts so it is not available for infrastructure. This leaves policymakers with either a very small infrastructure package or a proposal that adds billions to the federal debt.

Three reasons why it might get done—

(1) **Shifting Political Winds:** Political trends can shift quickly and there may be a scenario where Democrats have renewed interest in working with the White House and congressional Republicans later this year. Republicans may decide they need a big legislative win before the midterm elections that motivates them to compromise on key issues in order to bring Democrats along. Voters can be fickle—and politicians can be too. There could be an evolution of thinking that pushes both sides toward a bipartisan package.

(2) **Earmarks May Return:** The president has floated the idea of reinstating earmarks. Congressional Republicans seem open to the idea. If the policy on earmarks gets changed, they could help grease the legislative wheels for an infrastructure deal.

(3) **Unlikely Things Happen:** Conventional wisdom said that Donald Trump could never be elected president. Six months ago, most stakeholders thought that the chances of getting tax reform done before Christmas were about zero. Four months ago, almost no one expected that a Democrat from Alabama could win a Senate seat. Unlikely things happen.

Any major legislative initiative faces an uphill climb in 2018 and overall, the infrastructure package is relatively unlikely to happen. But there still may be a path for the administration and Congress to find a way to success here. In the current political climate, uncertainty is the most reliable constant.

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