

Key Points

- The White House Fiscal Year 2018 Budget proposes spending \$200 billion in new federal spending over 10 years to stimulate a total new infrastructure investment of \$1 trillion.
- However, separately, other changes to infrastructure programs in the budget propose to reduce federal spending between \$185 billion to \$255 billion over the next 10 years, depending on whether certain changes are temporary or permanent.
- On net, therefore, the White House 2018 Budget proposes changing federal infrastructure spending between -\$55 billion to \$15 billion over 10 years.

Changes to Federal Infrastructure Spending in the White House FY 2018 Budget

Introduction

On May 23rd, 2017, the White House released its [budget proposal](#) for fiscal year 2018. The budget proposes to increase infrastructure spending by \$200 billion to support a total investment in infrastructure of \$1 trillion by federal, state and local governments and the private sector. Recently, [President Trump increased that figure to \\$1.5 trillion](#), while keeping the federal commitment pegged at \$200 billion. However, separately, the budget also proposes spending cuts to several other federal programs that support infrastructure.

Infrastructure Spending Reductions in the Budget

Infrastructure spending includes programs that support transportation, roads, airports, waterways, ports, wastewater, power, and other key facilities. The [White House's Fiscal Year 2018 Budget proposes to reduce spending on several infrastructure programs](#), as summarized in Table 1.

For many programs---including the Highway Trust Fund, Air Traffic Control and Power Marketing Administrations---the Administration provided 10-year spending change estimates in the Budget. These program reductions are shown in Panel A of Table 1, and they total \$177 billion in reduced spending over the next decade.

Table 1: Changes to Federal Spending on Infrastructure Programs Outlined in the White House FY 2018 Budget

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Program	Federal Department	Description of Change to Program	Spending change over 10 years (billions of \$)
Panel A: Program Changes for Which 10-year Estimates Are Provided in the Budget			
Highway Trust Fund	Department of Transportation	Rely on revenues from gas tax with no supplement.	-95.28
Air Traffic Control	Federal Aviation Administration	Modernise and privatise Air Traffic Control.	-70.03
Power Marketing Administrations	Department of Energy	Sell electricity infrastructure assets: Souwthwestern Power Administration, Western Area Power Administration and Bonneville Power Administration.	-5.51
Western Area Power Administration	Department of Energy	Eliminate borrowing for construction and funding of projects to deliver power.	-4.43
Rural Economic Development Program	Department of Agriculture	Eliminate zero interest loans for rural projects through local utility organizations.	-0.48
Electric and Telecommunications Utilities	Department of Agriculture	Eliminate interest payments on Rural Utilities Service accounts.	-1.38
Total			-177.09
Panel B: Program Changes for Which 2018 Values Are Used for Each of the Next 10 Years			
Capital Investment Grants	Department of Transportation	Limit funding to existing grants that provide funding for heavy rail, light rail, street cars and bus transit.	-9.28
National Infrastructure Investment (TIGER)	Department of Transportation	Eliminate funding for highway, bus, inland ports, bridges and rail.	-4.99
Abandoned Mine Land Grants	Department of the Interior	Eliminate funding economic development projects including for recreational use, highway, coal seam fires and water mains.	-0.90
Indian Community Block Grants ¹	Department of Housing and Urban Development	Reduce funding for housing and eliminate funding for community facilities and infrastructure including roads, water and sewer facilities.	-0.60

Program	Federal Department	Description of Change to Program	Spending change over 10 years (billions of \$)
Rural Water and Waste Disposal Program	Department of Agriculture	Eliminate funding for drinking water and sewage systems to areas with population of under 10,000.	-4.98
Choice Neighborhoods ²	Department of Housing and Urban Development	Eliminate grants to improve neighborhoods with distressed public and/or assisted housing, including schools, vacant property, housing and services.	-1.25
Community Development Block Grant ³	Department of Housing and Urban Development	Eliminate funds to state and local governments for housing rehabilitation, blight removal, infrastructure and public improvements and public services.	-29.94
Corps of Engineers	US Army Corps of Engineers	Reduction to agency top line. Agency funds dams, navigation channels, inland harbors and hydro power.	-9.76
Essential Air Service	Department of Transportation	Reduce funding for remote airports for subsidized commercial air service.	-1.75
Amtrak Long Distance Service	Department of Transportation	Terminate support for long distance services.	-6.30
EPA categorical grants	Environmental Protection Agency	Reduce funding for state efforts to meet the Clean Air Act, Clean Water Act and Safe Drinking Water Act.	-4.82
Hazardous Substance Superfund Account	Environmental Protection Agency	Reduce Funding for clean-up of hazardous waste sites and emergency release of hazardous substances.	-3.30
Total			-77.87

Sources: Office of Management and Budget. "Budget of the U.S. Government: A New Foundation for American Greatness: Fiscal Year 2018." May 2017. Available at www.whitehouse.gov/wp-content/uploads/2017/11/msar.pdf and Office of Management and Budget. "Major Savings and Reforms: Budget of the U.S. Government: Fiscal Year 2018." May 2017. Available at www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf.

However, for many other programs---including Community Development Block Grants, the Corps of Engineers and Capital Investment Grants---only spending changes for year 2018 are provided in the budget. These programs are shown in Panel B of Table 1. Extrapolating the cost savings associated with these particular program changes to the 10-year window is, therefore, trickier, since the 10-year cost savings ultimately depends on the future (unstated) intentions of the Administration. We, therefore, consider two approaches to create a plausible range.

First, as indicated in their respective program descriptions in Table 1, notice that most of the programs in Panel B are eliminated, either in full or at some subprogram level. So, their corresponding 10-year cost savings will likely be *approximately* equal to their 2018 values *times* 10, which totals \$78 billion across all programs in Panel B.

Second, suppose that we only count the 2018 cost savings for programs listed in Panel B, thereby assuming that each of these programs are replaced in full in 2019 and subsequent years in the 10-year budget. In this case, the corresponding 10-year cost savings for these programs will just equal their 2018 cost savings, or around \$8 billion in total.

Combining Panels A and B, therefore, produces a total 10-year cost saving between **\$185 billion** (equal to \$177 billion *plus* \$8 billion) and **\$255 billion** (equal to \$177 billion *plus* \$78 billion). Incidentally, these estimates do not include potential additional infrastructure spending that might be required under the “Two-Penny Plan” that is also contained in the Administration’s 2018 budget, which proposes reducing non-defense budgetary authority by two percent per year.

As noted above, the 2018 Budget, however, also proposes spending **\$200 billion** in new federal infrastructure spending. When this new spending, therefore, is netted against the infrastructure spending reductions estimated above (Table 1), the budget, therefore, proposes changing public infrastructure spending between **-\$55 billion** (\$200 billion - \$255 billion) to **\$15 billion** (\$200 billion - \$185 billion) over the next 10 years.

Leveraging Private Sector Investment

The White House FY 2018 budget proposes to encourage \$800 billion in new non-federal infrastructure investment. More recently, [President Trump proposed increasing that figure to \\$1.3 trillion](#), for a total public-private sector spend of \$1.5 trillion on public infrastructure. However, the actual mechanism required to stimulate private sector investment remains unclear. The exact implementation details are critical for estimating the impact on the total (public and private) capital stock in the economy. [Our corresponding dynamic modeling brief](#) analyzes three options for implementation a public-private partnership to increase infrastructure spending.

Conclusion

The White House FY 2018 budget makes many changes to spending on infrastructure. While the budget proposes to increase infrastructure spending by \$200 billion, it also recommends decreasing spending on several types of public infrastructure. On net, the budget appears to lead to little new federal spending on infrastructure, potentially even resulting in a reduction in public spending.

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1. Program includes support for the development of housing. ↩
 2. Program includes support for the development of housing. ↩
 3. Program includes support for the development of housing. ↩