

The Trump Transportation Transition



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Trump Transition

Good news:

- Sec. Elaine Chao – experienced, conventional, popular candidate. Well-known, has both transportation policy background and political bona fides, easy to confirm.
- Earliest a President-elect has announced a SecDOT choice in at least 40 years.
- Confirmation hearing today at 10:15 a.m.
- Almost certain to be confirmed on or shortly after January 20.

Trump Transition

Bad news #1:

- There are three different DOT transitions:
 1. Sec. Chao, a few former Labor staffers, and a few transpo policy people she would like to hire.
 2. The transition office in DC set up by Sen. Sessions and Gov. Christie and run by Nancy Butler, Shirley Ybarra, Brig McCown, etc. Working on transition policy papers and vetting of potential staff.
 3. Trump Tower in NYC.
- No one is quite sure which office is in charge of what and who has the final say on hiring or policy.

Transition - Personnel

Bad news #2:



Transition - Personnel

- Deputy Secretary, Assistant Secretaries, Chief Counsel, modal Administrators probably won't be named and confirmed for months thereafter.
- Secretary Chao will be “home alone” and dependent on White House/OMB for policy and logistical support and staffing.
- OMB nominee, Rep. Mick Mulvaney (R-SC), has shown unrelenting hostility while in Congress to higher spending, “stimulus,” and anything that increases the public debt.
- **EVERYTHING RUNS THROUGH OMB.**

Transportation Funding – Whose Vision?



**Steve Bannon, White House
chief strategist?**

“I’m the guy pushing a trillion-dollar infrastructure plan. With negative interest rates throughout the world, it’s the greatest opportunity to rebuild everything. Shipyards, ironworks, get them all jacked up. We’re just going to throw it up against the wall and see if it sticks. It will be as exciting as the 1930s, greater than the Reagan revolution — conservatives, plus populists, in an economic nationalist movement.”

Transportation Funding – Whose Vision?

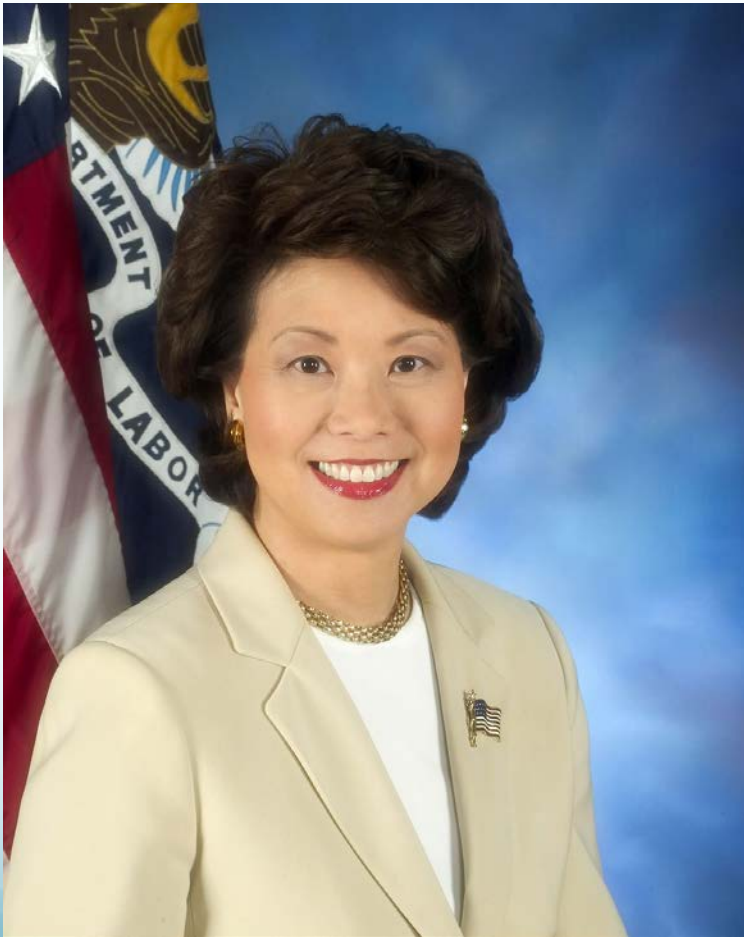
**Mick Mulvaney, White House
budget director (OMB)?**

“Washington cannot wean itself from its spending addiction. Indeed, [the 2013 Ryan-Murray budget deal] is another example of how we got \$17 trillion in debt: we can have lots of bipartisanship, as long as we spend more money.”

“I have never believed the threat that this country will default on its debt as a result of any failure to raise the debt ceiling.”



Transportation Funding – Whose Vision?



Elaine Chao, Secretary of Transportation?

“As we work together to develop the details of President Trump’s infrastructure plan, it is important to note the significant difference between traditional program funding and other innovative financing tools, such as public-private partnerships. In order to take full advantage of the estimated trillions in capital that equity firms, pension funds, and endowments can invest, these partnerships must be incentivized with a bold new vision.”

Transportation Funding – Whose Vision?

Donald Trump?

“On infrastructure, we will build new roads, tunnels, bridges, railways, airports, schools and hospitals, including major projects in the inner cities. There's such potential in the inner cities.”

“BUY AMERICAN, HIRE AMERICAN.”



Trump Vision

- Big, “legacy” infrastructure projects. Shiny.
- Someone affiliated with one of the transition offices prepared a list of 50 potential legacy projects in mid-December. (Never officially released.)
- Hudson River Gateway, FAA NextGen, Second Ave. Subway Phases 2 and 3, Maryland Purple Line, M-1 Rail Detroit, Gordie Howe Bridge, MBTA Green Line, Chicago Red/Purple Line Mod, DC and Chicago Union Stations, lots of water and electrical grid projects, some airports.
- Numbers in list seemed outdated and goal seemed to be to have private equity share at 50% aggregate

Trump Vision

- Campaign advisors (incl. Sec. of Commerce nominee) produced plan to leverage \$1 trillion of private investment in U.S. infrastructure via \$140 billion of on-budget federal tax credits.
- This plan, like other PPP plans, is inherently biased towards megaprojects in large urban areas because either massive VMT or freight traffic, or significant sales tax revenue, or some kind of revenue stream based on a significant population is needed to repay debt.
- If they really borrow from private markets without passing through the Treasury, it won't increase federal debt like TIFIA and RRIF PPP's will.

Trump Vision

- “Buy American, Hire American”
- Buy America provisions (mostly steel and rolling stock-related) have been in law for federal transpo grant programs since 1970s, waivers possible at DOT discretion. Expect many of those to stop.
- “Hire American” – at present, federal transpo grants to states/localities do not require compliance with E-Verify or other methods to ensure contractors only hire citizens or those with valid work permits.

Trump Vision

- Contractor compliance with E-Verify etc. is up to state or MPO or transit agency. Many of the biggest do not currently require citizenship/work permit verification.
- Uncertain if existing grant programs can be amended to cut off grants if contractors don't participate in E-Verify. (*South Dakota v. Dole.*) But any new infrastructure grant program could include such requirements (see 1977 jobs program).

Republican Vision

- 2016 GOP Platform: cut mass transit out of the HTF because transit is “...an inherently local affair that serves only a small portion of the population, concentrated in six big cities.”
- “We propose to phase out the federal transit program...”
- “...we oppose a further increase in the federal gas tax.”
- “We reaffirm our intention to end federal support for boondoggles like California’s high-speed train to nowhere.”

Transition – Capitol Hill

- The current Congress accomplished some things, postponed others.
- Surface transportation – FAST Act of 2015 – Highway Trust Fund fixed through Sept. 2020. Little desire to re-open HTF funding issues mid-bill.
- Aviation – extended through Sept. 30 2017.
- FY 2017 appropriations – extended through April 28, 2017 (Trump Day 98). Expect government shutdown drama.

The FY 2018 Budget

Timing of Fiscal Policy in the First Year of a New Administration

	Reagan 1981 <u>(FY 1982)</u>	Clinton 1993 <u>(FY 1994)</u>	Bush 2001 <u>(FY 2002)</u>	Obama 2009 <u>(FY 2010)</u>
President submits budget outline	Feb. 18	Feb. 17	Feb. 28	Feb. 26
President submits full budget	March 10	April 8	April 9	May 11
House passes its budget resolution	May 7	March 18	March 28	April 2
Senate passes its budget resolution	May 12	March 25	April 6	April 2
House adopts budget resolution conference report	May 20	March 31	May 9	April 29
Senate adopts budget resolution conference report	May 21	April 1	May 10	April 29
House passes its reconciliation bill	June 26	May 27	May 16	n/a
Senate passes its reconciliation bill	June 25	June 25	May 23	n/a
House adopts reconciliation conference report	July 31	August 5	May 26	n/a
Senate adopts reconciliation conference report	July 31	August 6	May 26	n/a
President signs reconciliation bill into law	August 13	August 10	June 7	n/a

(Congressional leaders chose not to move forward with the budget reconciliation directives in the FY2010 budget resolution until after Democrats lost their 60th Senate seat in the Massachusetts special election on January 19, 2010. At that point they needed the 51-vote reconciliation process to finalize health care reform legislation.)