



## **Infrastructure Update - Wednesday, March 31, 2021**

### **Overview**

The effort to implement broad infrastructure reforms has commenced, as President Biden has introduced his long-alluded to Build Back Better infrastructure package, now named the American Jobs Plan (AJP). In Congress, House Speaker Nancy Pelosi (D-CA) has instructed House Committee Chairs to begin developing a legislative package in anticipation of the AJP. Senators of both parties have begun independently considering proposals, with a focus on the question of how to pay for the significant cost of tackling the nation's infrastructure woes.

Democrats are looking to take a "kitchen sink" approach, using the package to not only address priorities like climate change, health care, and electrified transportation, but also broadband connectivity, childcare, and other concerns, as well as tax reforms to offset the new spending and address social equity concerns. The scale of President Biden's initial proposal, the AJP, calls for over \$2.5T in new spending, putting it among the largest pieces of legislation in U.S. history by cost alone.

Republicans, conversely, are focused on highway repairs, water infrastructure, investments in carbon capture technologies, and bolstering non-conventional clean energy through technology-agnostic policy. Republican proposals and remarks, thus far, have focused on addressing America's physical infrastructure needs, and leveraging market advantages to sustain projects. So far, no single Republican counterproposal to the coalescing Democratic plan has been put forward.

While Democrats and Republicans are unlikely to find wide consensus on much of the large proposals coming to the fore, bipartisan agreement may be found on some key points. Water infrastructure, chemical and environmental contamination, and broadband are just a few places where both parties may find common ground.

## American Jobs Plan

The AJP was announced on Wednesday, March 31, 2021, as the flagship infrastructure proposal of the Biden Administration. The proposal targets key elements of the Build Back Better infrastructure plan, released by the Biden Campaign during the 2020 election cycle, and addresses a wide array of topics that stretches beyond just physical infrastructure and extends into a broader array of reforms. Among those broader reforms is the inclusion of the Protecting the Right to Organize (PRO) Act, passed in the House in the 117<sup>th</sup> Congress, which targets labor issues and aims to protect collective bargaining, and a tax package that, while also including measures to fund the infrastructure effort itself, includes an increase of the corporate tax rate to 28%.

A full breakdown of the measures within the AJP, in brief, can be found below. Please note that this breakdown is derived from the [White House fact sheet](#) on the proposal, and that elements or whole portions of the AJP are likely to change over the coming weeks and months. Elevate will provide updated information as those changes are made. Additionally, these details will likely be expounded upon as further information regarding the plan is made available—what is depicted below reflects what is known as of the initial AJP announcement.

### AJP Breakdown by Issue Area

#### Infrastructure Resilience

- \$50B in dedicated investments to “improve infrastructure resilience”, safeguard critical infrastructure, and defend vulnerable communities from the impacts of climate change.
- Funds will go to multiple programs, including:
  - FEMA’s Building Resilient Infrastructure and Communities Program
  - Department of Housing and Urban Development (HUD) Community Development Block Grant Program (CDBG)
  - New initiatives at the Department of Transportation (DOT)
  - A “bipartisan tax credit” program to incentivize investment in disaster resilience among low- and middle- income families and small businesses
  - Transition and relocation assistance for vulnerable tribal communities
- Public lands and waters are also a focus of the AJP. The plan calls for Congress to invest in natural disaster and climate-change hardening for lands, forests, wetlands, watersheds, and coastal and ocean resources. The plan also calls for the restoration of

major land and water resources, such as the Everglades and Great Lakes.

- The plan will provide for local authorities to influence and shape restoration and resilience projects, in line with the Outdoor Restoration Force Act.

#### Habitability Infrastructure (drinking water, electricity, and connectivity)

- The AJP calls for a \$111B investment in drinking water infrastructure, to be used to:
  - Replace 100% of the nation's lead pipes and service lines. Biden calls upon Congress to invest \$45B in the Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund and Water Infrastructure Improvement for the Nation Act Grants (WIIN) to enable the total elimination of lead pipes throughout the country.
  - Provide \$56B in grants and low-cost loans to modernize drinking water, wastewater, and stormwater management systems nationwide.
  - Provide \$10B to monitor and remediate per- and polyfluoroalkyl substance (PFAS) contamination in drinking water, and to invest in rural small water, and household well and wastewater systems.

#### Digital Infrastructure

- The AJP calls for \$100B to fund a "historic" investment in broadband infrastructure, with the ultimate goal of closing the digital divide.
- The plan sets a goal of building future-proof high-speed broadband infrastructure to reach 100% coverage nationwide. Support is to be prioritized for broadband networks owned, operated by, or in affiliation with, local governments, non-profits, and co-operatives.
  - Funds are to be set aside for tribal infrastructure.
- The plan lifts barriers to municipal broadband and restrictions on rural electric co-ops from competing with private providers, and creates a new requirement for internet service providers (ISPs) to "clearly disclose the prices they charge."
- Though no action is offered, President Biden commits in the AJP to working with Congress to find a solution to reduce internet costs for Americans, increase broadband adoption, save taxpayer money, and "hold providers accountable."

## Power Generation and Transmission

- The AJP sets the goal of reaching 100% carbon-free electricity generation by 2035, and calls upon Congress to provide a \$100B investment in energy infrastructure. The plan:
  - Creates targeted investment tax credits that incentivize the buildout of "at least" 20 gigawatts of high-voltage capacity powerlines, and can mobilize "tens of billions in private capital" to fund that buildout.
  - Establishes a "Grid Deployment Authority" at the Department of Energy (DOE) to enable the more efficient leveraging of existing rights-of-way and supports creative financing solutions.
  - Provides an expansion, ten-year extension, and phase down of direct-pay, investment, and production tax credits for clean energy generation and storage. The credits are to be tied with labor standards to create "good quality jobs" with the "free and fair choice to join a union."
  - Supports state, local, and tribal governments via clean energy block grants to address clean energy needs, worker empower, and environmental justice.
  - Directs the federal government to purchase 24/7 clean power for federal buildings.
  - Establishes an Energy Efficiency and Clean Electricity Standard (EECES) to low electricity bills, cut pollution, increase competition, and incentivize the use of existing infrastructure.
  - Encourages the use of existing sources like nuclear and hydropower to reach emissions goals.
- The plan targets orphan oil and gas wells with a \$16B investment designed to "put hundreds of thousands to work in union jobs" plugging oil and gas wells, and restoring abandoned coal, hardrock, and uranium mines. This, the plan says, will also serve to reduce methane and brine leakage from orphaned wells.
- Former industrial and energy sites, such as Brownfield and Superfund sites, are targeted by the plan with a \$5B investment in remediation and redevelopment.
  - To assist in the refurbishment of those sites, the plan calls for additional investment in the Economic Development Agency (EDA)'s Public Works program, and lifts its cap of \$3M for projects. Additional funding opportunities will be made available through HUD and the Agriculture Department (USDA).

- Targeted efforts are to be provided through the Appalachian Regional Commission's POWER Grant Program, DOE Section 132 retooling grants for idled factories, and dedicated funds to support "community driven environmental justice efforts."
- The AJP sets the goal of building-out "next generation industries" in distressed communities. Specifically, the plan highlights investments in 15 decarbonized hydrogen demonstrator projects, and 10 carbon capture retrofit demonstrators at large steel, cement, and chemical production facilities, in combination with production tax credits and other incentives.
- Carbon capture and sequestration are focuses of the plan, with the AJP calling for the expansion of the Section 45Q tax credit, which is to be made direct-pay and easier to access for "hard-to-decarbonize industrial applications, direct air capture, and retrofits of existing powerplants."
- \$10B is to be provided for the creation of a new Civilian Climate Corps to undertake conservation, community resilience, and environmental justice projects.

### Building Modernization

- The AJP calls for the modernization and expansion of affordable housing, as well as investments in commercial buildings, schools, community colleges, veterans' hospitals, and federal buildings.

#### *Public Housing*

- \$213B is to be provided to produce, preserve, and retrofit at least 2M "affordable and sustainable places to live."
  - The plan calls for an "innovative new approach" to eliminate state and local exclusionary zoning laws and increase housing density.
- The plan calls for the construction and rehabilitation of an additional 500,000 homes for low- and middle-income homebuyers via the Neighborhood Homes Investment Act (NHIA), with \$2B of NHIA credits requested "over the next five years."
- Other investments include:
  - Targeted tax credits, formula funding, grants, and project-based rental assistance to extend affordable rental opportunities to underserved communities.
  - \$40B to address public housing capital needs.

- \$27B to establish a Clean Energy and Sustainability Accelerator to mobilize private investment into distributed energy resources, retrofits of residential, commercial and municipal buildings, and clean transportation.
- New block grant programs to upgrade homes for energy efficiency, and to expand the Weatherization Assistance Program (WAP).

#### *Child Care and Educational Facilities*

- \$100B investment to build new public schools and upgrade existing facilities.
  - \$50B in direct grants, and \$50B in bonds.
  - Upgrades include:
    - Improving air quality and ventilation
    - Energy efficiency and resilience
    - Innovative technology
    - School kitchens
- \$12B to invest in community college facilities and technology, and to address education deserts. States will "be responsible for using dollars" to address existing physical and technical infrastructure, as well as addressing education deserts.
- \$25B to upgrade childcare facilities and increase the supply of child care in areas that need it.
  - Also calls for an expanded tax credit to encourage businesses to build childcare facilities at places of work, with employers eligible to receive up to 50% of the first \$1M of construction costs per facility.

#### *Federal Facilities and VA Hospitals*

- AJP calls for \$18B for the modernization of VA hospitals and clinics.
- \$10B is invested in the modernization, sustainability, and resilience of federal buildings.
  - Establishes a "bipartisan" Federal Capital Revolving Fund to support investment in major purchases, construction, or renovations of federal facilities.
  - New construction will use low-carbon materials and clean power.

#### *Care Economy and Home Care*

- AJP calls for \$400B to expand access to affordable home- and community-based care for the elderly and people with disabilities.
- Expands access to long-term care services through Medicaid, and puts in place infrastructure for new home care jobs that provide a "free and fair choice" to join unions.

### Future Economy

- Calls for a \$180B investment in research and development (R&D) to maintain national competitiveness with peer nations (China, specifically).
  - \$50B to the National Science Foundation (NSF) to create a Technology Directorate that will collaborate with and build on existing programs to spur research, development, and manufacturing of semiconductors, advanced computing, advanced communications, advanced energy, and biotechnologies.
  - \$30B in additional funding for research and development that fuels innovation and job creation in rural areas.
  - \$40B in upgrading research infrastructure in laboratories nationwide, allocated across federal R&D agencies (DOE is specifically cited).
    - Half of these funds would be reserved for Historically Black Colleges and Universities (HBCUs) and other Minority Serving Institutions (MSIs). A new national laboratory focused on climate change is to be affiliated with an HBCU.
  - \$35B into R&D for solutions to the climate crisis and to enhance clean energy technology.
    - Launches ARPA-C to develop emissions reduction and climate resilience technologies.
    - \$15B for demonstrator projects for R&D priorities, such as:
      - Utility-scale energy storage
      - Carbon capture
      - Hydrogen
      - Advanced nuclear
      - Rare Earth Element separation
      - Floating Offshore Wind
      - Biofuel and Bioproducts
      - Quantum Computing
      - Electric Vehicles

- \$10B for R&D activities at HBCUs and MSIs to address STEM inequities, alongside an additional \$15B to create centers of excellence at HBCUs and other MSIs.

### Manufacturing and Small Businesses

- \$300B to strengthen America's manufacturing capacity and provide well-paying, union jobs for workers.
  - \$50B to create a new office at the Department of Commerce (DOC) to monitor and maintain domestic industrial capacity, and support investments in the production of critical goods.
  - \$50B for semiconductor manufacturing and research.
  - \$30B over 4 years to increase economic resilience to future pandemics through investments in medical countermeasures manufacturing, R&D, and biosecurity.
  - \$46B investment in federal buying power to support the federal procurement of EVs, charging infrastructure, clean manufacturing materials, and critical technologies like advanced nuclear reactors and fuel.
  - \$20B to create regional innovation hubs, and stand-up a Community Revitalization Fund to expand business in regions beyond current growth centers.
  - \$14B to the National Institute for Standards and Technology (NIST) to maintain partnerships between the public and private sector on competitiveness.
  - \$52B for investments in domestic manufacturers via existing capital access programs.
    - Additional targeted support to modernize supply chains, such as tax credit extensions and expansions.
  - \$31B to create programs that give small businesses access to credit, venture capital, and R&D funding, and to create small business incubators to support the growth of entrepreneurship in underserved communities.
  - \$5B to create a Rural Partnership Program to help rural and tribal entities with economic development matters.

### Workforce Development

- \$100B to "proven workforce development programs", with priority given to underserved groups and getting students on career path before graduating from high school.
- \$40B to create a Dislocated Workers Program and drive sector-based training, providing comprehensive reskilling

and career services for workers who have lost jobs due to market shifts.

- \$12B to aid underserved communities most impacted by the changing economy, including \$5B over 8 years to support evidence-based community violence prevention.
  - AJP also calls upon Congress to provide an investment in job training for formerly incarcerated individuals and youth.
  - Also calls on Congress to provide for a subsidized jobs program to tackle long-term unemployment, eliminate sub-minimum wage provisions, and expand access to "competitive, integrated employment opportunities" and fair wages for workers with disabilities.
- \$48B to support workforce development infrastructure and worker protections, including:
  - Expanding registered apprenticeships and pre-apprenticeships, and strengthening opportunities to access to those programs for women and people of color.
  - Creating career pathway programs in middle and high schools, prioritizing access to computer science and career/technical programs that connect underrepresented students with STEM and other in-demand sectors.
  - Expanding the capacity of labor enforcement agencies to protect against discrimination, protect wages and benefits, enforce health and safety safeguards, strengthen benefits plans, and promote organizing.

### Labor and Job Creation

- AJP calls for multiple labor-oriented actions with no distinct funding tied to them, with the goal of boosting unionization and well-paying jobs.
- The AJP includes the PRO Act, which, among other things, would guarantee unionization and bargaining rights for public workers. The plan also includes legal benefits and protections for domestic workers, and tackles the gender gap.
- Federal investments in clean energy and infrastructure are to be tied to prevailing wages. Transportation investments must meet existing transit labor protections.

- Congress is encouraged in the AJP to tie workforce development programs called for in the plan with other industry and infrastructure investments so that they directly support “good jobs.”
- AJP is designed around Buy America and Ship American provisions to increase American jobs.
- In addition to the \$10B for workplace discrimination and harassment enforcement, AJP calls for increased penalties for employers who violate workplace safety and health rules.

### Taxation

- The AJP seeks to answer one of the biggest questions surrounding a \$2T infrastructure investment: *who is paying for it?* The proposal includes multiple, high-impact tax reforms that meet long-standing Democratic goals to address economic inequity, and raise revenues to offset the cost of the new spending in the package.
- Central to the plan is a new corporate tax scheme, which, per the fact sheet, will raise over \$2T over the next 15 years, covering the costs incurred in the AJP. The reforms in that scheme include:
  - Raising the corporate revenue tax rate to 28%, undoing the 2017 cut in the Tax Cuts and Jobs Act.
  - Increases the minimum tax on foreign assets of U.S. multinational corporations to 21%, and calculates taxes on a country-by-country basis to reduce or eliminate the use of tax havens.
  - Eliminates the rule that allows U.S. companies to pay no taxes on the first 10% of revenues when they locate investments in foreign countries.
  - Ends deductions by foreign companies on payments that could “allow them to strip profits out of the U.S.” if they are based in a country that does not adopt a “strong” minimum tax.
    - The U.S. will also pursue a multilateral, global minimum tax agreement to maintain competitiveness and equity simultaneously.
  - Imposes new restrictions on U.S. companies to prevent inverting, or claiming tax havens as their residence, while their management and operations are based in the U.S.
  - Ends write-offs of expenses incurred from offshoring jobs, and proposes a tax credit to support the onshoring of jobs.

- Eliminates the Foreign Derived Intangible Income (FDII) incentives created in the Tax Cuts and Jobs Act, and directs revenue from that repeal to expand R&D investment incentives.
- Creates a 15% minimum tax on income the “very largest” corporations use to report profits to investors (book income).
- The plan also proposes eliminating subsidies, loopholes, and foreign tax credits for the fossil fuel industry as the country transitions to net-zero emissions. The plan also proposes restoring payments from polluters into the Superfund Trust Fund.
- AJP aims to enhance Internal Revenue Service (IRS) audit rates for corporations, and calls upon Congress to provide the resources needed for the IRS to undertake those audits.

## **Process & Timeline**

House Speaker Pelosi has called for passage of President Biden’s infrastructure plan by July 4, but it is possible that deadline slips. In order to meet this deadline, either bicameral and bipartisan negotiation and compromise will be necessary, or Budget Reconciliation will have to be used. Progressive Democrats will need to sacrifice some of their larger priority asks to win moderate and conservative buy-in. Moderate Democrats will need to balance their more restrained approach against progressive aggravation with the status quo. Republicans will need to agree to a change in the way infrastructure investments are made, and, perhaps, find flexibility in what they will agree to, lest they be locked out of the infrastructure debate entirely.

The scale of the infrastructure effort is likely to make discussions complex and multifaceted, with both parties needing to navigate disagreements within and without their caucuses. The negotiation process will likely take significant amounts of time, and may yield significant modifications to the proposal’s initial form.

Further complicating the process is President Biden’s possible bifurcated approach to the infrastructure package, with one bill addressing traditional infrastructure, and a second targeting healthcare, social equity, and other non-traditional infrastructure concerns, which may see one bill achieving enough support to advance through Congress well ahead of the other. It also remains to be seen whether the entire infrastructure package, or pieces of it, will move through regular order or through the Budget Reconciliation process. This is dependent on whether the proposal, or key elements of it, is rejected by Republicans. As a reminder, in order for the Budget Reconciliation process to work, all 50 Democratic Senators must

support the legislation. Senators Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ) are two Democratic Senators to watch closely should Budget Reconciliation be the route Majority Leader Schumer, Speaker Pelosi, and the Democratic caucus decide to go.

As we've previously reported, Majority Leader Schumer is considering using Section 304 of the Congressional Budget Act of 1974 to allow Congressional Democrats to advance two additional budget reconciliations. Typically, only one budget reconciliation package can be completed each fiscal year. The American Rescue Plan was done for fiscal year 2021 and Democrats could use fiscal year 2022 to progress a package on infrastructure, climate, and other policies, should there be a lack of bipartisan agreement. Section 304 could potentially allow Congress to amend a budget reconciliation package that was already approved. Majority Leader Schumer has asked the Senate Parliamentarian to validate that he would be able to utilize this approach.

Benefitting the effort and potentially driving some elements known to be central to the forthcoming package is the adoption of multiple key Democratic policies by state and local governments, as well as private enterprise. For example, the transition of large auto manufacturers to electric vehicles (EVs), and their accompanying investment into charging infrastructure, demonstrates not only a demand for federal investment and assistance in the space, but also provides an actionable space within the market that can be used to enhance the effectiveness of policy actions— if a company can build 15,000 chargers with their private dollars at a certain cost, what how many thousands more could be built if incentives brought that cost down even further?

The House Transportation and Infrastructure Committee intends to mark-up their surface bill mid-May and will use H.R. 2, the Moving Forward Act, as reported out by the Committee last year as the base. This legislation did not receive any Republican votes in Committee and received only three Republican votes when it passed the House.

The Senate has begun to look at a surface transportation bill, with Environment and Public Works Committee Chairman Tom Carper (D-DE) pushing to pull together legislation by the end of May. A broader infrastructure bill is also beginning to be thought through in the Senate.

Elevate will keep you fully informed as this process plays out. Please do not hesitate to reach out with any questions.

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