



International Right of Way Association Weekly Update

Monday, October 23, 2017

Trump Administration

- Tax reform was the focus last week, with the President meeting with a bipartisan group of Senators to advocate for a bipartisan approach. <https://www.cnbc.com/2017/10/18/trump-pitches-gop-tax-cuts-to-reluctant-democrats.html>
- At that meeting, the President again expressed doubt about public-private partnerships (“P3s”) as an effective delivery method for infrastructure projects.
- Marty Klepper, executive director of the Build America Bureau, which is the entity in the Office of the Secretary of Transportation responsible for administering federal transportation financing and grant programs and supervising the environmental review process for complex projects, has resigned.

Congress

- Late Thursday night the Senate passed a budget resolution that included reconciliation instructions for comprehensive tax reform. <http://www.businessinsider.com/trump-tax-reform-plan-senate-budget-resolution-votes-2017-10>
- The House Ways and Means Committee is holding work sessions for its Members on Tuesday and Wednesday as the effort to put together a tax reform package continues.
- The Senate Environment and Public Works Committee postponed a vote last week to report the nomination of Paul Trombino III to be the Federal Highway Administrator to the full Senate due to reported concerns over another nominee, who is being advanced as part of same slate of nominations. The vote has been rescheduled for this Wednesday. <https://www.epw.senate.gov/public/index.cfm/2017/10/business-meeting>

Analysis

- The Senate passage of the budget resolution sets up congressional Republicans to advance comprehensive tax reform on a partisan basis, requiring only 51 votes in the Senate under the reconciliation instructions included in the budget resolution.
- Nevertheless, the President convened a meeting last week with a bipartisan group of Senators to discuss tax reform. The fact that the President is still calling for a bipartisan process for tax reform even though it is clear that Republican Leaders in Congress will

advance a partisan bill is consistent with way the President's relationships with Leader McConnell and Speaker Ryan have developed since he took office. Namely, the President consistently sets up a narrative whereby he can blame Republican Leaders in Congress if and when signature legislation fails to pass. He does this while going back and forth between publicly criticizing their failures and holding public events, such as the one he held with Leader McConnell last Monday in which he said his relationship with McConnell is "outstanding." <http://www.politico.com/story/2017/10/16/trump-mcconnell-relationship-outstanding-243825>

- While much of the President's actions are arguably counterproductive to his own agenda, there is a political rationale for his behavior towards McConnell and Ryan. The President's core base have tremendous skepticism of these congressional leaders, and by setting up a process whereby he can take credit for McConnell and Ryan's legislative successes while simultaneously ascribing to them any legislative failures is consistent with his positioning as the political outsider in Washington, DC.
- While it is clear that Republicans in Congress will advance a partisan tax reform proposal, if the process stalls in the Senate, where the vote margin is incredibly slim, then the President may find himself well into 2018 without a legislative victory to claim credit for heading into the midterm elections.
- All of this sets up a possibility that Congress and the President will turn to infrastructure if and when it is clear that the Republican Party needs a legislative win to mitigate what could otherwise be a severe loss of seats in the House, and potentially the Senate as well.
- However, the White House has still refrained from discussing any details on how to pay for its infrastructure proposal. This week the President told a Democrat Senator that tax reform will generate so much revenue that it will be able to pay for infrastructure. <http://www.politico.com/story/2017/10/18/trump-bipartisan-tax-reform-group-243923> However, counting economic growth from tax reform, using the President's rationale, to pay for an infrastructure spending package would require Congress to link tax reform and infrastructure on the same legislative vehicle, which the White House has said it does not support, and it would also require changing the Congressional Budget Office and Joint Committee on Taxation scoring rules to account for dynamic scoring, a move which is unlikely from a policy standpoint and one that has significant political landmines as well.
- But at a more fundamental level, the White House is clearly not at a point where its infrastructure proposal is ready for public discussion, as the President again splashed cold water on the idea of using P3s for infrastructure project delivery. As a reminder, the use of P3s has been a foundational element of the President's infrastructure platform since his campaign.