



ECONOMIC
INNOVATION
GROUP

A Spotlight on Infrastructure

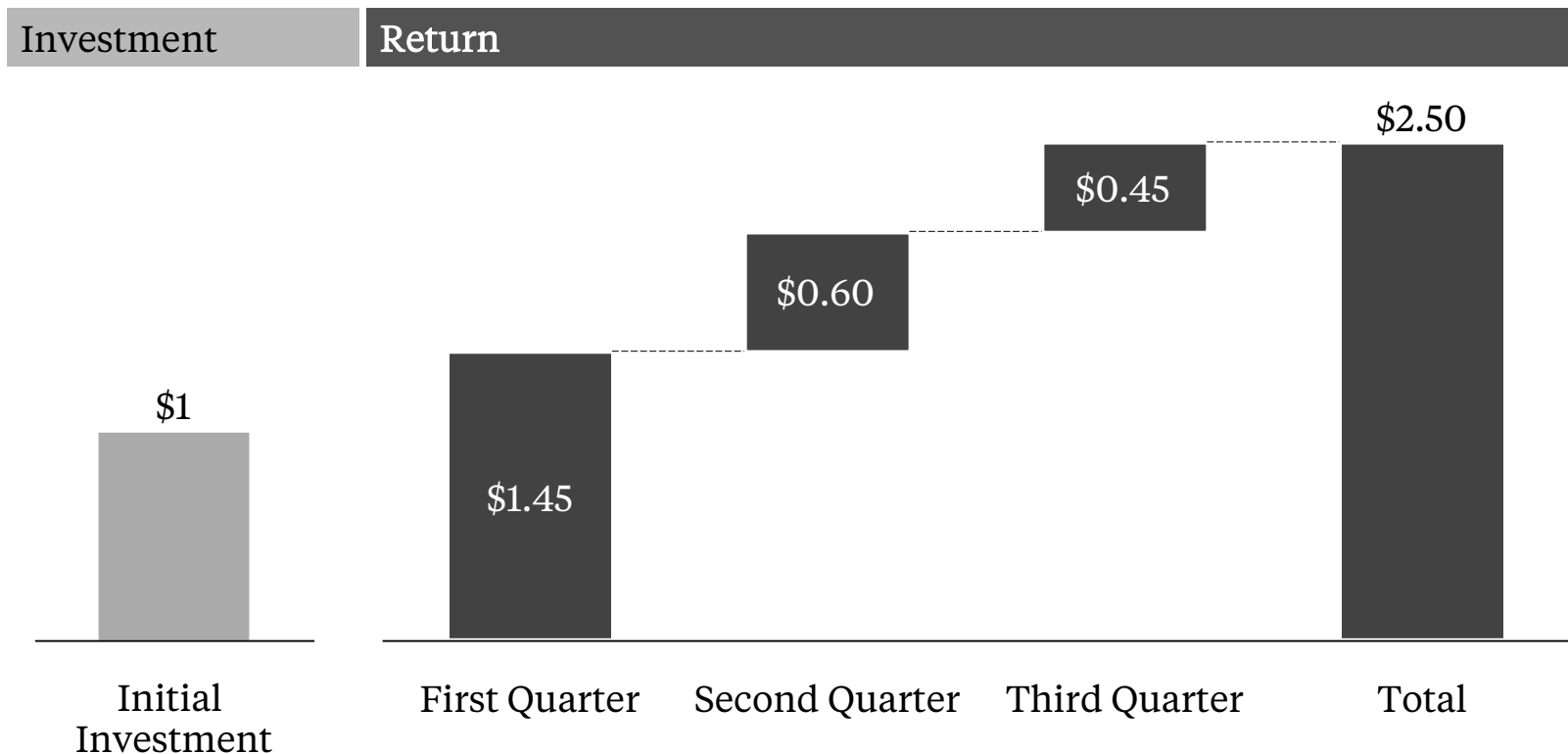
Issue: Infrastructure

- **D+ Grade:** America's infrastructure is badly in need of repair. The American Society of Civil Engineers recently graded the nation's infrastructure a D+ in its 2013 Report Card.
- **Economic Harm:** Last year, more than 20 percent of domestic flights were delayed, canceled, or diverted in part due to an aging and low-funded air transportation system. Similar economic losses exist across other industries.
- **Repair & Modernize:** Just keeping pace with GDP growth is not enough; old infrastructure needs to be repaired and the U.S. needs to build new infrastructure in order to modernize for the future economy.
- **Fiscal Constraints:** All of this comes at a time when both federal and state governments are cutting infrastructure spending because of budgetary concerns.
- **Public-Private Financing:** There is a funding gap that needs to be filled, and the public sector cannot fill it alone. However, traditional private sector financiers – banks – are under pressure from new regulatory constraints. More creative solutions are needed.



Infrastructure Spending Yields Significant Gains...

- According to CBO estimates, an increase of \$1 in federal infrastructure spending in one calendar quarter has the potential to raise GDP by \$2.50 over the next several quarters. The economic impact of infrastructure investment is large.



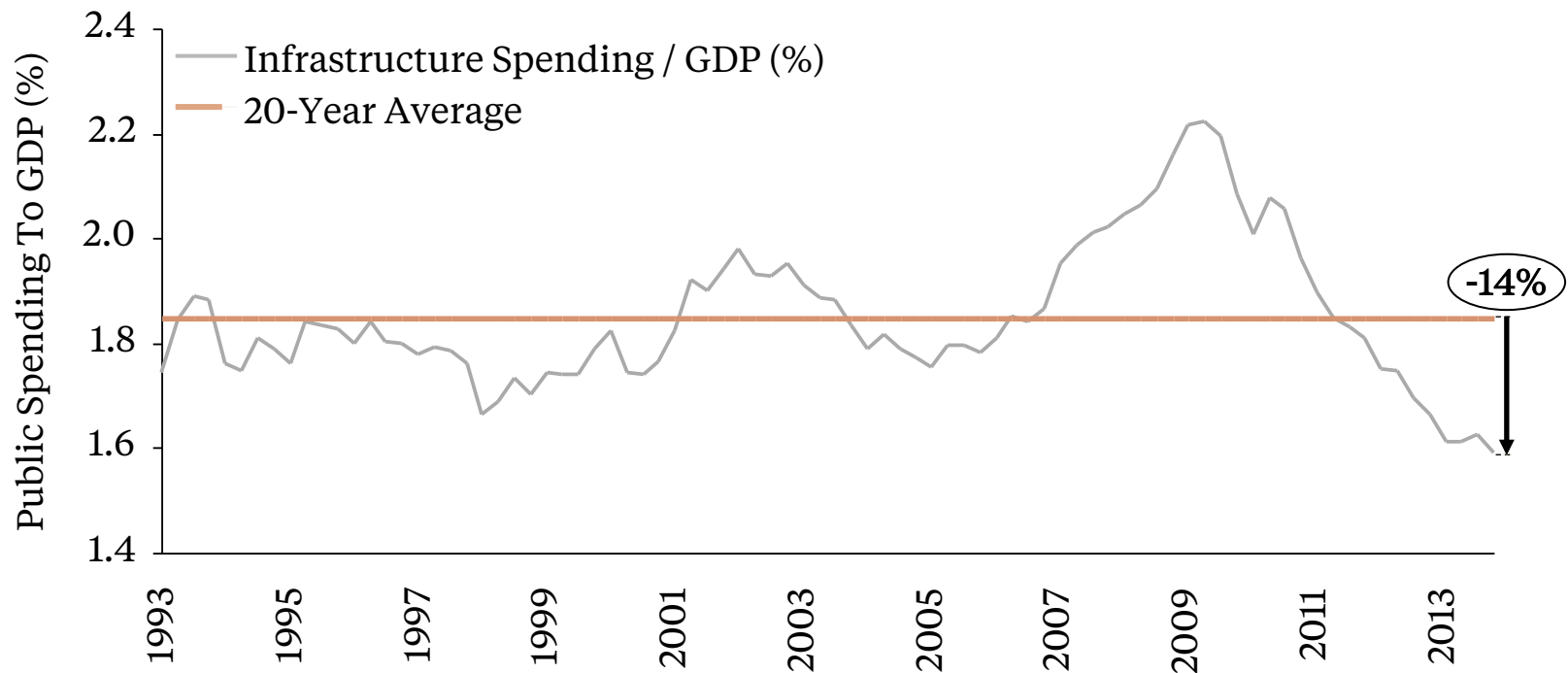


...But Infrastructure Investment Is At A 20-Year Low...

- The federal government's fiscal woes and the political gridlock in Washington have been putting the squeeze on infrastructure funding.

Public Infrastructure Spending To GDP Is Now At A 20-Year Low

While infrastructure spending increased in 2009, this was during the depths of the recession with declining economic growth; it has since fallen below historical levels

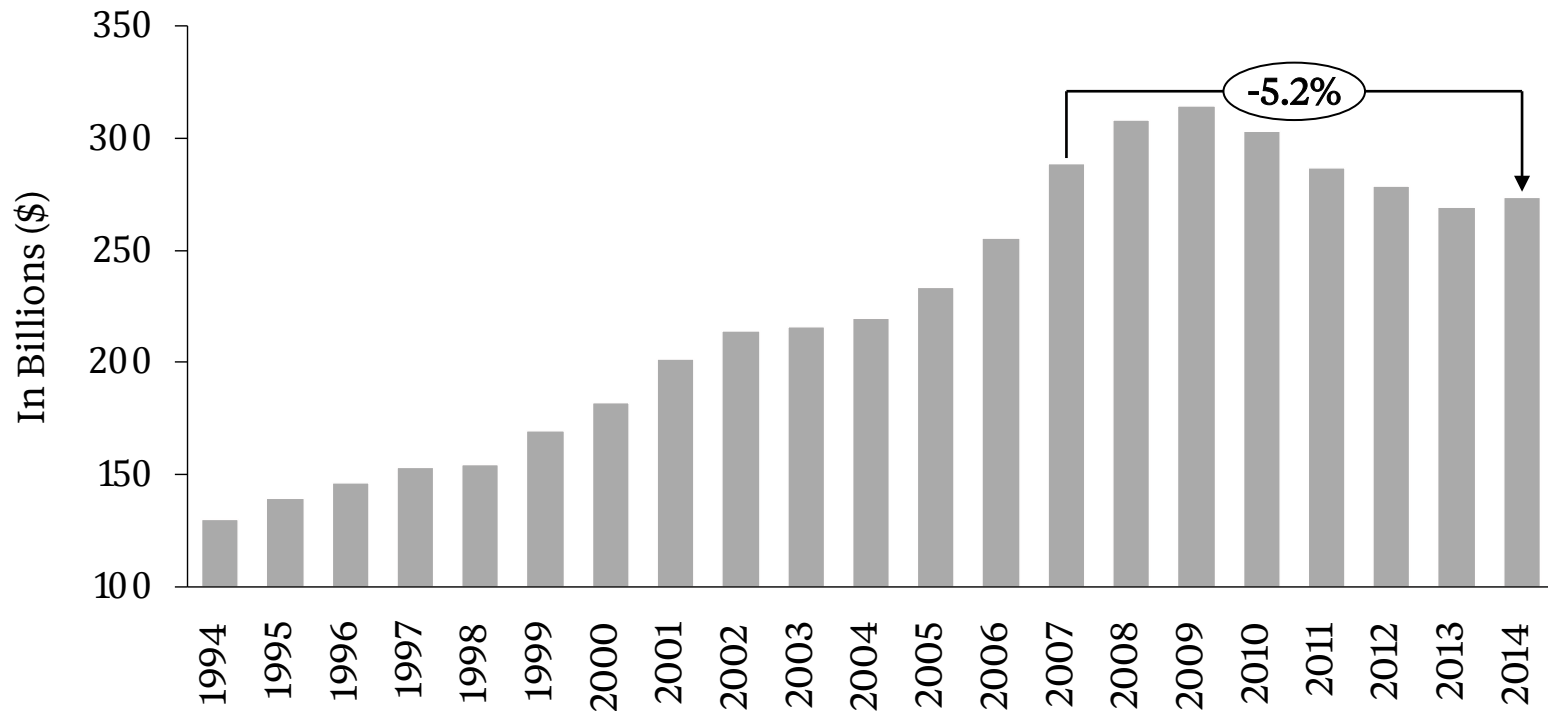




...And Has Fallen Below Pre-Recession Levels

- Federal, state, and municipal spending on infrastructure kept pace from the 1990s up to the recession. More so than not keeping pace with the economic recovery, it has fallen below pre-recession levels.

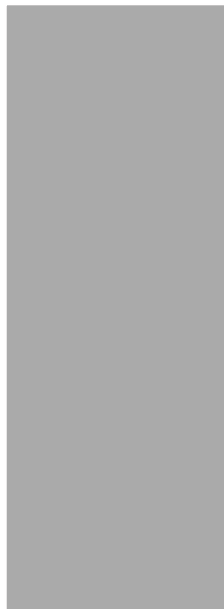
**Total Public Construction Spending
(\$ In Billions)**



Additional Funds Are Required

- CBO estimates that the United States needs an additional \$13 billion per year just to keep the current infrastructure quality stable. An estimated \$200 billion annually is needed to bring infrastructure to "a state of good repair" by 2030.

\$13 Billion



- The Highway Trust Fund shortfall is the product of a mismatch between the current spending level and the revenue stream from the gas tax plus interest.
- A six-year program would face a \$78 billion shortfall for maintenance at current levels.
- We are running out of solutions:
 - Out: Gas Tax, Repatriation Tax, Foreign Tax, Revenue Infusion.
 - Possibility: State And Local Governments, Public-Private Partnerships.

Additional Funds
Needed Each Year

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