Trump infrastructure plan seeks to shift burden to states

AP Photo/Bebeto Matthews, File

This 2014 file photo of the Hudson Yards project site shows ongoing construction of a rail tunnel, center left, at the Hudson Yards redevelopment site in New York.

JEFFERSON CITY, Mo. (AP) — When President Donald Trump called for a $1.5 trillion infrastructure investment in his State of the Union address, he didn't pledge that the federal government actually would provide that much money for roads, bridges, rail and waterways.

To the contrary, Trump's plan counts on state and local governments working with private investors to come up with much of the cash.

Exactly how that would work remained unclear Wednesday, as state transportation officials noted that Trump's proposal could put more pressure on them to raise taxes, fees and tolls just to qualify for a share of his infrastructure program. Questions surrounding Trump's plan are likely to leave costly projects, such as plans for a new Hudson River tunnel connecting New York and New Jersey, in limbo.

"The Trump administration has issued a charge that sounds a lot like 'show me the money,'" said Missouri Department of Transportation Director Patrick McKenna, who is president of the Mid America Association of State Transportation Officials.

In his speech Tuesday night, Trump called upon Congress to pass a plan "that generates at least $1.5 trillion" for infrastructure.

"We will build gleaming new roads, bridges, highways, railways and waterways all across our land," he said.

He did not provide a roadmap on how to achieve that or give specifics on how it would be funded. The Republican president said only that "every federal dollar should be leveraged by partnering with state and local governments and, where appropriate, tapping into private-sector investment."

The federal government typically provides 80 percent of the funding for capital expenditures on highways, with state and local governments coming up with the rest. On transit projects, the federal share typically ranges from 50 percent to 80 percent, according to the American Association of State Highway and Transportation Officials.

A six-page summary of Trump's plan, which was widely but unofficially distributed a week ahead of his speech, indicates that Trump is envisioning a significant shift of financial responsibility. Half his proposed federal money would go toward competitive grants for a wide range of infrastructure, including various transportation modes, hydropower, and drinking and wastewater facilities. But the federal grants would cover no more than 20 percent of project costs while requiring applicants to commit to "new, non-federal revenue."

To participate in Trump's plan, Missouri likely would have to ask voters to raise taxes for transportation, McKenna said. That's because the state transportation department already is spending at a deficit of roughly $80 million a year to meet its current federal highway match.

Neighboring Arkansas is in a similar predicament.

Gov. Asa Hutchinson's budget proposal seeks to transfer $16 million from surplus general revenue to the transportation department in order to meet its current federal highway allotment. Qualifying for Trump's plan could require a new revenue source.

"We're shaking the couch cushions out to see where we can find the rest of it," said Republican state Rep. Dan Douglas, who has backed various unsuccessful transportation funding bills.

Over the past five years, about three-fourths of the states have taken some sort of step to boost transportation funding, including 26 states that have raised motor fuel taxes.

Trump has suggested a greater role for public-private partnerships, in which a private entity helps finance and construct a major public infrastructure project in exchange for collecting tolls or fees from the users for years to come. But some states don't allow such projects. Tennessee doesn't use tolls or bonds to finance roads, making it difficult to undertake public-private partnerships without a change in state policy.

BRIEFLY

No immigration deal near as Trump offer is panned

WASHINGTON (AP) — President Donald Trump's State of the Union offer of a "down-the-middle compromise" on immigration did nothing to move Republicans and Democrats closer to a deal Wednesday, as Democrats accused the president of lacing his speech with racially charged remarks and Republicans dug in on their demands.

The reaction to Trump's high-profile overture suggested both parties were settling into a protracted tug-of-war. The standoff left serious doubt whether the two parties could reach an election-year pact to protect hundreds of thousands of young immigrants from deportation, sharpen border security and take other steps to curb immigration. The two parties had not even settled on a deadline an agreement — a bad sign in an institution that rarely acts unless under pressure.

Earlier this month, Senate Democrats looking to pressure Republicans to reach an immigration deal forced a three-day federal shutdown. While many Democrats have little appetite to repeat that strategy, party leaders have yet to indicate if they'll let future budget legislation move forward without an immigration accord.

Fed leaves key rate unchanged at Yellen's final meeting

The Federal Reserve has left its benchmark interest rate unchanged but signaled that it expects to resume raising rates gradually to reflect a healthy job market and economy.

At Janet Yellen's final meeting as chair Wednesday, the Fed kept its key short-term rate in a still-low range of 1.25 percent to 1.5 percent. It said in a statement that it expects inflation to finally pick up this year and to stabilize around the Fed's target level of 2 percent. In its previous statement, the Fed had predicted that inflation would remain below its target rate.

The Fed also indicated that it thinks the job market and the overall economy are continuing to improve.

"Gains in employment, household spending and business fixed investment have been solid," its statement said.

The central bank said it expects the steadily strengthening economy to warrant further gradual increases in its benchmark rate. Those additional rate hikes would likely lead, in time, to higher rates on some consumer and business loans.

The Fed's policy statement was approved by a 9-0 vote.

Yellen has led a cautious approach to rate increases in her four years as chair, and Jerome Powell, who will succeed her next week, has indicated he favors a similar approach.

GOP congressman who led Benghazi probe leaves House

WASHINGTON (AP) — Rep. Trey Gowdy, a powerful GOP watchdog who built his name leading the investigation into the 2012 attacks against Americans in Benghazi, Libya, has become the latest prominent Republican to head for the exits rather than run for another term.

The former South Carolina prosecutor who is chairman of the House Oversight and Government Reform Committee said in a statement Wednesday that he planned to return to the justice system, though he did not elaborate.

The committee's lengthy investigation into the attacks that killed the U.S. ambassador and three other Americans focused heavily on Hillary Clinton's role as secretary of state, though an 800-page report produced no smoking gun pointing to wrongdoing by her. The investigation also revealed that Clinton used a private email server for government work, prompting an FBI investigation that proved to be an albatross in the Democrat's 2016 presidential campaign. Gowdy is currently involved in one of the House's Russia investigations and the leader of a renewed review of the FBI and Clinton's emails.

Gowdy, 53, was elected in the 2010 tea party wave that returned control of the House to Republicans. He is the ninth House committee head to step down, although several departing colleagues faced the prospect of being term-limited from that post or difficult re-election prospects. Gowdy did not have such obstacles, which made his decision all the more surprising.

CDC director resigns over financial conflicts of interest

NEW YORK (AP) — The director of the Centers for Disease Control and Prevention resigned Wednesday over financial conflicts of interest involving her investments in health care businesses.

Dr. Brenda Fitzgerald's complex financial investments presented conflicts that made it difficult to do her job, according to a statement from the Department of Health and Human Services. In an ethics agreement filed in September, Fitzgerald had said that legal and contractual restrictions prevented her from selling the two investments.

The new HHS head, Alex Azar, who took office on Monday, accepted her resignation Wednesday after discussing the investments with her and their effect on her work.

Her investments were "limiting her ability to complete all of her duties as CDC Director," HHS spokesman Matt Lloyd said in the statement. "Due to the nature of these financial interests, Dr. Fitzgerald could not divest from them in a definitive time period."

Fitzgerald's resignation follows a news report Tuesday that she bought tobacco and drug stocks after she took the job.