# President Biden's American Jobs Plan

**For decades, there have been numerous attempts to update the 1956 Federal Highway Act, which at the time was the largest U.S. public works legislation ever. Most have been piecemeal efforts to refine how the federal government defines, identifies, and proposes to pay for infrastructure investments. Few have passed.**

**That's what makes President Biden's proposal so unusual. It's big in every way: it has wide-ranging ambitions—enormous scope and a whopping price tag. And it will require a massive effort to get it from proposal into law. President Biden announced the American Jobs Plan during an address in Pittsburgh on March 31, as the first of a two-part infrastructure proposal, which will include the American Families Plan, which is due to be announced in the near future.**

## What's in the plan

This ambitious eight-year, $2.25 trillion plan has three distinct elements to it (see Exhibit 1 for a detailed breakdown of proposed spending).

1. **Catching up on neglected infrastructure.** There is a real focus on catching up on decades of underinvestment in infrastructure. The proposed law allocates significant dollars to repair, upgrade and increase the resilience of infrastructure assets, ranging from highways, bridges, airports, ports and transit systems to repairing and upgrading "unseen" infrastructure, such as removing lead water-supply pipes and plugging orphan oil and gas wells that leak methane into the atmosphere. Additionally, the plan funds upgrades to "social" infrastructure—schools, VA hospitals, public housing and child-care facilities. Finally, the plan recognizes the need to build a more resilient electric transmission system and update the supply system to support President Biden's climate change agenda.

2. **Investments in competitiveness.** The second focus of the American Jobs Plan is what we would call "getting ahead"—by directing investment into infrastructure assets that will support U.S. competitiveness and help achieve material climate change benefits. This category includes investment in transit and rail electrification, electric vehicle (EV) charging stations, and converting buses and federal vehicles to electric power. There is also significant focus on digital infrastructure, with a goal to bring broadband to 100 percent of the population and reduce the cost of broadband access. Additionally, $180 billion is proposed for R&D and technology investment. Finally, the plan identifies $25 billion to turn "shovel-worthy ideas into shovel-ready projects."

3. **People infrastructure.** The third focus of the Plan is what we would describe as "people are infrastructure, too." The plan proposes directing investment into underserved communities that have been cut off from many historic transportation investments and create jobs in modernizing clean power generation. Proposed people infrastructure investments also include expanding availability of affordable child care and care for the elderly and disabled, as well as workforce development programs.

## What now?

So, the American Jobs Plan is wide ranging and ambitious, but the two critical questions are (a) how do we pay for it? and (b) is there political consensus to get it done?

**How to pay.** The plan spreads the $2.25 trillion cost over approximately eight years, which would be paid for over roughly 15 years by raising corporate tax rates (called the Made in America Tax Plan). This plan proposes reversing some Trump-era tax cuts and increasing the corporate tax rate to 28 percent (from 21 percent), increasing the minimum tax paid by multinational corporations on their global earnings, and eliminating current tax breaks for fossil fuel companies. As expected, the immediate reaction from business groups was to object to higher corporate taxes, which they say will make U.S. companies less competitive globally. Like other business groups, the Chamber of Commerce applauded the idea of a long overdue infrastructure investment program, but declared that paying for it solely through corporate taxation is "seriously flawed." In other words, businesses would like greater consideration for user pay models—for example, by including tolling on highways, a move to a vehicle-miles-traveled fee (rather than an unpopular gas tax increase), and user fees for enhanced water and technology investments.

**A question of politics.** The political question is the ultimate open question—or questions. There has been, typically, broad bipartisan consensus on the need for transportation infrastructure investments, for example—until one comes to the question of who pays for it and how. It's very early in the aftermath of the Job Plan announcement, with the Families Plan yet to come, but already partisan battle lines are being drawn because of the scale of the proposal, some of its elements, and the pay-for approach. The plan—plans—may be the opening acts in a lengthy debate. But not too lengthy (the Administration says it wants a vote by Memorial Day).

If the recent past of the $1.9 trillion American Rescue Plan Act is prologue, there will be attempts to engage the Congressional minority in discussion. But ultimately, neither the Administration nor the very slender congressional majorities in the House and the Senate will likely wait too long if discussions do not appear headed for consensus. The endgame may then prove to be a return to the budget reconciliation process, which has its own distinct limitations and variables, even within the congressional majority and especially in the Senate. It will be an interesting spring and summer. But I expect we'll know soon enough whether the Plan, or Plans, have what may be historic legs. Or not. Stay tuned!

### Exhibit 1. A breakdown of the proposal

**$621 billion for transportation infrastructure and resilience**

- $115 billion for the modernization of roads, highways, streets, and bridges in need of critical repair.
- $20 billion for road safety.
- $85 billion to modernize and expand transit.
- $80 billion for Amtrak.
- $174 billion to invest in plug-in electric vehicles (EVs), including electrifying school buses and the federal fleet.
- $25 billion for airports.
- $17 billion for ports.
- $20 billion to "redress historic inequities," including reconnecting communities that were impacted by historic investments.
- $25 billion for projects that will benefit the regional or national economy.
- $50 billion for resiliency to (1) "safeguard critical infrastructure and services, and defend vulnerable communities"; and (2) "maximize the resilience of land and water resources to protect communities and the environment."

Source: Fact Sheet: The American Jobs Plan, www.whitehouse.gov

**$111 billion for clean water and water infrastructure investments**

- $45 billion for the Environmental Protection Agency's Drinking Water State Revolving Fund and Water Infrastructure Improvements for the Nation Act (WIIN) grants.
- $56 billion for states, Tribes, territories, and disadvantaged communities to upgrade and modernize water infrastructure.
- $10 billion for per- and polyfluoroalkyl substances (PFAS) monitoring and remediation.

**$100 billion for broadband** to achieve 100 percent high-speed broadband coverage and reduce the cost of internet service, among other things.

**$100 billion for power infrastructure**

- $16 billion for plugging orphan oil and gas wells and cleaning up abandoned mines.
- $5 billion for the remediation and redevelopment of Brownfield and Superfund sites.
- $10 billion for a Civilian Climate Corps program.

**$300 billion for housing-related investment**

- $213 billion to "build, preserve, and retrofit" over two million homes and commercial buildings.
- $20 billion worth of tax credits through the Neighborhood Homes Investment Act.
- $40 billion for infrastructure improvements in the public housing system.
- $27 billion for a Clean Energy and Sustainability Accelerator, intended to "mobilize private investment into distributed energy resources; retrofits of residential, commercial and municipal buildings; and clean transportation."

**$112 billion for education investments**

- $100 billion to upgrade and build new public schools.
- $12 billion for community college infrastructure.

**$25 billion to upgrade child care facilities and increase the availability of adequate child care**

**$18 billion for the modernization of VA hospitals and clinics**

**$10 billion for federal building upgrades**

**$180 billion for research and development and technology**

- $50 billion for a new technology directorate for the National Science Foundation (NSF).
- $30 billion for research and development that spurs job creation and innovation.
- $40 billion for upgrades to laboratory research infrastructure.
- $35 billion for clean energy technology and jobs, including $5 billion for climate-focused research and $15 billion for climate demonstration projects (including "utility-scale energy storage, carbon capture and storage, hydrogen, advanced nuclear, rare earth element separations, floating offshore wind, biofuel/bioproducts, quantum computing, and electric vehicles").
- $10 billion for research and development investment at Historically Black Colleges and Universities (HBCUs).
- $15 billion to create up to 200 research incubator centers of excellence at HBCUs and other Minority Serving Institutions (MSIs).

**$300 billion for small businesses and manufacturers**

- $50 billion for a new Department of Commerce office to monitor "domestic industrial capacity and funding investments to support production of critical goods."
- $50 billion in semiconductor manufacturing and research.
- $30 billion for investments in "medical countermeasures manufacturing; research and development; and related bio-preparedness and biosecurity" intended to help protect citizens from future pandemics.
- $46 billion to help the federal government purchase additional EVs and charging infrastructure.
- $20 billion for regional innovation funds and a Community Revitalization Fund.
- $14 billion for the National Institute of Standards and Technology.
- $52 billion for investment in domestic manufacturers.
- $31 billion for small business incubators and innovation hubs.
- $5 billion for a Rural Partnership Programs to assist with economic growth in rural and Tribal communities.

**$100 billion for workforce development**

- $40 billion for a new Dislocated Workers Program.
- $12 billion for targeted workforce development opportunities in underserved communities.
- $48 billion in American workforce development infrastructure and worker protection.

**$400 billion for home- or community-based care** for aging relatives and people with disabilities.

## Conclusion

The sausage-making process is just beginning in Washington and nobody can predict what the final bill will look like—or if anything based on President Biden's proposal will become law. What we do know is that the U.S. has underinvested in infrastructure for decades and that citizens and business both want to see safe, modern, efficient, and increasingly environmentally friendly infrastructure that serves the daily needs of 21st-century Americans and enhances the competitiveness of the U.S. We will be following the situation closely and will continue to share our insights as the proposed bill moves through Congress. If, unlike in the past, the federal government enacts a significant infrastructure bill, it will have important implications for our clients, which we will help you to understand and act on.

## Contact us


**Andy Garbutt**
*Principal, Head of Infrastructure*
*Deal Advisory & Strategy*
M: +1 512 879 7666
E: andrewgarbutt@kpmg.com


**kpmg.com/socialmedia**

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.