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for Democratic Governance and Innovation

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Memorandum

To: President Trump and Members of Congress

From: Professor Stephen Goldsmith, Director, Innovations in Government Program, Harvard Kennedy School

Re: Infrastructure Proposals in Possible COVID-19 Phase IV Relief Legislation

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As Congress and the Administration begin trading proposals on the contours of what a fourth COVID-19 relief package might look like, I agree with your assertion that a robust infrastructure component should be a central part of any future plan.

With the likelihood of long lasting economic dislocation caused by the COVID-19 pandemic, we should consider infrastructure investment both as a way to create jobs and as a bridge to the future, literally and figuratively. To accomplish both purposes effectively we need streamlined regulatory processes as well as creative financing, including approval of a broader array of critical infrastructure projects. Simply appropriating funds for a massive infrastructure package without addressing regulatory reforms would likely slow the economic recovery from the pandemic.

The massive infrastructure needs of the country, and its cities in particular, should incentivize the Congress and White House to take the opportunity to repair years of neglect while simultaneously providing critical economic assistance during the recovery. Cities will face an enormously difficult path forward as their tax revenues are likely to continue to collapse for one to two years after the end of the pandemic - even under more optimistic economic forecasting scenarios.

While there is no doubt that significant direct federal investments will be needed by our cities to respond to the economic fallout from this pandemic, I believe that whatever degree of federal infrastructure funding is made available should include its own expedited process that minimizes bureaucratic approvals such that obtaining necessary permits is fast tracked. Velocity counts. Congress and the executive branch should resist the opportunity to clutter any potential future legislative package with mandates that unnecessarily restrict who can be employed or what machinery can be purchased. We should invert the current process that too often assumes federal officials know more than local leaders about what is best for particular communities.

As with the expenditure of bond funds, which allow a small percentage of proceeds to fund certain administrative or capacity costs, cities and states should have a defined percentage of funding allotted to building the capacity for projects to be completed quickly (while guaranteeing contracting integrity and safety). If not, throughput capacity will be a huge gating problem.

Common sense reforms, such as explicitly allowing public agencies to use GSA and each other's contracts and procurement forms, should be strongly encouraged. Procurement delays often result in counter-cyclical infrastructure spending with projects starting later than necessary. Projects funded through the 2009 American Recovery and Reinvestment Act were notorious in that regard.

Infrastructure spending should incorporate long term opportunities for small businesses and urban residents. Any package should include funding for large scale apprentice and training programs, small business contractor colleges, and processes that allow cities to innovatively spend funds to ease bonding requirements.

Creative approaches should be encouraged: too many states prohibit cities from using inventive design/build/operate contracts that accelerate project delivery while improving life cycle costing, transferring risks such as price overruns and improving preventative maintenance. These projects can still be locally owned and controlled but built and operated with a more creative mix of public and private funds. The federal government should incentivize public private partnerships in social infrastructure (schools and hospitals), airports, and transit where a combination of capital and operational excellence reduces operating costs or increases net revenues.

Let's be more creative in our definition of infrastructure. Such an approach would build a better future.

1. Broadband: More than anything, the current crisis shows us that families in poorer communities are greatly disadvantaged by lack of access to high speed internet. Recent FCC decisions have made it difficult for cities to create equitable funding streams as a condition of 5G deployment. Fund adequate 5G deployment in all parts of cities while addressing the "last mile" problem into the home.
2. Preventative Maintenance: Allow retrofitting and preventative maintenance investment in existing infrastructure. Water treatment plants need new pumps; bridges need structural work as well as sensors and data systems that help cities and states make informed decisions on the timing of repairs. In all funding, encourage planning for how to use data to extend lifecycles. Substantial savings will be possible from ongoing IoT data analysis of pumps, sensors, and transit equipment.
3. Housing: The demand for public housing far exceeds capacity, and the condition of many of the units falls far short of satisfactory. Infrastructure funding should support HUD's Rental Assistance Demonstration, which gives public housing authorities a means to improve existing (public housing) properties and address deferred maintenance while enabling additional private equity investment and management. Doing so will help spur the production of additional housing units with fewer direct costs borne by the Treasury.
4. Wastewater and clean water: Federal mandates in both of these areas impose billions of dollars on cities, yet are often not attached to dedicated funding streams aimed at helping cities absorb the significant costs for carrying out these clean water improvements. For example, many older cities are rightfully spending significant funds on lead mitigation. With this looming financial crisis, cities will be forced to choose between such activities as lead mitigation and other vital public

expenditures. The federal government should absolutely fund the mandates but set up a system that allows for creative responses.

5. Roads: Cities spend far too little maintaining their existing road infrastructure. This is especially true of those cities now experiencing more hard freezes and thaws, which has wrought havoc on pavement in an increasing numbers of cities. Hundreds of thousands of miles of those roads across the country need to be dug up, the subsurface repaired, and the asphalt subsequently rebuilt. These efforts should be fast with few reviews and would produce long term benefit. Let's use this opportunity to transition from roads designed fifty years ago to pathways for the future that are redesigned to improve civic spaces, walkability, and bikability.
6. Flood protection: Too many cities are vulnerable, and the costs to all levels of government from extreme flooding will only get worse. Yet many cities cannot justify diverting funds from urgent short term capital priorities to preventing a 100 year flood. Fund the most urgent needs with the highest pay offs in this regard.
7. Transit: Let's resist telling cities what to do but help them accomplish what they have prioritized. Some need small vans to help urban poor residents get to work or to the train while others need funding for more efficient buses or train modernization. Autonomous vehicles soon will compete with Uber, Lyft, and personal cars for curb space. Fund the future by allowing cities to build the infrastructure and data systems to support operation and regulation of curb and sidewalk space.
8. Neighborhood housing infrastructure: Homes need funding for weatherization, and community groups in the hardest pressed areas need help removing blight. Funding for training and workforce should be linked to these infrastructure investments as well.
9. Project based municipal debt support: Cities across the country invested in strategies that created millions of hospitality jobs as part of main street, convention center, and hospitality initiatives. Venues, parking garages, and other capital investments for hospitality initiatives depend on now collapsing revenues to support these obligations. Providing resources for some form of a debt reserve fund to credit-enhance that debt will substantially relieve lost revenue and jobs.

During this excruciating time, infrastructure investment will produce jobs but also build a foundation for the future that will improve operations, assist local economies, and more fully engage urban residents. We need to take advantage of this moment in time to ease the barriers to more efficiently and quickly get many of these projects off the ground. We can't let bureaucracy stand in the way of this crucial effort.

Sincerely,

Professor Stephen Goldsmith

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