

**CAPITOL HILL-
SAVVY INDUSTRY
LEADERS WEIGH
IN ON POTENTIAL
LEGISLATIVE
AGENDA**

BY ALAN JOCH

**WHAT
WHAT**

**NEW
PRESIDENT,
NEW
CONGRESS,**

WE

KNOW

Industry leaders were encouraged when

President-elect Donald Trump—who proposed \$1 trillion for infrastructure during his campaign—reaffirmed in his victory speech his aim to make America’s infrastructure “second to none” while putting millions of people to work and doubling the pace of economic growth.

ACEC President and CEO Dave Raymond sent a letter to Trump (*see right*) outlining critical infrastructure and regulatory issues. And *Engineering Inc.* polled executives engaged with ACEC’s advocacy program to get their take on legislative issues and prospects for progress in the 115th Congress.

PROGRESS OR MORE POLARIZATION?

“We’re hopeful of seeing progress on transportation and infrastructure, energy and national security—those are areas where Congress and the new administration should be able to work together to produce results,” says Brian Tynan, director of government relations, AECOM. “These have been fairly bipartisan issues and ones not necessarily subject to the makeup of Congress and the administration. These are clearly all places that the incoming Trump Administration will look to advance its priorities with the Republican majority in Congress.”

Similarly, Jack Hand, chairman of POWER Engineers, hopes a new administration can create a more collaborative atmosphere in Washington. “The new president will make a greater effort to work with Congress,” he says. “President Obama over the last eight years really didn’t engage enough with Congress, and that hurt.”

But engineering executives are also realists. “While everyone agrees that infrastructure is of great importance to the economy as a whole, lawmakers must agree on how we can pay for the infrastructure investment that we really, really need,” says Elizabeth Burkhart, executive vice president, Collins Engineers, Inc.

Political fights will likely begin immediately, as politicians start campaigning for the next election on Inauguration Day.

TRANSPORTATION FUNDING

Despite optimism about Trump’s commitment to use increased infrastructure spending as a path to more U.S. jobs and private sector growth, engineering leaders still say long-term and sustainable transportation funding remains a top industry challenge.



“To avert a national water crisis, we need to increase federal funding and financing programs to local communities.”

LISA GLATCH | CH2M

LETTER TO PRE

November 16, 2016

Dear President-Elect Trump:

On behalf of the oldest and largest business association of the nation’s engineering industry, with more than 5,000 firms and 600,000 employees—I want to heartily congratulate you on your election as the nation’s 45th president!

We are eager to support your agenda to invest in the nation’s critical infrastructure, reform our tax code and reduce unnecessary regulatory burdens. Our members are knowledgeable in these areas, as they are directly engaged in construction projects that propel America’s economy and enhance its quality of life.

We are pleased to provide your Transition Team with a summary of our recommendations, as outlined below.

• **Rebuilding America’s Infrastructure:**

As you have said many times, among America’s most critical needs is the repair and modernization of its infrastructure. Because infrastructure investment has consistently generated broad, bipartisan support in Congress, this challenge represents a promising opportunity for the new administration in 2017.

Both private and public investment will be required. Our members have played important roles in the development and management of public-private partnerships (P3s) to leverage private finance for major infrastructure projects. We have supported government programs such as the Transportation Infrastructure Finance and Innovation Act (TIFIA), which could be expanded to generate more P3 projects nationwide. We also support tax-exempt tools such as Private Activity Bonds (PABs) for both transportation and water projects to unlock private investment for infrastructure projects.

While private financing is an important component of a successful infrastructure effort, the need for additional public funding for core programs is also vital. In particular,

SIDENT-ELECT DONALD J. TRUMP

we urge you to take needed steps to ensure the long-term solvency of the Highway Trust Fund. The gas tax—which provides the main funding for the Trust Fund and hasn't been increased in 20 years—needs to be on the table for consideration along



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DAVE RAYMOND | ACEC

with phase-in of a Vehicle-Miles-Traveled program (VMT), which raises funds from vehicle users regardless of energy source. Since 2008, Congress has resorted to a series of transfers from the General Fund totaling \$140 billion in order to prevent cuts to state transportation programs. As you know, in order to properly plan and execute projects, state transportation agencies need long-term, reliable funding mechanisms backed by dedicated revenues.

We also support a similar emphasis on addressing the nation’s water infrastructure needs, both through innovative private financing mechanisms such as the Water Infrastructure Finance and Innovation Act (WIFIA) loan program and increases in the State Revolving Fund (SRF) programs.

• Tax Reform: Our Member Firms represent a cross section of the American economy in terms of their tax structures as corporations and pass-through entities. Those of our firms that are corporations are today subject to a 35 percent tax rate, the highest among industrialized nations. Many more of our firms are paying

even higher rates—as pass-through entities—including S corporations, partnerships and sole proprietorships—which pay their taxes on the returns of the firm’s owners and are subject to a top tax rate that can exceed 39.6 percent. ACEC supports a balanced and comprehensive approach to tax reform that lowers rates and achieves rate parity for all businesses.

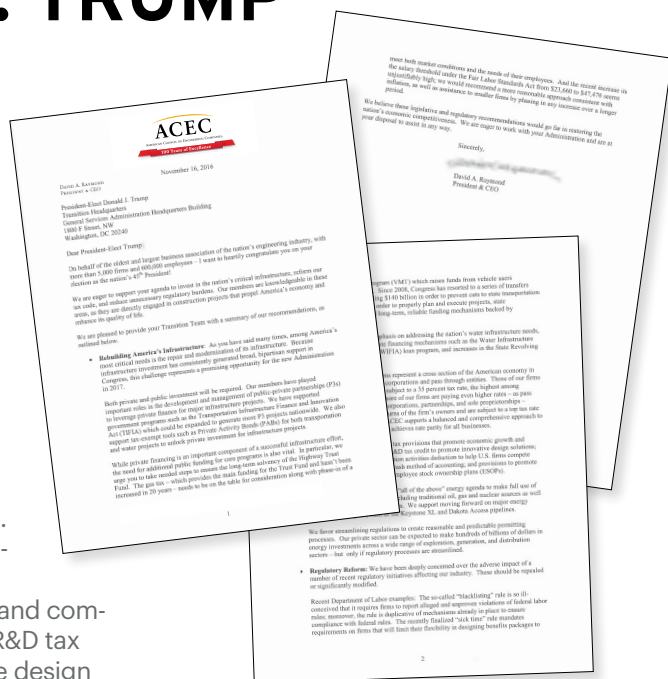
We also support the retention of tax provisions that promote economic growth and competitiveness, including the R&D tax credit to promote innovative design solutions; the Section 199 domestic production activities deduction to help U.S. firms compete globally; the preservation of the cash method of accounting; and provisions to promote employee ownership, including employee stock ownership plans (ESOPs).

• Energy: ACEC supports a robust “all of the above” energy agenda to make full use of our abundant energy resources, including traditional oil, gas and nuclear sources as well as wind, solar and other renewables. We support moving forward on major energy infrastructure projects, such as the Keystone XL and Dakota Access pipelines.

We favor streamlining regulations to create reasonable and predictable permitting processes. Our private sector can be expected to make hundreds of billions of dollars in energy investments across a wide range of exploration, generation and distribution sectors—but only if regulatory processes are streamlined.

• Regulatory Reform: We have been deeply concerned over the adverse impact of a number of recent regulatory initiatives affecting our industry. These should be repealed or significantly modified.

Recent Department of Labor



examples: The so-called “blacklisting” rule is so ill-conceived that it requires firms to report alleged and unproven violations of federal labor rules; moreover, the rule is duplicative of mechanisms already in place to ensure compliance with federal rules. The recently finalized “sick time” rule mandates requirements on firms that will limit their flexibility in designing benefits packages to meet both market conditions and the needs of their employees.

And the recent increase in the salary threshold under the Fair Labor Standards Act from \$23,660 to \$47,476 seems unjustifiably high; we would recommend a more reasonable approach consistent with inflation, as well as assistance to smaller firms by phasing in any increase over a longer period.

We believe these legislative and regulatory recommendations would go far in restoring the nation’s economic competitiveness. We are eager to work with your administration and are at your disposal to assist in any way.

Sincerely,
David A. Raymond
President & CEO

TIME TO THINK DIFFERENTLY ABOUT TRANSPORTATION

As Congress addresses transportation funding in 2017, engineering executives want lawmakers to look beyond traditional ideas. For example, self-driving cars and other innovations have profound implications for the future design of highways.

“The impulse with highways is often to add more pavement to increase vehicle capacity,” says Elizabeth Burkhart, executive vice president, Collins Engineers, Inc.

“But as transportation evolves with automated cars, adaptive cruise control and other intelligent transportation developments, our infrastructure investments must consider where transportation technology will be in five, 10 or 15 years,” she adds. “Rather than simply investing new money in traditional approaches to transportation, we need to design projects intelligently to ensure we have a transportation system for the next generation.”

approaching another funding cliff for the Highway Trust Fund in 2020,” says Lisa Glatch, executive vice president, CH2M. “It would serve us well to establish a sustained investment program to address that gap sooner rather than later.”

Industry representatives would like to see more reliable funding mechanisms for large-scale projects, so their clients can accurately plan multiyear initiatives. Funding options that are top of mind for many engineers are P3s. “The FAST Act has provisions to encourage P3s, which would apply for state and local infrastructure,” Burkhart says. “The federal government also owns transportation infrastructure, such as locks and dams

Trump has proposed spending \$1 trillion on roads, bridges, airports, pipelines and the electrical grid, compared to the \$305 billion, five-year FAST Act approved by Congress in late 2015. His plan calls for using \$137 billion in tax credit incentives to help subsidize equity costs, which would in turn leverage additional funds and spur public-private partnerships totaling as much as \$1 trillion over 10 years for transportation funding.

In his letter to Trump, Raymond urged the new administration to pursue a balanced approach in its infrastructure agenda, coupling initiatives to promote private investment and public-private partnerships (P3s) with new funding for core federal programs, including the Highway Trust Fund.

“The FAST Act provided short-term funding certainty for improving our transportation infrastructure, but we’re

on the inland marine transportation system, that still need to be addressed.”

Tynan calls the need for a long-term transportation funding fix “pretty dire.” While the recently enacted FAST Act was fully funded over its five years, the Highway Trust Fund revenues will again run drastically short at the end of the act and a solution needs to be found soon. “But each of the potential funding mechanisms has political challenges associated with it,” Tynan says.

This sets the stage for the engineering industry to become politically active in the months ahead. “We need to keep pressing for a solution that’s long term and sustainable, so we don’t have to keep coming back and fighting the same fight over and over,” Tynan says.

WATER AND TAXES

Engineers also agree that funding for water projects should be a major focal point. “To avert a national water crisis, we need to increase federal funding and financing programs to support local communities” adds Glatch.

Others say comprehensive tax reform may have a ripple effect on several industry issues. “One of the pieces of legislation that is necessary for the country is comprehensive tax reform,” says Paul Yarossi, executive vice president, HNTB Corp. “Good things have happened for our industry in the years when there has been comprehensive tax reform. The last two significant increases in





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PAUL YAROSSO | HNTB CORP.

transportation funding, for example, came during the tax reform process.”

ENERGY REFORM

A comprehensive energy bill also is vital. Creating a bridge from coal to gas is critical for energy security, says Hand. “Everybody wants a CO₂-free environment, and we’ve been doing a nice job moving in that direction by replacing old coal plants with combined-cycle natural gas facilities that produce significantly fewer emissions,” Hand says. “We have to continue the transition from coal to natural gas, and during that process we’ll need to make energy storage more viable. All of this should absolutely be a part of a comprehensive energy bill we would like to

CYBERSECURITY

The flood of headlines describing the latest hacking incidents hitting different industries is bringing cybersecurity to the forefront. Many engineering firm leaders would like to see a set of national cybersecurity standards to achieve safe transfer of electronic information among firms and their clients.

Currently, a number of federal agencies, including the National Institute of Standards and Technology, have issued multiple security guidelines, and this diversity means that each client may ask a firm to comply with different policies. Forging national agreement on a uniform set of standards would make compliance less onerous, says Jack Hand, chairman of POWER Engineers. “We all need to agree on which cyber protocols and standards to use,” he adds. “Otherwise, having too many protocols becomes too cumbersome.”

Toward this end, ACEC is engaged in the development of a power sector cybersecurity standard governing the procurement of engineering services. Under development by the North American Electric Reliability Corporation (NERC) at the direction of the Federal Energy Regulatory Commission, ACEC seeks to assure that the electric power sector procurement standard does not improperly allocate liability to engineering firms for cybersecurity incidents beyond their control. The standard developed by NERC is expected to broadly influence infrastructure procurements involving industrial control systems.

see—unfortunately, it’s not included in the bill of the recent Congress.”

The need continues to exist for Congress to speed up the federal permitting process for large projects. “We have seen electric delivery lines, gas pipelines, natural-gas combined-cycle plants all being delayed by lack of momentum in environmental permitting. For example, our firm is working on a project to build a transmission line. We’re about eight years into the process of just getting the environmental permits,” Hand says. “In California, delays like that have been the norm for decades, but until recently that hasn’t been the case in the rest of the U.S. That’s holding up billions of dollars ready to be invested in infrastructure.” ■

Alan Joch is a business and technology writer based in Franconia, New Hampshire.



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