

## The Bipartisan Infrastructure Bill: Who Wins, Who Doesn't?

November 8,  
2021

*It's finally here - a historic spending package from the U.S. federal government amounting to more than \$1 trillion in infrastructure investments. The question now becomes: What's next?*

In May 2021, President Joe Biden, following through on a campaign promise, outlined a \$2.3 trillion plan<sup>1</sup> to re-engineer the nation's infrastructure. After weeks of negotiations over the spring and summer, several proposals were eliminated entirely or trimmed significantly, including programs to upgrade and build new schools, child-care facilities, veterans' hospitals and federal buildings; build, preserve and retrofit more than two million homes and commercial buildings; spark electric vehicle manufacturing, supply chains and sales; and expand investment and production tax credits to speed up private investments in clean energy, among other things.

Following these negotiations, the United States Senate passed the massive, but scaled-back, \$1.2 trillion infrastructure bill on August 10, 2021, with a bipartisan 69-30 vote. After much drama, delay, maneuvering and histrionics, the bill was finally passed by the House on November 5, 2021, by a vote of 228-206, and sent to the White House for the President to sign. President Biden has expressed his intention to sign.

What does the Infrastructure Investment and Jobs Act call for and who is going to benefit? This 2,700+ page legislation is the so-called "hard infrastructure" bill, as it is intended to modernize federal highways, transit systems and rail programs, as well as repair bridges and dams, rebuild water lines, install electric vehicle charging stations, and improve broadband, among other things. It is the largest federal investment in transit and water projects of its kind in U.S. history. And for many, it is a very necessary and even overdue investment given the condition of the country's roads, dams, bridges and rail systems. The American Society of Civil Engineers rated the nation's overall infrastructure system a score of C- earlier in

<sup>1</sup>"FACT SHEET: The American Jobs Plan," The White House, March 31, 2021, available at [www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/](https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/).

2021<sup>2</sup>, indicating that investments are needed in a variety of areas from a safety, climate, efficiency and access standpoint.

### What's in the legislation?

Proponents of the legislation assert that it will generate significant benefits and returns through economic growth, job creation, improved living standards, reduction in greenhouse gases, and equal access for more Americans to participate fully in the economy. It will be financed through a combination of sources, including redirecting unspent emergency relief funds, reducing the IRS tax gap, targeted corporate user fees, various other fees and sales proceeds, and the macroeconomic impact of infrastructure investment.

The legislation includes \$550 billion in new investments in the following areas in addition to funding that is normally allocated each year to highways and other infrastructure projects:

\$110B	Repair and rebuild roads and bridges focusing on climate change mitigation, congestion relief, resilience, equity, and safety for all users, including cyclists and pedestrians.
\$73B	Modernize the electrical grid by upgrading power infrastructure with new, resilient transmission lines to facilitate the expansion of renewable energy.
\$66B	Improve healthy, sustainable transportation options for millions of Americans by modernizing and expanding transit and freight rail networks across the country, while reducing greenhouse gas emissions.
\$65B	Invest in broadband infrastructure, connecting every American to reliable high-speed internet, driving affordability and closing the digital divide.
\$55B	Eliminate the nation's lead service lines and pipes, clean up chemical sites and deliver clean drinking water to 10 million American families, over 400,000 schools and childcare facilities and disadvantaged communities.
\$47B	Address flooding, wildfires, coastal erosion and droughts by increasing resiliency of existing infrastructure and preparing for the impacts of climate change, cyber attacks and extreme weather events.
\$39B	Repair and upgrade transit systems and make stations and routes more accessible to elderly and disabled passengers.
\$25B	Upgrade airports, including air traffic towers and systems.
\$21B	Invest in environmental remediation projects to clean up legacy brownfield and Superfund sites and abandoned mines and plug old oil and gas wells.
\$17B	Upgrade port infrastructure and waterways; reduce truck emissions at ports.
\$11B	Implement transportation safety programs addressing highway safety, pedestrian safety, pipeline safety and prevention of vehicle incidents involving animals.
\$8B	Invest in Western water infrastructure, including water treatment, storage and reuse facilities to help mitigate drought issues.
\$7.5B	Build a national network of 500,000 electric vehicle (EV) chargers along highways and in rural and disadvantaged communities.
\$7.5B	Electrify thousands of school and transit buses and ferries across the country to reduce emissions and drive domestic manufacturing of zero emission vehicles and components.

<sup>2</sup> "2021 Report Card for America's Infrastructure," American Society of Civil Engineers, available at <https://infrastructurereportcard.org/infrastructure-categories/>.

As noted earlier, the bill is the largest federal investment in public transit in history and is the largest federal investment in passenger rail since the creation of Amtrak. It is the single largest dedicated bridge investment since the construction of the interstate highway system. It represents the largest investment in clean drinking water and wastewater infrastructure in American history and also is the single largest investment in clean energy transmission in American history.

The bill creates a first of its kind Infrastructure Financing Authority that will leverage billions of dollars into clean transportation and clean energy. The lobbying for this bill packed a lot into it. For example, there is funding for salmon recovery; requirements that states enforce laws that ban open alcoholic beverages in cars; a provision allowing states to use some of their funding for recreational trails; and money for a “healthy streets” program to expand tree cover to mitigate urban heat. The bill also allows for fast-track permitting infrastructure projects once they are ready.<sup>3</sup>

### Which sectors are the winners?

Below is a summary of possible winners and possible losers from the infrastructure bill:

Possible Winners		Possible Losers	Mixed/Neutral
<ul style="list-style-type: none"> <li>• Airlines</li> <li>• Automotive</li> <li>• Construction</li> <li>• Commodities</li> <li>• Consumer Products</li> <li>• Industrials</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics</li> <li>• Rail</li> <li>• Technology</li> <li>• Telecom</li> <li>• Public Transit</li> <li>• Utilities</li> </ul>	<ul style="list-style-type: none"> <li>• Chemicals</li> <li>• Oil and Gas</li> <li>• Pharmaceuticals</li> <li>• Shipping</li> </ul>	<ul style="list-style-type: none"> <li>• Banking</li> <li>• Defense</li> <li>• Healthcare</li> <li>• Insurance</li> <li>• Retail</li> </ul>

Following is brief commentary regarding these sectors:

**Airlines** get a shot in the arm with the \$25 billion directed to modernize airports, improving access and capacity.

**Automotive** benefits from investments in a national network of EV chargers along highways and in rural and disadvantaged communities, as well as replacement of public transit vehicles with zero-emission models.

**Chemicals** is facing a “superfund tax” expected to cost more than \$1.2 billion annually.

<sup>3</sup> “What’s in the \$1.2 Trillion Infrastructure Package,” Heather Long, The Washington Post, November 5, 2021, available at [www.washingtonpost.com/business/2021/08/10/senate-infrastructure-bill-what-is-in-it/](http://www.washingtonpost.com/business/2021/08/10/senate-infrastructure-bill-what-is-in-it/).

**Construction** is the big winner along with **Commodities** – such as metals, cement and lumber – needed to support infrastructure projects.

**Consumer Products** will benefit as increased spending on waterways and ports could also help grow the global e-commerce sector. In addition, those companies relying on on-the-ground delivery of goods will benefit (see **Logistics**).

**Industrials** benefit from the increased demand for tools and equipment needed to carry out a massive infrastructure improvement program.

**Logistics** companies – e.g., Amazon, Federal Express, UPS – will benefit from improved roads and highways without having incurred taxes to fund those improvements.

**Rail** and **Public Transit** are significant beneficiaries of the infrastructure bill.

**Telecom** benefits from the massive broadband investment and **Technology** is sparked by the innovation possibilities from increased bandwidth across the country.

With respect to this legislation, **Oil and Gas** is on the outside looking in.

The bill requires **Pharmaceuticals** to issue refunds to Medicare for discarded medicine due to overpackaging, costing as much as \$100 million annually. Also, a rule by the prior administration to change how drugs are priced and paid for by Medicare and Medicaid is being delayed from 2023 to 2036 to create \$50B in savings to help fund infrastructure investments.

**Shipping** is not a beneficiary of the legislation's focus on "made in America."

**Utilities** are served well by investments to modernize the grid and water infrastructure; even nuclear power benefits from a four-year, \$6 billion program to keep reactors in operation.

**Banking, Defense, Healthcare, Insurance** and **Retail** are classified as "Mixed/Neutral" because of little perceived *direct* impact. However, there will likely be *indirect* impacts, e.g., added discretionary spending power from more wage earners in the labor force should benefit **Retail**; investments in cyber resilience will benefit target-rich sectors handling sensitive data such as **Banking, Defense** and **Healthcare**, and improved broadband will benefit all sectors.

The bill could foster economic growth as well as fan inflationary flames, which can affect various sectors differently.

## The states are winners, too

States will benefit from the legislation directly and indirectly, with improvements to their infrastructures and related job opportunities for their citizens. California, Texas and New York will likely receive the most funds in the infrastructure package. However, far less populous states – such as Vermont, Montana, Wyoming and Alaska – will get the most money per capita. California, Texas and New York will receive allocations of \$44.6B, \$35.4B and \$26.9B, respectively. Florida, Illinois, Pennsylvania, New Jersey, Ohio, Georgia and Maryland round out the top 10 states receiving allocations. This is not surprising as the more populous the state, the more wear and tear on its roads, bridges and other transportation surfaces. The number of large urban areas is another determining factor.<sup>4</sup>

## Concluding comments

Needless to say, the infrastructure bill represents an enormous undertaking. Given past experience from massive government spending, the roll-out of money is not going to be immediate. Accordingly, companies will have time to focus on the implications of the bill on their market opportunities and business models.

With this legislation on the books, the Democrats now turn their focus to a \$1.75 billion “human or social infrastructure” bill to expand the nation's social safety net and combat climate change. This bill focuses on funding such things as childcare and preschools, family and medical leave, home care, housing and higher education grants, and workforce development.

To overcome Republican opposition, Democrats seek to enact the plan through the budgetary reconciliation process that would require 50 Democrat votes in the Senate and a tiebreaker by Vice President Harris. It is not a given that the proposed bill will pass the test in its present state, as moderates insist on evidence from the Congressional Budget Office that it will not increase the deficit.

If it does pass, **Construction** and **Commodities** will chalk up another win as this bill includes funding to build or improve more than one million new affordable housing units. It would also much more directly impact **Healthcare** and **Education**.

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<sup>4</sup> “These Charts Show Which States Will Get the Most Money from Biden’s Infrastructure Bill,” Thomas Frank and Nate Rattner, August 31, 2021, available at [www.cnbc.com/2021/08/31/infrastructure-bill-map-which-states-get-the-most-money.html](http://www.cnbc.com/2021/08/31/infrastructure-bill-map-which-states-get-the-most-money.html).

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