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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JUNE 18, 2009

SUBJECT: FEDERAL LEGISLATION

ACTION: ADOPT STAFF RECOMMENDATION

RECOMMENDATION

Adopt the following position:

H.R. 2521 (DeLauro) National Infrastructure Development Bank Act of 2009 - To facilitate efficient investments and financing of infrastructure projects and new job creation through the establishment of a National Infrastructure Development Bank. **SUPPORT**

Prepared by: Raffi Haig Hamparian, Government Relations Manager, Federal Affairs
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ATTACHMENT A

BILL: **H.R. 2521**

AUTHOR: **CONGRESSWOMAN ROSA DELAURO (D – CT)**

SUBJECT: **NATIONAL INFRASTRUCTURE BANK**

STATUS: **PENDING IN THE HOUSE ENERGY AND COMMERCE COMMITTEE, TRANSPORTATION & INFRASTRUCTURE COMMITTEE, AND FINANCIAL SERVICES COMMITTEE**

ACTION: **SUPPORT**

RECOMMENDATION

Staff recommends that the Board adopt a SUPPORT position on H.R. 2521, the "National Infrastructure Development Bank Act of 2009" that would facilitate efficient investments and financing of infrastructure projects and new job creation through the establishment of a National Infrastructure Development Bank.

ISSUE

President Obama has proposed in his fiscal year 2010 budget that Congress appropriate, over the next five years, $25 billion for a newly created National Infrastructure Bank. The mission of the Bank is to provide direct investment towards major infrastructure projects and to encourage greater cooperation between local, regional and state governments and private entities when plans are made to construct new infrastructure projects.

The idea of establishing a bank that deals with the nation's infrastructure gained currency in 2004 when a commission established by the Center for Strategic and International Studies issued a final report endorsing the idea. Soon thereafter, several pieces of legislation were offered in the 110th Congress (S.1926, H.R. 3401 and H.R. 3896) with the aim of establishing a national bank dealing exclusively with the task of rebuilding America's flagging infrastructure. These bills were bolstered by a report issued by the American Society of Civil Engineers which concluded that America needs to invest $2.2 trillion over a period of five years to bring the nation's infrastructure into good working order. Ultimately, no legislation was adopted in the 110th Congress to creation a national infrastructure bank.

PROVISIONS

The National Infrastructure Development Bank Act of 2009 would create an institution broadly modeled after the European Investment Bank and other development banks around the world. The Bank, as outlined in H.R. 2521, would be led by an independent Board of Directors that would be charged with making final infrastructure financing determinations. The Board would consist of five members, all appointed by the President, with the advice and consent of the Senate. Two of the directors would be required to have public sector experience and three of the directors would be required to have private sector experience. To assist the Board, the bill would create an Executive Committee that would handle the day-to-day operations of the Bank; and Risk Management and Audit Committees to manage risk and monitor the Bank's overall activities.

As written and outlined by the author, the legislation would permit the Bank Board to have the authority to, among other things, issue "public benefit" bonds; make loans and offer loan guarantees; and purchase and sell infrastructure-related loans and securities on the global capital market.

The legislation asserts that investment decisions on major infrastructure projects, whether they are water, energy or transportation related, shall be made based on a strict set of criteria. Section 10 of the legislation asserts that the bank would take into account the economic, environmental, social benefits and costs of each project it considers for financing. Among two other important criteria outlined in the bill are the following; if a project can be expedited and if that project acceleration would lower the overall cost of the project and the extent to which the bank's support for a project would maximize the level of private investment.

For transportation infrastructure projects, the legislation outlines the following seven criteria that the bank's board must consider when making a decision on a given project(s): (a. Job creation, including workforce development for women and minorities, responsible employment practices, and quality job training opportunities; b.) Reduction in carbon emissions; c.) Reduction in surface and air traffic congestion; d.) Smart growth in urban areas; e.) Poverty and inequality reduction through targeted training and employment opportunities for low-income workers; f) Use of smart tolling, such as vehicle miles traveled and congestion pricing, for highway, road, and bridge projects; g.) Public health benefits.

Consistent with the budget proposed by President Obama on February 26, 2009, the National Infrastructure Bank would be capitalized with authorized appropriations of $5 billion a year for 5 years (fiscal year 2010 – 2014).

IMPACT ANALYSIS

Our agency's interaction with a national infrastructure bank could be as diverse as the financial instruments provided to the Bank's Board of Directors in Section 5 of the bill. We could benefit from a direct loan for a mobility project(s), or we could benefit from loan guarantees offered by the institution. Provided the federal regulations promulgated by the creation of the bank place a premium of public-private partnerships, we could consider engaging in a public-private partnership relative to one of the new rail lines or highway projects envisioned in our draft Long Range Transportation Plan and Measure R program.

One of the most potentially promising opportunities related to the creation of a national infrastructure bank is in leveraging our Measure R funds to expedite the construction of a given highway or transit project outlined in the expenditure plan. Because the creation of a national infrastructure bank entails the creation of a new federal entity, much of the details as to how the institution would operate are unknown, as are the potential benefits for our agency in expediting Measure R related projects. However, given the current language of the bill, it appears that we could benefit appreciably by matching Measure R funds with funds from the bank.

One matter of concern is the relatively small amount of capital ($5 billion annually over five years) provided in this legislation for a national infrastructure bank. Proponents of the bank argue that a bank capitalized at $25 billion could multiply into almost $200 billion in additional infrastructure spending across America. Notwithstanding the small amount of funds envisioned for the Bank, one of the criteria for eligibility is based on the leveraging of private funds, so it is fair to conclude that the institution's investments will have a multiplier effect. A second matter of concern is related to the factors, as outlined in Section 10, that the Bank would consider regarding transportation infrastructure investments. Rather than focusing narrowly on carbon emission reductions, among other factors, the legislation would be strengthened by emphasizing the broad sustainability of a given transportation infrastructure project.