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# National Infrastructure Bank: Proposals in the 116<sup>th</sup> Congress

## Introduction

The term “infrastructure” generally refers to long-lived, capital-intensive systems and facilities in the areas of transportation, energy, water, and telecommunications. Some broader definitions also include facilities for education, recreation, and health. Although the condition and performance of these systems are generally thought to be important for the nation’s well-being, there is less agreement on the optimal level of infrastructure investment, how to maximize the effectiveness of spending, and the appropriate role of the federal government.

State and local governments and the private sector provide the bulk of infrastructure investment. The federal role in infrastructure investment is important but limited in size and scope. For example, the federal government was responsible for 26% of total government highway outlays in 2017. The federal government supports infrastructure investment in four ways: (1) direct investment in federally owned infrastructure; (2) grants to nonfederal entities, especially state and local governments; (3) tax preferences that forgo federal revenue to provide incentives for nonfederal investment in infrastructure; and (4) loans and other types of credit assistance to nonfederal entities.

## National Infrastructure Bank

A national infrastructure bank is typically seen as a way for the federal government to provide loans, loan guarantees, and lines of credit to support infrastructure projects being carried out by nonfederal entities. Many different formulations have been proposed over the years, but policy choices typically include the following:

**Infrastructure type.** Some proposals focus on one type, such as transportation or energy, but most would support a wider spectrum of sectors.

**Institutional form and governance.** Most current proposals would create a wholly owned government corporation overseen by a board whose members are selected by the President or Congress. But other models exist, including placing the bank inside an existing federal agency and creating a government-sponsored enterprise with an independent board.

**Funding source.** Under the Federal Credit Reform Act of 1990 (FCRA; 2 U.S.C. §661(a)), credit assistance by the bank would be supported by an appropriation that pays the subsidy cost and federal administrative cost. According to FCRA, the subsidy cost is “the estimated long-term cost to the government of a direct loan or a loan guarantee ... calculated on a net present value basis.” An appropriation would leverage larger loan amounts from the U.S. Treasury. Assuming a 10% subsidy cost, every \$1 appropriated beyond the amount of administrative costs would enable the bank to lend \$10 to projects. Loan repayments would go to the Treasury (not the bank). Alternatively, a bank could

operate as a revolving fund, such that credit assistance and administrative costs are limited to the size of the appropriation, but funds from borrowers’ payments could be used to make new loans. In some formulations, an infrastructure bank would raise its own capital through bond issuance.

## Advantages and Disadvantages

Advantages of a national infrastructure bank potentially include the leveraging of state, local, and private-sector investment, data-driven project selection, and a highly skilled staff with expertise in infrastructure financing. Drawbacks might include the limited number of suitable projects for support, the duplication of existing programs, and pressure to allocate loans according to political criteria. A bank may also not be the lowest-cost means of increasing infrastructure spending. The Congressional Budget Office notes that a special entity issuing its own debt would not be able to offer the low interest and issuance costs of the U.S. Treasury. Some see a larger federal role in infrastructure as a drawback as well, and suggest that Congress might enhance the operation of state infrastructure banks as an alternative.

## Legislative Proposals in the 116<sup>th</sup> Congress

Most infrastructure bank bills introduced in the 116<sup>th</sup> Congress would create a financing entity to support projects across several infrastructure sectors. These include the National Infrastructure Development Bank Act of 2019 (H.R. 658, Representative DeLauro); the National Infrastructure Investment Corporation Act of 2019 (H.R. 4780, Representative Carbajal); the National Infrastructure Bank Act of 2020 (H.R. 6422, Representative Danny Davis); the Infrastructure Bank for America Act of 2020 (H.R. 7231, Representative Webster); and the Reinventing Economic Partnerships and Infrastructure Redevelopment (REPAIR) Act (S. 1535, Senator Warner). Several other bills would create an entity to support infrastructure projects that aim to improve resilience and reduce greenhouse gas emissions. These include the National Green Bank Act of 2019 (H.R. 3423, Representative Himes); the National Climate Bank Act (H.R. 5416, Representative Dingell); and the National Climate Bank Act (S. 2057, Senator Markey). Details of five selected bills can be seen in **Table 1**.

The REPAIR Act, for example, would create the Infrastructure Financing Authority (IFA), a wholly owned government corporation, with a \$10 billion appropriation and the ability to collect fees from borrowers. The IFA’s funding would leverage a larger amount from the Treasury. Because loan repayments go to the Treasury, the IFA would likely require future appropriations. Infrastructure sectors supported would include transportation, energy, and water, but with the board of directors authorized to modify this

portfolio. The IFA's seven directors would be appointed by the President with advice and consent of the Senate.

**Table 1. Selected Infrastructure Bank Bills Introduced in the 116th Congress**

	<b>H.R. 658</b> (Rep. DeLauro)	<b>H.R. 4780</b> (Rep. Carbajal)	<b>H.R. 5416</b> (Rep. Dingell)	<b>H.R. 6422</b> (Rep. D. Davis)	<b>S. 1535</b> (Sen. Warner)
<b>Name</b>	National Infrastructure Development Bank	National Infrastructure Investment Corporation	National Climate Bank	National Infrastructure Bank	Infrastructure Financing Authority
<b>Organization type</b>	Wholly owned government corporation	Wholly owned government corporation	501(c) nonprofit corporation	Wholly owned government corporation	Wholly owned government corporation
<b>Governance</b>	Seven-member board of directors, all appointed by President with advice and consent of Senate; President designates board chairperson and vice-chairperson	Seven-member board of directors; three appointed by President with advice and consent of Senate; four appointed by congressional leaders	Seven-member board of directors; three appointed by President with advice and consent of Senate; four elected unanimously by appointed directors	25-member board of directors appointed by President with advice and consent of Senate	Seven-member board of directors, all appointed by President with advice and consent of Senate; President designates board chairperson
<b>Eligible infrastructure projects</b>	Transportation, energy, environmental, <sup>a</sup> telecommunications	Transportation, energy, environmental, telecommunications	Renewable energy generation, energy efficiency, smart grid, industrial and agricultural decarbonization, clean transportation, climate-resilient infrastructure	Transportation, energy, environmental, <sup>a</sup> telecommunications affordable housing, schools, public recreation, and libraries	Transportation, energy, water; supermajority of board of directors may modify list of eligible project types
<b>Types of credit assistance</b>	Loans, loan guarantees, payment of interest subsidy on American Infrastructure Bonds (AIB) issued by project sponsor	Loans, loan guarantees	Loans, loan guarantees, equity	Loans, loan guarantees	Loans, loan guarantees
<b>Funding</b>	\$25 billion appropriation; amounts equivalent to taxes paid by AIB holders; may issue own bonds; fees	Loans from pension funds	\$35 billion appropriation, fees	Sale of capital stock, callable capital, may issue own bonds, bank deposits, fees, \$100 million appropriation for start-up costs	\$10 billion appropriation; fees
<b>Type of bank</b>	Revolving fund	Leveraged	Revolving fund	Revolving fund	Leveraged

**Sources:** Congressional Research Service based on H.R. 658, H.R. 4780, H.R. 5416, H.R. 6422, S. 1535, 116th Congress.

- a. Environmental includes drinking water and wastewater treatment facilities, stormwater management systems, open-space management systems, wetland restoration, solid waste disposal facilities, hazardous waste facilities, and industrial site clean up projects.

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