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How a National Infrastructure Bank Might Work

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The Republican and Democratic presidential candidates both propose increasing federal infrastructure investment. Hillary Clinton recommends increasing federal infrastructure spending by $275 billion over five years. Donald Trump proposes to at least double that amount, but without details about how this would be spent. As part of her proposal, Hillary Clinton includes the creation of a national infrastructure bank with an initial appropriation of $25 billion. Although the proposal offers few specifics, legislation introduced in the 114th Congress helps explain how an infrastructure bank might work.

Proponents of a national infrastructure bank typically see it as a way to provide low-cost, long-term loans, loan guarantees, and lines of credit on flexible terms to support infrastructure projects. Policy choices 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 governed by political appointees. But other models exist, including placing the bank inside an existing government department and creation of a government-sponsored enterprise with an independent board.
- **Funding source.** Under the Federal Credit Reform Act of 1990, credit assistance by the bank would be supported by an appropriation that pays the subsidy cost and administrative cost. Assuming a 10% subsidy cost, every $1 appropriated beyond the amount of administrative costs would enable the bank to lend $10 to projects. 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 repaid loans could be used to make new loans. In some formulations, an infrastructure bank would raise its own capital through bond issuance.

Five infrastructure bank proposals introduced in the 114th Congress are the National Infrastructure Development Bank Act of 2015 (H.R. 3337) by Representative DeLauro, the Partnership to Build America Act of 2015 (H.R. 413) by Representative Delaney, the Building and Renewing Infrastructure for Development and Growth in Employment (BRIDGE) Act (S. 1589) by Senator Warner, the Build USA Act (S. 1296) by Senator Fischer, and the Green Bank Act of 2016 (H.R. 5802) by Representative Van Hollen. Each proposes a national infrastructure bank created as a wholly government-owned corporation, but with somewhat different governance, eligibility rules, and funding mechanisms. Details of four proposals are provided in **Table 1**.

For example, the Partnership to Build America Act of 2015 would create the American Infrastructure Fund (AIF) with $50 billion of repatriated foreign earnings. The companies repatriating the earnings would receive tax benefits in return for investing a certain share of the earnings in 50-year bonds paying 1% interest. Infrastructure sectors eligible for help from the AIF would include transportation, energy, water, communications, and education. The AIF would be able to make loans and loan guarantees to eligible projects. In addition, H.R. 413 would also permit the AIF to make equity investments (i.e., an ownership stake) up to a maximum of 20% of project costs.

Table 1. Infrastructure Bank Bills Introduced in the 114th Congress

	H.R. 413 (Rep. Delaney)	S. 1296 (Sen. Fischer)	H.R. 3337 (Rep. DeLauro)	S. 1589 (Sen. Warner)
Name	American Infrastructure Fund	American Infrastructure Bank	National Infrastructure Development Bank	Infrastructure Financing Authority
Type	"Wholly owned Government corporation"	"Wholly owned Government corporation"	"Wholly owned Government corporation"	"Wholly owned Government corporation"
Institutional location	Unclear	Unclear	Unclear[a]	Unclear
Governance	Nine-member board of trustees appointed by President with advice and consent of Senate; eight appointees chosen from candidates provided by congressional leaders	Five-member board of directors; four voting members, one each appointed by Majority and Minority Leaders of the Senate, the Speaker and Minority Leader of the House; Secretary of Transportation is nonvoting member	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, all appointed by President with advice and consent of Senate; President designates board chairperson
Eligible infrastructure projects	Construction, maintenance, improvement, or repair of a transportation, energy, water,	Highways	Transportation, energy, environmental, telecommunications[b]	Transportation, energy, water; super-majority of board of directors may modify list of

	communications, or educational facility			eligible project types
Types of credit assistance	Loans, loan guarantees, equity investment	Loans, loan guarantees, grants	Loans, loan guarantees, payment of interest subsidy on American Infrastructure Bonds (AIB) issued by project sponsor	Loans, loan guarantees
Funding	$50 billion in bonds bought with repatriated foreign earnings; may issue its own bonds; fees	Federal highway formula funds remitted by states; repatriated foreign earnings	$25 billion appropriation; amounts equivalent to taxes paid by AIB holders; may issue own bonds; fees	$10 billion appropriation; fees; project sponsors' payment of the subsidy cost

Sources: H.R. 413, H.R. 3337, S. 1589, S. 1296, 114th Congress.

a. The Treasury Secretary would have some authorities over the NIDB, such as assisting in its establishment and consenting to the issuance of Public Benefit Bonds. Otherwise, the institutional location is not clear.

b. Environmental includes drinking water and wastewater treatment facilities, storm water management systems, open-space management systems, wetland restoration, solid waste disposal facilities, hazardous waste facilities, and industrial site cleanup projects.

Advantages of an infrastructure bank might include the leveraging of state, local, and private-sector investment and data-driven project selection. Potential drawbacks of a national infrastructure bank might include the limited number of suitable projects for support, politically driven project selection, and the duplication of existing programs such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and the Drinking Water State Revolving Fund. 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.