

Congresswoman Rosa DeLauro Discusses an American Infrastructure Bank

Congresswoman Rosa DeLauro

(D-CT) represents Connecticut's Third District. In May 2009, she and more than 30 cosponsors introduced HR 2521, which would establish a national infrastructure development bank for the United States.



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Why do you support the concept of a national infrastructure bank?

Our infrastructure is crumbling. The American Society of Civil Engineers suggests that a \$2.2 trillion investment is needed in the next five years just to bring our infrastructure systems up to adequate condition. At the same time, we are emerging slowly from the worst economic recession since the Great Depression. Current federal programs cannot meet our investment needs in the areas of transportation, environmental, energy, and telecommunications

infrastructure, but interest is growing from global capital markets to invest in these areas. A national infrastructure development bank would leverage these private dollars to invest in critical infrastructure projects across the country.

How would the national infrastructure development bank, proposed in HR 2521, help address the need to boost investment in infrastructure in the United States?

We are seeing growth, albeit slower in the last year in light of the financial and economic crises, in a new infrastructure asset class with private equity funds and pension funds looking to invest in infrastructure. Right now, that funding is going overseas. China puts 9 percent of its GDP into infrastructure, India 5 percent and rising, while here in the United States we spend less than 2 percent of GDP on infrastructure. The federal government cannot meet the infrastructure investment deficit on its own, but with a national infrastructure bank we can begin to channel more private investment into our market and begin to rebuild America, create jobs, and spur economic growth that will keep us competitive in the 21st century.

How would a national infrastructure bank operate?

The bank envisioned in my legislation is modeled after the

European Investment Bank (EIB), with an independent and objective board of directors that would make final infrastructure financing determinations; an executive committee to handle the day-to-day operations of the bank; and risk management and audit committees to carefully manage risk and monitor the bank's activities. States, localities, and other entities would submit projects to the executive committee, which would then make funding recommendations to the board following a merit-based consideration of the projects. The board would have the power to issue bonds, provide loans and loan guarantees as well as other financing capabilities, looking to fund projects with the greatest economic, environmental, and social benefits.

How much money would the bank lend annually and would the amount be enough to make a dent in the nation's infrastructure needs?

As conceptualized in my legislation, the bank would have a total subscribed capital of \$250 billion, \$25 billion of which is provided through appropriations over five years and the rest subject to the call of the Treasury Secretary. The bank, like the EIB, would have a conservative leverage ratio of 2.5:1, allowing it to issue up to \$625 billion in 30-plus-year federal bonds. Ambassador Felix Rohatyn, a lead bank proponent, argues that such a self-supporting entity could easily provide up to \$250 billion in new capital over the next five years and perhaps significantly more over the longer term. That said, since infrastructure shortfalls require hundreds of billions in funds annually, the bank contribution would be just one piece of the investment puzzle, supplementing—not supplanting—other federal, state, and local funding sources.

Would the national infrastructure bank work with private financial institutions to fund projects?

Capital markets—including central banks, pension funds, financial institutions, sovereign wealth funds, and insurance companies—have a growing interest in infrastructure investment. One goal of the bank is to leverage that private interest into a U.S. infrastructure development market. The bank would consider private sector co-investment when it can help move the project along more promptly, provide a clear public benefit, and involve shared risks and returns. Private sector involvement in energy and telecommunications projects is well established, but with regard to public transportation the aim is not to sell the infra-



structure to private entities, but rather to create a true public/private partnership.

What types of projects will be eligible for bank funds?

The bank would consider infrastructure projects in transportation, the environment, energy, and telecommunications. Examples include providing financing for highway, transit, rail, air travel, drinking, and wastewater facilities; renewable energy transmission; building efficiency; green schools; and broadband expansion.

In particular, what types of water projects would an infrastructure bank help finance?

The Environmental Protection Agency projects that we need more than \$180 billion for installation and maintenance of drinking water transmission and distribution systems through 2022 and another \$200 billion for publicly owned wastewater systems through 2024. The bank would look at any drinking water and wastewater treatment facility, stormwater management system, dam, levee, open-space management system, solid waste disposal facility, hazardous waste facility, or industrial site cleanup. Water main breaks are an issue across the country—Baltimore alone has suffered more than 5,000 breaks in the last five years. Already supported by user fees, water projects can be a key area for bank financing.

How would projects be selected and by whom?

The bank's executive committee would conduct an analysis of economic, environmental, social benefits, and costs of each project under consideration, prioritizing projects that contribute to economic growth, lead to job creation, and are of regional or national significance. It would also consider specific criteria such as reduction in traffic congestion for transportation projects, public health benefits of environmental projects, reduction in carbon emissions for energy projects, and expansion of broadband and wireless services in rural and disadvantaged communities for telecommunications projects. The executive committee would be composed of experts in economic development, workforce development, public health, and finance.

What are the objections to an infrastructure bank?

The bank would represent a major public investment and opponents raise concerns about whether we need more spending or should instead focus on deficit reduction. I believe a national infrastructure bank can be a key component of long-term job creation and economic growth. The bank would also represent a new way to finance infrastructure projects, depoliticizing the process, breaking down jurisdictional silos in the federal government, and taking a holistic view of infrastructure projects.