

## John Kerry

### U.S. Senator for Massachusetts

#### U.S. Chamber, AFL-CIO Urge Infrastructure Bank

##### Bi-Partisan Kerry, Hutchison, Warner BUILD Act Creates Jobs, Strengthens Competitiveness

**For Immediate Release: Tuesday, March 15, 2011**

WASHINGTON, D.C. – At a press conference today, Senators John Kerry (D-Mass.), Chairman of the Foreign Relations Committee, Kay Bailey Hutchison (R-Texas), Ranking Member of the Commerce, Science, and Transportation Committee, and Mark R. Warner (D-Va.), Member of the Banking, Housing and Urban Affairs Committee, announced legislation to create an infrastructure bank that would help close America's widening infrastructure funding gap, create millions of American jobs in the next decade, and make the United States more competitive in the 21st century.

U.S. Chamber of Commerce President and CEO Thomas J. Donohue and AFL-CIO President Richard Trumka, who also attended the event, underscored the unique coalition of business and labor uniting around this initiative.

"This is a bi-partisan moment to make a once bi-partisan issue bi-partisan once again," said **Sen. Kerry**. "Democrats and Republicans, business and labor, are now united to create an American infrastructure bank to leverage private investment, make America the world's builders once again, and close the deficit in our infrastructure investments. The BUILD Act will create good jobs, strengthen our competitiveness, and do more with less. Most of all, this bill breaks a partisan stalemate to get America back in the game. When you've got a Massachusetts Democrat, a Texas Republican, the Chamber of Commerce and the AFL-CIO preaching from the same hymnal, you'll find a sweet spot that can translate into a major legislative step forward."

"I have been working to overhaul our nation's aging infrastructure for nearly 20 years. This national infrastructure bank is an innovative way to leverage private-public partnerships and maximize private funding to address our water, transportation, and energy infrastructure needs. It is essential to think outside the box as we work to solve national challenges, particularly in this fiscal crisis. We must be creative to meet the needs of our country and to spur economic development and job growth while protecting taxpayers from new federal spending as much as possible," said **Sen. Hutchison**, who served on the Commission to Promote Investment in America's Infrastructure in 1993 as State Treasurer of Texas and is the Ranking Member on the Senate Commerce, Science, and Transportation Committee.

"The United States is spending less than two-percent of its GDP on infrastructure, while India spends five-percent and China spends nine-percent," said **Sen. Warner**. "As a matter of global competitiveness, we need to find additional ways to upgrade our nation's infrastructure, and this bank will help us strike the right balance between near-term discipline and investment in future growth."

"A national infrastructure bank is a great place to start securing the funding we need to increase our mobility, create jobs, and enhance our global competitiveness," said **Donohue**. "With a modest initial investment of \$10 billion, a national infrastructure bank could leverage up to \$600 billion in private investments to repair, modernize, and expand our ailing infrastructure system. While private capital is badly needed, we must also recognize our public financing mechanism is broken. Receipts to the Highway Trust Fund have fallen dramatically, funds are being diverted to non-infrastructure projects, and the gas tax has not been increased in 17 years. We need a multiyear highway bill to meet immediate needs, but we have to figure out a way to ensure we have adequate public investments for years to come."

The Building and Upgrading Infrastructure for Long-Term Development (BUILD) Act would establish an American Infrastructure Financing Authority (AIFA) – a kind of infrastructure bank – to complement our existing infrastructure funding. This institution, which would provide loans and loan guarantees, would be both fiscally responsible and robust enough to address America's needs.

- AIFA is independent of the political process. It would fund the most important and most economically viable projects across the country, our states, and our communities.
- AIFA is also fiscally responsible. While AIFA will receive initial funding from the government, after that it must become self-sustaining.
- Finally, AIFA relies on the private sector. It can never provide more than 50 percent of a project's costs, and in many cases would provide much less, just enough to bring in private investment.

## KEY PROVISIONS OF THE BUILD ACT

### *Independent, non-partisan operations*

- While AIFA would be a government-owned entity, it would not be controlled by any federal agency and instead would operate independently. It would be led by a Board of Directors with seven voting members and a chief executive officer.
- No more than four voting members of the board could be from the same political party.
- Board members would have to be U.S. citizens with significant expertise either in the management of a relevant financial institution or in the financing, development, or operation of infrastructure projects.

### *Strong oversight by Congress and the Federal government*

- The Board and CEO would be appointed by the President, with one board member designated as chairperson. All candidates would have to be confirmed with the advice and consent of the Senate.
- The Majority Leader of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives would each recommend candidates.
- An Inspector General would oversee AIFA's operations, an independent auditor would review AIFA's books, and AIFA would submit an assessment of the risks of its portfolio, prepared by an independent source.
- The General Accounting Office would also conduct an evaluation of AIFA and submit a report to Congress no later than five years after the date of enactment.

#### *Broad eligibility for infrastructure*

- Eligible projects would include transportation infrastructure; water infrastructure; and energy infrastructure.
- In general, projects would have to be at least \$100 million in size and be of national or regional significance.
- Projects would have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream.
- Geographic, sector, and size considerations would also be weighed.

#### *Unbiased project selection*

- The CEO would be responsible, in consultation with professional staff, for reviewing and preparing the eligible project applications.
- The Board would be responsible for the ultimate approval or disapproval of the eligible projects that are submitted to the Board by the Chief Executive Officer and staff.

#### *Strong rural protections*

- Rural projects would only need to be \$25 million in size.
- Five percent of the initial funding of AIFA would be dedicated to helping rural projects.
- AIFA would include an Office of Rural Assistance to provide technical assistance regarding the developing and financing of rural projects.
- Projects would still have to have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream.

#### *Addressing market gaps for infrastructure financing*

- AIFA would issue loan and loan guarantees to eligible projects.
- Loans issued by AIFA would use approximately the same interest rate as similar-length United States Treasury securities and would have a maturity of no longer than 35 years.
- Loans and loan guarantees could be subject to additional fees or interest rate premiums based largely on the costs of the loan to the Federal government, as determined by AIFA in consultation with the Office of Management and Budget.
- AIFA would finance no more than 50 percent of the total costs of the project, in order to avoid crowding out private capital.

#### *Self-sufficiency of AIFA*

- AIFA is set up to be self-sufficient after the first few years.
- To achieve self-sufficiency, the CEO of AIFA would establish fees for loans and loan guarantees. These fees could be in the form of application fees or transaction fees, and could include an interest rate premium associated with the loan or loan guarantee.
- However, AIFA would receive an initial funding of \$10 billion, which would earn interest. This initial funding would be used both to offset the cost of the loans to the Federal government and to cover administrative costs.
- Funding under the Act would be subject to the Federal Credit Reform Act, except that it would be exempted from the requirement that appropriations are needed for subsequent loans and loan guarantees.

#### *Additional BUILD Act provisions*

- The BUILD Act also addresses private activity bonds. These bonds are frequently used to finance infrastructure projects. Under current law, interest on tax-exempt private activity bonds is generally subject to the Alternative Minimum Tax (AMT). This, in turn, limits the marketability of these bonds and causes states to issue bonds at higher interest rates. This Act would extend the current exemption to bonds that are issued in 2011 or 2012.

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## Senators join business, labor to back new bank to finance infrastructure projects

By The Associated Press, Tuesday, March 15, 2:38 PM

WASHINGTON — A bipartisan group of senators, joined by both business and labor leaders, on Tuesday backed the creation of a government-owned but independent infrastructure bank to help the nation deal with its daunting shortfall in spending on transportation, energy and water projects.

Sen. John Kerry, D-Mass., said the bank could generate as much as \$640 billion in its first 10 years to “help bridge the infrastructure deficit that has been plaguing our nation for decades.”

Appearing with Kerry at a news conference to promote the bank proposal were fellow Democrat Mark Warner of Virginia, Republican Kay Bailey Hutchison of Texas, U.S. Chamber of Commerce President Thomas Donohue and AFL-CIO President Richard Trumka.

The idea of creating an infrastructure bank is not new, but Kerry said his proposal was different, reflecting today’s budgetary restraints and the urgency of the nation’s infrastructure needs.

The bank, to be established with federal seed money of \$10 billion, but would then become self-sustaining, relying on the private sector for investments while giving out loans and loan guarantees — not grants — for projects of national or regional significance and at least \$100 million in size.

“We have a choice,” Kerry said. “We can either build and compete and create jobs for our people, or we can fold up.”

He noted that the nation would have to spend \$250 billion a year over the next 50 years just to meet surface transportation needs, and that currently the United States spends only 2 percent of gross domestic product on infrastructure, compared to 5 percent for Europe and 9 percent for China.

Trumka said the country now spends less than 40 percent of what is required to meet infrastructure needs. “That’s simply unacceptable and simply unsustainable.”

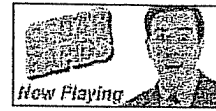
The bank would only be involved in projects that generate revenues, from fees or tolls, and, Kerry said, it would be different from the ailing mortgage giants Fannie Mae and

Freddie Mac. Unlike those entities, he said, the bank would be independent, would not issue stock and would not be for-profit.

Donohue said the private sector would be a willing partner with the bank in backing projects. "There is capital all over the world looking for things to get a mandatory return."

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March 20, 2011

## A Chance to Build Again

Many of the 85,000 dams in the United States are so old — an average of half a century — that every time one is repaired, two more become dangerously weak. Cities across the country discharge billions of gallons of untreated wastewater into rivers and lakes, and more than a quarter of all bridges are either deficient or obsolete.

The statistics are both frightening and familiar, though they tend to come up only in the “crumbling infrastructure” articles that appear after major disasters. In practice, government — with its lack of cash and consensus — keeps most of these projects on distant back burners until people actually lose their lives.

And then a disaster occurs — like the one in Japan, which was a reminder that even a well-prepared small country can suffer terribly from a natural disaster. The hazards are even greater for a sprawling one with a long history of indolent maintenance and planning.

Last week, though, a bipartisan group of senators came up with a promising idea to get some of these projects started, and very possibly put thousands of people back to work by doing so. The proposal, to create an infrastructure bank that would lend out seed money, represents a refreshing break from the extremist culture of cutting for the sake of cutting that grips Washington and so many state capitals. That culture blocks vital investment just to avoid sensible tax increases.

The proposal was presented by John Kerry, Democrat of Massachusetts; Kay Bailey Hutchison, Republican of Texas; and Mark Warner, Democrat of Virginia. The bank would lend money to build big-ticket transportation, water and energy projects that have a clear public benefit. The loans, or loan guarantees, would be designed to attract private capital as well. In fact, at least half a project’s financing would have to come from the private sector. As much as \$640 billion could be leveraged this way over the next decade, proponents say.

The bank would initially be funded with \$10 billion from the treasury, which would be given out as loans, not grants. To make that possible, the bank would invest largely in projects that generate money, like toll bridges and tunnels, water systems backed by ratepayers, and energy projects built by utilities, governments or corporations. An independent, bipartisan board appointed by the president and Congress would choose the investments and oversee

construction, audited by an inspector general and the Government Accountability Office.

By providing low-cost capital to states, cities and authorities, the bank would help these strapped governments kick-start projects that are now unaffordable, while attracting investments from pension and private-equity funds that are looking for stable money-generating ventures in which to invest. "We can either build, and compete, and create jobs for our people," said Mr. Kerry, "or we can fold up, and let everybody else win. I don't think that's America." The bank was backed by unions and the U.S. Chamber of Commerce.

The idea builds on one that President Obama has proposed, a \$30 billion bank limited to transportation projects that would also make grants. It is designed to be more palatable to lawmakers who are politically averse to spending, but already conservatives are railing against what some have called a "boondoggle," a phrase used to demonize virtually any public investment.

What will these opponents tell voters when the dams break and the bridges fall? Before more lives are lost, lawmakers should ask themselves whether they used their public office only to slash spending (and taxes for the wealthy), or to spend money wisely.