

Offered by Governor Rendell

EDC-15. NATIONAL INFRASTRUCTURE BANK*

15.1 Preamble

Infrastructure provides the skeletal structure that connects our nation; however, the nation's physical infrastructure systems are at risk.

At its core, infrastructure includes the physical structures for transportation, power, communications, water, and energy necessary for production and delivery. The investment needs for all forms of infrastructure are significant. Some estimates indicate that the United States must invest over \$1 trillion over the next five years above current capital spending by all levels of government just to bring the nation's infrastructure up to a good condition.

Governors believe that a national commitment to bring existing infrastructure into a state of good repair and, in some cases, construct new infrastructure, advances the ability of the United States to meet basic mobility and service delivery needs, strengthen economic competitiveness, help reduce congestion, improve safety, support environmental sustainability, and boost overall quality of life.

15.2 Guiding Principles for Infrastructure Financing

Governors support sustainable sources of financing that facilitate investment in infrastructure projects because harnessing capital markets can help alleviate the critical shortfall in funding infrastructure. In particular, governors support accelerated, yet thorough evaluation of proposals to create a national infrastructure bank ("NIB") to help finance infrastructure projects. Governors also support federal programs like the Transportation Infrastructure Finance and Innovation Act (TIFIA), state infrastructure banks, and state revolving funds that successfully leverage private capital to help finance public infrastructure projects. These programs are successful as self-sustaining financing mechanisms because borrowers use revenues from projects to repay the financing, which helps replenish capital available to lend for new projects. To the extent federal funds are used to capitalize and sustain the NIB,

those funds should be over and above those required to provide adequate growth for pre-existing federally funded infrastructure programs.

Governors recommend evaluating federal legislative proposals for a NIB against the following principles:

- **Eligibility.** *Eligibility for NIB financing of qualified infrastructure projects should be open to different types of infrastructure and applicants from all areas of the country to ensure balance and connectivity between metropolitan and non-metropolitan areas. A threshold for project eligibility based on project cost and equitable regional distribution should be set so as to ensure projects in all metropolitan and non-metropolitan areas of the country can realistically participate.*
- **Forms of Assistance.** *The NIB should make available credit, credit support and grants.*
- **Governance.** *The governance structure for NIBs should uphold fiduciary duty, professional expertise, applicable legal and constitutional requirements, and minimize political influence. NIB directors of the Board should include qualified individuals representing different regions of the United States drawing from both metropolitan and non-metropolitan areas.*
- **Lending Standards.** *The NIB should adopt merit-based lending standards encouraging regional participation for direct loans, loan guarantees, grants, commitments, or a combination thereof for the development of otherwise underfunded infrastructure projects that would advance the public interest, including but not limited to those that leverage public and private resources. All phases of an eligible infrastructure project's lifecycle should be eligible for NIB financing.*
- **Value.** *The NIB Board should evaluate the economic, environmental, and social benefits and costs of each infrastructure project under consideration for financial assistance, giving priority to those projects that contribute to economic growth, lead to job creation, reduce congestion, ensure national access, connectivity and mobility, improve safety, support energy and environmental sustainability, boost overall quality of life, and are of regional or national significance.*
- **Sustainability.** *High standards for prudential lending, solvency, and safety and soundness must be in place to guarantee the sustainability of the NIB's fiscal capacity. It should be the fiduciary duty of the NIB's Board to ensure a stable and sufficient revenue stream to maintain capital adequacy and avoid dependence on public capital.*

- **Due Diligence.** *Independent, third-party evaluations and reporting requirements on a regular basis to evaluate the economic efficacy and transparency of each financing mechanism, financed infrastructure project, and the NIB operations and corporate governance structure must be part of the due diligence structure for the NIB.*
- **Longevity of Infrastructure.** *The NIB should provide guidance for any project proposal that recognizes the need for cooperative agreements between recipients and state or federal agencies charged with oversight and regulation of infrastructure to assure use of accepted design, engineering, and construction standards, as well best practices for maintenance, to ensure the safety, long term use, and upkeep of the completed facility.*

* Identical to Policy NR-13. The Economic Development and Commerce Committee and the Natural Resources Committee have joint jurisdiction over this policy.

Related Policies:

EDC-1, Federal Role in Economic Development and Commerce
 EDC-2, Transportation Conformity with the Clean Air Act
 EDC-8, State Priorities in Communications
 EDC-9, Air Transportation
 EDC-11, Economic Development and the Base Realignment and Closure (BRAC) Processes
 EDC-13, Surface Transportation
 EDC-16, Rail Transportation
 NR-2, Solid Waste Facilities
 NR-3, Water Resources Management
 NR-5, Transportation Conformity with the Clean Air Act
 NR-18, Comprehensive National Energy and Electricity Policy
 NR-20, Improved Pipeline Safety

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