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OPINION

We need an infrastructure bank

by Rep. John Faso | Jan 23, 2018, 12:01 AM

The Infrastructure Bank for America Act of 2017, introduced by Rep. John Faso, would establish a federally chartered bank to invest in infrastructure projects throughout the country. (AP Photo/Mike Groll, File)

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America's infrastructure is failing. Our nation receives a "D" grade from the American Society of Civil Engineers. However, you don't need to be an expert to understand the impact of rusting bridges, or broken water mains, or to live in a rural area with poor cellphone and broadband service.

Lack of modern infrastructure will hurt us economically. Foreign competitors, be they in Europe or Asia, are investing the resources to allow their people and businesses to compete in our interconnected world economy.

China has established the Asian Infrastructure Investment Bank, whose members include many Asian and Middle Eastern countries, including U.S. allies Australia, New Zealand, and Saudi Arabia. While other nations are acting, we are falling behind.

We know the problem, and we know the solution. The need is at least $5 trillion over the next ten years to bring our infrastructure rating from a "D" to a "B," according to the experts. But where will the money come from? Neither the federal government nor the States have the funding or borrowing capacity to foot the entire bill.

Fortunately, there is bipartisan consensus in Congress that we must significantly invest in America's infrastructure. The tough question is where to get one trillion dollars in funding without further busting federal and state budgets.

I have introduced legislation that could fund $1 trillion worth of investment in roads, bridges, airports, and much more by spending very few taxpayer dollars. The bill, The Infrastructure Bank for America Act of 2017 (H. R. 3977), will establish a federally chartered bank to invest in infrastructure projects throughout the country. The legislation would create a privately funded and managed entity to lend to worthy projects across the nation.

This proposal differs from President Obama's infrastructure bank proposal in that board members are not appointed by the president and confirmed by the Senate. Instead, board members are elected by shareholders of the bank. This is a critical difference and one that will isolate operations of the bank from undue political influence.

President Trump has hinted at a $1 trillion plan to encourage public-private partnerships seeded with $200 billion from Washington. That plan would depend on privatizing public, revenue-producing assets and could produce great benefits, but it can only solve part of the equation. Additional federal resources are needed to fund the existing highway trust fund and water and sewer programs. A privately managed, federally chartered infrastructure bank could help by supplementing existing federal programs and also assist states and localities with their traditional capital projects by providing loans at more favorable rates than are now available.

Currently, there isn't a self-sustaining entity that can attract both domestic and foreign capital to invest in infrastructure projects. Without a specific entity, such as an infrastructure bank, it is not likely that sufficient funds can be raised to meet the need.

The proposed bank would be 100 percent privately funded and lend to projects using economic, not political, criteria. A good model for such a bank already exists. It is the Federal Home Loan Bank, established in 1932, which has over $1 trillion in assets. The FHLB is privately owned, privately managed, and, while subject to government oversight, remains free from political interference.

With private management, the infrastructure bank will fund roads, water and transit systems, bridges, power-grid improvements and broadband modernizations. The bank's funding will not come directly from taxpayer funds, but from U.S. and global investors. The role of the federal government will be to offer tax incentives for both equity and debt, to provide regulatory oversight, but not to spend a dime.

Like the FHLB, the infrastructure bank would be funded by issuing equity and debt securities through private capital markets, with certain tax incentives. Corporations earning foreign profits could purchase innovative "repatriation bonds" and pay no taxes if the bonds are held for ten years. Like any tradable security, the bonds could be used as collateral.

Equity investors would receive a federal tax credit of 80 percent, earned over five years. Federal, state and local governments already offer similar tax incentives for investments in socially beneficial projects, including housing and education. A private infrastructure bank would supplement, not replace, existing public infrastructure funding. But, it would allow private investors such as pension funds, sovereign wealth funds and other investors to take a stake in U.S. infrastructure projects and receive a safe, predictable return.

We can't simply rely on taxpayers to foot the bill for the massive investments in necessary infrastructure. An infrastructure bank that is privately managed is the way to utilize private investment to rebuild America.

Rep. John Faso, a Republican, represents New York's 19th Congressional District.