

QUICK SUMMARY OF LEGISLATION – [HR 3339](#) (FORMERLY [HR 6422](#)) – TO CREATE A NATIONAL INFRASTRUCTURE BANK

By the [Coalition for a National Infrastructure Bank](#)

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Our nation's spending on infrastructure has fallen to its lowest level in 70 years, to 2.5% of our nation's GDP. That's half the comparable level in Europe, and 1/3 the level in China. As a result, productivity, investment, and manufacturing have collapsed, and we are losing our world-wide competitive edge.

The American Society of Civil Engineers (ASCE) [estimates](#), in its 2021 report, that \$6.1 trillion is needed just to repair our nation's infrastructure. Of that, \$2.6 trillion is currently NOT funded in the following areas: Roads, bridges, freight corridors, and mass transit; Electricity grids; Schools; Dams, levees, waterways, and ports; Airports; Rail; Drinking water and wastewater; Public parks and recreation; and Hazardous and solid waste (see Table below). In addition, we need a [High Speed Rail](#) network linked to improved urban transit networks, Complete [Broadband](#) access, [Affordable Housing](#), a [Renewable Energy Super-Grid](#), and Major Water Management Projects to [combat flooding](#) and bring water to [America's driest regions](#). All of these require smart technologies for optimal efficiency and minimum environmental impact.

Infrastructure development needs careful planning, and a reliable source of long-term funding, in order for it to succeed. That's just not possible under a system of uncertain annual appropriations (unreliable funding for The Eisenhower [Highway Trust Fund](#) is a case in point), and politicians' short-term horizons of from 2 to 4 years. Moreover, the Federal budget is in financial disarray – with [total revenues available for discretionary spending](#) having fallen from 65% in 1960, to 11% in 2019. Add to that, COVID-19 Recession and Stimulus spending has led to huge budget deficits, and an unprecedented debt overhang that is putting pressure on interest rates. So it is **unlikely that adequate infrastructure financing to cover all of the financing gap will ever come from the Federal Budget.**

Legislation ([HR 3339](#), formerly [HR 6422](#)) has been introduced in Congress to create a \$5 trillion National Infrastructure Bank. This "NIB" will be a separate institution from the Budget, set up as a [federally established, mixed-ownership](#), incorporated bank, capitalized with existing Treasuries held by the private sector. That's the same approach that was used four times before in our nation's history, starting with the [First Bank of the United States](#) created in 1791 by Treasury Secretary Alexander Hamilton, and ending with FDR's [Reconstruction Finance Corporation](#) (RFC). **Except for a very small appropriation from Congress to get started, the NIB will pay its own way. It will not create any new Federal debt, nor require any new Federal taxes. As such, it is configured to attract maximum political support from both Republicans and Democrats in Congress.**

This is **how it would work** (see attached Flowchart):

- **The NIB will be capitalized over ten years** by purchasing up to \$500 billion in existing Treasury bonds held by the private sector (held in pension and other savings funds), in exchange for equivalent shares of preferred stock in the NIB. The exchange will take place via a sales contract with the NIB that guarantees a preferred stock dividend of up to 2% more than private-holders currently earn on their Treasuries. The incremental 2%, or about \$10 billion per year, would come out of interest earnings on the loans (see next two bullets). The capital would sit on the NIB's books, to be used only in the case of non-repayment of loans. Private investors holding preferred stock would be silent, non-voting partners in the bank.
- **The NIB will provide up to \$5 trillion over ten years in infrastructure loans.** That's enough to cover all of the \$2.6 trillion ASCE identified funding gap, plus \$2.4 trillion for other critical projects (see Table below). Using standard commercial-bank procedures, the NIB will create a deposit in the borrower's name as each loan is approved and booked. Such new deposits add to

the nation's money supply. But inflation is actually lowered because productive investments grow the economy at least three times faster than the new money the NIB creates.

- **NIB lending is self-sustaining.** The NIB charges low interest on loans, equal to benchmark Treasury bond rates (just below municipal bond rates). At current, averaged Treasury rates, the NIB should earn about \$120 billion in its tenth year (\$5T x 2.4%), out of which it will pay operating expenses, including \$10 billion for the extra dividend to investors (\$500B x 2.0%). What is left over goes into a Trust Fund to provide grants to communities unable to afford even low-cost loans.
- It is expected that **borrowers from the NIB will be state and local governments**, because they own 90% of the nation's public infrastructure. [No further privatization](#) of public infrastructure – beyond what has already taken place (e.g., at ports, airports) – would result from NIB loan operations. State and local governments will be able to service their loans out of recovering general revenues and/or user fees, especially as millions of workers are re-employed in great-paying jobs created by these large public investments.
- Infrastructure **projects will be vetted** according to their cost-benefit analysis, and a set of specific criteria set out in the Bill. Preliminary estimates suggest that, for every \$1 spent on public infrastructure, anywhere from [\\$3-7 is generated](#) in new economic activity. Careful planning – **to maximize economic growth, promote community and rural development, and “dig up the road only once”** – could be facilitated by Regional Economic Accelerator Planning Groups run by state and local governments, with technical assistance coordinated by the NIB as needed.

NIB operations are expected to have a profound, long-term, positive impact on the American economy. They will create up to 25 million new jobs (gross count using BLS definition), paying union-level “Davis-Bacon” wages, and grow the economy faster and make it more productive. That's what happened during the period of the last Infrastructure Bank, the RFC, from 1933-57, when growth averaged 5.5% per year, Total Factor Productivity maxed out at 3.4% per year during the 1940s, and [unskilled wages](#) and [Federal income tax receipts](#) rose dramatically. Similar results are replicable today **even at near-full employment:** a [2014 study by the University of Maryland](#) estimated that, compared to stagnant economic growth averaging 1.8% per year, increased infrastructure spending would ultimately grow the economy faster by 2.9% per year, and real disposable income by 3.4% per year, than without such investments. As ASCE stated in its [2021 Failure to Act Study](#) (using the same U. Md. forecasting model), failing to close this infrastructure investment gap brings serious economic consequences. By 2039, a continued underinvestment in our infrastructure at current rates will cost:

- \$10 trillion in cumulative lost GDP,
- More than 3 million jobs in year 2039, and
- \$2.24 trillion in exports over the next 20 years.

Importantly, the NIB is positioned to play a significant role in fighting off the economic effects of any oncoming Recession. Currently, the economy is experiencing [high inflation](#) caused by too much money chasing too few goods. To combat it, the Federal Reserve is [raising interest rates](#) to lower demand. That will likely lead to rising unemployment and another recession. NIB operations are a [better way to fight inflation](#) because they iron out supply chain problems, and raise productivity and the supply of goods being produced. That's good for businesses. It also creates millions of great-paying jobs for the newly unemployed. And the NIB can do this without the need to rely on new Federal spending, taxes, or deficits.

Therefore, we are asking every citizen to write or call your Congressman, and ask him/her to support HR 3339, the National Infrastructure Bank Act of 2021, to create great-paying jobs in your area.

**Table 1. Comparison of the National Infrastructure Bank (NIB) and Bi-Partisan Infrastructure Bill
Cumulative Infrastructure Needs over Ten Years: 2020-2029**
(In billions of 2019-dollars)

Infrastructure Categories	NIB Total Lending Amount	2021 Bipartisan Infrastructure Law (BIL, or IIJA) Over 5 Years 12/
Total	\$5,000	\$550
ASCE 2021 Report Card 1/	Funding Gap 2/ 3/ 4/	New Money
Subtotal for 16 Categories	\$2,626	\$436
Surface Transportation Including:	\$1,205	
Roads & Bridges	\$785	\$110
Transit	\$250	\$39
Passenger Rail	\$45	\$66
Half the amount for Schools	\$125	
Electric Vehicles		\$15
Safety / Reconnecting Neighborhoods		\$12
Water Infrastructure Including:	\$1,089	
Drinking Water, Wastewater, and Stormwater 5/	\$801	\$55
Dams, Levees	\$85	\$3
Public Parks	\$78	
Half the amount for Schools	\$125	
Power Infrastructure 6/	\$197	\$73
Aviation	\$111	\$25
Inland Waterways & Ports	\$25	\$17
Hazardous 7/ & Solid Waste	\$0	\$21
Infrastructure Resiliency		\$50
Additional Mega Projects Including:	\$2,374	
Affordable Housing 8/	\$720	
High Speed Rail 9/	\$1,074	
Broadband Complete Access 10/	\$100	\$65
Renewable Energy Super-Grid Overlay 11/	\$80	
Large Water Management Projects	\$400	

1/ See 2021 Report Card: https://infrastructurereportcard.org/wp-content/uploads/2020/12/National_IRC_2021-report.pdf .

2/ See Failure to Act, Table 2 at <https://infrastructurereportcard.org/the-impact/failure-to-act-report/> . May not add due to rounding.

3/ Already funded means: Baseline Federal grants and loans appropriated through the Federal budget; and state, local, utility, transit and port and airport authorities' spending financed by: local government revenues, special taxes, user fees, and borrowed money.

4/ Funding gap excludes money already funded. The National Infrastructure Bank will cover all of the funding gap, plus additional for mega projects.

5/ Comprises \$434 B for drinking and wastewater, \$286 B to meet the EPA Copper and Lead Rule, to remove all lead service lines, and \$81 B for stormwater repairs.

6/ Excludes \$3 trillion estimated as governments cost to electrify vehicles and move all generation and distribution off of fossil fuels.

See DOT Study: <https://www.ourenergypolicy.org/resources/mobilizing-for-a-zero-carbon-america-jobs-jobs-jobs-and-more-jobs/>

7/ 2021 Report Card states there are 35 shovel ready projects in the Superfund that have not received Federal funding, but gives no dollar amount.

8/ Estimated 7.2 million affordable housing units needed (<https://nlihc.org>) times \$100,000 per unit.

9/ High Speed Rail Alliance estimate for 100% of Federal Railroad Administration's 11 High Speed Rail Corridors covering 8965 miles.

10/ [Federal Communications Commission 2016 Broadband Progress Report. Jim Clyburn Broadband Bill proposes \\$94 billion.](#)

11/ US DOE estimate, see: <https://www.eenews.net/stories/1061403455> .

12/ [What's in the \\$1.2 trillion Senate infrastructure package. By Heather Long. Aug. 10, 2021.](#)

Flow Chart : National Infrastructure Bank (NIB)

