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National Infrastructure Bank: Proposals in the 118th Congress

Introduction

The term *infrastructure* generally refers to long-lived, capital-intensive systems and facilities in the areas of transportation, energy, water, and telecommunications. Some broader definitions also include facilities for education, recreation, and health. Although the condition and performance of these systems are generally thought to be important for the nation's well-being, there is less agreement on the optimal level of infrastructure investment, how to maximize the effectiveness of spending, and the appropriate role of the federal government.

State and local governments and the private sector provide the bulk of infrastructure investment. The federal role in infrastructure investment is important but limited in size and scope. For example, the federal government was responsible for 21% of total government highway outlays in 2021. The federal government supports infrastructure investment in four ways: (1) direct investment in federally owned infrastructure; (2) grants to nonfederal entities, especially state and local governments; (3) tax preferences that forgo federal revenue to provide incentives for nonfederal investment in infrastructure; and (4) loans and other types of credit assistance to nonfederal entities.

National Infrastructure Bank

A national infrastructure bank is typically seen as a way for the federal government to provide loans, loan guarantees, and lines of credit to support infrastructure projects carried out by nonfederal entities. Many different formulations have been proposed over the years, but policy choices typically include the following:

Infrastructure type. Some proposals focus on one type, such as transportation or energy, but most would support a wider spectrum of sectors.

Institutional form and governance. Most current proposals would create a wholly owned government corporation overseen by a board whose members are selected by the President or Congress. Other models include placing the bank inside an existing federal agency and creating a government-sponsored enterprise with an independent board.

Funding source. Under the Federal Credit Reform Act of 1990 (FCRA; 2 U.S.C. §661(a)), credit assistance by the bank would be supported by an appropriation that pays the subsidy cost and federal administrative cost. According to FCRA, the subsidy cost is "the estimated long-term cost to the government of a direct loan or a loan guarantee ... calculated on a net present value basis." An appropriation would leverage larger loan amounts from the U.S. Treasury. Assuming a 10% subsidy cost, every $1 appropriated for purposes other than administrative costs would enable the bank to lend $10 to projects. Loan repayments would go to the Treasury, not the bank. Alternatively, a bank could operate as a revolving fund, such that credit assistance and administrative costs are limited to the size of the appropriation or other funds, but borrower repayments could be used to make new loans. In some formulations, an infrastructure bank would raise its own capital through bond issuance or other borrowing.

Advantages and Disadvantages

Advantages of a national infrastructure bank potentially include the leveraging of state, local, and private-sector investment, data-driven project selection, and a highly skilled staff with expertise in infrastructure financing. Drawbacks might include the limited number of suitable projects for support, the duplication of existing programs, and pressure to allocate loans according to political criteria. A bank may also not be the lowest-cost means of increasing infrastructure spending. The Congressional Budget Office notes that a special entity issuing its own debt would not be able to offer the low interest and issuance costs of the U.S. Treasury. Some see a larger federal role in infrastructure as a drawback and suggest that Congress might enhance the operation of state infrastructure banks as an alternative.

Legislative Proposals in the 118th Congress

Legislative proposals for a national infrastructure bank date back to at least 1983 (S. 532, 98th Congress), and many bills have been introduced since then. No proposal has been enacted on its own or as part of broader legislation, such as the Infrastructure Investment and Jobs Act (P.L. 117-58). National infrastructure bank bills introduced in the 118th Congress include the Federal Infrastructure Bank Act of 2023 (H.R. 490); the National Infrastructure Investment Corporation Act of 2023 (H.R. 3360); and the National Infrastructure Bank Act of 2023 (H.R. 4052). Details of these three bills can be seen in **Table 1**.

The National Infrastructure Investment Corporation Act of 2023, for example, would create the National Infrastructure Investment Corporation, a wholly owned government corporation, governed by a seven-member board of directors. Three of these directors would be appointed by the President with advice and consent of the Senate, and four would be appointed by congressional leaders. The corporation would be authorized to provide loans and loan guarantees to sponsors of infrastructure, including the transportation, energy, environmental, and telecommunications sectors. The bill does not authorize an appropriation. Instead, the corporation would be authorized to accept loans from pension funds.

Table 1. Infrastructure Bank Bills Introduced in the 118th Congress

	H.R. 4052 (Rep. D. Davis)	H.R. 490 (Rep. Webster)	H.R. 3360 (Rep. Carbajal)
Name of bill	National Infrastructure Bank Act of 2023	Federal Infrastructure Bank Act of 2023	National Infrastructure Investment Corporation Act of 2023
Name of entity	National Infrastructure Bank	Federal Infrastructure Bank	National Infrastructure Investment Corporation
Organization type	Wholly owned government corporation	Government-Sponsored Enterprise (GSE)	Wholly owned government corporation
Governance	Twenty-five-member board of directors appointed by President with advice and consent of Senate	Seven-member board elected by shareholders	Seven-member board of directors; three appointed by President with advice and consent of Senate; four appointed by congressional leaders
Eligible infrastructure projects	Transportation, energy, environmental,[a] telecommunications, affordable housing, schools, public recreation, libraries, worker training facilities	Transportation, energy, water, other infrastructure identified by the bank	Transportation, energy, environmental, telecommunications
Types of credit assistance	Direct loans, loan guarantees, credit insurance	Equity investments, direct loans, indirect loans, and loan guarantees	Direct loans, loan guarantees
Funding	Sale of capital stock, callable capital; may issue own bonds, bank deposits, fees, $100 million appropriation for start-up costs	Sale of capital stock; may issues own bonds	Loans from pension funds
Type of bank	Revolving fund	Revolving fund	Revolving fund

Source: Congressional Research Service based on H.R. 4052 (as introduced), H.R. 490 (as introduced), H.R. 3360 (as introduced), 118th Congress.

a. "Environmental" includes drinking water and wastewater treatment facilities, stormwater management systems, open-space management systems, wetland restoration, solid waste disposal facilities, hazardous waste facilities, and industrial site cleanup projects.

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