

# A National Infrastructure Bank and the Federal Investment in Surface Transportation



# A National Infrastructure Bank and the Federal Investment Process

**I** **Federal Investment in Transportation**

**II** **Limitations of the Federal Investment in Surface  
Transportation**

**III** **Existing National Infrastructure Bank Proposals**



# I The Object of Federal Investment

## Federally- financed capital

Capital owned by the federal government and capital belonging to local and state governments but financed by the federal government.

- 2008 – the net federally-financed, nondefense, physical capital stock in real terms:
  - 26% federally owned
  - 74% state and local capital financed by federal investment, out of which 63% is transportation capital

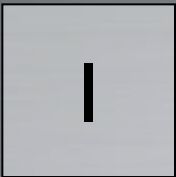
# I Federal Investment in Surface Transportation

## Federal Investment

Federal annual spending on federally financed capital.

- 2008 – \$459.7 billion in total
- 10% is for surface transportation, in state and local assets.





# Federal Investment in Surface Transportation Is a Fraction of Federal Spending

**2008** (in billions of dollars)

Federal spending, 100% (\$2,983)

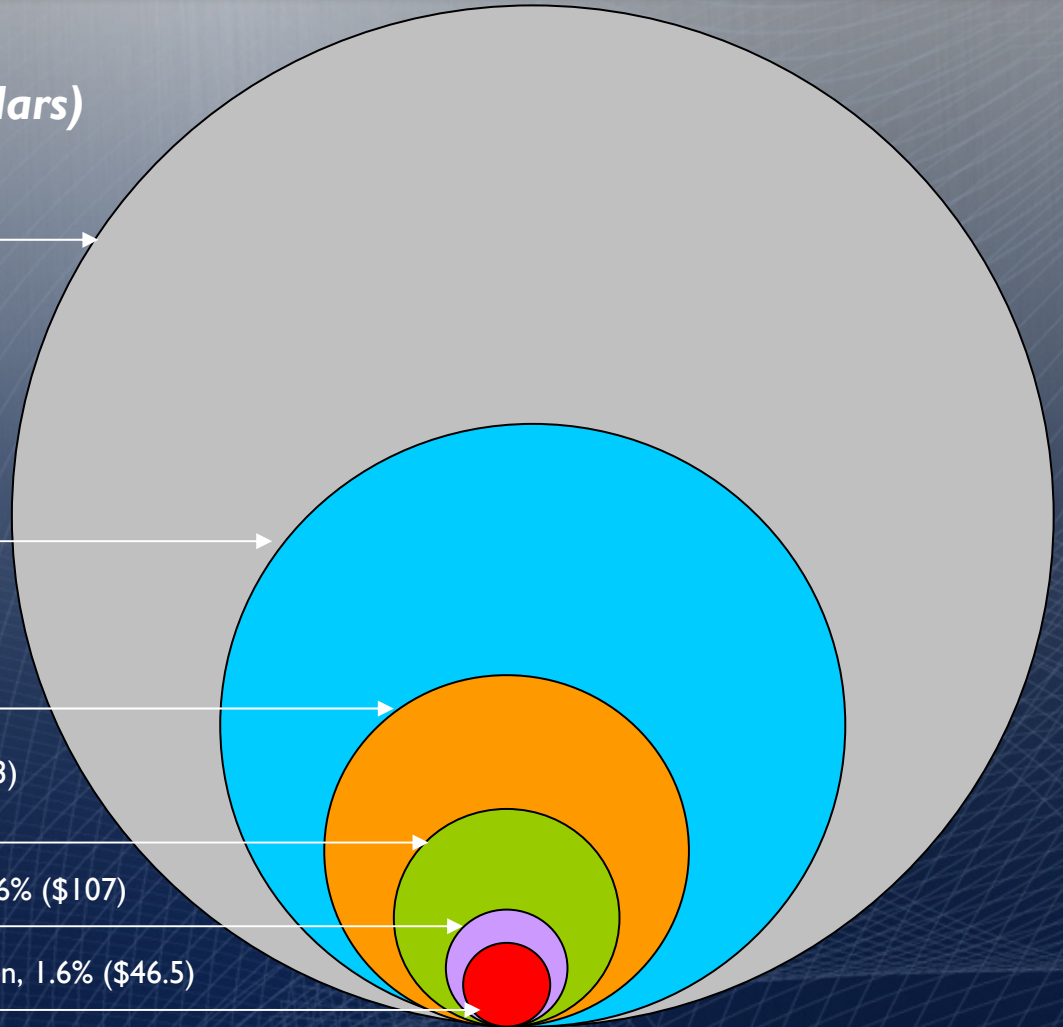
Discretionary spending, 38% (\$1,135)

Federal investment, 15.4% (\$459)

Nondefense federal investment, 8.5% (\$253)

Nondefense federal physical investment, 3.6% (\$107)

Federal investment in surface transportation, 1.6% (\$46.5)



# Limitations of the Federal Investment in Surface Transportation

## ***1. Flawed selection process***

- Funding formulae do not provide incentives to the states and localities to increase the performance of the federal investment
- Benefit cost analysis (BCA) is not used consistently by recipients in deciding among alternative projects

## ***2. Neglect of multi-jurisdictional projects of regional or national significance***

## ***3. Silo'd distribution of surface transportation funding***





# The National Infrastructure Bank Proposals

What's in the:

- National Infrastructure Development Bank Act (NIBDA) 2009
- The 2010 Budget proposal

## Design

- Wholly owned Government corporation – (NIBDA) 2009
- Designated federal entity – The 2010 Budget proposal
- In this case: NIB investment **WOULD BE** included in the federal budget



# The National Infrastructure Bank Proposals

What's in the:

- National Infrastructure Development Bank Act (NIBDA) 2009
- The 2010 Budget proposal

## Products

- Grants, loans, loans guarantees
- For infrastructure projects “of substantial regional and national significance”

## Capital

- Paid in capital of \$25 billion over five years through appropriations
- NIBDA- the paid in capital- only 10 percent of the subscribed capital

## Leverage

- No leverage for the NIB in the 2010 Budget
- NIBDA- NIB would be able to issue bonds





# The National Infrastructure Bank Proposals

## **Characteristics:**

- Focused on physical infrastructure
- Multi-jurisdictional projects with regional or national impact
- Projects that cut across stove-piped federal transportation programs
- The bank would be a centralized federal mechanism to compare and prioritize infrastructure projects based on a benefit-cost analysis

## *A NIB is:*

1. Not a revenue source, but a financing mechanism
2. Not a solution for the problems of the current federal programs
3. Not a replacement of the current federal funding for transportation



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