SUMMARY

The Building and Upgrading Infrastructure for Long-Term Development Act (BUILD Act) will help close America's widening infrastructure gap, create millions of jobs in the next decade, and ensure America's global competitiveness in the 21st century.

AMERICA FACES UNPRECEDENTED INFRASTRUCTURE CHALLENGES

Americans confront the need for better infrastructure every day they use our outdated roads, bridges, trains, and airports. American businesses experience it too: our economy loses $80 billion every year because of blackouts on outdated transmission and grid infrastructure and traffic on our roads and highways. And our urban sewage systems are overflowing due to aging water infrastructure.

Today, the United States spends less than 40 percent of what we need to meet our infrastructure needs. The American Society of Civil Engineers has estimated that in the next five years alone we'll fall $2.2 trillion short in the funding necessary to bring American infrastructure to even adequate condition. Over the next 50 years, our population will increase by 120 million people, who will require even more infrastructure for transportation, water, and energy. We need an *annual* investment of $250 billion from federal, state and local governments to keep up with transportation infrastructure alone.

CURRENT FUNDING IS INADEQUATE AND CAN NOT KEEP PACE IN AN ERA OF FISCAL AUSTERITY

We all agree that the United States needs to significantly reduce its fiscal deficit over time, but our federal budget is stretched to the limit and our states and municipalities can't afford to take on ever more expensive debt.

There *are* other sources of funding if we think and act creatively. Hundreds of billions of dollars from global pension funds, private equity funds, mutual funds, and sovereign wealth funds are looking to invest in high-quality, low-risk infrastructure projects. Unfortunately, right now they are not investing it here in the United States. In the U.S., the private sector provides only six percent of the nation's infrastructure funding.

The BUILD Act will change that. This legislation will enable us to bring that private investment here to the United States. It also addresses the market gaps, like the absence of long-term lending, which will allow us to dramatically increase private investment in American infrastructure.

AN INDEPENDENT, FISCALLY RESPONSIBLE, PRIVATE-SECTOR DRIVEN SOLUTION

The BUILD Act is a bold solution that establishes an American Infrastructure Financing Authority (AIFA) - a type of infrastructure bank - to complement our existing infrastructure funding. This institution, which would provide loans and loan guarantees, would be both fiscally responsible and robust enough to address America's needs.

AIFA is independent of the political process. It would fund the most important and most economically viable projects across the country, our states, and our communities. AIFA is also fiscally responsible. While AIFA will receive initial funding from the government, after that it must become self-sustaining. AIFA closely follows the Export-Import Bank model, which has helped to boost American exports and has been profitable overall to the government since 1991. Finally, AIFA relies on the private sector. It can never provide more than 50 percent of a project's costs, and in many cases would provide much less, just enough to bring in private investment.

KEY PROVISIONS OF THE BUILD ACT

Independent, non-partisan operations

- While AIFA would be a government-owned entity, it would not be controlled by any federal agency and instead would operate independently. It would be led by a Board of Directors with seven voting members and a chief executive officer.
- No more than four voting members of the board could be from the same political party.
- Board members would have to be U.S. citizens with significant expertise either in the management of a relevant financial institution or in the financing, development, or operation of infrastructure projects.

Strong oversight by Congress and the Federal government

- The Board and CEO would be appointed by the President, with one board member designated as chairperson. All candidates would have to be confirmed with the advice and consent of the Senate.
- The Majority Leader of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives would each recommend candidates.
- For the first five years, the Department of Treasury's Inspector General would oversee AIFA's operations, an independent auditor would review AIFA's books, and AIFA would submit an assessment of the risks of its portfolio, prepared by an independent source. After five years, AIFA would establish its own Inspector General.
- The Government Accountability Office (GAO) would also conduct an evaluation of AIFA and submit a report to Congress no later than five years after the date of enactment.

Broad eligibility for infrastructure

- Eligible projects would include transportation infrastructure, water infrastructure, and energy infrastructure.
- In general, projects would have to be at least $100 million in size and be of national or regional significance.
- Projects would have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream.
- Geographic, sector, and size considerations would also be taken into account.

Unbiased project selection

- The CEO would be responsible, in consultation with professional staff, for reviewing and preparing the eligible project applications.
- The Board would be responsible for the ultimate approval or disapproval of the eligible projects that are submitted to the Board by the Chief Executive Officer and staff.

Strong rural protections

- Rural projects would only need to be $25 million in size.
- Five percent of the initial funding of AIFA would be dedicated to helping rural projects.
- AIFA would include an Office of Rural Assistance to provide technical assistance regarding the development and financing of rural projects.
- Projects would still have to have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream.

Addressing market gaps for infrastructure financing

- AIFA would issue loan and loan guarantees to eligible projects.
- Loans issued by AIFA would use approximately the same interest rate as similar-length United States Treasury securities and would have a maturity of no longer than 35 years.
- Loans and loan guarantees could be subject to additional fees or interest rate premiums based largely on the costs of the loan to the Federal government, as determined by AIFA in consultation with the Office of Management and Budget.
- AIFA would finance no more than 50 percent of the total costs of the project, in order to avoid crowding out private capital.

Self-sufficiency of AIFA

- AIFA is set up to be self-sufficient after the first few years.
- To achieve self-sufficiency, the CEO of AIFA would establish fees for loans and loan guarantees. These fees could be in the form of application fees or transaction fees, and could include an interest rate premium associated with the loan or loan guarantee.
- However, AIFA would receive initial funding of $10 billion, which would earn interest. This initial funding would be used both to offset the cost of the loans to the Federal government and to cover administrative costs.
- Funding under the Act would be subject to the Federal Credit Reform Act, except that it would be exempted from the requirement that appropriations are needed for subsequent loans and loan guarantees.

Additional BUILD Act provisions

The BUILD Act also addresses private activity bonds. These bonds are frequently used to finance infrastructure projects. Under current law, interest on tax-exempt private activity bonds is generally subject to the Alternative Minimum Tax (AMT). This, in turn, limits the marketability of these bonds and causes states to issue bonds at higher interest rates. This Act would extend the exemption to bonds that are issued in 2011 or 2012.