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Testimony of the Honorable Edward G. Rendell
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Finance Committee

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Good morning Chairman Baucus, Senator Hatch and members of the Committee. Thank you for the invitation to appear before you today and for the opportunity to discuss why the creation of a National Infrastructure Bank is so important to help finance critical investments in our nation's infrastructure.

I am here both in my capacity as the former Governor of Pennsylvania and as Co-Chair of Building America's Future, which I am honored to lead along with former Governor Arnold Schwarzenegger of California and Mayor Mike Bloomberg of New York City. Building America's Future is a bipartisan, non-profit coalition of state and local elected officials from across the United States who believe that we must reform how we pay for infrastructure and that additional resources must be invested more wisely.

Infrastructure is all around us. We rely on it every day whether it's to take a bus or train to work, cross a bridge, move goods from our manufacturing plants to markets, or drive our kids to a soccer game. But some of our infrastructure is not as visible as our roads and bridges. Although we don't see the massive water pipes under our streets or the electricity flowing through the electric grid it's there providing us with the lifeblood of our economy. Visible or not, properly functioning infrastructure provides us with the reliability and predictability that we as Americans have come to expect from modern daily life.

Yet, for far too long, our nation has under invested in its infrastructure. When our bridges, levees, dams and electric grids fail the consequences can be catastrophic and impact millions of individuals and cost billions of dollars – costs that could be avoided with an upfront investment in prevention. The images from two gas pipe explosions in Allentown, Pennsylvania and Hanoverton, Ohio in February reminded us of the gas pipe explosion in San Bruno, California in September that killed eight people and destroyed 38 homes. And who could forget the devastation when the levees were breached in New Orleans and the I-35W Bridge collapsed in Minneapolis? Indeed, life came to a standstill for millions in the Northeast and parts of the Midwest and Canada due to the massive blackout in 2003.

And yet there is little sense of urgency among policymakers here in Washington, D.C. and at all levels of government that smart new investments are needed. As a result, our infrastructure investment levels have not kept pace with our national growth over the past several decades. We've got millions of Americans putting a strain on infrastructure in the

21st Century that in many cases was built to meet the needs of the 19th and 20th Centuries. So it's not surprising that the American Society of Civil Engineers has graded the condition of our infrastructure a D. But what continues to surprise me is our refusal to make infrastructure investment and modernization a national priority. We keep going from disaster to disaster and yet it seems we are ignoring the warning signs all around us.

We must reverse decades of failing and worsening infrastructure by employing new and different strategies today, not tomorrow. Lessons can be learned from the innovations that have been employed in many of our states and cities. When it comes to transportation funding, governors, myself included, realized several years ago that we were not going to meet our infrastructure needs by just relying on federal funds. So by and large, we have made the hard choices. Whether it was raising the state gas tax, entering into public-private partnerships, or increasing bonding capabilities, governors buckled down and got creative. But there have been some instances where our efforts to get creative ran into the brick wall of federal restrictions.

A perfect case in point is my experience as governor in trying to obtain federal permission to toll Interstate 80 in Pennsylvania. Due to federal restrictions on tolling previously untolled interstate highways I was twice denied the ability to raise revenue to help with maintenance of this major artery that is critical to the nation's commerce and to efficient movement of goods.

And while I was ultimately unsuccessful in convincing my State Legislature to approve authority for the State to enter into public-private partnerships I believe I did the right thing in seeking that authority. And so do many of my fellow governors as over 30 states and Puerto Rico currently have the authority to partner with the private sector. It is important that the federal government not impose restrictions on the states' ability to pursue partnerships for projects that meet public needs while protecting the public interest.

We must get serious about addressing our infrastructure needs if the United States is to remain economically competitive with the rest of the world. We cannot continue to bury our heads in the sand until the next infrastructure failure. However, there are those who believe that in a time of soaring budget deficits we can continue to defer investing in critical infrastructure needs. Those who ignore these needs could not be more mistaken as there are consequences of failing to make infrastructure investments to America's future economic stability.

We also must find ways to regain the trust and confidence of the public. Recent polls commissioned by Building America's Future and the Rockefeller Foundation have consistently found that while the public believes smart infrastructure investments should be a priority, they are skeptical that the funds are being directed to wasteful and unnecessary projects. Americans are clamoring for greater accountability and transparency to ensure that scarce resources are being invested on the right projects that will bring long term economic benefits.

As it is obvious that existing revenue sources and methods are inadequate to address our vast infrastructure needs, Building America's Future believes that a National Infrastructure Bank can be part of the solution. A properly constructed Bank will take the politics out of the equation and invest in projects based on merit and help to finance critical projects of regional or national significance.

Right now, if multiple states wanted to complete a project crossing multiple jurisdictions or infrastructure sectors, there is no singular place to which they can apply for financial assistance. A National Infrastructure Bank can fill that void by leveraging dollars from states and local governments as well as the private sector, focusing on projects of regional or national significance, and subjecting all requests to a benefit-cost analysis. Clear accountability and transparency requirements would be part of the process.

Senators Kerry and Hutchinson are to be commended for working together on a bipartisan basis to propose legislation – the BUILD Act - to do just that. There is related legislation pending in the House and President Obama has proposed the creation of a similar entity in his FY 2010, 2011 and 2012 budgets. Previously, Senators Dodd and Hagel introduced bipartisan legislation that established a National Infrastructure Bank.

But we are far past the time for proposals. We need to sit down in a room and hash out a bill and get moving. We have wasted too much time already.

Building America's Future supports Congress moving forward to create a National Infrastructure Bank this year. We do not need to wait for a new surface transportation bill for there to be action on a Bank.

But I would like to talk briefly about the reauthorization of the surface transportation bill since it will be the Senate Finance Committee that is charged with finding additional revenues to fund a robust, reformed bill which Building America's Future supports. We cannot fail to make difficult choices even in this era of deficit reduction. So, as you move forward, I would encourage you to redouble your efforts to find additional resources for the Highway Trust Fund – including bringing back to life Build America Bonds - to ensure that our highway and transit needs across the nation do not continue to mount and that we provide Americans with a safe and reliable transportation system.

From our point of view, we believe that a properly constituted Bank should finance more than just transportation needs. We believe that a true Infrastructure Bank would provide assistance to water systems, ports, smart grid and broadband.

We at Building America's Future believe that a National Infrastructure Bank should be created with the following basic concepts:

- Establish the Bank as an independent entity with the greatest flexibility to finance and fund only projects of regional and national significance.
- Allow the Bank to fund projects beyond just transportation such as ports, drinking and waste water, electrical grid, and broadband.
- Enable merit-based selection of projects by experts so that the most critical and feasible projects proceed by employing benefit-cost analysis methods.
- Ensure federal assistance at a significant enough scale to make these major projects financially viable.
- Ensure that the Bank has the authority to employ a range of finance and funding tools including, but not limited to: grants, credit assistance, low interest loans, tax incentives, Build America Bonds, Private Activity Bonds, enhanced TIFIA authority, and others to be determined.
- Create a method for leveraging public investments with private capital.

- Establish clear performance measurement standards such as completing projects on time and within budget, reducing traffic delays for passengers and goods movement, reducing carbon emissions, and improving safety.
- Provide project expediting capability by eliminating redundancies to speed completion of projects while still ensuring the environment remains protected.

President Obama's fiscal year 2010 budget proposed \$5 billion per year for five years for a total initial capitalization of \$25 billion for the National Infrastructure Bank. In fiscal years 2011 and 2012 that proposal was modified to be an infrastructure fund administered by the Department of Transportation. However, Congress has not appropriated these dollars primarily because the Bank has not been authorized. I give the President credit for supporting this concept with real dollars as it is a sign of his commitment to the long-term vision of rebuilding this country through smart, targeted investments.

It is incumbent upon this Congress to pass a National Infrastructure Bank authorization bill this year so that it can be stood up properly next year. And I believe that the Obama Administration must engage with the House and Senate in the details of this legislation in the coming weeks.

Another reason not to delay any further is that our economic competitors in the European Union have been reaping the benefits of the European Investment Bank (EIB) for decades. The EIB was created in 1958 and has nearly \$300 billion in subscribed capital by all 27 European Union member countries. In 2009 alone, the EIB disbursed over \$70 billion mainly on transportation, energy and global loans. The Bank raises funds from capital markets and lends them at higher rates keeping its operations financially sustainable. It offers debt instruments such as loans and debt guarantees as well as technical assistance. The EIB is financially independent and operates on a broadly self-financing basis raising resources through bond issues and other debt instruments mostly publicly quoted on exchanges around the world. Typically the EIB supports construction and upgrading of roads, bridges, rail, air, waste water projects, telecommunications infrastructure, schools, hospitals, and energy.

And as I previously mentioned, the states are the incubators of innovation. They understand that creativity can reap benefits and many of them have stood up their own infrastructure banks. Just this March, Virginia Governor Bob McDonnell proposed and signed into law legislation to create a more robust State Infrastructure Bank that will be capitalized with \$32.7 million in State funds. And going back even further, the Californian State Legislature created the California Infrastructure Bank in 1994 with overwhelming bipartisan majorities. The Bank was capitalized by a one-time state appropriation of \$180 million in 1999 and its operations since then have been solely funded from fees, interest earnings and loan repayments. Over the last decade, the Bank has grown to \$30 billion in debt financings and has extremely broad statutory powers to issue revenue bonds, make loans and provide credit enhancements for a wide variety of infrastructure and economic development projects.

Is a National Infrastructure Bank a panacea? No, it is not. However, since we as a nation fail to produce a capital budget like our cities and states are required to do, this is one way to plan for the future and attract and leverage additional private dollars while ensuring that the American people's tax dollars are spent wisely and efficiently.

So what are we waiting for at the national level?

We have heard some concerns about whether or not a National Infrastructure Bank means rural states will be ignored to the benefit of urban areas. I do not think that is true at all. The Bank will look at projects on a regional and national basis. That may mean investments in areas that expand beyond any major city because of the long-term vision. For example, we need to expand our exports and by investing in our ports now we can ensure that agriculture products that come from our rural areas can get to those foreign markets more efficiently and quickly. This would mean a benefit not only to the port in the city in which it is located but to the farmers and ranchers who depend upon proper delivery to earn their wages.

One other way that rural areas will benefit is if existing grant programs that fund large-scale projects would concentrate on smaller projects. For example, the Highway Trust Fund has recently been under threat of depletion and insolvency. Transfers of funds from the general fund into the Highway Trust Fund have kept the program alive. I believe that if the National Infrastructure Bank stands up it could ease the current strain on the Highway Trust Fund by funding and financing the larger-scale projects through the Bank. Therefore, allowing more Highway Trust Fund dollars to remain available for smaller projects in rural areas. I think that is a benefit that must be studied and explored.

Ultimately this is about what we are going to do for the American people. The average American loses 34 hours a year stuck in traffic. That is time that people can never get back and it is time that they cannot spend with their families and friends. And it's costing us \$115 billion in lost productivity and 3.9 billion gallons in wasted fuel each year.

We must stop this cycle.

We can do this. But we must do so on a good-faith, bipartisan basis and with the goal of assuring the Bank's success. If the Bank is successful then our cities, states, and regions will be more successful and more of our citizens will be employed. Infrastructure investments will create millions of more jobs not only on the construction sites but back in the factories that produce the concrete, asphalt, aggregate, steel, wood, and other materials that go into these projects. We are used to building things in this country and we can do so again by standing up the National Infrastructure Bank now.

Our hope is that if the National Infrastructure Bank is capitalized at the right level the Bank will make significant progress towards addressing some of the larger projects and outstanding needs in the country while Congress moves forward with significant reforms of existing funding silos, policy decisions, and the creation of a national vision.

Thank you and I look forward to answering your questions.