Date of Hearing: July 1, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION
Lori D. Wilson, Chair
HR 110 (Arambula) – As Introduced June 20, 2024

SUBJECT: Infrastructure

SUMMARY: Strongly encourages the United States Congress and the President of the United States to pass the National Infrastructure Bank Act of 2023 to establish the National Infrastructure Bank and facilitate financing urgently needed infrastructure projects in the United States.

EXISTING FEDERAL LAW:

1) Establishes the Infrastructure Investment and Jobs Act (IIJA), which allocates $550 billion in new infrastructure spending over five years for **r**oads and bridges, rail, transit, ports, airports, the electric grid, water systems, and broadband, among other provisions. (Infrastructure Investment and Jobs Act, Public Law 117-58)

2) Establishes the Fixing America's Surface Transportation (FAST) Act, which authorizes $305 billion over fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs. (Fixing America's Surface Transportation Act (FAST), Public Law 114-94)

3) Creates a state infrastructure financing authority under the Water Infrastructure Finance and Innovation Act, as a new loan program exclusively for State infrastructure financing authority borrowers. (Water Infrastructure Finance and Innovation Act of 2014 (WIFIA), Public Law 116-94)

FISCAL EFFECT: Unknown

COMMENTS: H.R.4052 - National Infrastructure Bank Act of 2023 of the 118th Congress would establish the National Infrastructure Bank to facilitate the long-term financing of infrastructure projects. Specifically, the bank is authorized to invest $5 trillion in infrastructure projects and must provide loans to public and private entities for financing, developing, or operating eligible infrastructure projects. An eligible project must have a public sponsor as well as local, regional, or national significance. a not-for-profit government-sponsored enterprise that would marshal both public and private funds and direct them to infrastructure projects.

The bill treats the bank as a government corporation exempt from tax and treats contributions to the bank as charitable contributions, and also provides for criteria and preferences for deciding whether to provide a loan, such as whether a project promotes job creation or provides environmental benefits.

Projects that receive a loan must; 1) Pay all laborers and mechanics locally prevailing wages; and 2) Use only certain United States (U.S.).-produced construction materials unless a waiver is secured from the bank. The bill imposes requirements related to the bank's operation, such as minimum reserve requirements and requirements for handling loan losses. In addition, the bank must facilitate the organization of at least seven regional economic accelerator planning groups to, among other activities, identify infrastructure needs and priorities.

Infrastructure bank benefits. An Infrastructure Financing Authority (IFA) was initially included in the IIJA framework, but was removed from the final proposal. It is thought that infrastructure banks have myriad benefits including; a sustainable, renewable source of funding, flexible and affordable loans, assuming risk for local projects, promoting economic development, and incentivizing regional solutions. A federal infrastructure bank could ensure continued investment for years to come, not just for the coming few years.

It is estimated that infrastructure projects financed by the National Infrastructure Bank would grow the economy by 5%, annually. Numerous state legislatures have either introduced or passed resolutions supporting the creation of the National Infrastructure Bank, including the Nevada State Legislature, the Maine State Legislature, the Rhode Island General Assembly, and the New Jersey State Legislature. Many county governments and city councils, including the city councils of Philadelphia, Toledo, Providence (Rhode Island), Chicago, Cleveland, as well as national organizations, including the Public Banking Institute, the National Congress of Black Women, the National Association of Counties, the U.S. High Speed Rail Association, the National Latino Farmers and Ranchers, the American Sustainable Business Council, and the National Association of Minority Contractors have expressed support for the National Infrastructure Bank

Need for infrastructure in California. Every four years, the American Society of Civil Engineers (ASCE) issues a report card for the current status of infrastructure in the United States. In its 2021 Report Card for America's Infrastructure is gave US infrastructure a score of a C-. In the 2019 "Report Card for California's Infrastructure," the ASCE did not issue California infrastructure above a C-.

It is estimated that the condition of California's roads is among the worst in the nation and is ranked 49th in the nationwide, that approximately 50% of bridges in California have exceeded their design life, and that over 7% of California's bridges are structurally deficient.

California is projected to receive approximately $40 billion over five years of IIJA funding.

California's Declining Transportation Infrastructure Dollars. Declining gas tax revenue from increased electric vehicle sales is of significant concern. The Legislative Analyst's Office projects notable revenue declines over the next decade from the state's gasoline excise tax ($5 billion or 64%), diesel excise tax ($290 million or 20%), and diesel sales tax ($420 million or 20%). State funding sources—which historically have accounted for roughly one-third of total transportation funding, including $14.2 billion in 2023-24—consist of various fuel taxes and vehicle fees. On net, the LAO estimates that if the state undertakes the steps envisioned in the California Air Resources Board's Scoping Plan to reduce greenhouse gas emissions, annual state transportation revenues will decline by $4.4 billion (31%) over the next decade as compared to current levels.

Attempted before, long term funding issues. H.R 8682 Federal Infrastructure Bank Act of 2022 of the 118th Congress was introduced in 2022, and H.R. 3339 National Infrastructure Bank Act of 2021 of the 117th Congress was introduced in 2021; both bills were referred to the Subcommittee on Water Resources and Environment, and never heard. While a national infrastructure bank has the potential to galvanize capital markets and generate funding on a long-term basis, the sustainable source of public funding required has not been realized. This bill has failed multiple times in the last three years.

According to the author, "infrastructure is essential to the economy. Roads, clean drinking water, and modern schools are essential to the quality of life of Californians. Nationwide, the National Infrastructure Bank will provide funding for infrastructure projects up to $5 trillion and will create 25 million new jobs. It will supercharge the economy to achieve long-term GDP growth of 5% per year.

HR 110 demonstrates California's support for the federal effort to establish the National Infrastructure Bank. The Bank will leverage private and state and local capital to invest in projects that are critical to the economic progress of California and the nation. Financing public infrastructure and private development in California will promote a healthy climate for jobs, contribute to a strong economy, and improve the quality of life in California communities".

Previous legislation. AJR 32 (Nazarian) of 2022 would have urged the United States Congress and the President of the United States to pass the National Infrastructure Bank Act of 2021 to establish the National Infrastructure Bank and facilitate the financing of urgently needed infrastructure projects in the United States.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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