UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Hearing before the Subcommittee on Highways and Transit
"National Infrastructure Bank: More Bureaucracy and Red Tape"

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**Testimony of**

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# The National Infrastructure Bank: Separating Myths from Realities

Executive Summary

Building and maintaining world-class infrastructure is essential for America to compete in the global economy and to attract capital investment needed for long-term growth and job creation. As other countries pour money and resources into modernizing their own infrastructure, the U.S. is lagging behind and surrendering one of our greatest competitive advantages: a strong system of infrastructure that was once the envy of the rest of the world. To regain our competitive edge, we need a national infrastructure strategy that takes advantage of modern financing and policy innovations that other countries are already using to out-invest and out-compete the U.S.

The national infrastructure bank is an approach that has been adopted by developed countries around the world to facilitate investment in new transportation projects and other types of infrastructure, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year. There is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders.

Although leaders throughout the U.S. and around the world support infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar to many here in Washington. There remains a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act. This testimony addresses many of the misconceptions in Washington about the bank proposals before Congress, and it specifically responds to frequently expressed concerns about the bank.

Now more than ever, Congress needs to consider the full range of options we have to increase U.S. infrastructure investment. The time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means putting aside polarizing rhetoric from both sides and talking frankly about what a national infrastructure bank is, and what it is not.

A properly structured national infrastructure bank is an innovative and sound investment tool that represents the next step in the evolution of federal financing programs for transportation, energy, and other infrastructure projects. The bank deserves to be at the center of the current debate about the many challenges to investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for maintenance and improvements that we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills.

I thank the Committee, especially Committee Chairman Mica and Subcommittee Chairman Duncan, for holding this hearing today. I hope the Committee members find today's discussion helpful to fully understanding this important proposal to enhance our national strategy for infrastructure spending and investment.

## Widespread Support and Adoption of Infrastructure Banks

The idea of establishing a national infrastructure bank to facilitate private capital investment in new transportation projects, energy resources, and other types of infrastructure is one that has been adopted by developed countries around the world, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year, most recently in Virginia, where Governor Bob McDonnell signed a new bank into law earlier this year. The proliferation of infrastructure banks shows that they are a widely accepted and proven approach to lowering financing costs and attracting private capital investment for badly needed new projects.

Here in the U.S., there is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. These are the people making decisions every day that drive our country's economic prosperity, and they recognize the huge potential for a bank to help address our investment needs by mobilizing private capital to leverage public funding.

At a Capitol Hill forum held last week by the Progressive Policy Institute, urgent calls for swift action and smarter financing policies came from top executives from Nucor, the nation's largest steel producer; Siemens, a multinational corporation making huge investments in manufacturing, energy, and infrastructure here in the U.S.; Ullico, an insurance company owned and funded by large union pensions; UBS Investment Bank, which advises U.S. and foreign investors on infrastructure financing; and Meridiam Infrastructure, a private-capital fund focused on investing directly in U.S. transportation, water, and energy projects. Both the U.S. Chamber of Commerce and the AFL-CIO have prominently endorsed the bipartisan Senate proposal for a bank that has more recently been adopted in the American Jobs Act.

Although governments, investors, and industry leaders throughout the U.S. and around the world have seen the wisdom and benefits of infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar to many here in Washington. There continues to be a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act.

A properly structured national infrastructure bank is an innovative but sound investment tool that deserves to be a part of the current debate about the many challenges of investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for projects we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills.

## The Next Step in the Evolution of a National Investment Strategy

Both the federal government and state authorities have already taken important steps toward achieving some of the goals of a national infrastructure bank. Innovative financing programs like TIFIA, the Railroad Rehabilitation and Investment Financing Program ("RRIF"), and the Department of Energy's 1703 and 1705 loan guarantee programs have brought powerful changes to the way we approach infrastructure projects, by shifting a portion of the government's role from spending (grants and direct funding) to investment (credit assistance, loans, and loan guarantees). And thanks to incentives created by Congress in past transportation legislation, states have created their own infrastructure banks to take advantage of new approaches to project finance and planning.

As this Committee has recognized, these existing approaches are helpful responses to the enormous investment challenges we face, and they have moved us in the right direction to bring us closer to the modern financing practices used around the world for infrastructure projects. But even when looked at together, these programs have been unable to achieve the full potential we have to mobilize public and private investment in this country. The TIFIA program is oversubscribed with more project applications than it can process and finance, and it is limited by a small staff structure that would likely prove inadequate to handle the large program expansion recently proposed by this Committee. RRIF has failed to deploy most of the loan authority it already has. The DOE loan guarantee program has faced many challenges, most recently highlighted by the Solyndra bankruptcy. And state infrastructure banks have had a mixed track record, due in part to insufficient capitalizations and leveraging power.

Given the interest the Committee has expressed in dramatically expanding the TIFIA program and opportunities for state infrastructure banks, it is timely to ask whether these programs can be improved by simply throwing more money at them, or whether an additional credit platform is needed to boost their effectiveness. This question is underscored by the recent news surrounding the Department of Energy's loan guarantee to Solyndra, which suggests we should be wary of believing an existing program can deliver on the promises of a massive expansion in loan approvals before the necessary staff and expertise are in place. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics have argued against. And expanding TIFIA's resources is likely to create more bureaucracy and red tape than a properly structured infrastructure bank.

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has been characterized as "picking winners," a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape.

There are also advantages a national bank could offer to state infrastructure banks to expand their investment options and lower their borrowing costs. A national bank could assist states in financing large, expensive projects that are beyond the scale of state bank capitalization or lending power. A national bank would also be better able to evaluate and finance projects of regional and national significance—those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars.

In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

Misconceptions About the National Infrastructure Bank

As the unavoidable costs of repairing and maintaining our nation's infrastructure climb into the trillions of dollars, the time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means we need to put aside polarizing rhetoric from both sides and talk frankly about what a national infrastructure bank is, and what it is not.

The driving motivation behind the national infrastructure bank is twofold. First, the financing offered by the bank would provide an additional tool for reducing the costs of new projects and attracting private capital to share in the risks and expenses of these investments. The bank would be an optional tool available to states and local governments and for federally-sponsored projects like NextGen Air Traffic Control. Second, the bank's evaluation and financing of projects would be a transparent and predictable process, staffed by professional finance experts and guided by clearly defined, merit-based criteria. This would ensure that at least some portion of our public investment decisions would focus on projects that will generate economic benefits and enhance competitiveness at a national or regional level.

Many of the arguments for a national infrastructure bank are the same as those made in favor of state banks, and even for existing credit programs like TIFIA, both of which have been supported by members of this Committee on both sides. The objection to creating a national bank as somehow inferior to supporting state infrastructure banks seems to rest on the claim that a national bank would impose new burdens on states and shift decision making from state officials to Washington bureaucrats. Neither of these objections is accurate.

In spite of the suggestion built into the title of today's hearing, my hope is that the members of the Subcommittee will be open to considering the ways in which a national infrastructure bank could actually reduce red tape for states, and possibly even shrink the regulatory footprint of federal bureaucracy in the landscape of project finance activity nationwide.

If properly implemented, an independent bank could actually reduce regulatory burdens imposed by existing federal programs, by establishing a project selection and financing process that is focused on the economic merits of investments, rather than the myriad regulatory and policy goals pursued by different bureaucratic silos in executive branch departments. Whether every existing federal mandate and regulation should be attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is also a collateral issue that need not disqualify the bank as a financing option.

A New Approach to the Infrastructure Bank

Much of the criticism of the infrastructure bank focuses on features that are not shared by all the proposals now before Congress. For example, the objection that is most frequently misapplied is that the infrastructure bank is not a true "bank," because it makes grants in addition to issuing loans. The argument is that making grants is essentially giving money away for free, something a "real bank" would never do. This criticism has been lobbed against the president's jobs bill proposal many times since he announced it, but it simply does not apply to that proposal, which is limited to loans and loan guarantees.

The president's current proposal in the American Jobs Act is not the same as his own earlier "I-Bank" included in his most recent budget proposal submitted to Congress earlier this year, nor is it the same as previous bills offered by Congresswoman DeLauro, Senator Dodd, and others, which are the versions many opponents choose as the targets of their criticism. The president's jobs bill proposal adopts the model that resulted from a thoughtful bipartisan effort in the Senate, embodied in the BUILD Act in introduced by John Kerry, Kay Bailey Hutchison, Mark Warner, and Lindsay Graham. The BUILD Act represents an entirely new approach to the idea of creating an infrastructure bank, one that goes a long way to reconcile the huge levels of needed investment with the very real spending constraints facing Congress. This proposal launches the bank on a fiscally responsible scale, while preserving the best principles of political independence and merit-based decision making that make the bank worth doing in the first place. They do this by structuring their bank as an independent, government-owned financing authority using model used by the U.S. Export-Import Bank, the TIFIA program, and other well-run existing federal credit programs, none of which bear any resemblance to shareholder-owned GSEs like Fannie Mae and Freddie Mac.

Both the BUILD Act and the American Jobs Act would create a new entity called the American Infrastructure Financing Authority ("AIFA"). The AIFA proposal has been the subject of much confusion and misinformation, with opponents painting a misleading picture of what this type of bank would look like and how it would finance infrastructure projects.

The difference between the investment tools offered in the bipartisan AIFA proposal and earlier approaches starts with understanding the distinction between funding and financing. Grants and funding programs "give money away for free" by spending federal money directly to pay for projects, or passing that money along to states and local governments to pay for them. Financing programs like AIFA and TIFIA require repayment of loans and reimbursement from borrowers for the default risks assumed by the federal government, making the Treasury whole for its financing of the project.

AIFA loans and loan guarantees would be issued using the same credit mechanisms as TIFIA and RRIF established under the Federal Credit Reform Act ("FCRA"). This approach makes AIFA a particularly appropriate successor to the TIFIA program for transportation projects. Because of this structural compatibility with FCRA-based credit programs, combined with the independence and expertise of its staff and board of directors, an AIFA-type entity could provide a unique opportunity to enhance existing programs by offering those programs the option of utilizing its staff and resources to assist in the evaluation of loan applications. Offices like RRIF or the DOE loan guarantee programs could retain their discretion to make final decisions on applications, while improving the review and structuring of those projects by calling on the bank as a financial advisor.

AIFA would be funded with a one-time discretionary appropriation of $10 billion. While the initial start-up funding could be paid for using funding from the surface transportation bill or other legislation reported from this Committee, there has thus far been no proposal to do so. A key feature of AIFA is that it is designed to be self-sustaining. The bipartisan Senate proposal is carefully structured to ensure it adheres to the requirement to operate without ongoing appropriations from Congress.

Putting All Options on the Table

Any proposal to devote taxpayer money to create a new federal program should always be subject to close scrutiny by Congress, especially at a time when fiscal responsibility is an especially high priority for members of Congress charged with making these decisions. But we are also facing monumental economic problems and urgent investment needs to keep our country globally competitive. With so little common ground to be found in Washington today for solutions to these problems, a bipartisan idea that has such broad support from business, labor, and investors should not be dismissed without serious consideration.

The infrastructure bank is a concept that has evolved over time and taken many forms, but it has proven to be an effective tool in other countries and an attractive approach for state governments. Most of the concerns raised about the bank can be addressed by debating and amending any of the current proposals, if there is a bipartisan will to do so. The Senate is already proving this kind of cooperation and fresh thinking about an infrastructure bank is possible, and the members of this Committee should not foreclose their chance to do the same here by rushing to judgment on the new bank proposals.

## Top Ten Myths about the National Infrastructure Bank

**Myth #1: We can't afford a national infrastructure bank, because the federal government is already "out of money."**

**Reality:** The claim that the government is "broke" because we are running deficits is not unique to infrastructure, and it could apply to any spending proposal currently before Congress. But it does argue for focusing on our most urgent spending priorities, and for making the most efficient use of taxpayer dollars. Maintaining healthy infrastructure has always been supported by both parties as a top priority that is essential to economic prosperity and a high quality of life for all Americans. There is no avoiding the generational need to rebuild our aging infrastructure, and we must remember that there is nothing fiscally responsible about deferring maintenance costs, because those costs only become more expensive the longer we put them off.

One of the best arguments for the bank approach is that produces much more "bang for the buck" from taxpayer dollars than the direct funding and grants that dominate our existing federal programs. This Committee has recognized that providing credit assistance to long-lived infrastructure projects is not the same as deficit spending—it is investing, not "spending." By focusing on loans and loan guarantees that cover only a portion of the total cost of new projects, the bank would ensure that private capital or state funding sources bear a significant share of our investment burdens. Creative partnerships with states, local governments and agencies, and private investors will allow for flexible solutions that make the most efficient use of all our country's financing resources.

**Myth #2: Supporters of the national infrastructure bank believe it is a substitute for passing transportation reauthorization bills.**

**Reality:** Many in the transportation community worry that bank proposals distract from the need for Congress to pass broader reauthorization legislation. Supporters of the infrastructure bank acknowledge that it is not a silver bullet for meeting our investment needs or a substitute for comprehensive aviation and surface transportation bills. The bank is not even a stopgap measure for transportation spending—its funding would be very small compared to the funding levels in the aviation and surface bills. No one has suggested that passing a bill to create an infrastructure bank would be enough for anyone to declare our investment problems solved, or to reduce the urgency of reaching agreement on long-term funding bills that allow planned projects to move forward and create jobs immediately.

The bank is one part of a multi-pronged approach to meeting our infrastructure investment challenges. It is intended as a durable institution that would complement existing programs and those contemplated by the reauthorization bills. And the debate about the bank is not just about transportation—it is also intended to complement and improve existing programs for other types of infrastructure, such as energy and water projects.

**Myth #3: A national infrastructure bank would create a massive and inefficient federal bureaucracy.**

**Reality:** Creating a national infrastructure bank would certainly require a new staff of professionals to carry out its mission. But the size of that staff may be comparable to the additional staff needed for the massive increases to the TIFIA program this Committee has recently proposed. TIFIA is already oversubscribed and understaffed, with only a handful of current staff to process loan applications. Some people familiar with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany a new "super-sized" budget authority. The need for such a dramatic increase in staff was demonstrated by the rapid expansion of the Department of Energy's loan guarantee program, which hired roughly 200 additional staff and contractors to review applications. And while that bureaucratic growth came into the program after the now-infamous approval of the Solyndra loan guarantee (and likely avoided bad loan decisions going forward), the questions raised about Solyndra also show the need for a professional, unbiased staff that is not subject to political pressures and inter-agency management problems.

A modest but expert staff in an independent national infrastructure bank could also reduce the need for redundant bureaucracy and staff in existing federal credit programs, including TIFIA, RRIF, and possibly even the DOE loan guarantee program. By empowering existing programs to call upon the bank's staff and resources for diligence and evaluation functions like borrower creditworthiness reviews, those programs could reduce the size of their own bureaucracy and avoid political interference within the executive branch departments. In this sense, a bank-type entity could serve as a platform for infrastructure project finance expertise that could make all federal credit programs more efficient. This is particularly true for the AIFA model, which uses the same financing mechanism under the Federal Credit Reform Act ("FCRA") as these other federal programs.

The resources and staff of the national infrastructure bank could similarly be made available to state banks for consultation and technical assistance, upon request by state officials.

**Myth #4: A national infrastructure bank would shift more decision making to Washington and out of the hands of states.**

**Reality:** A properly structured national infrastructure bank would not be a monolithic central-planning authority that would tie states' hands and impose its judgment on state funding priorities. To the contrary, a well designed bank would empower states by giving them a new option to pursue low-cost financing of projects of their own choosing, and it would provide them the opportunity to benefit from large-scale projects that cross state borders or that may be too expensive or unwieldy for states to execute alone. In this way, a national bank could complement state infrastructure banks and Highway Trust Fund allocations, and it could also avoid the kind of frustration states have now over the failure of Congress to pass long-term reauthorization bills.

**Myth #5: Financing offered by a national infrastructure bank would just mean more red tape and increased costs for state and local projects.**

One of the goals of the infrastructure bank is to professionalize the government's approach to project finance and selection decisions, by creating an alternative to existing bureaucratic and political decision making. Most of the bank proposals, particularly the bipartisan BUILD Act, are designed specifically to replace red tape with black-and-white economic decisions. By making the bank independent of executive branch political agendas, we may also reduce the regulatory strings that are so often tied to federal infrastructure funding.

Whether specific federal mandates and regulations are attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is a collateral issue that should not disqualify the bank as an option for Congress to consider.

**Myth #6: We don't need a national infrastructure bank, because we can strengthen state infrastructure banks instead.**

**Reality:** State banks are an excellent tool and an important step in the right direction for project finance in the U.S. But state banks are woefully inadequate for meeting many of our financing needs, and they should not be thought of as substitutes for a national infrastructure bank, or even as incompatible with creating a national bank.

A well designed national bank offers a number of features and advantages not available from state banks. A national bank could finance large, expensive projects that are beyond the scale of state banks. A national bank would be better able to evaluate and finance projects of regional and national significance—those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury yields at historically low levels, as they are now.

A national bank could easily be structured to complement and empower state banks by passing through lower federal borrowing costs for state-sponsored projects. Giving states the option to partner with the national bank would be an additional and purely voluntary tool, so the argument that the bank would somehow limit the decision-making power of state banks is entirely misplaced.

**Myth #7: We don't need a separate infrastructure bank, because we can simply expand existing programs like TIFIA or the Export-Import Bank.**

**Reality:** Both TIFIA and the Export-Import ("Ex-Im") Bank are well-run programs that are effective in achieving the specific missions they are charged with. There are structural similarities between AIFA and both TIFIA and Ex-Im that make the idea of transforming either program to act like an infrastructure bank very interesting on paper and perhaps worth exploring more. However, the organization and governance of the infrastructure bank would be materially different from TIFIA, and its mission and expertise would not necessarily be compatible with the Ex-Im Bank.

TIFIA is already oversubscribed with only a handful of staff to process loan applications. Some people familiar with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany recent proposals to "super-size" its budget authority. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics allege of the DOE loan guarantee program.

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expansion and better management of federal credit programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before.

With respect to the idea that we can create an infrastructure bank within the Ex-Im Bank, we should be cautious about assuming we can re-task a well established bureaucracy with an entirely new mission that requires different financing expertise and a different institutional culture. It is probably better to avoid big changes to a program that is currently functioning well, and instead to look to it as a model to be drawn upon and replicated instead of forcing a merger of two very different programs under the one roof.

**Myth #8: Funding for a national infrastructure bank would rob from proposed funding for Highway Trust Fund programs, including TIFIA and state infrastructure banks.**

**Reality:** The infrastructure bank proposal is not a zero-sum competitor for Highway Trust Fund resources with TIFIA, SIBs, or any other existing programs in the surface transportation bull. Most of the bank proposals are drafted to be funded by appropriations outside the Highway Trust Fund, or in some cases by allowing the bank to issuing its own bonds. They are also designed to supplement existing programs and allocations, not substitute for them. Not only would the initial funding not need to rob Trust Fund resources, the activities of the bank could relieve some of the pressures on these oversubscribed and underfunded programs by providing an alternative financing path for certain projects that now rely on Trust Fund programs. This would free up money for projects that are most appropriate for these funding programs.

**Myth #9: The national infrastructure bank is the next huge federal bailout waiting to happen, just like Fannie Mae and Freddie Mac.**

**Reality:** Troubled government-sponsored enterprises ("GSEs") like Fannie Mae and Freddie Mac are not valid comparisons for current proposals for a national infrastructure bank. All of the bank proposals would be government corporations that are fully owned by the federal government. Fannie and Freddie are government-chartered but owned by private shareholders, which means they act in their shareholders' interest to maximize profits. That structural incentive to chase higher shareholder returns led to the leveraging and risky portfolios that resulted in insolvency and federal takeovers of these GSEs.

As a government-owned and controlled entity, a properly structured national infrastructure bank would not suffer from this conflict of interest between the public interest and private shareholder returns. It would also avoid the "moral hazard" problem created by allowing private shareholders to pursue risk-free profits by making risky loans with implicitly backing of the full faith and credit of the U.S. Treasury. This distinction is particularly applicable to the AIFA proposals in the BUILD Act and American Jobs Act, which would be explicitly backed by the Treasury, but would also be subject to the same FCRA rules governing its loans as existing credit programs with track records of responsible risk management, such as TIFIA and the Export-Import Bank.

A very important difference between the AIFA approach and the GSEs is that AIFA would not borrow a dime of money under its own name, but would rely instead on debt issued by the Treasury Department, the process for which is strictly controlled under FCRA. This restriction stands in stark contrast to the GSEs, which are able to issue their own debt securities and did so with great abandon to leverage their financing: as of June, 2008, Fannie Mae's debt was 18 times the size of its equity capital, and Freddie Mac's debt stood at over 60 times its equity.

**<u>Myth #10</u>: The national infrastructure bank is another example of the federal government trying to "pick winners" that will result in taxpayers picking up the tab for failed companies like Solyndra.**

**Reality:** The national infrastructure bank would invest in pouring concrete, not propping up companies. The idea that choosing between different infrastructure project applications is the same practice of "picking winners" that some use to describe the Section 1705 loan guarantee program at the Department of Energy is a completely wrong analogy. A properly structured infrastructure bank would be limited to financing lower-risk infrastructure projects than those of the DOE program, which included non-infrastructure business ventures such as manufacturers. And unlike the DOE approach of pursuing projects for federal policy goals, the bank would rely on the same bottom-up approach of state and local project sponsorship used by TIFIA.

The scope and mission of the1705 program was not limited to financing energy infrastructure projects. A good example of this is Solyndra itself, which is a manufacturer of solar panels, not a power producer or a project directly investing in the energy grid. The 1705 program was intended from the beginning to be more aggressive in its risk profile and financing decisions than any infrastructure bank would ever be. The 1705 loan guarantee program subsidized borrowing costs through direct appropriations and let the federal government underwrite a large share of a project's total costs, shifting the risks from private investors to the federal government. The bipartisan AIFA proposal has neither of these features.

However, the questions raised about how the Solyndra application was managed do demonstrate the need for more transparency in approving projects and for a professional, unbiased staff that is not subject to political pressures and inter-agency management problems. An independent infrastructure bank is designed to be built around an institutional culture of transparency and objective, merit-based decision making with clear criteria and creditworthiness requirements.

## COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
*Truth in Testimony Disclosure*

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

**(1) Name:** SCOTT THOMASSON

**(2) Other than yourself, name of entity you are representing:**

PROGRESSIVE POLICY INSTITUTE

**(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?**

**YES** — **If yes, please provide the information requested below and attach your curriculum vitae.**

**NO**

**(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:**

Neither I nor the Progressive Policy Institute has received any Federal grant or contract during the current fiscal year or two previous fiscal years

Scott Thomasson
Signature

10.10.2011
Date

# SCOTT THOMASSON

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Scott Thomasson is the economic and domestic policy director for the Progressive Policy Institute. Prior to joining PPI, Mr. Thomasson worked on policy issues in both the private sector and on Capitol Hill. During his years in the U.S. Senate, he served as Legislative Counsel to the late Sen. Robert C. Byrd (D-W.Va.) and previously as professional staff with the Senate Appropriations Committee. He also worked as an attorney for law firms in Washington, D.C. and Atlanta on energy regulation issues and counseled a wide variety of energy industry clients on development and operation of energy infrastructure projects. Mr. Thomasson received a B.A. with honors in economics and American government from Georgetown University and a law degree from Georgetown University Law Center. He is a native of Atlanta, Georgia.

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