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CBO Report Finds a National Infrastructure Bank Would Be Duplicative of Current Programs

A new Congressional Budget Office report released last Thursday finds the creation of a national infrastructure bank could pose some benefits but would ultimately duplicate many programs that already exist while also proving troublesome for many projects looking to secure funding.

The report, "Infrastructure Banks and Surface Transportation," explains how this infrastructure bank would work, as some policymakers have suggested this might be a way to fund transportation in the future. It would be federally funded and controlled, and would select locally proposed transportation construction projects for funding based on a set of criteria, such as cost and benefit. Financing would then be provided in the form of loans and loan guarantees. In order to repay those loans, any project financed through the new infrastructure bank would need a solid revenue stream such as taxes or tolls. Other partners could lend financial assistance as well.

The report outlines multiple limitations to setting up a national infrastructure bank. CBO states that only some surface transportation projects would be seen as good candidates for the loans, as a majority of projects don't include funding means such as tolls. Also a disadvantage is the fact that the financial assistance (in the form of loans) wouldn't be much different than what the U.S. Department of Transportation currently offers with the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.

As the report states, "As an alternative to creating a federal infrastructure bank, that program could be expanded to meet most of the same goals."

There are, however a couple specific advantages in creating a national infrastructure bank as outlined by CBO, namely that it may encourage sponsors of projects to charge its users for the benefits they get, meaning subsidies to those projects would be a small percentage of total costs. Also beneficial would be that the selection process could overcome barriers in funding multi-jurisdictional and/or multimodal projects, currently a bit more challenging.

The 10-page report is available at bit.ly/natlinfrabank.

Questions regarding this article may be directed to editor@ashtojournal.org.