

HR 3896 SUMMARY-The National Infrastructure Development Act (NIDA)
Rep. Rosa L. DeLauro

NIDA is intended to meet the estimated \$1.6 trillion annual shortfall of funds that are available for infrastructure projects, facilitating needed improvements to modernize and repair deteriorating and aging infrastructure. *NIDA* would supplement, not supplant, traditional methods of financing domestic infrastructure development by creating a quasi-governmental corporation to invest in and insure infrastructure projects in order to reduce public and private investment risk.

According to the Department of Transportation, each \$1 billion in new infrastructure investment creates \$6.2 billion in economic activity and 47,500 new jobs-26,500 direct jobs for construction workers, engineers, contractors, and other on-site employees, and 21,000 indirect jobs resulting from the spending associated with the investment.

Key Provisions:

1. Establishes the National Infrastructure Development Corporation (Section 5)

The Corporation is established as a wholly-owned Government entity.

- *NIDA* would provide the Corporation with **powers** including the ability to make senior and subordinated loans and purchase senior and subordinated debt securities and equity securities, the proceeds of which are to be used to finance infrastructure projects; issue and sell debt securities and voting and nonvoting equity securities; issue “public benefit bonds”; and make agreements and contracts. (*Section 6*)
- *NIDA* would include **limitations** on the Corporation, such as requiring the Corporation to conduct business as a self-supporting entity; guarantee debt securities have one of the 3 highest ratings of a national recognized statistical rating organization; gain the approval of the Treasury Secretary to issue any debt security; and act in coordination with the state and local regulatory authority. (*Section 6*)

2. Establishes the National Infrastructure Insurance Corporation (Section 5)

The Insurance Corporation is established as a subsidiary of the Corporation and as a wholly owned Government corporation.

- *NIDA* would provide the Insurance Corporation with **powers** including the ability to insure and reinsure bonds, debentures, notes, debt instruments and loans; insure leases of personal, real or mixed property; to issue letters of credit; issue and sell voting and nonvoting equity securities; and to make agreements and contracts. (*Section 7*)
- *NIDA* would include **limitations** on the Insurance Corporation such as requiring the Insurance Corporation to receive the highest claims-paying ability rating by a nationally recognized statistical rating organization before issuing any primary insurance or letter of credit; receive consent of the Treasury Secretary before issuing

any nonvoting equity security; and act in coordination with the state and local regulatory authority. (*Section 7*)

3. Establishes eligibility criteria for assistance from the Corporation or Insurance Corporation (*Section 8*)

- *NIDA* would call on the board of directors of the Corporation and Insurance Corporation to establish criteria for determining eligibility for assistance, disclosure and application procedures and other criteria as appropriate.
- *NIDA* would provide for certain factors to be taken into account for financial assistance including the extent to which financial assistance will further the objectives for national infrastructure investments established by Executive Order; the means by which development of the infrastructure under consideration is being financed; the degree to which assistance will allow the infrastructure project to develop more promptly and at lower costs; the extent to which private investment is maximized; and, during the initial 3 years, whether a project is ready to move forward promptly.
- *NIDA* would make eligibility decisions the purview of an independent investment committee comprised of senior officers of the Corporation and the Insurance Corporation.

4. Management of the Corporation (*Section 10*)

- *NIDA* would establish a board of directors for the Corporation consisting of 12 members, 9 of whom are appointed by the president, with demonstrated expertise in the field of infrastructure project development, finance or related disciplines. A minimum of 6 shall be selected from the private sector, including 2 representatives of organized labor and 2 individuals involved in public-private infrastructure finance.
- *NIDA* would establish terms of 4 years for each presidential appointee with 1/3 of the initial appointees appointed for 2 years, 1/3 for 3 years and 1/3 for 4 years. *NIDA* would allow for re-appointments.
- *NIDA* calls for a president of the Corporation to serve as the chief executive officer with the power, with approval of the majority of the board, to appoint individuals to executive officer positions.

5. Management of the Insurance Corporation (*Section 11*)

- *NIDA* would establish a board of directors for the Insurance Corporation consisting of 12 members elected by the stockholders of the Insurance Corporation with demonstrated expertise and experience in the field of credit enhancement or insurance and related disciplines, and 9 selected among private sector representatives.

- *NIDA* would establish terms of 2 years for each director of the Insurance Corporation, with the initial appointments made by the board of directors of the Corporation.
- *NIDA* calls for a president of the Insurance Corporation, appointed by the chairperson of the board of directors of the Insurance Corporation, to serve as the chief executive officer. The president would have the power, with approval of the board of directors, to appoint individuals to executive officer positions.

6. The Corporation and Insurance Corporation would transition to a government-sponsored enterprise (Section 13)

The Corporation would become a self-sustaining, privately-controlled corporate financing mechanism, comparable in structure to Fannie Mae (FNMA) and Ginnie Mae (GNMA).

- *NIDA* calls for the Corporation to prepare a strategic plan within 5 years after enactment of the Act to transition to a government-sponsored enterprise through a 100% transfer of ownership from the federal government to investors. *NIDA* would require the initial purchasers of voting securities of the Corporation to be pension plans. The plan is subject to approval by the president and congressional notification.
- *NIDA* provides stockholders of the Corporation and Insurance Corporation with the power to elect the board of directors following the transition.

7. Ensures compliance with the Davis-Bacon Act (Section 15)

- *NIDA* makes clear that the Corporation must take the necessary steps to ensure that any contract it provides incorporates a provision that dictates that no less than the wages prevailing in the project locality shall be paid to all laborers and mechanics employed to fulfill the contract.

8. Authorizations (Section 19)

- *NIDA* would authorize to be appropriated to the Treasury Secretary \$30 million to facilitate the corporation's initial operations.
- *NIDA* would also authorize to be appropriated to the Treasury Secretary \$3 billion for each of fiscal years 2009 through 2012. The Secretary, in consultation with the board of directors of the Corporation, shall invest these amounts in public debt securities bearing interest at rates determined by the Secretary.

9. Includes American corporation requirement (Section 21)

- *NIDA* makes clear that the Corporation and Insurance Corporation can only exercise the powers granted to it in the Act with American-incorporated entities.

