# washington dc update

March 16, 2011

## BUILD Act Introduced in Senate

SUMMARY & TAKE-AWAY.

**Discussion of the BUILD Act.**

Creates a new funding authority for infrastructure, with initial capitalization by the feds of $10 billion and leveraging from private markets to substantially increase to $600 billion.

**Take away:**

WESTCAS should consider HOW will this infrastructure bank affect or aid future projects?

Will the bank work as advertised**?**

Federal funding for key infrastructure programs as provided by the USEPA, the Corps of Engineers, the Department of Transportation, and other agencies is under severe strain brought on by unprecedented deficits and is very likely to shrink in the future. There are a growing number of proposals to replace some of this funding with federally chartered "infrastructure banks." Here are details of one of the latest proposals made by Senators Kay Bailey Hutchison of Texas and John Kerry of Massachusetts. WESTCAS members need to be aware of these developments and become aware of the details for how these programs would work.

The BUILD Act stands for the "Building and Upgrading Infrastructure for Long-Term Development Act. BUILD creates the "American Infrastructure Financing Authority [AIFA]. So now you have more acronyms to memorize. The Federal government would provide an initial capitalization of $10 billion and it is believed that through leveraging from the private investment market that up to $600 billion in infrastructure financing, including water resources infrastructure, could be made available.

AIFA would provide no more than 50% of the cost of a project and usually far less. It would be a loan and a loan guarantee program. Here are some additional details:

- Projects would have to be of national or regional significance and be at least $100 million in size.
- Rural projects could be as small as $25 million in size although only 5% of funding would be reserved for them.
- Projects would have to have "a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream."
- AIFA would charge approximately the same interest rate as similar length US Treasury securities and would have a maturity of no longer than 35 years.
- AIFA extends the AMT exemption for Private Activity Bonds in 2011 and 2012.

And here are the details for how the AIFA would be administered:

- There would be a Board of seven members and a CEO.
- No more than 4 of the seven Board members could be from the same political party.
- The Board and CEO would be appointed by the President and be confirmed by the Senate.
- The Majority and Minority Leaders of the Senate and the Speaker of the House and the Minority Leader of the House could make suggestions for appointments.
- The CEO "would be responsible, in consultation with professional staff, for reviewing and preparing the eligible project applications."
- "The Board would be responsible for the ultimate approval or disapproval of the eligible projects that are submitted to the Board by the CEO and staff."



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CONCLUSION

We need to ask WESTCAS members to read through this brief description and think about how such an infrastructure bank would work for you and your upcoming projects. On the plus side, if the bank works as advertised, there could be many billions of dollars available for water resources projects. This could be especially important considering the severe reductions in traditional appropriation cycle funding.

On the other hand, Democrats who didn't like the Bush Administration and Republicans who don't like the Obama Administration may want to think carefully about how an infrastructure bank that would likely drain away traditional federal funding might be run by the Administration currently in power. You might further want to think about how the CEO of the bank and the staff would review and recommend projects for Board consideration.

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