Center for American Progress

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Creating a National Infrastructure Bank and Infrastructure Planning Council

How Better Planning and Financing Options Can Fix Our Infrastructure and Improve Economic Competitiveness

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Introduction and summary

Infrastructure forms the foundation of the U.S. economy. Without highways, power grids, railroads, dams, levees, and water systems, businesses could not transport their goods, homes would be without electricity or drinkable water, parents could not get their kids to school, and the United States would cease to be a world leader in productivity and innovation. But despite our infrastructure's clear indispensability, decades of negligence and underinvestment have allowed much of it to fall into a shameful state of disrepair.

Inefficiencies in our infrastructure affect all aspects of American life. Commuters on our highways now lose more than $100 billion every year in time spent and fuel burned due to ever-increasing congestion on their way to and from work.[1] U.S. ports are struggling to handle increased ship sizes and cargo volumes. Lock systems on inland waterways are crumbling, causing tens of thousands of hours of delays every year. And leaking pipes lose an estimated 7 billion gallons of clean drinking water every day.[2] Together, these failures jeopardize public health, contribute to environmental degradation, and make American businesses less competitive, forcing them to pass additional costs on to consumers.

At the same time, our closest competitors have dramatically stepped up their investment in infrastructure and adopted ambitious plans for additional development. The United States fell to 24th place in overall infrastructure, down from ninth in 2008, according to a 2011 annual survey conducted by the World Economic Forum.[3] What's worse, under current levels of investment, this ranking will likely only continue to fall. A recent Center for American Progress report on America's infrastructure funding gap estimated that the federal government is underinvesting in infrastructure by approximately $48 billion per year, assuming a goal of adequately maintaining existing infrastructure and preparing for projected economic and population growth.[4]

But our situation is not hopeless. By coupling increased investment with a number of commonsense reforms, the United States could make great progress toward bringing its infrastructure up to modern standards. The establishment of both a national infrastructure bank and a national infrastructure planning council represents an innovative and promising way in which we could finance and plan infrastructure projects. That is the subject of this report.

By establishing a centralized federal lending authority in the form of an infrastructure bank, the United States could:

- Increase public investment in infrastructure
- Leverage billions in additional private investment
- Streamline existing federal lending initiatives
- Increase the share of federal money that flows to projects meeting rigorous cost-benefit criteria

With a relatively modest investment, the federal government could enable the completion of numerous large-scale projects of critical economic importance throughout our country, potentially producing thousands of jobs in the process.

Forming a national infrastructure planning council would also help better coordinate federal investments in infrastructure. This would go a long way toward resolving the siloed decision-making process that currently prevents crucial project integration and encourages inefficient spending across government agencies, as each agency attempts to independently address single components of a complex, interdependent infrastructure system. Better coordination would allow the United States to finally develop a comprehensive national infrastructure plan on par with those implemented by both industrialized and developing nations, while also encouraging the adoption of the best investment and planning practices at all levels.

Congress and the Obama administration should be praised for taking a significant step toward better investment coordination and improved due diligence by expanding the Department of Transportation's Transportation Infrastructure Finance and Innovation program, included in the recently passed Moving Ahead for Progress in the 21st Century Act. Increasing this program's funding from $122 million in fiscal year 2012 (which began in October 2011) to a combined $1.7 billion for FY 2013 through FY 2014 will help it achieve a considerably greater impact. The program provides low-interest loans, loan guarantees, and lines of credit to public and private investors undertaking large-scale surface transportation projects. Although the program's limited surface-transportation-only focus and known funding horizon of only two years means it alone cannot shoulder the burden of America's infrastructure needs, the designers of any future infrastructure bank should look to this program as an example of how to successfully operate a federal infrastructure lending initiative.

This report will detail the need for both a national infrastructure bank and a planning council, explain how they each would work, and examine how they would address the specific failings of our current system of infrastructure investment. We will consider existing policy proposals for creating an infrastructure bank and will note which facets of these plans still require significant attention from policymakers. Finally, we will put forward a number of suggestions for immediate action to lay the groundwork for a national infrastructure bank and an infrastructure planning council.

The United States simply cannot wait any longer to address our crumbling infrastructure. If we take action now to better plan, finance, and coordinate critical investments in our national infrastructure, we can ensure continued prosperity for future generations, while immediately helping the American economy get back on its feet.

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