

106TH CONGRESS
1ST SESSION

H. R. 2777

To fund capital projects of State and local governments, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 5, 1999

Mr. METCALF (for himself, Mr. HINCHEY, and Mr. CAMPBELL) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure

A BILL

To fund capital projects of State and local governments,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Transportation Infra-
5 structure and Local Government Capital Enhancement
6 Act”.

7 **SEC. 2. FINDINGS AND PURPOSES DEFINITIONS.**

8 (a) FINDINGS.—The Congress finds as follows:

9 (1) Citizens chronically complain about the
10 state of America’s public capital—about dilapidated

1 school buildings, condemned highway bridges, con-
2 taminated water supplies, and other shortcomings of
3 the public infrastructure.

4 (2) In addition to inflicting inconvenience and
5 endangering health, the inadequacy of the public in-
6 frastructure adversely affects productivity and the
7 growth of the economy, since public investment, pri-
8 vate investment, and productivity are intimately
9 linked.

10 (3) For more than 2 decades, the United States
11 Government has retreated from public investment as
12 the costs of entitlements and of the interest payable
13 on rapidly rising debt have mounted.

14 (4) State and local governments, albeit to a
15 lesser extent, have also slowed public investments
16 and State and local taxpayers are frequently reluc-
17 tant to approve bond issues to finance public infra-
18 structure.

19 (5) In the early 1970s, nondefense public in-
20 vestment accounted for 3.2 percent of gross domes-
21 tic product but it now accounts for only 2.5 percent.

22 (6) Widespread neglect of maintenance has con-
23 tributed substantially to the failure of the stock of
24 public capital assets to keep pace with the Nation's
25 needs.

1 (7) Net of depreciation, the real nondefense
2 public capital stock expanded in the past 2 decades
3 at a pace only half that set earlier in the post-World
4 War II period.

5 (8) Evidence of failures to maintain and im-
6 prove infrastructure is seen every day in such prob-
7 lems as unsafe bridges, urban decay, dilapidated and
8 over-crowded schools, and inadequate airports.

9 (9) A congressional study found that education
10 is seriously handicapped by deteriorating school
11 buildings and that an investment of
12 \$110,000,000,000 is needed to bring them up to
13 minimally acceptable condition.

14 (10) The problems take a toll in less visible and
15 perhaps even more important ways—in unsatisfac-
16 tory gains in private sector productivity and a di-
17 minished rise in the real income for the nation at
18 large.

19 (11) Seemingly endless traffic jams, disruptions
20 to commuter rail service, and backed-up airport run-
21 ways—everyday experiences for many Americans—
22 spell waste and inefficiency for the economy at large.

23 (12) Congestion on the Nation's highways alone
24 costs the Nation some \$100,000,000,000 a year ac-
25 cording to the Competitiveness Policy Council esti-

1 mate (1993), and that estimate does not include the
2 costs of added pollution and of wear and tear on ve-
3 hicles.

4 (13) This Act—

5 (A) is fiscally sound and follows the best
6 accounting practices of the private sector;

7 (B) is designed to help the Nation take a
8 significant step forward both in overcoming its
9 infrastructure deficit and in promoting the pro-
10 ductivity needed to meet the competitive chal-
11 lenges of the 21st century; and

12 (C) represents fiscally sound planning and,
13 in salient ways, advances sound fiscal operation.

14 (b) PURPOSES.—The purposes of this Act are as fol-
15 lows:

16 (1) To provide up to \$50,000,000,000 a year
17 for mortgage loans, at zero percent interest, to State
18 and local governments for capital investment in
19 types of infrastructure projects specified by Con-
20 gress and the President in a way that would not af-
21 fect the conduct of a sound monetary policy based
22 on price stability.

23 (2) To cut the overall cost of investment in in-
24 frastructure projects about in half, depending on

1 prevailing interest rates, for State and local tax-
2 payers.

3 **SEC. 3. DEFINITIONS.**

4 For purposes of this Act, the following definitions
5 shall apply:

6 (1) BANK.—The term “Bank” means the Fed-
7 eral Bank for Infrastructure Modernization estab-
8 lished under section 4.

9 (2) BOARD.—The term “Board” means the
10 Board of Governors of the Federal Reserve System.

11 (3) DEVELOPMENT.—The terms “development”
12 and “develop” mean, with respect to an infrastruc-
13 ture facility, any—

14 (A) preconstruction planning, feasibility re-
15 view, permitting and design work, and other
16 preconstruction activities; and

17 (B) construction, reconstruction, rehabili-
18 tation, replacement, or expansion.

19 (4) INDIAN RESERVATION.—The term “Indian
20 reservation” has the same meaning as in section
21 4(10) of the Indian Child Welfare Act of 1978, and
22 shall include land held by incorporated Native
23 groups, regional corporations, and village corpora-
24 tions, as defined in or established pursuant to the
25 Alaska Native Claims Settlement Act, public domain

1 Indian allotments, and former Indian reservations in
2 the State of Oklahoma.

3 (5) INDIAN TRIBE.—The term “Indian tribe”
4 means any Indian tribe, band, pueblo, nation, or
5 other organized group or community, including any
6 Alaska Native village or regional or village corpora-
7 tion, as defined in or established pursuant to the
8 Alaska Native Claims Settlement Act, which is rec-
9 ognized as eligible for the special programs and serv-
10 ices provided by the United States to Indians be-
11 cause of their status as Indians.

12 (6) INFRASTRUCTURE FACILITY.—The term
13 “infrastructure facility” means a road, highway,
14 bridge, tunnel, airport, mass transportation vehicle
15 or system, passenger or freight rail vehicle or sys-
16 tem, intermodal transportation facility, waterway,
17 commercial port, drinking or waste water treatment
18 facility, solid waste disposal facility, pollution control
19 system, hazardous waste facility, federally des-
20 igned national information highway facility, school,
21 and any ancillary facility which forms a part of any
22 such facility or is reasonably related to such facility.

23 (7) REGIONAL OR MULTISTATE ORGANIZA-
24 TION.—The term “regional or multistate organiza-
25 tion” means an organization established by an inter-

1 state compact between 2 or more States which has
2 been approved by the Congress.

3 (8) SECRETARY.—The term “Secretary” means
4 the Secretary of the Treasury.

5 (9) STATE.—The term “State” includes the
6 District of Columbia, Puerto Rico, Guam, American
7 Samoa, the Trust Territories of the Pacific Islands,
8 the Virgin Islands, the Northern Mariana Islands,
9 and any territory of the United States.

10 **SEC. 4. FEDERAL BANK FOR INFRASTRUCTURE MOD-**
11 **ERNIZATION.**

12 (a) ESTABLISHMENT.—

13 (1) IN GENERAL.—There is hereby established
14 a corporation which shall be known as the Federal
15 Bank for Infrastructure Modernization.

16 (2) STATUS.—The Bank shall be—

17 (A) an instrumentality of the United
18 States Government; and

19 (B) under the general supervision and di-
20 rection of the Secretary of the Treasury.

21 (b) MANAGEMENT.—

22 (1) BOARD OF TRUSTEES.—The management
23 of the Bank shall be vested in the Board of Direc-
24 tors of the Federal Financing Bank.

1 (c) POWERS.—The Bank shall have the following
2 powers:

3 (1) To adopt, alter, and use a corporate seal.

4 (2) To issue nonvoting capital stock in accord-
5 ance with section 5.

6 (3) To enter into contracts and modify, or con-
7 sent to the modification of, any contract or agree-
8 ment to which the Bank is a party or in which the
9 Bank has an interest under this section.

10 (4) To appoint, by the board of directors, such
11 officers and employees as the board of directors de-
12 termines to be necessary to carry out the provisions
13 of this Act, to define their duties, fix their com-
14 pensation, require bonds of them and fix the penalty
15 thereof, and to dismiss at pleasure such officers or
16 employees.

17 (5) To make advance, progress, or other pay-
18 ments.

19 (6) To acquire, hold, lease, mortgage, maintain,
20 or dispose of, at public or private sale, real and per-
21 sonal property, using any legally available private
22 sector methods, and otherwise exercise all the usual
23 incidents of ownership of property necessary and
24 convenient to the operations of the Bank.

1 (7) To sue and be sued in its corporate capacity
2 in any court of competent jurisdiction.

3 (8) To use the United States mails in the same
4 manner and under the same conditions as other de-
5 partments and agencies of the United States.

6 (9) To prescribe bylaws that shall be consistent
7 with law.

8 **SEC. 5. CAPITALIZATION OF THE BANK.**

9 (a) ISSUANCE AND SALE OF STOCK.—The Bank
10 may—

11 (1) issue nonvoting capital stock under section
12 4(c)(2) only at such times and in such amounts as—

13 (A) the Secretary determines to be appro-
14 priate for the issuance of such stock; and

15 (B) the Board determines to be appro-
16 priate for the purchase of such stock; and

17 (2) sell such stock only to the Board or, at the
18 Board's direction, a Federal reserve bank.

19 (b) PURCHASE OF CAPITAL STOCK BY FEDERAL RE-
20 SERVE BOARD.—

21 (1) IN GENERAL.—Subject to subsection (c)
22 and the direction of the Federal Open Market Com-
23 mittee, the Board of Governors of the Federal Re-
24 serve System, acting directly or through any Federal
25 reserve bank, shall invest in nonvoting capital stock

1 of the Bank at such times and in such amounts as
2 the Board determines to be appropriate under this
3 section.

4 (2) MAXIMUM ANNUAL AMOUNT LIMITATION.—

5 The amount invested by the Board in the capital
6 stock of the Bank in any year may not exceed
7 \$50,000,000,000.

8 (c) INTEGRATION OF STOCK PURCHASES INTO
9 OPEN-MARKET OPERATIONS.—

10 (1) IN GENERAL.—The investment of the Board
11 in stock of the Bank under this section shall be inte-
12 grated into the open-market operations of the Fed-
13 eral Open Market Committee under section 12B of
14 the Federal Reserve Act and the directions of the
15 Federal Open Market Committee to the Federal re-
16 serve banks with regard to open-market operations
17 shall take into account, and may include directions
18 with regard to, any such investment.

19 (2) TREATMENT OF STOCK.—Capital stock of
20 the Bank shall be treated as obligations of an agen-
21 cy of the United States for purposes of section
22 14(b)(2) of the Federal Reserve Act.

23 (d) USE OF CAPITAL.—The capital of the Bank may
24 be used only for making loans under section 6.

1 (e) RETIREMENT OF STOCK.—Nonvoting stock
2 issued under this section shall be repurchased and retired
3 from amount received from the repayment of loans under
4 section 6.

5 **SEC. 6. ISSUANCE OF INFRASTRUCTURE LOANS.**

6 (a) IN GENERAL.—The Bank may make loans to eli-
7 gible borrowers for the development of infrastructure fa-
8 cilities, if the Bank obtains such assurances as the Bank
9 determines to be appropriate from the borrower that—

10 (1) the funding of the project by the Bank was
11 approved by—

12 (A) a State certifying officer, in the case of
13 an infrastructure facility development project
14 proposed by a governmental unit within such
15 State;

16 (B) the Secretary of the Interior, in the
17 case of a project proposed by an Indian tribe;
18 or

19 (C) the State certifying officer of each
20 State involved, in the case of an infrastructure
21 facility development project proposed by a re-
22 gional or multistate organization.

23 (2) the proceeds of such loan will be used solely
24 for the purpose of funding the development of any
25 infrastructure facility;

1 (3) the borrower will establish and maintain
2 over the life of the loan a sinking fund or other am-
3 ortizing mechanism that would ensure that the re-
4 payment of the principal of the loan will be made in
5 accordance with the repayment schedule contained in
6 the loan documents; and

7 (4) the Bank will have full access to such books
8 and records of the borrower as the Bank may, from
9 time to time, determine to be necessary to audit the
10 borrower's compliance with the terms and conditions
11 of the loan.

12 (b) NO INTEREST.—Any loan made under this Act
13 shall bear no interest.

14 (c) ALLOCATION.—

15 (1) IN GENERAL.—The Secretary shall establish
16 an allocation formula, on the basis of the total popu-
17 lation of each State and Indian reservation, to deter-
18 mine the manner in which the total amount of loan
19 disbursements which may be made in any year shall
20 be allocated among the States and Indian tribes.

21 (2) REGIONAL OR MULTISTATE ORGANIZA-
22 TION.—In developing an allocation formula, the Sec-
23 retary shall provide for the allocation of loans to re-
24 gional or multistate organizations through appro-
25 priate adjustments of allocated amounts to the

1 States which established any such regional or
2 multistate organization.

3 **SEC. 7. BORROWER ELIGIBILITY.**

4 (a) IN GENERAL.—Subject to subsections (b) and (c),
5 any State, any unit of general local government of a State,
6 any Indian tribe, and any regional or multistate organiza-
7 tion shall be eligible to borrow from the Bank under this
8 Act to fund the development of infrastructure facilities.

9 (b) STATE CERTIFYING OFFICER.—No loans may be
10 made to any State or any unit of general local government
11 of any State, or to any regional or multistate organization
12 to which such State is a party, unless the State has au-
13 thorized an officer of the State to—

14 (1) review all proposals by any officer or agency
15 of the State or any unit of general local government
16 to develop an infrastructure facility for which fund-
17 ing is sought from the Bank; and

18 (2) select and approve the proposals which meet
19 the requirements of this Act for funding by the
20 Bank consistent with the allocation formula estab-
21 lished by the Secretary of the Treasury, including
22 requirements of the Bank with regard to—

23 (A) the establishment of sinking funds or
24 other amortizing mechanisms to ensure timely
25 repayment of any loan; and

1 (B) the auditing of the books and records
2 of the recipient of the loan.

3 (c) SECRETARY OF THE INTERIOR.—No loans may
4 be made to any Indian tribe unless the Secretary of the
5 Interior undertakes to—

6 (1) review all proposals by any Indian tribe to
7 develop an infrastructure facility for which funding
8 is sought from the Bank; and

9 (2) select and approve the proposals which meet
10 the requirements of this Act for funding by the
11 Bank consistent with the allocation formula estab-
12 lished by the Secretary of the Treasury, including
13 requirements of the Bank with regard to—

14 (A) the establishment of sinking funds or
15 other amortizing mechanisms to ensure timely
16 repayment of any loan; and

17 (B) the auditing of the books and records
18 of the recipient of a loan.

19 **SEC. 8. ADMINISTRATIVE PROVISIONS.**

20 (a) MINIMUM PHASE-IN PERIOD.—Loans made
21 under section 6 shall be disbursed by the Bank imme-
22 diately or over the construction or development period of
23 the project as needed so as to accommodate more loan
24 requests. The payout in any given year shall be no less
25 than 20 percent of the total amount authorized.

1 (b) PERIOD TO MATURITY.—The period to maturity
2 of any loan made under section 6 shall not be less than
3 10 years nor more than 30 years, at the discretion of the
4 borrower, but may be paid earlier.

5 (c) ADMINISTRATIVE FEES.—The Bank shall impose
6 an administrative fee of not more than one-quarter of 1
7 percent on each recipient of a loan, sufficient to cover ad-
8 ministrative costs incurred by the Bank, including over-
9 head, in administering such loan.

10 (d) COLLECTION OF PRINCIPAL AND FEES.—The
11 Bank shall enforce collection of any loan in which 2 or
12 more payments are due and payable. To that end, the
13 Bank shall be empowered to enter Federal district court
14 to seek an order to attach property of the borrower, up
15 to the amount necessary to end the delinquency. The cost
16 of collection shall be added to the balance of the loan. The
17 borrower shall continue to make semiannual payments of
18 the same amount until the entire balance, including fees,
19 is paid.

20 **SEC. 9. ABOLISHMENT OF BANK.**

21 (a) WINDING UP OPERATIONS.—The Bank shall
22 wind up the affairs of the Bank during the 6-month period
23 ending on the date the last outstanding loan issued by the
24 Bank under this Act is repaid.

1 (b) BANK ABOLISHED.—Effective at the end of the
2 30-day period beginning on the date described in sub-
3 section (a), the Bank is hereby abolished.

○