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Written Testimony for the Maryland Senate Budget & Taxation Committee Hearing
January 29, 2025, 10:30am
On SJ0002: United States of America - National Infrastructure Bank

In Favor, from: Alphecca Muttardy, Macroeconomist with the Coalition for a National Infrastructure Bank

SJ0002 asks members of Congress to enact HR4052 to create a $5 trillion public bank to fund infrastructure projects across the United States. Such a bank is needed because Federal financing, State financing, and private capital money have proven inadequate to finance most of our public infrastructure needs.

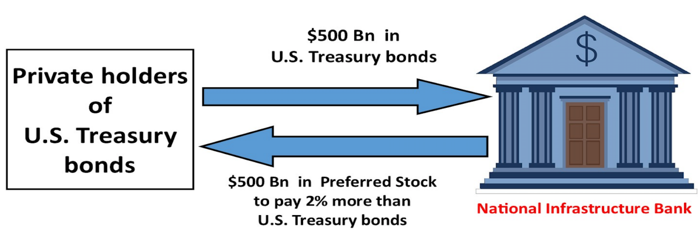
This written testimony explains how the National Infrastructure Bank's (NIB) financing will work. The NIB will operate off budget; it will operate just the same as any commercial lending bank; and it will not require Federal budgeted money to subsidize its operations over time.

Q: How is the National Infrastructure Bank capitalized?

A: This NIB will be capitalized by buying up to $500 billion in Treasury Securities from the private sector, exchanged for an equivalent of Preferred Stock in the NIB. Treasury purchases would be phased over time, as the NIB's loan portfolio grows to $5 trillion, in order to maintain a ratio of $1 in capital to $10 in loans. **Therefore, no appropriation is needed from the Federal budget to capitalize the NIB.**

Preferred Stock would pay a 2% per year premium above the Treasury interest rate, to entice the investments. That premium payment, up to $10 billion per year, would come out of the NIB's interest earned on its loans (about $400 billion per year). The paid-in capital would be maintained on the NIB's books as a rainy day fund in case the economy or some loans go bad.

How the National Infrastructure Bank is Capitalized

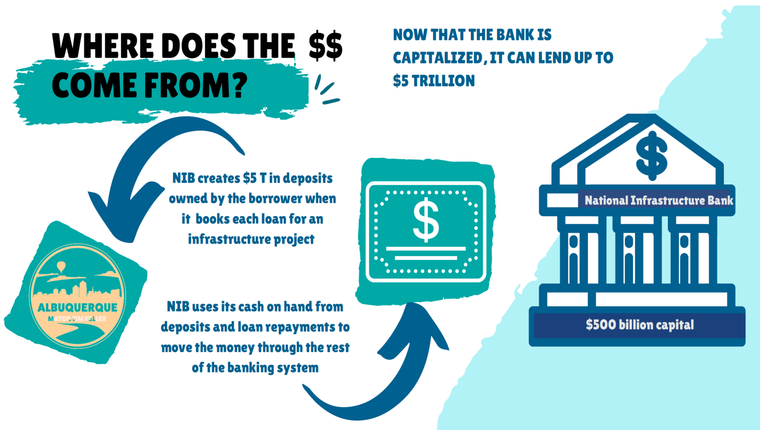


Private holders of U.S. Treasury bonds invest $500 Bn in exchange for $500 Bn in preferred stock in the bank. Preferred stock to pay additional 2% above U.S. Treasury rate. 2% interest paid from earnings of bank.

Q: Exactly where does the money come from that the NIB gives out in loans?

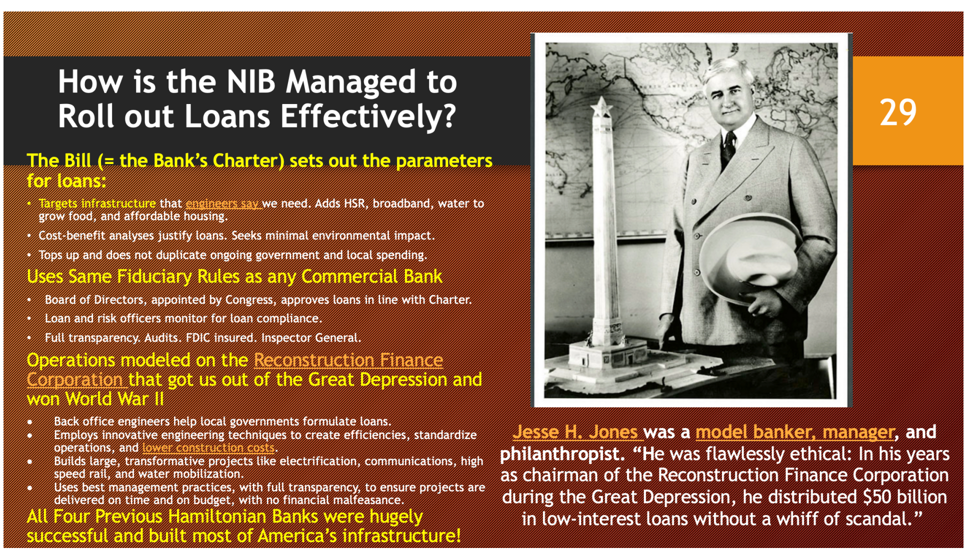
A: The NIB operates just like a commercial bank, using the same accounting software to track loans. **Each time the NIB creates and books a loan on one side of its books, it creates an**

offsetting deposit on the other side of its books, available in the borrower's name. This standard accounting process adds to the nation's money supply. Ninety-five percent of America's money supply was created by commercial banks whenever they gave out a loan. Then the NIB uses cash on hand coming in from other deposits, or loan repayments, to circulate money from the newly created deposit into the rest of the banking system.



Q: How is the National Infrastructure Bank managed?

A: The NIB is subject to the same fiduciary rules as any commercial bank. Its operations will be governed by a Federally appointed Board of Directors, it will have bank operations and risk officers to ensure that project loans remain on track, on time, and on budget; and its operations will be FDIC insured. All previous banks like the NIB ended their operations in the black since, historically, infrastructure loans have a great track record of being repaid.



NIB Maryland Short Slide Deck-pages.pdf
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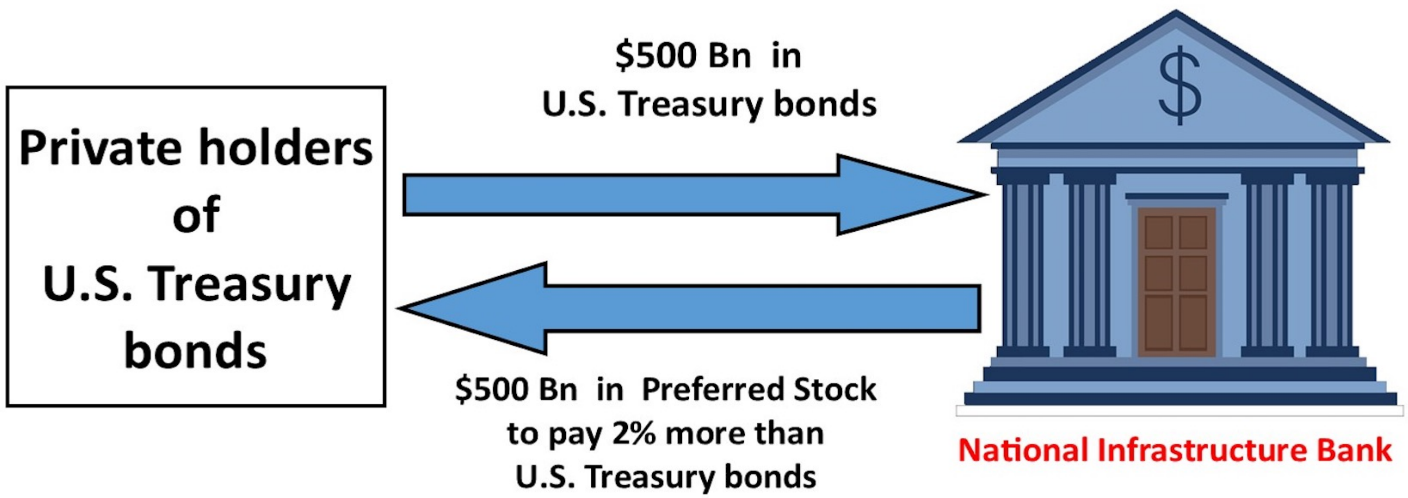
How the National Infrastructure Bank is Capitalized

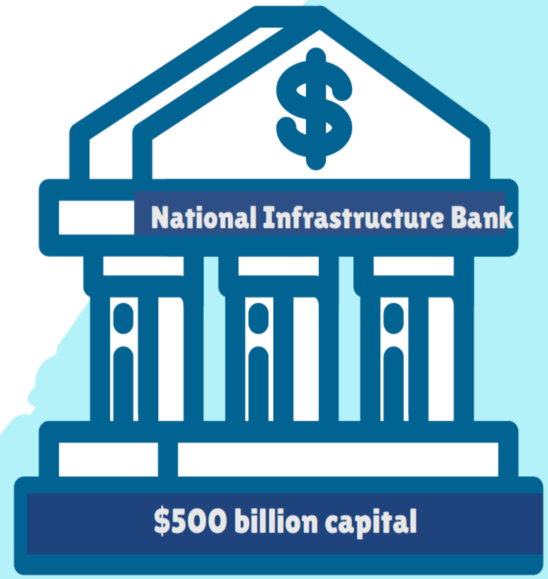


Private holders of U.S. Treasury bonds invest $500 Bn in exchange for $500 Bn in preferred stock in the bank. Preferred stock to pay additional 2% above U.S. Treasury rate. 2% interest paid from earnings of bank.

NO Federal Money Needed !

WHERE DOES THE $$ COME FROM?

NOW THAT THE BANK IS CAPITALIZED, IT CAN LEND UP TO $5 TRILLION

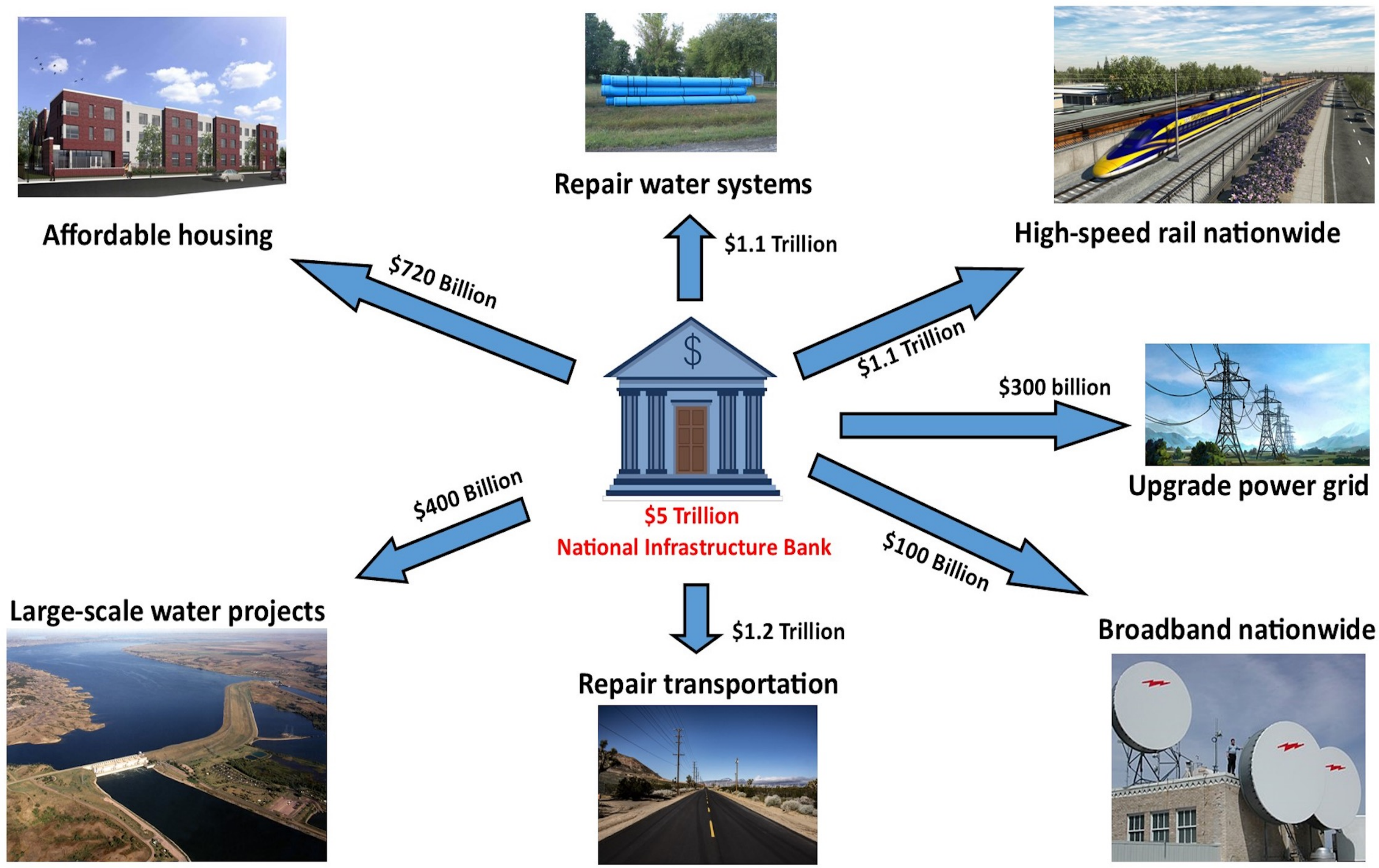


NIB creates $5 T in deposits owned by the borrower when it books each loan for an infrastructure project

NIB uses its cash on hand from deposits and loan repayments to move the money through the rest of the banking system

ALBUQUERQUE
MAYOR TIM KELLER

What the NIB Covers



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Karen Lewis Young
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Budget and Taxation Committee

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January 29th, 2025
Senate Joint Resolution 2 - United States of America - National Infrastructure Bank

Chair Guy Guzzone
Vice Chair Rosapepe
Budget and Taxation Committee
11 Bladen Street
Miller Senate Office Building
Annapolis, MD 21401

Chair Guzzone, Vice Chair Rosapepe, and distinguished members of the Committee,

It is my pleasure to come before you and offer my testimony in support of Senate Joint Resolution 2, United States of America - National Infrastructure Bank (NIB).

This Resolution is to acknowledge the Maryland Senate's support in favor of the US Congress enacting federal legislation to establish a National Infrastructure Bank. This is a response to the fact that our nation's spending on infrastructure has fallen to the lowest level in seventy years. It is now 2.5% of our nation's GDP.

National Infrastructure Banks have been used periodically throughout US history to focus funding of national priorities and fulfill national unmet needs. Current US infrastructure has been neglected for many years and there are several new infrastructure technologies that need to be created in order to fulfill state and national goals. The NIB can provide an additional funding resource to help leverage private funds to meet these needs. It would include no public money and would be entirely funded with private investment. Specifically an NIB will:

- Allow for infrastructure funding outside of federal and state appropriations;
- Provide funding through out the economic cycle and with a long term perspective which is especially important with large scale infrastructure projects;

- Create a way to facilitate private investment through the stability of the federal government;
- Provide a dedicated source of funding of infrastructure projects; and
- Help target support for projects that provide the greatest economic and social needs.

The NIB would not replace current funding sources, but can be added to the funding mix to allow local jurisdictions to pick the best funding option to meet their needs. The NIB will not require any ongoing net spending from the federal budget.

Historically, NIBs have helped to support public goals with the added benefits of providing economic growth. This is especially important at this time of great technological change and aging infrastructure along with the important task of preparing to meet climate change goals.

I hope you will join me in supporting Senate Joint Resolution 2.

Sincerely,

Senator Karen Lewis Young

Testimony - Maryland SRF.pdf
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Position: FAV

TESTIMONY OF STANLEY FORCZEK

Senators, related staff and other guests of the State of Maryland, Good Morning, and sincere thanks for allowing me the opportunity to speak. I am Stan Forczek and I'm with you today virtually from southern New Jersey, just outside of Philadelphia. Earlier in my career I spent several years living in Laurel Maryland, while I was working in Washington. I am the Advisory Board President for the Coalition for a National Infrastructure Bank; also, a retired executive with 31 years' service from Amtrak, having been the first Director of Finance for Amtrak's Northeast Corridor operations and then moving through the executive space working/directing several major infrastructure and energy projects. I have also retired as Vice President of Operations for an energy consulting firm based in Philadelphia. In the most recent years I have acted as Chief of Staff for a large energy engineering firm and provided advice to such organizations as Goldman Sachs, STV and others.

During my main working years I worked with and created a strategic partnership with Baltimore Gas & Electic that helped Amtrak start transitioning to a new fleet of frequency converters; also, worked with and provided testimony to the Maryland Public Utilities Commission on several transportation/energy related matters; plus provided testimony to the state for the Calvert Cliffs project and energy supply advice to the Baltimore Archdiocese.

Simply put I am here to urge you to endorse the legislation for the creation of the Nation's fifth National Infrastructure Bank. I won't get into the inner workings of the NIB as you have read about its capabilities and other team members are speaking about those abilities, but rather speak as to why the US desperately needs the operation of this very successful banking model.

Overall, the Nation has a lot of aging infrastructure (some over a century old) and support systems, plus the need for updated improvements and new developing sectors of infrastructure. We have all seen that there has been some federal funding for infrastructure projects in many regions of the Country, but when you see the amounts awarded for these projects and what they support you can quickly determine that there are so many more projects throughout the US that need to be accomplished. And, as the legislation points out, there is no more funding available. We cannot keep on increasing the Country's deficit to do these projects and have America's children start life by paying an extremely large mortgage for this deficit.

Think about the infrastructure within your state for a moment: There is a major bridge/highway project that needs to be rebuilt with a major debate occurring on cost and the ability to fund; there is the project dealing with the B & P rail tunnels through the city of Baltimore that are over a century old with both Amtrak and MARC having needed this project more than 25 years ago; and here's a real big one – Maryland, as are many other states, is capacity short on electricity generation. This can be seen by reviewing the future electricity price projections for the next several years. The State continues to add many new end users of electricity (electric vehicles, transit movers, data centers etc.) without ensuring the adding of generation facilities. Plus, increased generation capacity and where it gets located will need the support of more transmission and distribution systems. Lastly let me add without great detail – more housing in many areas, broadband and digital infrastructure in the western portion of the state, and cybersecurity throughout and this is just to mention a few.

Maryland, along with every other state, needs a long term, no strings attached, less hurdles to jump funding source to cover all of its infrastructure needs today, tomorrow and forever. The creation of this fifth National Infrastructure Bank will fill the bill. Join our Coalition with your support for the only funding source that has worked throughout US history and will work in the future.

Again, many thanks...

Stuart Rosenblatt Testimony January 29 Md. Senate.
Uploaded by: Stuart Rosenblatt
Position: FAV

Testimony January 29, 2025 Maryland Senate Resolution SJ0002

Thank you for the opportunity to submit testimony today regarding Senate Joint Resolution 0002 in support of the National Infrastructure Bank. I am a volunteer with the Coalition for a National Infrastructure Bank, and currently reside in Northern Virginia. However, I lived in Baltimore County and Baltimore City in the 1980s. And I still visit episodically and of course indulge in Maryland Crabs (the best in the nation). The resolution urges Congress to create a National Infrastructure Bank (HR 4052 in the 118th Congress, to be reintroduced) in the tradition of four previous institutions which played vital roles in our nation's development. They operated "off the regular budget", but in concert with federal, state, and local entities. They supplemented or helped drive economic development and revenue. They financed projects which contributed to the real, physical growth of the nation, and hence to the General Welfare. The new congressional legislation would create a fifth bank, but unlike the others, it would be permanent. Just to provide context, the nation has a $5 trillion plus infrastructure deficit, as per the American Society of Civil Engineers and others. As in previous similar situations in American history where there was high debt and shrinking growth, these kinds of banks were brought in to move the nation forward. This approach has worked and will work again to build the nation in this situation.

I want to briefly describe the impact of the previous institutions on the development of the nation, and in Maryland.

The First Bank of the United States was established in 1791. The legislation was written by Treasury Secretary Alexander Hamilton. He was directly involved in the ongoing operations of the Bank. It was capitalized in one day, and became the largest bank in the nation. It spawned the creation of state and local banks as well. Beyond its key duties of managing the finances of the nation, creating the currency, and overseeing the stability of the economy, the Bank also was the main supplier of cheap credit to businesses and public entities to launch the development of the nation. This credit was instrumental in building the early roads, bridges, canals, and the industries.

The Bank was directly involved in financing construction of the National Road through Maryland, from the Eastern Shore to Cumberland, and beyond. Today this road is US 40. But then it was the equivalent of a Moonshot!! It was the main driver of economic and commercial development in Maryland and in the contiguous states, and the newly formed territories and states to the west. It was a driver of growth for the entire nation.

The Second Bank of the United States was formed in 1816, in the wake of the disastrous War of 1812, which wreaked havoc in Maryland and even Washington DC. The first Bank had a 20-year charter that was not renewed, and one result was a dramatic slowdown of the economy. This left the country vulnerable to outside attack, which was exploited by the British in the War. The lesson was not lost. The Second Bank began slowly but flourished under President John Quincy Adams and Bank President Nicholas Biddle. That institution was responsible for the stability of the banking system, a sound currency, and the robust issuance of credit for economic development. Many of the early canals and railroads were built in this period as a result. This included the landmark Baltimore and Ohio Railroad, the first passenger railroad in the United States, which ran from Baltimore to Ellicott City and then west.

President Abraham Lincoln, a staunch proponent of national banking, incorporated an endorsement of a National Bank into the Republican Platform of 1860. While a “bank” was not created under Lincoln, the President instead founded the National Banking System on precisely this principle. National Banks used the “Hamiltonian” method of capitalization, swapping US Treasuries for National Bank notes. Lincoln’s national banking was directly responsible for the massive credit expansion during the Civil War. This lead to the subsequent development of a robust industrial economy and the accompanying infrastructure. The United States began to lead the world in railroads, steelmaking, water transportation and many other areas. Two obvious examples were the development of the telegraph communication network and the Transcontinental Railroads. Maryland’s infrastructure, both rail and roads, were beneficiaries of this buildup.

The last version of national banking and its infrastructure component was the Reconstruction Finance Corporation (RFC) launched in 1932 and ending in 1957. This entity was started by President Herbert Hoover, to try and halt the Great Depression. It was taken over and greatly expanded under President Franklin

Roosevelt. The RFC played a major role in ending the Depression and winning WWII. From 1932-45 it lent over $50 billion into the war economy, an immense sum in that period. The impact was massive. It was known as the National Bank and as "The Fourth Branch of Government". It was larger than any bank in existence.

The RFC collaborated with the Public Works Administration (PWA) and the Works Progress Administration (WPA) to revive infrastructure and industry. The RFC provided seed money for both, as well as the Tennessee Valley Authority and countless other entities. It also bought the notes of the PWA and cycled cash back into their programs. PWA investments were 70% loans and 30% grants, and the RFC was its collaborator. The results were immense.

In Maryland, some of the notable projects included:

- Camp David in Thurmont
- National Institutes of Health Campus, Bethesda
- University of Maryland Buildings, College Park
- Walter Reed National Military Medical Center, Bethesda
- PWA and WPA built hundreds if not thousands of key projects in the state including sewer extensions, sidewalks, stairs, water mains, municipal water systems and more. They built municipal buildings, high schools (Bethesda Chevy High School for example), post offices and more.

Tens of thousands of new jobs were created and tax revenues expanded as a result. Each new project spun off three times the investment in supply chains and new industries. This increased the standard of living and productivity for the state and the nation. The RFC was prudent, and also ran "a tight ship". There were virtually no defaults.

The RFC was the main financier of the Baltimore and Ohio Railroad during the Depression. It rescued the railroad, and made it an essential part of the infrastructure of the nation.

The RFC directly financed the electrification of the Pennsylvania Railroad in the 1930s, from Washington, DC to New York. This became the largest electrified rail system in the nation. That system needs a major overhaul today, but it was a great success.

The RFC also directly provided all the financing for the Rural Electrification Administration (REEA) created in 1936. Prior to the REA, 90% of rural America had no electric power! Rural America was poor, malnourished, and using farm technologies of the 19th century. Reports of poverty and low incomes in Maryland's farm communities corroborate the story. Within ten years of the creation of the REA, 90% of rural America shared in the 20th Century miracle of electric power. The argument made by the big power companies was that rural citizens were too poor to afford electric power bills. Hence they did not build the power systems.

The REA acted counter intuitively and loaned directly into these areas. In many cases they created electric cooperatives to bring in the power. These co-ops were run by the local farm community and worked with the REA to learn how to string the lines, bring in the power, and utilize the benefits.

In Maryland, it was the REA, working with incipient cooperatives, that brought power to at least three counties: St. Mary's, Prince Georges, and Charles. After much discussion, the Southern Maryland Electric Cooperatives were created in 1937-38 and became the primary vehicle to bring electricity to the region. (There is a very "illuminating" book on the subject: Lighting Up Our Lives, by Al Gough).

When WWII broke out, the RFC was retooled to help fight the war. The RFC spent $10 billion attacking the Depression, and $40 billion in building the war economy. In 1942, The Davison Chemical Corporation in Baltimore received a large loan from the RFC to produce silica gel as part of the Rubber Reserve Company effort to create synthetic rubber during the war.

In 1942-3, the RFC built two long oil pipelines (1200 miles each) from East Texas to New Jersey in under a year (!!), to bring much needed oil to the East Coast, including Maryland. This was used for domestic heating, cooking and other necessities. But it fueled the war economy. Without this oil, East Coast war industries, including Bethlehem Steel, Glenn Martin Aircraft, and other companies would never have built the factories that won the war.

The RFC and its subsidiaries were lending institutions. They "leaned into" the Depression and the war effort and generated a massive increase in jobs and GDP. GDP growth from 1933-37 averaged 5-8% per year. From 1941-45 it averaged an astounding 9-18% per year! It was no accident that the RFC, like the previous banks, ended in the black! The loans were repaid. It made a profit for the government. We had full employment, increased the standard of living tremendously, and built the greatest economy the world had ever seen. A nation filled with pessimism in 1932 became the most optimistic, “can do” country in the world.

We have a similar need for such an institution today.

Just to add a footnote regarding Maryland. The transportation budget of the Governor is laudable. However, there is no funding for a new or repaired Chesapeake Bay Bridge, a new span into the Eastern Shore, or a new bridge where the American Legion Bridge sits. Let alone money for high-speed rail, additional mass transit and passenger rail.

The National Infrastructure Bank could help finance all those projects and help build the state. We did this before; we can of course do it again.

Please vote for SJ 0002. Thank you.

Stuart Rosenblatt

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