

**JRALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE**

May 4, 2021

1:40 p.m.

MEMBERS PRESENT

Senator Robert Myers, Chair
Senator Mike Shower, Vice Chair
Senator Peter Micciche
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 14

Urging the United States Congress to reintroduce and pass legislation to establish a national infrastructure bank as was provided by H.R. 6422 from the 116th United States Congress to help finance urgently needed infrastructure projects across the nation.

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SJR 14

SHORT TITLE: SUPPORTING NATIONAL INFRASTRUCTURE BANK

SPONSOR(S): SENATOR(S) BEGICH

04/14/21	(S)	READ THE FIRST TIME - REFERRALS
04/14/21	(S)	TRA, L&C
04/29/21	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)
04/29/21	(S)	-- MEETING CANCELED --
05/04/21	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR TOM BEGICH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SJR 14.

ALPHECCA MUTTARDY, Member
Advisory Board
Coalition for a National Infrastructure Bank
Leesburg, Virginia
POSITION STATEMENT: Invited testifier on SJR 14.

JULIE OLSEN, Member
Advisory Board
Coalition for the National Infrastructure Bank (NIB); Owner
Office Tech, Inc.,
Anchorage, Alaska
POSITION STATEMENT: Invited testifier on SJR 14.

JAMES MOORE, Board Member
Alaska Trollers Association
Sitka, Alaska
POSITION STATEMENT: Invited testifier on SJR 14.

STANLEY FORCZEK, Member
Advisory Board
Coalition for National Infrastructure Bank
Williamstown, New Jersey,
POSITION STATEMENT: Invited testifier on SJR 14.

CHARLES MCKEE, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified on a matter not related to SJR 14.

ACTION NARRATIVE

[1:40:24 PM](#)

CHAIR ROBERT MYERS called the Senate Transportation Standing Committee meeting to order at 1:40 p.m. Present at the call to order were Senators Kiehl, Shower and Chair Myers. Senator Micciche as the meeting was in progress.

SJR 14-SUPPORTING NATIONAL INFRASTRUCTURE BANK

[1:41:05 PM](#)

CHAIR MYERS announced the consideration of SENATE JOINT RESOLUTION NO. 14 Urging the United States Congress to reintroduce and pass legislation to establish a national infrastructure bank as was provided by H.R. 6422 from the 116th United States Congress to help finance urgently needed infrastructure projects across the nation.

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SENATOR TOM BEGICH, Alaska State Legislature, Juneau, Alaska, sponsor of SJR 14, stated that SJR 14 requests Congress and President Biden to look favorably on establishing a National Infrastructure Bank (NIB). Since the state has been receiving more funds from the federal government, Alaska has been evaluating its infrastructure. He offered his view that establishing an infrastructure bank may be a more sustainable approach. He paraphrased the sponsor statement, which read [Original punctuation included]:

It has been many decades since the U.S. last undertook a nationwide infrastructure overhaul. This becomes even more apparent when we look at the current state of our nation's built environment. We are struggling to put people in homes, develop public transportation, and provide low-cost, clean energy, and far too often, we are ill-equipped to deal with disasters, both natural and human-generated. This reality will only get worse with inaction. Each year we fail to act, the cost of replacing our outdated infrastructure increases.

Because of the unique nature of our state, Alaska is especially in need of federal help with our infrastructure needs. Thirty-one communities across our state lack centralized water or wastewater systems. 85% of our consumer goods come through the port of Anchorage, yet it lacks funding for essential upgrades. 570 miles of highway and 141 of the bridges that connect people, goods, and services across the state are in poor, deteriorating condition, and desperately need repair. It is clear that the time to take action is now.

This urgent issue calls for a national effort to revitalize our infrastructure. President Biden has recently introduced the American Jobs Plan, which will provide at least \$2 trillion in nationwide infrastructure funding. This is a solid step in the right direction, but we can do more to ensure long-term viability and growth of both the United States' and Alaska's infrastructure. A national infrastructure bank will insure just this.

SENATOR BEGICH added that the National Infrastructure Bank (NIB) would leverage resources, so it won't be necessary to draw on the treasury to set up the bank. Former Presidents George Washington, James Madison, Abraham Lincoln, Franklin D. Roosevelt all set up National Infrastructure Banks to expand economic opportunity and growth in the country.

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SENATOR BEGICH continued [Original punctuation provided]:

Establishing a national infrastructure bank will provide a secure fund for infrastructure projects and upgrades for decades to come. It will distribute loans to fund infrastructure projects and require no new federal debt. The concept is not a new one. We have implemented national infrastructure banks four different times in our nation's history. Each time, the bank was a success, boosting the economy and improving our infrastructure. Based on the performances of these past banks, we anticipate that its reintroduction will help grow the nation's economy 4-5% per year.

Infrastructure is one of the largest bills our nation currently faces. It is not going to go away and we are going to have to pay it eventually, and there is no time it will be as inexpensive as now. We ask for your support on this resolution to urge Congress to reestablish a national infrastructure bank.

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SENATOR BEGICH stated that his Ted Stevens intern, Connor Owens, did most of the work on the bill but he was unable to present SJR 14 today since he had college exams.

He said that a sectional analysis was not required for a resolution.

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At ease

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CHAIR MYERS reconvened the meeting.

SENATOR MICCICHE joined the meeting.

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ALPHECCA MUTTARDY, Member Advisory Board, Coalition for a National Infrastructure Bank, Leesburg, Virginia, speaking as an invited testifier on SJR 14, said she works as a macroeconomist on behalf of the coalition. She provided her background, such that she retired after serving 25 years as a macroeconomist for the International Monetary Fund. She spoke in support of SJR 14, which would ask Congress to pass H.R. 6422 to create a \$4 to \$5 trillion National Infrastructure Bank to provide infrastructure projects throughout the country. The NIB has not been able to finance infrastructure projects through federal, state and local budgets. This means a considerable backlog of projects have not been built or repaired, she said. As Senator Begich mentioned, this concept has been used many times in U.S history. It began with the first bank of the U.S. under Alexander Hamilton and then-President George Washington and ended with the Reconstruction Finance Corporation under President Franklin D. Roosevelt (FDR). She surmised that the corporation helped the U.S. get out of the Great Depression and win World War II.

MS. MUTTARDY said this newest iteration contemplated how much was needed to fix all the infrastructure nationwide. The American Society of Civil Engineers (ASCE) indicated in its latest report card that the U.S. would need \$6.1 trillion over the next ten years to repair infrastructure or increase capacity to meet today's needs. Of that, \$3.5 trillion was slated to be financed through federal, state and local budgets. However, that would still leave at least \$2.6 trillion in unfunded infrastructure projects. This bank would cover all this unfunded amount, including \$1.2 trillion for surface transportation and \$1.1 trillion for road and water infrastructure.

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MS. MUTTARDY said the proposed NIB would work as a commercial bank. It would be capitalized by funds from the private sector to issue loans for infrastructure. She offered the NIB's view that spending \$5 trillion for repairs would supercharge economic growth and provide jobs for workers. In Alaska, NIB could finance affordable housing, water and sanitation facilities and support all the Port of Alaska's needs. It could also provide funding for inland connections from the port to air, road or the [Alaska Marine Highway System (AMHS)] as well as fund AMHS projects and railroad facilities. Further, this could reemploy workers who lost their jobs due to the oil industry's downturns or the COVID-19 pandemic. She pointed out that NIB advisory members gave similar testimony to the Nevada Legislature's Transportation Committees. Nevada just passed a resolution in support of NIB, she said.

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JULIE OLSEN, Member, Advisory Board, Coalition for the National Infrastructure Bank (NIB), Owner, Office Tech, Inc., Anchorage, Alaska, stated that she supports SJR 14, in part because her business relies on a fully functioning Port of Alaska. She explained that her company receives regular weekly shipments of equipment transported by Carlile, a trucking and logistics company that picks up cargo from the port and delivers it to Railbelt customers. Or else it hauls freight to Northern Air Cargo for shipment to rural Alaska hubs, including Bethel, Nome and Kotzebue. This equipment may be further shipped to villages via small air carriers. Further, Carlile delivers cargo to AMHS for transport to Kodiak. As previously mentioned, 85 percent of consumer goods coming to Alaska travels through the Port of Alaska, serving stores such as Costco, Target and Safeway. Every business north of Haines depends on an operational Port of Alaska, which desperately needs repairs and modernization. She related that the next big earthquake could destroy the port, which would have disastrous consequences to many Alaska businesses.

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MS. OLSEN reported that the Port of Alaska estimates costs from billion to \$1.9 billion to modernize and repair the port. Although the Municipality of Anchorage owns the port, the costs would be passed on to property owners and to businesses and consumers through increased tariffs. The NIB would offer better financing with flexible and longer terms. For example, if the Port of Alaska were to finance \$1 billion, it would result in debt service of \$70 million per year. However, with NIB's more flexible rates and terms, that debt service would be reduced by half, making the project more affordable. She explained that NIB would thoroughly vet loans to ensure funds would not be used for boondoggles or unsound ventures. Its process would force government entities applying for loans to fully assess projects to figure out whether the infrastructure made financial sense. It would make goods coming into Alaska far more affordable.

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JAMES MOORE, Board Member, Alaska Trollers Association, Sitka, Alaska, speaking as an invited testifier on SJR 14, stated that he has commercially fished for over 50 years. He also serves on the Northern Southeast Regional Aquaculture Association (NSRAA) and as a board member of Armstrong-Keta, Inc. He stated that NIB reminded him of Alaska's Department of Commerce, Community and Economic Development's (DCCED) loan program that offers lower-

interest loans to commercial fishermen. He said these loans allow them to purchase vessels, which is the infrastructure necessary for commercial fishing.

MR. MOORE stated that historically he found the four NIB iterations valuable to consider. He quoted remarks made by Abraham Lincoln in 1843 when policies pertaining to banking were being developed: "Upon the question of the expediency, we only ask you to examine the history of the times, during the existence of the two Banks, and compare those times with the miserable present."

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MR. MOORE highlighted other instances of government financing, including that then President Lincoln could finance the Civil War efforts and the transcontinental railroad by issuing the Lincoln Greenback Treasury notes. These projects energized the nation and caused scientific discoveries to blossom. In 1932, FDR was able to pull the country back from the brink of disaster by creating the Reconstruction Finance Corporation, a government corporation that financed state and local government projects and made loans to banks, railroads, mortgage associations and other businesses. Through his policies, FDR restored hope to a discouraged population and put U.S. citizens back to work. He touched on the Tennessee Valley Authority rural electrification, another corporation transforming America. He surmised that a fifth NIB iteration happened before the American Revolution when the Massachusetts Bay Colony created its currency: the oak and pine tree shillings. Entrepreneurs could obtain bank funding for projects, such as the highly successful Sargents Ironworks. The federal credit extended through national banking empowered the economic engine, which was not the money itself, but the loans tapped into the creative potential of the people.

MR. MOORE stated that he supported reinstituting the American physical economy. He asked members to move SJR 14 forward.

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SENATOR KIEHL asked Ms. Muttardy to describe how the funding process for the \$4 trillion bank will not adversely impact the national debt.

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MS. MUTTARDY explained that a lending bank would work similarly as a commercial bank by taking in deposits and lending out for infrastructure projects. Instead of using government funding to capitalize the NIB, the bank would receive treasuries by

offering the private sector preferred bank stock plus an enticement of a two percent premium above the earnings. She stated that the two percent would initially be considered as mandatory spending for budget purposes. Still, NIB would reimburse it as an annual dividend derived from the interest earnings on the loan. Since NIB was budget neutral, it would not require any new taxes or create any new debt with respect to the budget.

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MS. MUTTARDY explained that the bank would give out loans in the same manner as a commercial bank. The bank would consider the loan an asset and create an offsetting deposit as a liability, which creates money. She acknowledged that there was a secondary process related to clearing checks, but the bank would receive repayments for its loans. NIB would keep interest rates low by using the Treasury bond rate. She stated that spending \$5 trillion and creating 25 million jobs would also supercharge growth rates. For example, after the stock market crash of 1929, the creation of the [Reconstruction Finance Corporation (RFC)] resulted in increased growth rates of 5.5 percent. She said computer models could replicate this effect. Higher growth rates would result in more tax receipts to federal, state and local coffers, allowing them to repay the loans even if user fees were not associated with the loans.

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SENATOR SHOWER cautioned that if an earthquake destroyed the Port of Alaska, it would have dire results.

He asked who decides whether to fund project loans, such as financing a natural gas line. He pointed out that China's expansion was rapid, but it was now experiencing the downside because China's economy was overextended.

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MS. MUTTARDY stated the intention was to cover financing gaps for classic infrastructure that ACPE already identified. She said H.R. 6422 defines infrastructure to include items such as roads, bridges, community development projects, energy, and energy structures. Within the mix, states could request help with their needs. Within the mix, states could request help with their needs. For example, Alaska would have the discretion to request loans for its ferry system, fund upgrades to 280 airports with gravel runways, and supply broadband to its communities.

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MS. MUTTARDY acknowledged that one might solely view China's rapid escalation of building infrastructure facilities from an economic perspective, but these investments were strategic ones. For example, within the last ten years China built 27,000 miles of highspeed rail with its Belt and Road Initiative (BRI) to create economic connections for trade with other countries. NIB would like to build infrastructure to accelerate economic development. Further, states could work together to plan infrastructure to suit their population or economic development needs. For example, high-speed rail could be built from Birmingham, Alabama to Raleigh, North Carolina to improve connectivity for their automotive manufacturing industry. The best infrastructure projects are ones that will spur economic growth, she said.

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SENATOR SHOWER stated he has traveled to China and observed that some cities in China were ghost towns because they were not really needed. He cautioned members to consider potential NIB infrastructure projects carefully.

MS. MUTTARDY agreed that the vetting process was essential.

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SENATOR MICCICHE turned to the financial aspect of funding. He recalled she suggested paying a two-percent premium above the earnings to entice investment, which relates to a total of four percent. He asked how the margin would be covered.

MS. MUTTARDY responded that to capitalize the bank, NIB would bring in funds from the private sector so it would combine the two-percent stream for the treasury with two percent derived from the budget. This would result in NIB only needing to capitalize at a rate of \$1 of capital to \$10 in loans. Thus, \$500 billion would capitalize \$5 trillion in loans. NIB would pay the total interest earnings to cover its overhead and pay dividends. She stated that NIB was creating a more detailed plan.

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SENATOR MICCICHE recalled she mentioned a discount rate for infrastructure projects. While he understood the basic mechanics, he was unsure of the bank's margin of profit to remain functioning.

MS. MUTTARDY responded that as a public bank NIB is a non-profit bank. If any funds remain from gross interest earnings, after paying its bills, NIB intends to place the funds into a trust fund to award grants to low-income communities.

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CHAIR MYERS asked for a rough definition of infrastructure since the federal definition was very broad and included housing.

MS. MUTTARDY answered that H.R. 6422 defined infrastructure projects using ASCE's 17 categories, including roads, bridges, rail, electric grid, schools, parks, and water infrastructure. In addition, a few categories were added, including approximately seven million affordable housing units across the country, high-speed rail, and broadband to increase connectivity and productivity. The Biden plan would provide traditional infrastructure financing that ASCE initially estimated based on last year's data. The bank would cover the full suite of traditional and expanded infrastructure to complement the Biden plan.

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SENATOR SHOWER asked how the approval process would work regionally. He asked whether this proposal would guarantee that all the funds would not be spent in California or New York.

MS. MUTTARDY responded that the proposal used ASCE's estimates for needed infrastructure to ensure sufficient funding was available for all states. She pointed out that states would have substantial flexibility, but the \$5 trillion should provide adequate funding for all the needed infrastructure.

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CHAIR MYERS opened public testimony on SJR 14.

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STANLEY FORCZEK, Member, Advisory Board, Coalition for National Infrastructure Bank, Williamstown, New Jersey, spoke as an invited testifier. He provided his background, stating he served as an executive for Amtrak for 30 years. He said he currently serves as an infrastructure expert on the advisory board for the coalition. He pointed out that the last infrastructure bank ended its term in 1957. Since then, the country has not had any major nationwide infrastructure proposal, so most of the infrastructure is 65 years or older.

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MR. FORCZEK referred to the U.S. space program's manned flight to the moon. In 1962, then President John F. Kennedy told the country that the space mission to the moon was for the betterment of the country and mankind; however, he did not mention the cost. NIB proposes that fixing the nation's infrastructure, putting people back to work, and supercharging the economy is for every citizen's betterment. As Ms. Muttardy mentioned, NIB would like to complement the administration's proposal and provide an opportunity for those who want to invest in infrastructure. He said the main point is that this all needs to be done. He stated the intention was for NIB to go on forever. Thus, H.R. 6422 does not have a sunset clause. He urged members to pass SJR 14.

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CHARLES MCKEE, representing self, Anchorage, Alaska, testified on an issue not related to SJR 14.

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CHAIR MYERS, after first determining no one wished to testify, closed public testimony on SJR 14.

[SJR 14 was held in committee.]

[2:30:07 PM](#)

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:30 p.m.