

# Federal Infrastructure Bank

The Business Solution  
to  
U. S. Prosperity and  
National Security

February 2023

FIB



# The Problem and How to Solve It



**The Need:** \$5 trillion in infrastructure spending during the next 10+ years.

**The Problem:** Infrastructure is an economic and national security priority, but Federal, State and Local Governments cannot pay for it.

**The Solution:** Funding of \$1 trillion or more from the Federal Infrastructure Bank, Inc., which relies solely on private funding.

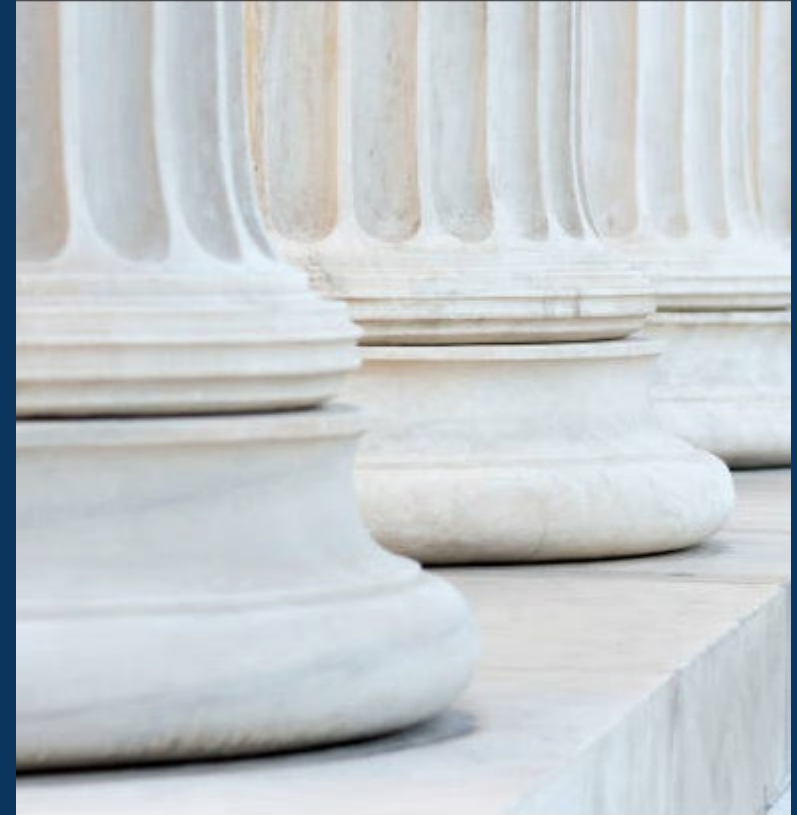
**The Enabling Legislation:** The Federal Infrastructure Bank Act of 2023, introduced as H. R. 490 by Reps. Daniel Webster (R-FL) and Colin Allred (D-TX).

**Legislative Strategy:** Our objective is passage in the Senate and the House with bi-partisan support in Q2 2023. Squire Patton Boggs and Orion Strategies are our lobbyists and advisors.

**Funding Strategy:** Access domestic and foreign private investment sources as well as QE funds to rebuild our nation's infrastructure.

# Four Pillars of the US Economy

- The US Federal Reserve System – 1913
- The Farm Credit System - 1916
- The Federal Home Loan Bank System – 1932
- The Federal Infrastructure Bank Act of 2023 H. R. 490 (to be chartered and established in 2023)



# Private Ownership & Management

- The Federal Reserve is the reason why and how the US has the best banking and finance system in the world.
- Because of the Farm Credit System and the Federal Home Loan Bank System, the US has the best agriculture and the best housing in the world.
- What these three financial systems have in common is that they are all privately owned, funded and managed.
- The Federal Reserve and the Federal Home Loan Banks are both owned by their member banks, while the Farm Credit System is owned by its depositors.



# FIB Benefits to U.S. Economy



Strong stimulus to US economy: 1% or more added to real GDP Growth.

12 mm new direct jobs, plus 2x or more indirect and induced jobs.

Increased Federal Tax Revenue of net \$500B over 10 years.

Construction and infrastructure jobs have a much greater multiplier effect on the velocity of money (5x) than do service jobs (2x).

Funds invested in US infrastructure displace funds invested in Chinese infrastructure.

Timing – Rapid deployment of FIB funds for infrastructure.

# Infrastructure – The Bedrock of an Economy

- A house built on sand will not stand.
- The Appian Way, symbol of Rome’s transportation network that stretched from Mesopotamia to Britain.
- “All Roads Lead to Rome” declared military and commercial strength.
- Now, the One belt, One Road means All Roads Lead to China.
- The Panama Canal – The last major international US infrastructure Project, 1918. This expanded US trade and influence dramatically.
- Infrastructure quality is one of the vital factors that firms evaluate when deciding where to site their facilities - McKinsey

# Infrastructure – The Bedrock of Military Strength

- Germany's Autobahn
- Eisenhower's Interstate Highway System
- The Ukraine war reminds us of the importance of infrastructure for national security.
- In every war, invading and defending armies destroy or defend infrastructure to achieve victory.
- South China Sea – China has militarized the islands to control shipping and commerce throughout the region.
- China's One Belt One Road transforms world trade in China's favor and provides military mobility when needed.
- China has naval bases on the Pacific and Atlantic openings of the Panama Canal and could control access on a moment's notice.

# The China Threat

- China's \$2.3 Trillion Infrastructure Plan Puts America's to Shame – Bloomberg, April 6, 2022
- China's economy is slowing, so they are directing its financial and manpower resources to infrastructure.
- China has more than 50 million construction workers, while the US has only 7.2 million.
- They win, we lose, unless we awaken the true American Spirit.
- The time is now, and it begins with infrastructure to rebuild our economy and financed by the Federal Infrastructure Bank.





# Federal Infrastructure Bank - FIB

- **Structure:** The FIB will have a National Bank Charter, similar to the FHLB, and will also be privately owned, funded and managed.
- **Function:** The FIB will be a wholesale lender to and a clearing house for infrastructure projects throughout the USA, both directly and through states and local governments.
- **Regulatory Agencies:** The Board of Governors of the Federal Reserve System and the US Treasury.
- **Guarantees:** No Federal guarantees, but, as needed, a Private Guarantee Fund, Risk Insurance, State and Local guarantees, etc. will be secured.



# Benefits to Borrowers

**Access:** Borrowers, especially State Infrastructure Banks, will have ready access to the Infrastructure Bank as a strong partner and major source of infrastructure funds.

**Rates:** The FIB will have funding costs similar to the Federal Home Loan Banks (the “FHLB”) and lend at competitive rates to Borrowers.

**Terms:** Terms will be consistent with industry standards and based on ability to repay with sufficient guarantees.

**Timing:** When chartered, the FIB will make loans immediately to borrowers for infrastructure projects.

**Entity:** The Federal Infrastructure Bank will be a constant and uninterrupted source of funding for infrastructure, such as the FHLB is for housing.

# Financing the FIB

- **Equity Capital:** Up to \$100 billion with an Equity/Debt Ratio of 10% to total footings.
- **Debt:** Up to \$1 trillion over 5 to 10 years in the form of short, medium-term and long-term debt securities rated AAA. Interest on FIB bonds will be priced at 20 - 40+/- basis points above Treasuries, similar to FHLB securities.
- **IPO:** Equity shares will be offered publicly to raise funds and to provide liquidity and market valuation for early investors in Infra-Bk, LLC.
- **Underwriting Agents:** Major Investment Banks will lead the underwriting syndicates to raise the Equity and Debt, such as they do for the FHLB.

# New Asset Class Of Infrastructure Bonds

- Today there is no infrastructure bond market as an Asset Class.
- Muni Bonds - \$300 billion issued in 2021. Investors are mostly tax driven and retail. 80% plus of funds raised are for maintenance.
- Private Equity raises about \$70 billion per year from institutions with funds committed for fixed terms. Limited liquidity.
- Commercial Banks are short to medium term lenders. Their loans are mostly held on their books.
- FIB will issue \$1 trillion in long term infrastructure bonds during the next 8 to 10 years and significantly more thereafter.

# FIB Financing Tools

- FIB will be a wholesale lender and clearing house for infrastructure projects nationwide and will co-lead as an originator for certain large projects .
- FIB will be a Long-Term Lender to match Long-Term project needs.
- FIB will be a consistent and reliable source of financing, not dependent on government funding or annual appropriations.
- Revive the State Infrastructure Banks – 5 are active; 30 are dormant.
- Aggregate Loan Proposals into a portfolio of loans with sufficient collateral and pledged revenue to secure a AAA Credit Rating.
- Finance early-stage projects with State and Local guarantees, plus a DOT TIFIA or other such takeout.
- Syndicate infrastructure loans nationwide.

# FIB Financing Tools - 2

- Co-lender on large projects like the NY/NJ Gateway Tunnel project.
- Asset-backed bonds or notes, secured by pledged revenue, collateral and guarantees.
- CBO - FIB could issue collateralized bond obligations backed by corporate bonds financing infrastructure projects.
- CLO - FIB could issue collateralized loan obligations backed by bank infrastructure loans.
- Credit enhancement through insurance, guarantees and additional collateral.

# Ownership, Management and Goals

**Ownership:** Owners of the FIB will be totally private, including individuals, investment firms, Sovereign Wealth Funds, banks, pension funds, corporations and institutions involved in infrastructure in the USA.

**Management:** Professional and private. No political interference in investment decision making.

**Short Term Goal:** Fund the FIB and begin lending to infrastructure projects immediately.

**Long Term Goals:** Reinvigorate the 34 established State Infrastructure Banks. Establish Regional Infrastructure Banks, similar to the FHLB system, to localize and direct funding to infrastructure projects throughout the USA.

# FEDERAL INFRASTRUCTURE BANK

A Business Solution to a Critical National Problem



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