Legal Corner

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Obama Administration: Renewed Focus on Transportation Infrastructure Investments

The Obama Administration has inherited the monumental task of jump starting the approximately $14.5 trillion U.S. economy that stalled, and in some sectors receded, in the latter part of 2008. Central to the economic recovery plan announced by the new administration is a renewed emphasis on the transportation industry and related transportation infrastructure investments. Transportation experts nationwide are in agreement with the Obama team that it is critically important for the United States to rebuild its national transportation infrastructure in order to bolster the country's long-term competitiveness and ensure economic growth. The most intriguing part of the proposed economic revitalization plan as it relates to transportation, is the innovative mechanism through which the incoming Administration plans to finance new and existing transportation projects.

The most significant transportation initiative of the infrastructure investment plan is a proposed National Infrastructure Reinvestment Bank (hereinafter "the Bank"). The Bank, originally the brainchild of a bipartisan effort between Sen. Christopher Dodd (D-Conn.) and Sen. Chuck Hagel (R-Neb.) was introduced on August 1, 2007 as the National Infrastructure Bank Act of 2007. The Bank, as proposed, will be independent of the government and tasked with evaluating and financing capacity-building infrastructure projects including, but not limited to, publicly-owned mass transit systems, housing properties, roads, bridges, drinking water systems and wastewater systems, of substantial regional and national significance. If the Bank materializes it will revolutionize infrastructure financing and allow states and local governments to access well needed funding.

The Bank's success hinges on the legislation being passed and the Administration's ability to adequately finance and structure the entity. According to the 2007 legislation, the Bank will receive an initial infusion of $60 billion over ten (10) years generated from the issuance of bonds, backed by the full faith and credit of the federal government, and proceeds associated from the winding down of the Iraq war. The bank will use the $60 billion to leverage more private and public capital to spur additional investments in the nation's infrastructure. Significantly, President-elect Obama has publicly denounced an increase of the federal gas tax as a mechanism to finance the Bank.

The Bank is expected to supplement the current financing mechanisms in place for infrastructure investment and reinvestment and is not proposed to replace existing formula grants and earmarks for infrastructure. Specifically, it is anticipated that the Bank will target large capacity-building infrastructure projects not adequately served by current financing mechanisms.

Moreover, the Bank will be modeled after the Federal Deposit Insurance Corporation and will be led by a five member appointed Board that will be subject to Senate confirmation. The daily operations of the Bank will be run by an Inspector General who will be required to provide reports to Congress. Likewise, the Bank will report to Congress on the projects it reviews and finances as well as the economic efficacy and transparency of all current Federal infrastructure financing methods.

In addition, the Obama Administration's transportation agenda also includes greater emphasis on energy conservation, development of high speed rail networks and mass transit systems, Amtrak funding and reform, passenger rights legislation, development of a freight program and air traffic control and efficiency.

With the increased focus by the new Administration on transportation infrastructure investment, the new Administration hopes to jumpstart the ailing economy. In turn, once the economy stabilizes, the industry can expect to see transportation legislation take center stage as the new Administration has wisely recognized that transportation investment is central to the growth of the U.S. economy, all of which is good for Florida's economy. ■

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