DEPARTMENT OF THE TREASURY
PRESIDENT'S ECONOMIC RECOVERY ADVISORY BOARD
DECEMBER 4, 2009 MEETING

The meeting was convened, telephonically, at 3:01 PM (EST), pursuant to notice, Paul Volcker, Chairman, presiding.

ADVISORY BOARD MEMBERS PRESENT:
Paul Volcker, Chairman
Anna Burger, Chair, Change to Win
John Doerr, Partner, Kleiner, Perkins, Caufield & Byers
William H. Donaldson, Former Chairman, SEC
Martin Feldstein, George F. Baker Professor of Economics, Harvard University
Roger W. Ferguson, Jr., President & CEO, TIAA-CREF
Mark T. Gallogly, Founder & Managing Partner, Centerbridge Partners L.P.
Monica C. Lozano, Publisher & Chief Executive Officer, La Opinion
James W. Owens, Chairman & CEO, Caterpillar Inc.
Charles E. Phillips, Jr., President, Oracle Corporation
Penny Pritzker, Chairman & Founder, Pritzker Realty Group
Robert Wolf, Chairman & CEO, UBS Group Americas

ALSO PRESENT:
Austan Goolsbee, Staff Director and Chief Economist
Emanuel Pleitez, Designated Federal Official
Adam Hitchcock, White House Office of the Chief of Staff
Tony Dowd, Office of Chairman Paul Volcker
Damon Silvers, Associate General Counsel, AFL-CIO

The President's Economic Recovery Advisory Board (PERAB) convened to amend the by-laws and discuss and approve the Home Star Retrofit and National Infrastructure Bank memos to be submitted to the President at 3:01 PM (EST) on December 4, 2009 via conference call. In accordance with provisions of the Federal Advisory Committee Act, Public Law 92-463, and Federal Committee Management Regulations, 41 C.F.R. 102-3, the meeting was open to the public via internet webcast.

ROLL CALL
Twelve of the sixteen members of the PERAB were present, constituting a quorum consisting of a simple majority.

AMENDING THE BY-LAWS
The PERAB voted 12-0 in favor of amending the by-laws. Amended by-laws with tracked changes are appended to the minutes.

DISCUSSION ON PERAB MEMORANDUMS
Home Retrofits Memo
The energy subcommittee submitted to the PERAB the memo on Home Retrofits for American Jobs, Efficiency and Economic Growth, HOMESTAR, aka "Cash for Caulkers." The PERAB voted 12-0 in favor of submitting the home retrofits memo to the President.

MEMBER DOERR: (Overview of memo) Two minutes. Thank you very much. This work, the so-called HOME STAR or Cash for Caulkers program, is a sequel to our group's first report adopted by the PERAB, which said that putting a cap in price on carbon would be very important to the country's economic recovery. And at the close of that report, we cited there would be complementary measures, in addition, that would be important, including efficiency, energy efficiency. So, in response to the national priority to create jobs, and to do so quickly, the proposals of the PERAB, that it advise the President and the Administration that there's a terrific opportunity here, is the memo before you.

Simply put, we have millions of out of work construction workers, we have millions of American homes that can be, and should be retrofitted for energy efficiency. We've advanced the idea of a program called HOME STAR that would provide federal incentives matched by private homeowner dollars to standup a great new American industry; that is, one which for a long time to come would retrofit America's homes.

Today, this industry is about 200,000 homes per year. We're proposing that at scale and over time, millions of homes per year could be retrofitted, generating a new permanent American industry, with a good wage job that would not be outsourced. And that, in doing so, will save taxpayers money, homeowners money, and we can achieve our climate goals.

Indeed, we probably cannot achieve our climate goals without doing this, and a 20 to 25 percent energy savings across 100 million American homes is equivalent to taking half the passenger cars off the road. So, this is a proposal we worked on for a long period of time with a lot of help from various parts of industry and the Administration.

My final point about this is, this is not a fundamentally new idea. This is being done today. I think what's new is that our recommendation that the President stand up and endorse this kind of a program, and that he enlists all sorts of other actors, utilities, big box retailers, home rebuilders to create a national HOME STAR home retrofit effort.

CHAIRMAN VOLCKER: Well, it does have the opportunity for killing several birds with one stone, hopefully. We get some energy efficiency, we get some jobs more quickly than they might otherwise get them in an area where there is a lot of unemployment that may, unfortunately, persist for some time, you may spur some technological change, so it all looks pretty good to me.

MEMBER BURGER: This is Anna Burger, and I support it, as well. I actually think it's a terrific program. We appreciate the work that was done collaboratively across the Board trying to make sure all the issues were addressed.

The comment that was added to it about the understanding about the parallel opportunity for large scale efforts in commercial, industrial, and public, as well. And then it's denoted that there has not yet been a study done of that. I would strongly encourage PERAB to commit to a study to evaluate extending the HOME STAR program to commercial, multi-family, residential, industrial, and public sectors, as well, because I think that this is a terrific start, but to really be able to retrofit America, we need to take it to the broadest realm possible, which would include commercial, multi-family, industrial, and public sector, too.

DR. GOOLSBEE: Okay. That's great. I should have said at the outset that anybody -- we are keeping a record of this call, but if anybody wants to make sure that their --with their vote, if they have a signing statement that they would like to make, or any comment about the proposal, if you send that to Emanuel, and to me, we will make sure to get that on the website that anybody could read.

MR. SILVERS: I'll read this brief statement from President Trumka. It's as follows: "I support this memorandum because I believe deeply in the need to achieve the objectives of addressing the threat of climate change, and achieving the goal of energy independence, while creating jobs.

I wish to note, however, that the memorandum profoundly, and inappropriately states the importance of retrofitting commercial and industrial buildings which contribute an equal amount of carbon emissions to homes, and more easily retrofitted.

Secondly, this memorandum, while it recognizes the importance of creating good jobs, does not provide any effective mechanism for insuring the jobs created are ones that provide a living wage or benefits. These issues must be addressed, if this memo is to be turned into action."

DR. GOOLSBEE: That's the statement. Okay. Well, that seems perfectly appropriate for this moment in the discussion.

MR. SILVERS: Austan, let me be clear.

DR. GOOLSBEE: Yes.

MR. SILVERS: Had Rich been here, he would have voted yes.

DR. GOOLSBEE: Yes, that is -- and I was just looking here. David Swensen is not going to be able to make it, but I'm seeing if he sent a statement. David Swensen and Laura Tyson, both of whom were not able to make it, each sent -- they did not have a statement, but they both said that they strongly approved of both of the proposals. So, had they been there, they would have voted for that.

CHAIRMAN VOLCKER: I don't remember, Austan, but do we have a budgetary cost on this?

DR. GOOLSBEE: I don't think that we have any more detail than what is in the public document.
CHAIRMAN VOLCKER: It says some money is already in the stimulus program.

DR. GOOLSBEE: Yes, there are some in the Recovery Act. I don't think that we went into that level of detail in our memo.

MEMBER OWENS: Austan, I had a comment, too. Jim Owens.

DR. GOOLSBEE: This is Jim Owens, yes.

MEMBER OWENS: Yes. I sent it to you, and to John. I'm very supportive of this recommendation, but I do feel that the HOME STAR program needs some kind of a Sunset Clause, you know, probably -- because it will cost money, and it does drive bureaucracy, and cost over time. And we're dealing with kind of a crisis situation of very high unemployment in this sector; therefore, I strongly support it. But I think it should have maybe a three-year or five-year Sunset Clause, that by that point in time, I think we should have a pretty solid housing recovery in the country, as well as price on carbon. So, I don't see this as a lifetime ongoing thing.

DR. GOOLSBEE: Understood. Would anyone else like to express thoughts on this one?

MEMBER DOERR: This is John Doerr. I would like to respond to Jim's comment, to say that -- to backup this memo, and the memo is what people are voting on, there is a very detailed model built, and a time horizon of perhaps two years, after which the program would be phased out.

It is complementary, very similar to proposals that are in the two different climate bills, which is what the PERAB originally endorsed, and they could pick up where it left off. And an essential part of this is that the incentives in this program would be dialed down over time, so we don't just pick one number, or incentive, but rather give the group that's doing this, wherever it's to be implemented, the recommendation that as with the California Solar Initiative, they change the number, say every six months, so we get the right amount of jobs, and get the demand to meet the supply to do this good work.

DR. GOOLSBEE: And, John, was it not also the case that the thinking was we would want to be somewhat generous up front, and explicitly have it kind of tailor off precisely to try to induce people to move their actions up?

MEMBER DOERR: Exactly right. And I -- over the 20-year period of time that we should do this work, this can be a completely self-supporting industry, with no incentives.

MEMBER OWENS: John, that's my point. I think, I agree it should be self-supporting as there's a price emergent on carbon, but I don't want to keep a bureaucracy around to administer it for the next 20 years. So, that's why I wanted it to be explicit about a Sunset Clause.

DR. GOOLSBEE: I should also have said that Jeff Immelt, who is not on the call, had sent in that he approved strongly of the retrofit proposal, as well.

MEMBER FELDSTEIN: Can I ask a question? This is Marty Feldstein. I see it says that the plan is designed to jump start industry of over one million workers retrofitting 100 million U.S. homes. So, if the key word is jump start, does that mean that after it gets started, the subsidies would be withdrawn, so there wouldn't be a subsidy for 100 million homes?

DR. GOOLSBEE: Marty, that's a very good question. And the answer is not withdrawn, but tapered down over time. Hopefully, and, again, we do not have legislative language here, but were this in legislation, I'd have an authority that can dial this down over time, as was done in California, as is being done with their Solar Incentive, Solar -

MEMBER FELDSTEIN: So, 100 million homes that weren't tapered down at a $3,500 per home -

DR. GOOLSBEE: That would get expensive.

MEMBER FELDSTEIN: Just done the arithmetic, it's about $350 billion.

CHAIRMAN VOLCKER: You said earlier, John, on the backup material, not only would it taper down, but the hope would be it wouldn't require a subsidy.

DR. GOOLSBEE: That's correct, Chairman Volcker.

MEMBER OWENS: It should be eliminated after two or three years.

DR. GOOLSBEE: That was certainly -- if there was any -- it sounds like there was some confusion on the wording. This is Austan Goolsbee, that -- my understanding, John, is that was -- the 100 million was a broad goal for climate change. The aspiration for a program like this was a two to three-year time frame of a much more modest number, meant kind of as a seed program to get the thing going.

MEMBER FELDSTEIN: I think that ought to be made explicit, because if the headline that comes out of this is that the Administration is considering a multi-hundred billion dollar permanent program, that will just increase concerns about fiscal--

DR. GOOLSBEE: -- about it. Understood. That was Marty Feldstein speaking.

MEMBER OWENS: This is Jim Owens. That's exactly why I wanted to be explicit about a Sunset. I think it should end after a two to three-year period.

CHAIRMAN VOLCKER: Well, a question in my mind -- this is Paul Volcker -- can we handle this by a kind of explanatory statement instead of amending this language, with some people --

DR. GOOLSBEE: Yes.

CHAIRMAN VOLCKER: -- not here? Is that satisfactory?

DR. GOOLSBEE: Yes.

MEMBER FERGUSON: This is Roger. I think that's suggestion makes a great deal of sense. I understand the desire to Sunset, but as a procedural matter, I think your approach is very wise.

DR. GOOLSBEE: Yes. I think procedurally we can say, and this will be reflected in the public record, that it was the intention of the subgroup in writing that document that it would be phasing out over a short period of exactly the form you guys are saying, and for the reasons that you said.

CHAIRMAN VOLCKER: Are we ready to vote?

DR. GOOLSBEE: It seems like we are ready to vote. So, why don't we go down the roll call. Paul Volcker, Chairman.
CHAIRMAN VOLCKER: Aye.

DR. GOOLSBEE: Anna Burger.
MEMBER BURGER: Aye.
DR. GOOLSBEE: John Doerr.
MEMBER DOERR: Aye.
DR. GOOLSBEE: Bill Donaldson.
MEMBER DONALDSON: Aye.
DR. GOOLSBEE: Marty Feldstein.
MEMBER FELDSTEIN: Aye.
DR. GOOLSBEE: Roger Ferguson.
MEMBER FERGUSON: Aye.
DR. GOOLSBEE: Mark Gallogly.
MEMBER GALLOGLY: Aye.
DR. GOOLSBEE: Monica Lozano.
MEMBER LOZANO: Aye.
DR. GOOLSBEE: Jim Owens.
MEMBER OWENS: Aye.
DR. GOOLSBEE: Charles Phillips.
MEMBER PHILLIPS: Aye.
DR. GOOLSBEE: Penny Pritzker.
MEMBER PRITZKER: Aye.
DR. GOOLSBEE: Robert Wolf.
MEMBER WOLF: Aye.

DR. GOOLSBEE: Okay. With no further objection, that becomes official. I should have said at the outset, as we all know, the Economic Recovery Advisory Board is an outside body. It is not a component of the Administration, and this makes official that it is the official recommendation of the PERAB that the Administration, and we will report this to the President, himself, that he should consider this idea we put forward.

National Infrastructure Bank Memo
The jobs subcommittee submitted to the PERAB the memo on Infrastructure Investment and the Creation of a National Infrastructure Bank. The PERAB voted 12-0 in favor of submitting the national infrastructure bank memo to the President.

DR. GOOLSBEE: Our second subject that we are going to vote on came out of the work of the Job Subgroup, and concerns the National Infrastructure Bank. The Chair of the Job Subgroup, Laura Tyson, is not able to be on the call. Robert Wolf, do you want to say a quick word about the proposal, and then Charles Phillips, if you want to say a quick word, and then we might open up to discussion on that.

MEMBER WOLF: Great, thank you, Austan, you know, on behalf of Laura and the group, the Job Committee spent a good four, five months on this idea of creation of a National Infrastructure Bank. I'll spend a minute just to give a summary.

Obviously, against a backdrop of continued unemployment, sluggish medium-term economic growth, the Committee explored how to increase infrastructure to expand economic output and employment. And in light of the funding gap, and problems with the appropriation process, the Subcommittee has spent significant time discussing a new National Infrastructure Bank, as an effective method of achieving these economic outcomes.

The specific objectives of the National Infrastructure Bank would include provide financing for projects of national or regional significance, to establish a transparent, merit-based approach to project selection, to multiply public sector funds by inviting private sector co-investment, where appropriate, and by cementing a long-term commitment to infrastructure.

The operating and structural principals would be the following. The National Infrastructure Bank would a wholly-owned government corporation, or independent agency. The aim would be to be self-sustaining once initial government capital is received. The President's Fiscal Year 2010 budget includes funding of $25 billion over the next five years to capitalize the National Infrastructure Bank, although the PERAB would recommend a higher initial capital base for the NIB -- this idea.

The National Infrastructure Bank would offer a variety of financing tools for project sponsors, including loans, guarantees, and a limited circumstance of redeveloped grants. And the National Infrastructure Bank would supplement, not replace, other infrastructure funding sources, and it would co-exist with forms such as the TIFIA program, Municipal bonds, and private sector projects. Thank you.

MEMBER PHILLIPS: Yes. I'd just add that there are dedicated funds that already exist that want to invest in infrastructure. And right now, they're doing that largely outside of the U.S., co-invest with other governments, so we would tap into a pool of private funds to co-invest along with the government.

Secondly, this model has been successful in other parts of the world. The European Investment Bank is a great example, been around for 50 years. And then, thirdly, I just think the timing couldn't be better with the constraints around municipal and state bond and financing right now. And the fact that it would be the exact type of jobs that we're trying to get going again, the timing is perfect.

CHAIRMAN VOLCKER: One way of looking at this, not the only way of looking at it is, this is the kind of instrumentality that might provide more assurance of effectiveness and efficiency in infrastructure programs which in total will involve much more money, I think, than this particular proposal. There is a lot of interest, obviously, in the infrastructure area, and this is one way of approaching it with, we hope, maximum efficiency and effectiveness.

DR. GOOLSBEE: Okay. Well, let's open up to more discussion. I know this has been an area the Subgroup has worked a lot about, and we follow on both this and the retrofit on some of the things that we discussed when we had our meeting with the President in November. Would anybody like to make further comments on that?

MEMBER WOLF: Austan, I would add, this is Robert Wolf, similar to what John Doerr said on the prior memo. We, obviously, have a lot of work and appendix that goes along, obviously, with this memo, that shows different detail and ideas.

MEMBER OWENS: Austan, Jim Owens. Just a comment. I strongly support the Infrastructure Investment Bank. I think we are woefully under-invested in our infrastructure for the last many years, but it doesn't substitute for the need, also, for a multi-year highway funding bill, which is currently expired and pending. And that has also big implications for employment near term.

MR. SILVERS: [President Trumka] wanted to express his gratitude to the other members of the Subcommittee, and to the staff folks who worked on this. As you've alluded to, this took a lot of work, and a number of rather complex issues. And President Trumka felt that this came to a good place, and he very much agrees with the comments about how important these issues are for jobs, and how important that this integrate with the existing landscape of finance, both at the federal and state, and municipal level. But, again, the main thing he wanted to convey was his appreciation for everyone's work on this.

DR. GOOLSBEE: That's great. And I'm sure if Laura were here, she would be the first to express that it was worked out well to have such a good diverse group in the Subgroup, and I think our document is stronger because we worked through a whole lot of complex stuff.

CHAIRMAN VOLCKER: I guess you can call the roll, Austan.

MEMBER BURGER: This is Anna Burger. I so move. [motion for a vote]
DR. GOOLSBEE: Okay. Perfect. Okay. So, Chairman Volcker.
CHAIRMAN VOLCKER: Yes.
DR. GOOLSBEE: Anna Burger.
MEMBER BURGER: Yes.
DR. GOOLSBEE: John Doerr.
MEMBER DOERR: Yes.
DR. GOOLSBEE: Bill Donaldson.
MEMBER DONALDSON: Yes.
DR. GOOLSBEE: Marty Feldstein.

MEMBER FELDSTEIN: Yes.
DR. GOOLSBEE: Roger Ferguson. Mark Gallogly.
MEMBER GALLOGLY: Yes.
DR. GOOLSBEE: Monica Lozano.
MEMBER LOZANO: Yes.
DR. GOOLSBEE: Jim Owens.
MEMBER OWENS: Aye.
DR. GOOLSBEE: Charles Phillips.
MEMBER PHILLIPS: Aye.
DR. GOOLSBEE: Penny Pritzker.
MEMBER PRITZKER: Aye.
DR. GOOLSBEE: Robert Wolf.
MEMBER WOLF: Yes.

DR. GOOLSBEE: Okay. Oh, Jeff Immelt, Laura Tyson, and David Swensen had all three also sent in that they would have supported this, had they been able to make the call.

Okay. With that, I believe that we are done with our official business. Chairman Volcker, do you have other things that you would like to bring up?

CHAIRMAN VOLCKER: I have no other official business.

MEMBER FERGUSON: I'm sorry, Austan. I may have missed my opportunity to vote on that. I would like to vote aye.

DR. GOOLSBEE: Okay. Roger. Perfect. That's great.

MR. PLEITEZ: That makes a 12-0 vote in favor.

MEMBER FERGUSON: Thank you.

CHAIRMAN VOLCKER: Okay. Well, I appreciate the cooperation of all members here and absent.

ADJOURNMENT

The meeting of the President’s Economic Recovery Advisory Board adjourned at 3:28 PM (EST).

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Paul Volcker, Chairman, President's Economic Recovery Advisory Board

Paul A Volcker

Emanuel Pleitez, Designated Federal Officer

U.S. Department of Treasury
President's Economy Recovery Advisory Board

By-Laws and Operating Procedures

The following By-Laws and Operating Procedures (the "By-Laws") will govern the operations of the President's Economy Recovery Advisory Board (the "PERAB"), whose funding and administrative support will be provided by the Department of the Treasury (the "Department").

Section I: Functions, Objective, Organization and Operation

The functions of the PERAB are advisory only. Its objective is to enhance the strength and competitiveness of the Nation's economy and the prosperity of the American people by ensuring the availability of information, analysis, and advice to the President as he formulates and implements his plans for economic recovery. In particular, the PERAB shall: (1) solicit and obtain information and ideas from across the country and from all sectors of our economy about the functioning of the economy, the condition of the financial and banking system, and the prosperity of the American people and of American industry; (2) provide advice and recommendations on the design, implementation, and evaluation of policies to promote the growth of the American economy, establish a stable and sound financial and banking system, create jobs, and improve the long-term prosperity of the American people; and (3) provide analysis and information with respect to the operations, regulations and healthy functioning of the economy and of the financial and banking system. The PERAB shall provide its advice and recommendations, analysis, and information directly to the President or his delegate. The President or his delegate may direct the PERAB to provide its analysis, information and advice and recommendations to the Chairman of the Board of Governors of the Federal Reserve System, to any agency with responsibilities related to the economy or financial markets, or to the National Economic Council.

The PERAB has been formed by the authority vested in the President of the United States by the Constitution and the laws of the United States of America. The Federal Advisory Committee Act 5 U.S.C. App. 2 §§ 1-16, as amended ("FACA"), governs the creation and operation of advisory committees. In the event of any inconsistencies between the By-Laws and FACA (including its implementing regulations), the PERAB will carry out its Charter in accordance with FACA (including its implementing regulations), as the same may be amended from time to time.

Section II: Members

The PERAB shall consist of not more than 17 members, who shall be appointed by the President, from among individuals not employed by the Federal Government. In selecting individuals for appointment to the PERAB, appropriate consideration will be given to individuals with backgrounds from various sectors of the economy. Each individual member of the PERAB will serve either as a representative of his or her industry, trade group, public interest group or other organization or group, or as a special government employee. The composition of the PERAB will reflect a diverse set of perspectives from across the country. The President shall designate a Chair from among the members. The Chair shall appoint a Staff Director, who shall supervise the staff of the PERAB. Each member of the PERAB will be appointed to serve a term of two years.

Section III: Meetings

(A) **In General**. The PERAB shall meet at such regular intervals as necessary to carry out its duties. The PERAB is expected to meet at least quarterly at the call of the Chair with the approval of the Designated Federal Officer (the "DFO"), or at the call of the DFO. An official PERAB meeting consists of a quorum of the Members (including the Chair) then serving on the PERAB. The DFO shall ensure compliance with the requirements of FACA and its implementing regulations. The Chair will preside at all meetings of the PERAB, unless the Secretary of the Treasury (Treasury) (or his designee) directs the DFO to preside in accordance with FACA. The presiding officer of the PERAB may specify the use of rules of parliamentary procedure consistent with the By-Laws. Subject to such reasonable guidelines and procedures as the presiding officer of the PERAB may adopt, Members may participate in a meeting by means of conference telephone or similar communications equipment if all Members can hear one another at the same time and members of the public entitled to hear them can do so.

(B) **Notice**. The Department will publish a notice of each meeting in the Federal Register at least 15 calendar days before the meeting, unless there are exceptional circumstances in which case the reason will be included in the Federal Register notice. The notice will include (1) the name of the Committee; (2) the time, date, place, and purpose of the meeting; (3) a summary of the agenda and/or the topics to be discussed; (4) a statement as to whether all or part of the meeting will be open to the public and, if any part is closed, a statement as to why, citing the specific statutory provision that serves as a basis for closure; and (6) the name and telephone number of the DFO or other Department official who may be contacted for additional information concerning the meeting.

(C) **Agenda**. The Chair of the PERAB will draft an agenda for each meeting of the PERAB sufficiently in advance of the meeting to permit a copy or summary of the agenda to be published with the notice of the meeting, if required. The Department staff will distribute the agenda to the members before each meeting and will make available copies of the agenda to members of the public attending the meeting. Items for the agenda may be submitted to the Chair by any Member of the PERAB or by any member of the public.

(D) **Quorum**. A quorum will consist of a simple majority of the Members (including the Chair) then serving on the PERAB.

(E) **Voting**. A Member must attend a PERAB meeting either in person or by telephone to cast a vote. When a decision or recommendation of the PERAB is required, the presiding officer will request a motion for a vote. Any Member may make a motion for a vote and vote. No second after a proper motion will be required to bring any issue or recommendation to a vote. PERAB action based on a vote requires a simple majority of the votes cast at a meeting at which there is a quorum, except that formal advice or recommendations to the President requires two-thirds of the votes cast at a meeting at which there is a quorum.

(F) **Open Meetings**. Unless otherwise determined in advance, all meetings of the PERAB will be open to the public either in person as space permits or via live webcast. Once an open meeting has begun, it may not be closed for any reason. If, during the course of an open meeting, matters inappropriate for public disclosure arise during discussion, the presiding officer will order such discussion to cease and will schedule the matter for closed session in accordance with FACA. All materials brought before, or presented to, the PERAB during an open meeting will be made available to the public for review during the meeting. All such materials also will be made available on the Department's web site as soon as practicable afterwards. The Chair of the PERAB, may decide in advance to exclude oral public statements during a meeting in which case the meeting notice published in the Federal Register will invite written statements as an alternative. Members of the public may submit written statements to the PERAB at any time.

(G) **Activities Not Subject to Notice and Open Meeting Requirements**. Consistent with FACA regulations, the following activities are excluded from the procedural requirements contained in Sections III(B) and III(F): (a) Preparatory work. Meetings of two or more PERAB Members or subcommittee members convened solely to gather information, conduct research, or analyze relevant issues and facts in preparation for a meeting of the PERAB, or to draft position papers for deliberation by the PERAB; and (b) Administrative work. Meetings of two or more PERAB Members or subcommittee members convened solely to discuss administrative matters of the PERAB or to receive administrative information from a Federal officer or agency.

(H) **Closed Meetings**. All or parts of meetings of the PERAB may be closed in limited circumstances in accordance with applicable law. Requests for closed meetings must be submitted by the DFO to the Secretary (or his designee) under FACA, generally at least 30 days in advance of the publication of the meeting notice in the Federal Register. The appropriate Department official must determine that closing the meeting is consistent with the provisions of the Government in the Sunshine Act. Consistent with Section III(B)(4), the notice of the PERAB meeting published in the Federal Register must include information on the closure.

(I) **Hearings**. The PERAB may hold hearings to receive testimony or oral comments, recommendations, and expressions of concern from the public. The PERAB may hold hearings at open meetings or in closed session in accordance with the standards in the By-laws for closing meetings to the public. The Chair of the PERAB may specify reasonable guidelines and procedures for conducting orderly hearings, such as requirements for submitting requests to testify and written testimony in advance and placing limitations on the number of persons who may testify and the duration of their testimony.

(J) **Minutes**. The DFO will prepare minutes of each meeting of the PERAB and submit them to the Chair of the PERAB for certification of their accuracy. The minutes must be certified by the Chair of the PERAB within 90 calendar days of the meeting to which they relate. The DFO will distribute copies of the certified minutes to each Member. Minutes of open or closed meetings will be made available to the public, subject to the withholding of matters about which public disclosure would be harmful to the interests of the Government, industry, or others, and which are exempt from disclosure under the Freedom of Information Act. The minutes will include a list of the persons who were present at the meeting, and a complete and accurate description of the matters discussed and the resolution, if any, made by the PERAB regarding such matters; and copies of all reports or other documents received, issued or approved by the PERAB at the meeting.

Section IV: Officials

(A) **Chair.** The Chair of the PERAB is appointed by the President and serves at the sole discretion of the President to perform the duties specified in the Charter and the By-Laws.

(B) **Staff Director.** The Chair of the PERAB shall appoint a Staff Director. The Chair of the PERAB will work with the Staff Director and the DFO to establish priorities, identify issues that should be addressed, determine the level and types of staff and financial support required, and serve as the focal point for the PERAB's membership.

(C) **Designated Federal Officer**. The DFO is designated by the Secretary (or his designee) and serves as the Department's agent for matters related to the PERAB's activities. Under FACA, the DFO must, among other things, approve or call all meetings of the PERAB, attend meetings, and adjourn meetings when he or she determines such adjournment is in the public interest. In addition, the DFO is responsible for providing adequate staff support to the PERAB, including staff to assist the Staff Director, DFO and the Chair of the PERAB in performance of the following administrative functions: (1) notifying Members of the time and place for each meeting; (2) maintaining the role; (3) preparing the minutes of all meetings of the PERAB and its subcommittees, as required by FACA; (4) attending to official correspondence; (5) maintaining official PERAB records, including subcommittee records, as required by law; (6) maintaining a website for the PERAB; (7) acting on behalf of the Department to collect, validate and pay all vouchers for pre-approved expenditures of the PERAB authorized by law; and (8) preparing and handling all reports (except those required by section 6 of FACA), including the annual report of the PERAB required to be submitted to the General Services Administration under the FACA regulations.

(D) **Support Staff**. The Secretary (or his designee) has determined, pursuant to the Executive Order, that staff from the Department's Office of Domestic Finance and other offices as necessary within the Department, will be available to the DFO to provide adequate staff support for the PERAB. The PERAB may, with the approval of the DFO, obtain such other staff or advisory or assistance services appropriate to the goals of the PERAB.

Section V: Subcommittees.

The PERAB Chair, with the approval of the DFO, may establish such subcommittees as it deems necessary to support the PERAB's functions and may appoint Members to, and the Chairs of, any subcommittees so convened. The Chair of the PERAB will be an ex officio member of each subcommittee. Each subcommittee shall be established by means of a ~~PERAB vote~~written request for approval from the PERAB Chair to the DFO, which approval shall be recorded in writing, whether in the minutes of a meeting or otherwise. ~~Only Members of the PERAB will have the right to vote and make a motion for a vote in a subcommittee~~. No subcommittee will have any authority to provide advice or recommendations (1) directly to the President or any other agency or officer of the Federal Government or (2) to be adopted by the PERAB without discussion or consideration at an open meeting of the PERAB. All activities of the subcommittees will be in compliance with FACA, as applicable.

Section VI: Records

All documents, reports and other materials prepared by or submitted to the PERAB constitute official government records and must be maintained and made publicly available in accordance with applicable law.

Section VII: Expenses

Expenses related to the operation of the PERAB that are authorized by law will be borne by the Department. Expenses of any kind must be approved in advance by the DFO.

Section VIII: Amendments

The By-Laws may be amended from time to time by the affirmative vote of a majority of the Members (including the Chair) then serving.

The President's Economic Recovery Advisory Board

MEMORANDUM FROM THE PERAB
DATE: December 4, 2009
SUBJECT: Home Retrofits for American Jobs, Efficiency and Economic Growth HOMESTAR, aka "Cash for Caulkers"

Our country has the opportunity to rebuild our homes with three missions: rapidly create hundreds of thousands of sustainable, valuable jobs, stand up a new competitive American industry, and achieve our long-term climate goals. And the opportunity is vast. 17% of our nation's experienced construction workers are unemployed[i], and more than 20% of US carbon emissions come from residential buildings.[ii] With home retrofitting, we can put those unemployed workers back to work making millions of US homes energy efficient, and allowing homeowners to save energy—and carbon and money—in the process.

The Role of Carbon

In a previous PERAB report[iii], we stated our view that putting a price on carbon is the single, most important action needed on climate change and to create a competitive America. We continue to advocate a price on carbon, and believe that it can help transform our homes and help us adopt energy-efficient technologies. Using carbon reduction as our guide, we will get the most efficient and cost-effective technologies and housing stock. In addition to putting a price on carbon, though, we also mentioned complementary measures, notably "making America's cars and homes the most efficient in the world." The EPA has raised fuel standards; this report is about efficiency in American homes.

As highlighted by McKinsey's research[iv] and others, our energy market is a complicated, diffuse business. The energy consumption patterns of the nation are set by millions of decisions: How much insulation should be in the roof of a house? How should the pipes in a new factory be laid out? What materials should be used in building a new school? Today, we make these decisions without proper price information, because carbon is an unpriced externality. The consequence is clear: vast efficiency opportunities are wasted. America needs clear price signals to make good decisions.

By limiting our total carbon output, we create a price and incentives that ultimately can make these decisions easier and should make reducing output profitable. We create a market-driven drive to efficiency, as truly lower-cost technologies replace inefficient, artificially low-priced supplies. Across all of America, this guiding principle, ignored in the last century, brings the power of the market to bear on the billions of individual decisions we make each day about our energy use. A price on carbon will guide us as we rebuild the American economy to be the most energy-efficient in the world, as we modernize our aging infrastructure, and choose how to invest in innovation.

As we move from today's "business as usual" towards a market with a price on carbon, we need to help industries and especially millions of individuals without the same level of information and expertise in the efficiencies of their homes, to transition and to build an industry that rewards and implements energy efficiency. Here, we will lay out the transition path for the American residential construction industry, which we believe depends on a home retrofit program.

We believe there is a parallel opportunity for a large scale effort to facilitate energy efficient retrofits in the commercial, industrial and public sector. We have not, however, studied the economics or speed with which those jobs can be created, so this memo only addresses a strategy for residential retrofits.

The Home Retrofitting Opportunity: Job Creation and Climate Change

The construction industry has significant capacity to create jobs quickly by refocusing out-of-work construction labor on energy retrofits. Retrofitting homes is a labor-intensive process that employs similar skills as residential and commercial construction. While experienced construction workers can be retrained as energy retrofitters in very little time, new entrants to the construction workforce will need quality training, particularly to be able to participate in the more advanced residential retrofitting.

Since 2006, the construction industry has dropped by 1.6 million employees, with residential construction down by nearly 1.1 million employees.[v] Today, one in six experienced construction workers is unemployed.[vi] Meanwhile recovery in the construction sector does not seem imminent. Although housing starts have stabilized in recent months (at the lowest rate of production since World War II), there are millions of vacant homes in the country and unemployment in residential construction and related industries has continued to increase.

Energy retrofits could also create substantial domestic indirect jobs in manufacturing and other directly related industries.[vii] Growth in the home retrofitting industry could boost demand for construction products and for the retail supply chain that delivers them to local markets. Unemployment in the production and distribution of building materials has increased by more than overall unemployment in manufacturing and trade. In manufacturing, widespread job losses have resulted in an employment decline of 15 percent — 2.1 million jobs — since December 2007.[viii] More than 400,000 of those jobs lost were in construction-related manufacturing[ix], and more than 100,000 were lost in construction-related retail[x].

Furthermore, these new jobs backed by appropriate training and meaningful career ladders have the potential to provide living wages and room for advancement — jobs with benefits that give workers the ability to earn a real living for their families. We envision a vibrant industry with new entrants and existing players from individual entrepreneurs to large established construction organizations to big box national retailers. New entrants and incumbent players will compete based on performance to help build this great new American residential retrofitting industry.

This program could not only create jobs, but could also have a substantial impact on carbon reductions. According to the Pew Center on Global Climate Change, home energy use accounts for 21% of the overall U.S. carbon footprint – roughly twice the carbon emissions produced by passenger cars.[xi] Because the bulk of America's existing housing stock was built before the adoption of modern efficiency standards, considerable gains can be achieved through the implementation of basic energy-saving measures such as caulking, insulation, duct repair, window replacement and heating and cooling system upgrades. Together, these highly cost-effective measures can reduce household energy consumption by 10 to 40% for most homes in

America, implementing measures where the vast majority of the investment goes to create local jobs. In fact, it will be difficult for us to achieve our climate goals without a significant building retrofit program.

HOME STAR – National Initiative to Retrofit America's Homes for Jobs and the Climate

We are at a unique place where the need to restore American jobs and competitiveness meets our mission to reduce our impact on climate. We have a rare opportunity to build a sustainable and scalable home retrofitting industry. Our proposed plan is called HOME STAR, and it is designed to jumpstart an industry of over 1 million workers retrofitting 100 million US homes and reducing U.S. carbon footprint by 5% by 2030. It is inspired by Silicon Valley entrepreneurs and modeled on proven programs across the country. This approach has been vetted by environmental groups, labor, and industry, and will bring national focus and funding to reinvigorate the American construction industry, create good jobs and reduce energy demand.

Retrofitting homes for energy efficiency is a fast, affordable way to create new careers that cannot be outsourced overseas. Skilled but unemployed construction workers can be rapidly retrained to deliver services to a new and growing home performance industry. New entrants to the construction industry can be trained and provided with industry recognized credentials that will both allow them to contribute to this effort and set them on a long term career path in the construction industry. Home performance companies employ certified professionals who assess homes and trained retrofitters who implement solutions that can include white roofing, caulking, insulation, window, high efficiency HVAC or other upgrades to reduce wasted energy in American homes, while improving indoor air quality and comfort. Depending on the location, age, size of the house, and level of investment, retrofitting an average home can cut energy bills by 10 to 40%. For millions of people, this is a sound investment even without a government incentive. But with a focused support program from the government as described below, it could drive a massive increase in consumer demand for energy efficiency, while simultaneously spurring companies to invest in this new and growing industry.

Driving Mass Adoption

The HOME STAR program has three mechanisms to increase demand and rapidly scale: performance-based incentives for homeowners and industry, consumer financing, and standards for quality and training.

Homeowner Incentives: HOMESTAR is a performance based system which bridges today's struggling construction industry to a thriving, large-scale home performance industry. The incentives are designed to spur rapid job creation and will be phased out over time as the market stands up.

HOME STAR has two concurrent tracks: SILVER STAR, which creates jobs immediately with little additional training, and GOLD STAR, which is a higher quality, performance based system with certification and verification of performance standards. Over time workers – and the industry – would advance from SILVER to GOLD STAR.

In the SILVER STAR track homeowners qualify for incentives based on a list of eligible measures with installations based on a set of basic quality standards. Measures include white insulating roofs, wall insulation, air sealing, weatherization, duct sealing, lighting and other energy efficiency "low-hanging fruit." Purchase and installation of eligible measures will qualify for a matching payment from the government ranging from two-hundred fifty dollars for a super-efficient appliance to as much as four thousand for the implementation of five or more efficiency measures.

The GOLD STAR track is a performance-based incentive that rewards actual, audited energy savings. It starts with an energy assessment prior to work that includes energy modeling to predict savings using accredited, specially trained contractors. After the work is complete, it undergoes third party quality assurance audits. Any combination of retrofit measures that results in 20% reduction would be eligible for $3,500 in incentives, with each additional 5% reduction achieving another $1,500 in incentive.

In each case, the total Federal incentive cannot exceed 50% of the homeowner's contribution.

Utilities and PUCs are changing focus from incentivizing specific products (e.g. CFLs) to performance retrofits, and we expect that ratepayer dollars will supplement and lend more effectiveness to the HOME STAR program. For every dollar of federal subsidy, we believe an average of two private sector dollars will be invested, creating a match that results in more jobs, and deeper carbon abatement.

In addition, incentive amounts can ratchet down over time to adjust demand. This model has been successful elsewhere and will allow us to use the market to balance incentive amounts. Higher incentives in the near term will drive a more rapid increase in demand, but costs will be controlled by reducing incentive levels as the industry stands up

Industry Incentives: In addition to homeowner incentives, HOME STAR has a series of incentives for industry actors—big box retailers, home performance contractors, and home builders—to drive industry to actively sell home performance rather than waiting for demand. Just as "Cash for Clunkers" excited dealers (who created demand) <u>and</u> consumers, this "Cash for Caulkers" goes to big retailers, utilities, homebuilders (who create demand) <u>and</u> to homeowners. Additional incentives will be provided to companies that contribute to the creation of good jobs and a skilled retrofit workforce by investing in training and health care for employees.

Major retailers such as Home Depot and Lowes are actively looking to the retrofitting market to make up for lost new construction revenues. With the downturn in new construction, these major incumbent industries are eager to focus investment and resources on creating new jobs. By designing incentives that run through the suppliers, the HOME STAR program can deliver some benefits in the form of immediate point-of-sale rebates to consumers.

Involving the industry is an important addition to get the program into full gear. There has been somewhat disappointing take-up of existing tax incentives and many in the industry attribute this to the fact that so few people know about the credit and to the delays induced by a tax filing in April.

Consumer Financing: The HOME STAR program could also stimulate homeowner demand through low-cost consumer financing programs that dramatically reduce initial costs and barriers to entry. A diversity of financing mechanisms could help reduce barriers to entry by enabling virtually every HOME STAR project to be cash-flow positive from month one.

Standards for Quality and Training

In addition to creating immediate jobs and economic activity, to provide long-term sustainability, we must ensure that companies deliver measurable and reliable results.

Standards: HOME STAR will leverage “Home Performance with ENERGY STAR” as the standard model and for efficiency retrofitting, with 28 programs currently running across the country, and will work with these programs to set a new national standard for excellence in the delivery of home retrofits. Standards for home performance contractor accreditation and Building Analyst auditor certification will be implemented by the Building Performance Institute (BPI) and through a national network of third party providers. The Department of Energy will provide technical standards and software certification based on emerging standards such as the BESTEST-EX protocol. Program standards will be maintained with the help of a robust program of third-party verification and inspection designed to ensure that homeowners get what they pay for under Home Star. Inspections will be calibrated to program performance and the adoption by contractors of front-end quality measures such as BPI accreditation and use of a well-trained construction workforce in order to quickly address quality problems.

Workforce: Across the country, an extensive network of BPI, community colleges, weatherization training program, and union training facilities is capable of rapidly training and certifying a new home performance industry – LIUNA Training, for example, currently has the capacity to train over 100,000 workers each year at its 62 US training facilities. To ensure that the program creates good jobs and provides workers with long term career prospects in more skill-intensive aspects of retrofitting, HOME STAR will encourage contractors to employ a construction workforce trained to national quality standards. ARRA has invested in training workers for jobs in low-income weatherization that may be scaled back as funding is decreased. Building retrofitting represents a long-term opportunity for these workers in skilled jobs, at living wages, that cannot be outsourced.

Building on Existing Initiatives

HOME STAR is based on the Retrofit for Energy and Environment Performance (REEP) program currently in the Waxman Markey and Kerry Boxer climate bills. However HOMESTAR should be implemented immediately in 2010 and phased into climate legislation which comes online late 2011 and 2012. HOME STAR is meant to dove-tail with climate legislation, ongoing administration efforts and to fit into ongoing funding sources based on revenues captured in future climate markets, which can then be fed back to help make reducing energy use even more affordable. It builds on efforts already underway in the government and private sectors.

The Recovery act is deploying $5 billion to 100% grants for low income weatherization and $1 billion for workforce training. HOME STAR will ensure there are ongoing jobs for these trained workers.

Vice President Biden’s Recovery Through Retrofit[xii] report complements the HOME STAR program by providing specific recommendations focused on homeowner financing and industry standards. In addition, the DOE Retrofit Ramp-Up[xiii] program will test neighborhood level streamlined deployment models that can leverage the HOME STAR program to increase demand. The combination of these existing federal efforts with HOME STAR will put in place the necessary foundation for rapid scale and job creation.

Conclusions

Retrofitting millions of American homes does not require new science or technology. It builds on existing technologies and labor skills. What is new is the national need for good jobs and carbon reductions. HOME STAR is the most effective way we know to generate hundreds of thousands of new jobs fast, to reduce carbon significantly by 2020, and to create a new domestic industry. Presidential leadership can make this big idea happen at scale, and with speed. Mr. President, your leadership and urgency can produce real, rapid and sustainable results in jobs, climate, and prosperity for American families.

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[i] United States. Bureau of Labor Statistics. Industries at a Glance: Construction: NAICS 23. 28 October 2009. <http://www.bls.gov/iag/tgs/iag23.htm>

[ii] Pew Center on Global Climate Change. Climate Change 101: Technological Solutions, January 2009.

[iii] PERAB Memo to President. "Energy, the Environment and Technology." 20 May 2009.

[iv] McKinsey & Company. Unlocking Energy Efficiency in the U.S. Economy. Ed. Hannah Choi Granade et al. July 2009.

[v] United States. Bureau of Labor Statistics. Industries at a Glance: Construction of Buildings: NAICS 236. 28 October 2009. < http://www.bls.gov/iag/tgs/iag236.htm>

[vi] United States. Bureau of Labor Statistics. Industries at a Glance: Construction: NAICS 23. 28 October 2009. <http://www.bls.gov/iag/tgs/iag23.htm>

[vii] Impacts calculated by ClimateWorks using external models provided by REMI and McKinsey & Company.

[viii] Calculated from preliminary September 2009 employment statistics. United States. Bureau of Labor Statistics. Employment, Hours, and Earnings from the Current Employment Statistics Survey (National). 28 October 2009. <http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=CES3000000001&data_tool=XGtable>

[ix] Includes wood products, fabricated metal products, and nonmetallic mineral products. United States. Bureau of Labor Statistics. Industries at a Glance: Manufacturing: NAICS 31-33. 28 October 2009. < http://www.bls.gov/iag/tgs/iag31-33.htm>

[x] Includes only building material and supplies dealers. United States. Bureau of Labor Statistics. Industries at a Glance: Building Material and Garden Equipment and Supplies Dealers: NAICS 444. 28 October 2009. < http://www.bls.gov/iag/tgs/iag444.htm>

[xi] Pew Center on Global Climate Change. Climate Change 101: Technological Solutions. January 2009.

[xii] http://www.whitehouse.gov/assets/documents/Recovery_Through_Retrofit_Final_Report.pdf

[xiii] http://www.eecbg.energy.gov/Downloads/EECBGCompetitiveFOA148MON.pdf

The President's Economic Recovery Advisory Board

MEMORANDUM FROM THE PERAB
DATE: December 4, 2009
SUBJECT: Infrastructure Investment and the Creation of a National Infrastructure Bank

I. Introduction

1. Infrastructure Spending, the Economic Recovery and Jobs

Many economists believe that as our economy begins to recover from its deep recession, economic growth will be slow and employment growth even slower, extending over years. The unemployment rate will remain high and many workers will be forced to accept part-time work because full-time work is not available. The construction sector will be the hardest hit as the overhang of residential and commercial property continues to discourage new private-sector construction projects.

The PERAB believes that infrastructure spending by the federal government can boost the growth of output and employment during the extended recovery period. There are several reasons for this belief.

First, macroeconomic models indicate that $1 of infrastructure spending boosts GDP by $1.59. A dollar of government spending on infrastructure has a larger effect on GDP and employment than many other kinds of government spending. Many of the jobs created through infrastructure spending are in the construction industry and related sectors that have sustained the largest job losses (about 25% of the total).

Second, as a result of severe budgetary constraints on state and local governments, there will continue to be a large backlog of economically justifiable infrastructure projects that can be quickly mobilized to employ workers if federal funding is available. State and local governments account for 75% of public infrastructure spending and many of these governments are under severe fiscal strain. Projects involving substantial public benefits that cannot be fully captured through user fees or that cross state boundaries are particularly unlikely to be funded by state and local governments in this economic climate. If the federal government does not provide adequate funding, we will forego the opportunity to build important infrastructure projects while spurring economic recovery and creating jobs.

Third, infrastructure projects often take well over two years to complete, so federally funded projects initiated in 2010 will provide ongoing fiscal support during the multi-year recovery period.

Fourth, federal spending on economically justifiable infrastructure projects will strengthen the foundation for future growth once the economy has recovered. The PERAB believes that the boost in employment that will accompany increased infrastructure spending is only one part of the equation—equally important is the quality of jobs created. As we build new institutions to compete in a 21st century economy, we need to ensure that we create the kind of well-paying jobs with excellent benefits that will rebuild our middle class.

2. Infrastructure Spending, Productivity and the Economy's Long-run Growth

There is broad agreement among experts and business leaders that spending on physical infrastructure—primarily transportation, water and sewage, and energy—is not sufficient to meet the nation's long-term needs. Infrastructure spending in real inflation adjusted dollars and adjusting for the depreciation of existing assets is about the same level now as it was in 1968 when the economy was one-third smaller.

- Congestion and traffic delays wasted over 2.8 billion gallons of fuel and cost an estimated $87 billion in 2007.
- Freight bottlenecks cost about $200 billion or 1.6% of GDP per year.
- In a recent assessment, the American Society of Civil Engineers (ASCE) gave the United States a grade of "D" on its transportation infrastructure.
- Lagging infrastructure saps the productivity of American companies competing with foreign companies operating in emerging nations with lower costs and newer infrastructure.

Expert assessments differ on the size of the shortfall in spending on physical infrastructure, but there is widespread agreement that the current level of spending is far below what is necessary to meet the nation's long-term needs. The ASCE estimates that infrastructure investment has to double to $2.2 trillion over the next five years to bring the quality of the nation's infrastructure to good condition. Even a 2008 CBO study based on conservative economic assumptions identifies about $185 billion a year of real government spending on transportation infrastructure alone that is justifiable on economic grounds—a 75% increase over current spending levels. Finally, the nation would benefit from more rigorous, transparent and consistent project selection methods than those currently used by both state and local governments and the federal government.

The PERAB believes that the current level of infrastructure spending is insufficient to meet the nation's growing infrastructure needs and supports a sustained and significant increase in infrastructure spending to boost future economic growth and competitiveness. For the reasons discussed below, the PERAB believes that the creation of a National Infrastructure Bank would help achieve important efficiency and funding objectives. The goal of the Bank is not to displace existing infrastructure spending. It is to help garner additional funding for worthy projects that would not otherwise be undertaken. We recognize that a NIB will not be able to fully close this country's infrastructure spending gap. Other initiatives will still be necessary to complete this important task.

II. Recommendations for a National Infrastructure Bank

The President's FY 2010 budget includes funding of $25 billion over the next five years to capitalize a National Infrastructure Bank to invest in large infrastructure projects that promise significant national or regional economic benefits. The PERAB supports the NIB idea, and recommends a higher initial capital base. We believe that an appropriately designed, governed and funded NIB would address several shortcomings and gaps in current federal, state and local government processes for funding infrastructure investment. Addressing these shortcomings and gaps would both improve the efficiency with which public infrastructure funds are allocated and increase available infrastructure funding by enabling public infrastructure projects to tap a broad pool of capital in a cost-effective manner for projects that would not otherwise be funded.

1. Despite the efforts of Congressional leaders committed to addressing the infrastructure gap, federal infrastructure funding is subject to volatility based on legislative timetables and shifting fiscal priorities. A multi-year commitment of funds to capitalize the NIB would provide greater certainty to the selection, planning and funding of large, long-term projects that often involve the deployment of complex technologies.

2. Existing federal infrastructure programs are not well-suited to funding regional or cross-state projects of national significance. The NIB would play an important coordinating role among the various state, local, Congressional and private sector actors that participate in such projects.

3. Infrastructure projects are typically long-lived public goods with significant positive externalities, but current federal programs and project selection processes sometimes overlook the effects of infrastructure decisions on broader policy goals. The NIB would consider related policy goals in its assessment and selection of projects. Allocation of infrastructure funds should strive for the maximum impact both on the nation's infrastructure needs and on the nation's need for middle class jobs. In this context, it is essential that the financing of infrastructure projects be designed to tap the highest-value capital available for a given project.

4. The NIB would choose projects based on transparent and fact-based selection processes supported by consistent cost/benefit analyses. These analyses would account for the range of externalities associated with transformative projects—including requirements for quality construction and maintenance, and the larger economic benefits that flow from well-designed infrastructure projects.

5. The NIB should consider a range of funding and project delivery alternatives—including private sector co-investment—and select the alternative that delivers the highest-value financing available to meet the NIB's objectives. A goal would be to leverage private lending with public financing on a project-level basis. Where this is not possible, the NIB board could consider private sector co-investment in public infrastructure where it could convincingly increase the overall availability of capital for a given project, improve the quality of services delivered, and appropriately share the returns and risks between the public and private sectors.

The NIB should supplement, not supplant, other infrastructure funding sources such as municipal bonds, sector specific programs (e.g. Transportation Infrastructure Finance and Innovation Act) and the Green Bank (CEDA). All of these sources should provide adequate public funding to support economically justifiable projects. Tapping into multiple funding pools targeted at different kinds of projects with varying risk and returns would likely expand the overall pool of capital available for infrastructure. In addition to the NIB, the Administration and Congress should explore steps to repair the market for tax-exempt state and local bonds.

Finally, the PERAB recognizes that the jobs impact of infrastructure spending is heavily dependent on the extent to which the supply chain for infrastructure spending also generates jobs. As such, some members have called for a larger national strategy for developing industrial capacity in areas such as high speed rail components and specialty steel to leverage the impact of infrastructure spending both on job creation and on long-term national competitiveness and industrial recovery. Others are convinced the supply base needed to support more infrastructure spending will develop naturally once businesses become confident the financial support for such spending is in place.

III. Guidelines for the design, governance and funding of the NIB.

1. **Structure**: The NIB should be structured as a wholly-owned government corporation or independent federal agency. Financing costs will be lower and management incentives more closely aligned with public interests if the NIB is a government-owned entity, operated as an independent agency. This structure avoids the conflicting incentives of quasi-government agencies like the GSEs. The NIB would have no private sector shareholders and would not use private sector compensation models.

The NIB's independence is critical since it allows for fast, transparent, and fact-based project selection supported by conventional and consistent cost-benefit analysis. The governance structure of the NIB should reflect the broad range of constituents involved, including private sector representatives, labor officials, environmental representatives, and representatives of various levels of government. The NIB needs to operate with stakeholder input, public transparency and accountability.

In addition, the unpredictability of the appropriations process is not well suited to long-term infrastructure projects that need coordination across states or regions or across different types of infrastructure like highways, bridges, rail and air transit. Given the size and time horizons of infrastructure projects of national significance, the safety factors involved, and the complexity of the technologies, a specialized agency with enduring and independent guidance is warranted. After the initial infusion of capital from the Treasury, the NIB should be self-sustaining to provide for long-term continuity, independent of the appropriations process.

2. **Equity Capital Financing**: The Administration proposed, and the PERAB recommends, providing federal funds for the NIB's initial capital base. A flexible set of financing tools, including direct loans, loan guarantees and grants would allow the NIB to use its capital to provide the most appropriate forms of financing to a given project.

The PERAB benefited from examining a wide range of other models for capitalizing the NIB, including the National Infrastructure Development Bank Act supported by Congresswoman Rosa DeLauro and the European Investment Bank. The PERAB discussed whether the NIB should be allowed to leverage its initial capital injection from the Treasury through the provision of additional callable Treasury capital. Additional callable capital—to be paid only if needed—would increase the funds available for NIB projects. Since paid-in and callable capital would both properly be thought of as contingent obligations of the federal government, we recommend that the NIB capital base not include callable capital and instead be funded directly with a transparent outlay.

3. **Debt Issuance:** The PERAB debated whether the NIB should issue debt on its own in addition to project-level borrowing. Given concerns that the market would perceive an implicit government guarantee behind NIB bonds, the PERAB recommends that the NIB not have the authority to issue general debt.

4. **Private Sector Co-Investment and Public-Private Partnerships:** The NIB should focus on projects with substantial public benefits and should seek to finance these projects with the lowest-cost, highest-value capital available for that project. Projects should access private capital

primarily through fixed income vehicles. Going beyond that to actually shared equity, there should be clear processes and procedures to ensure that any project with substantial private ownership has been shown to produce benefits to the public, as well as clear mechanisms for public oversight of the project throughout the project's life.

Some members of the Board believe that a substantial number of investors would be interested in providing co-financing for NIB projects. In addition to the $180 billion in infrastructure equity funds raised to date, U.S. pension funds have an estimated $49 billion allocated to infrastructure investments.

5. **Scope:** The PERAB believes that the NIB should focus on projects of national or regional significance. Often, such projects will be regional or cross-state projects that are neglected by current allocation processes and that involve complex coordination among many public and private actors. The NIB should choose projects on the basis of transparent and fact-based selection processes and cost-benefit analysis. The breadth and depth of a project's impact should be evaluated comprehensively. The PERAB recommends interpreting the mandate of what constitutes an infrastructure project broadly to include a broad spectrum beyond one specific category such as transportation.

6. **Revenue model:** The PERAB recognizes that a variety of circumstances go into the mix of user fees and general tax revenues that fund infrastructure projects. Some types of projects, like high speed passenger rail, will be more highly reliant on user fees than others. While user fees can encourage the more efficient use of infrastructure projects by ensuring that users pay for projects, some members observe that they also result in a more regressive method of funding projects from the perspective of income distribution. In extreme cases this can lead to infrastructure that is only useable by the affluent. Given these considerations, NIB projects should generate returns from user fees (e.g., tolls on roads and bridges and fares from high speed trains) where feasible. For projects that do not fit the user-fee model, or where user fees are insufficient, the NIB should consider "availability payments" from states and local municipalities willing to co-fund or provide revenue guarantees on projects to make them feasible for the NIB. Grants made by the NIB would be limited to funding pre-development costs (e.g., environmental and feasibility studies) where private financing would otherwise be unavailable.

The PERAB recognizes that the NIB will not be sufficient to meet our nation's infrastructure needs on its own. This proposal should not be seen as a substitute for general federal funding of infrastructure development.

7. **Labor Standards:** Given the ongoing economic crisis and forecasts of an extended period of high unemployment, a National Infrastructure Bank should have an explicit goal related to job creation included in its charter. To this end, we recommend that the NIB take a leadership position with respect to wages and benefits for the jobs created with its financing. Some members of the Board insist that all projects supported in any manner by the NIB should be subject to the Davis-Bacon Act in the construction phase, and subject to responsible employment standards and contracting procedures in the operations phase. Other members feel that such a requirement would prohibit developers from undertaking important projects and recommend omitting the requirement from the NIB guidelines.