

HOUSE No. 3543

The Commonwealth of Massachusetts

PRESENTED BY:

Byron Rushing and Mike Connolly

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act establishing the Massachusetts infrastructure bank.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Byron Rushing</i>	<i>9th Suffolk</i>
<i>Mike Connolly</i>	<i>26th Middlesex</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>
<i>David M. Rogers</i>	<i>24th Middlesex</i>
<i>Sal N. DiDomenico</i>	<i>Middlesex and Suffolk</i>
<i>Julian Cyr</i>	<i>Cape and Islands</i>
<i>William N. Brownsberger</i>	<i>Second Suffolk and Middlesex</i>
<i>Jack Lewis</i>	<i>7th Middlesex</i>
<i>Peter V. Kocot</i>	<i>1st Hampshire</i>
<i>Jay D. Livingstone</i>	<i>8th Suffolk</i>
<i>Carlos Gonzalez</i>	<i>10th Hampden</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>

HOUSE No. 3543

By Messrs. Rushing of Boston and Connolly of Cambridge, a petition (accompanied by bill, House, No. 3543) of Byron Rushing and others for legislation to establish the Massachusetts infrastructure bank. Community Development and Small Businesses.

The Commonwealth of Massachusetts

**In the One Hundred and Ninetieth General Court
(2017-2018)**

An Act establishing the Massachusetts infrastructure bank.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 The General Laws are hereby amended by inserting after chapter 40X the following
2 chapter:-

3 Chapter 40Y.

4 **THE MASSACHUSETTS INFRASTRUCTURE BANK**

5 Section 1. For the purposes of this chapter the following terms shall, unless the context
6 clearly requires otherwise, have the following meanings:-

7 “The Massachusetts infrastructure bank” or “the bank”, a financial institution able to
8 accept deposits from public and quasi-public entities, make loans and float bond issues and
9 chartered as such by the commonwealth.

10 “Infrastructure”, includes capital projects that serve the general public including schools,
11 public services such as police, fire and health, public buildings, water facilities and waste

12 management, farmland preservation, public land management, climate change mitigation and
13 adaptation, local roadways, bike paths, and pedestrian walkways unless clearly indicated
14 otherwise or as defined by the board of directors.

15

16 Section 2. (a) There shall be a Massachusetts infrastructure bank, wholly owned by the
17 commonwealth, to increase the currently available sources of infrastructure bond and loan
18 financing to meet the urgent economic development needs of commonwealth cities, towns and
19 state agencies by offering stable, competitive financing and improved transparency, thereby
20 enabling accurate, cost-effective planning by municipalities.

21 (b) Once the bank is established and profitable, the board of directors may elect to
22 develop financing programs for other significant state and municipal financing needs determined
23 by it to be in the commonwealth's vital interest and which are not being met cost-effectively, in a
24 timely manner, or without compromising public assets or the tax base. Such needs might include
25 disaster relief, water sourcing and management, or student loans.

26 (c) The bank will uniquely serve the unmet infrastructure needs of municipalities and
27 towns and the state and may work cooperatively with other state agencies and quasi-public
28 agencies which finance different aspects of infrastructure for developers, non-profits, or special
29 sectors of the economy through grants, bonds based on projected-revenues or future job growth;
30 these include Massworks, MassDevelopment, the Mass Housing Investment Corp., Mass
31 Ventures the Business Development Corp. and the Mass Growth Capital Corp.

32 Section 3. The bank shall be governed by a 9 member board of directors, appointed by
33 the governor the Senate President, and the Speaker. Members shall serve 4 year staggered terms.

34 The membership shall be made up of representatives of both small and large municipalities and
35 representatives of several regions of the commonwealth. The membership shall be experts in
36 economic development, education, economics, commercial banking, investment banking, labor,
37 the construction industry, municipal planning, and community economic development. The
38 board of directors shall determine their own chair.

39 Section 4. The board of directors will receive advisory input on the general direction of
40 the bank from an 11 member board of advisors that will meet with the board of directors and the
41 management at least quarterly. The board of advisors shall be appointed by the governor, the
42 state treasurer, the speaker of the house of representatives and the senate president. Board
43 members shall have experience in finance, agriculture, education, environmental policy, capital
44 planning, labor, municipal management, and capital planning. The board of directors shall
45 determine their own chair. The board of advisors shall serve 4 year staggered terms. The board of
46 advisors shall meet at least quarterly with the board and with management. Meetings shall be
47 open to the public and meeting minutes shall be posted publically.

48 Section 5. Bond and loan policy, including interest rates, fee structure, underwriting
49 criteria, bond and loan size, and portfolio management shall be developed by the board of
50 directors after input by the public and the board of advisors. The board of directors shall conduct
51 an annual review of its policies processes and criteria. This review shall be undertaken after
52 consultation with the board of advisors.

53 Section 6. The bank shall undergo an annual, independent audit that shall include an
54 independent valuation of the loan portfolio. The audit report and valuation will be made directly
55 to the board and will be public information. The outside auditor shall be a different firm every 3

56 years. The books and records of the bank shall be subject to an annual audit by the auditor of the
57 commonwealth.

58 Section 7. The senior management team shall consist of a president with banking and
59 municipal finance experience, a senior vice-president with similar experience, and a chief
60 financial officer. This senior management team will be assisted by an administrative staff with
61 sound accounting and computer system capability. The president shall be appointed by the board
62 of directors, serve at will, and shall be responsible for hiring all other staff. The president shall
63 provide monthly financial reports to the board of directors including a report of all loan or bond
64 requests, a pipeline report, reasons for declinations, and those projects approved for closing and
65 financing. Management will prepare policies and procedures for the engagement of outside
66 consultants, including bond counsel, for approval by the board of directors.

67 Section 8. Management shall ensure that information and outreach events regarding the
68 bank's programs and bonding capacity are made available in all regions of the commonwealth at
69 least quarterly.

70 Section 9. The Massachusetts infrastructure bank will accept deposits from public and
71 quasi-public entities, make loans and float bond issues and is chartered as such by the
72 commonwealth. The bank will not compete for retail, mortgage or commercial loans with any
73 other banks or credit unions doing business in Massachusetts, nor will it accept individual or
74 commercial deposits. Accordingly it will neither advertise to the general public nor will it
75 establish branches or offer any individual retail or commercial products to the general public or
76 maintain ATM's or other public banking services. Under policies, criteria and procedures

77 established by the board, the bank may participate in loans originated by Massachusetts based
78 banks, if requested by the originating bank.

79 Section 10. (a) The commonwealth or its agencies shall capitalize the bank and accept
80 deposits only from state and municipal entities to put taxpayer funds to work for the
81 Massachusetts economy and expand the bank's lending capacity.

82 (b) The commonwealth shall provide an initial investment of capital in the range of
83 \$50,000,000 as an equity investment from the pension fund or from a direct legislative
84 appropriation. A dividend paid to the pension fund as the equity source may be an agreed
85 percentage of net income, with an appropriate moratorium to allow the bank to reach
86 profitability.

87 (c) The commonwealth shall deposit an amount of current cash, cash equivalents, or
88 short-term deposits to aggregate from \$350,000,000.