

HOUSE No. 935

The Commonwealth of Massachusetts

PRESENTED BY:

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>Mike Connolly</i>	<i>26th Middlesex</i>
<i>Julian Cyr</i>	<i>Cape and Islands</i>
<i>Sean Garballey</i>	<i>23rd Middlesex</i>
<i>Carlos González</i>	<i>10th Hampden</i>
<i>Stephan Hay</i>	<i>3rd Worcester</i>
<i>Christopher Hendricks</i>	<i>11th Bristol</i>
<i>Russell E. Holmes</i>	<i>6th Suffolk</i>
<i>Mary S. Keefe</i>	<i>15th Worcester</i>
<i>Jack Patrick Lewis</i>	<i>7th Middlesex</i>
<i>Jason M. Lewis</i>	<i>Fifth Middlesex</i>
<i>Jay D. Livingstone</i>	<i>8th Suffolk</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>
<i>David M. Rogers</i>	<i>24th Middlesex</i>
<i>Lindsay N. Sabadosa</i>	<i>1st Hampshire</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>

HOUSE No. 935

By Mr. Connolly of Cambridge, a petition (accompanied by bill, House, No. 935) of Mike Connolly and others for legislation to establish the Massachusetts infrastructure bank. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. 3543 OF 2017-2018.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

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

3 Chapter 40X. THE MASSACHUSETTS INFRASTRUCTURE BANK

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

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

9 “Infrastructure”, includes capital projects that serve the general public including schools,
10 public services such as police, fire and health, public buildings, water facilities and waste
11 management, farmland preservation, public land management, climate change mitigation and
12 adaptation, local roadways, bike paths, and pedestrian walkways unless clearly indicated
13 otherwise or as defined by the board of directors.

14

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

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

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

31 Section 3. The bank shall be governed by a 9 member board of directors, appointed by
32 the governor the Senate President, and the Speaker. Members shall serve 4 year staggered terms.
33 The membership shall be made up of representatives of both small and large municipalities and
34 representatives of several regions of the commonwealth. The membership shall be experts in
35 economic development, education, economics, commercial banking, investment banking, labor,
36 the construction industry, municipal planning, and community economic development. The
37 board of directors shall determine their own chair.

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

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

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

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

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

69 Section 9. The Massachusetts infrastructure bank will accept deposits from public and
70 quasi-public entities, make loans and float bond issues and is chartered as such by the
71 commonwealth. The bank will not compete for retail, mortgage or commercial loans with any
72 other banks or credit unions doing business in Massachusetts, nor will it accept individual or
73 commercial deposits. Accordingly it will neither advertise to the general public nor will it

74 establish branches or offer any individual retail or commercial products to the general public or
75 maintain ATM's or other public banking services. Under policies, criteria and procedures
76 established by the board, the bank may participate in loans originated by Massachusetts based
77 banks, if requested by the originating bank.

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

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

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