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WSJ: Private Capital for Public Works.

A bipartisan move in Congress seeks investors for American roads, ports and bridges.

The budget deal and $1.1 trillion spending bill agreed to by Congress and the White House should help our country climb out of recession. We also hope the compromise and common sense displayed by these agreements mean Washington can next tackle what's really needed to assure robust economic growth and full employment—the rebuilding of public infrastructure.

In his State of the Union message, President Obama proposed that money saved by enacting tax reform be used to rebuild ports and roads, pointing out that "first-class jobs gravitate to first-class infrastructure." Promising ideas are also emerging on Capitol Hill, among them the Bridge Act, introduced by Sens. Mark Warner (D., Va.), Roy Blunt (R., Mo.) and eight others—four Democrats and four Republicans.

The Bridge Act would set up an independent, nonpartisan financing authority that would provide loans and loan guarantees to states and localities, helping them fill gaps in infrastructure funding by attracting private investment for transportation, ports, water, sewer and other projects. The authority would finance 49% or less of a project's cost. Sen. Lindsey Graham (R., S.C.), a co-sponsor, notes that this incentivizes private investment "with the federal government as a junior partner." The bill's sponsors estimate that the funding authority could attract up to $300 billion with government funding $10 billion.

The Bridge Act revives House and Senate efforts of the past decade to create a national infrastructure bank, based on the idea that the federal budget should be a tool to encourage investment, as it was when Jefferson purchased Louisiana and Eisenhower built our interstate highways.

There also is encouraging movement in the House, where Transportation and Infrastructure Committee Chairman Bill Shuster (R., Pa.) called for a transportation funding bill by August. This would leave time to negotiate a final bill with the Senate before authorization of the current transportation bill, MAP-21 (the Moving Ahead for Progress in the 21st Century Act), expires this fall. Mr. Shuster also aims to end contentious, short-term extensions of highway and transit funding by establishing a national transportation plan. He will need cooperation and resolve from fellow lawmakers.

The Congressional Budget Office projects that a six-year transportation bill will need to add $100 billion to fund transportation at current levels, and U.S. Transportation Secretary Anthony Foxx warns that the Highway Trust Fund—the source of most transportation funding—could start "bouncing checks" this year.

Last year, Rep. Rosa DeLauro (D., Conn.) reintroduced legislation to create a national infrastructure bank structured much like the funding authority proposed by the Bridge Act. This would be a companion to the Senate bill if it gains traction among a majority of House members.

In addition, bicameral bipartisan legislation has been introduced—by Reps. John Delaney (D., Md.) and Jeff Denham (R., Calif.), and Sens. Michael Bennet (D., Colo.) and Mr. Blunt—that would allow corporations to repatriate a portion of their overseas earnings tax-free if they invest in bonds that would finance a $50 billion national infrastructure fund. The House bill is co-sponsored by 25 Democrats and 25 Republicans. The proposal merits careful consideration.

An improved climate for cooperation also could hasten passage of bipartisan legislation introduced in both houses of Congress—by Sens. John Hoeven (R., N.D.) and Ron Wyden (D., Ore.), and Reps. Ed Whitfield (R., Ky.) and Allyson Schwartz (D., Pa.)—that would enable state infrastructure banks to sell Transportation and Regional Infrastructure Project bonds to investors. These bonds would provide buyers with a federal tax credit in lieu of interest.

We also hope the time is ripe for Congress to allow Real Estate Investment Trusts and Master Limited Partnerships to invest in public and private infrastructure projects that produce revenue, such as ports, transportation projects, transmission lines and energy retrofits for buildings. REITs are publicly traded entities that qualify for an IRS designation enabling them to cut or eliminate corporate taxes; in return, they distribute 90% of their income to investors who pay income tax on those dividends at regular rates. MLPs also are publicly traded and do not pay federal or state taxes; MLP unit holders receive quarterly distributions on which they pay income tax at their own rates.

Pipelines and some other U.S. energy infrastructure are currently MLP-eligible. Allowing REITs and MLPs to invest in infrastructure could dramatically increase financing of crucial projects.

Each of these proposals could open a door to states, counties and cities looking to fix or replace their degraded transportation facilities. Each would use the federal government as a catalyst or tool to help localities structure projects that can be financed with private partners—benefiting both.

Ironically, global sovereign-wealth funds and non-U.S. pension funds are the largest investors in crucial infrastructure—while American mutual funds, pension funds and retail investors allocate a minuscule portion of their trillions of capital to these facilities.

In its latest report on global competitiveness, the World Economic Forum ranked America's infrastructure 25th among nations. The country needs to do much better.

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