U.S. State Investments In Infrastructure

Lourdes German
Executive Director
The Public Finance Initiative

Andrew Simmons
Urban Development Specialist and
Consultant to the Public Finance Initiative

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Agenda

- Introductions
- Overview of Project Goals & Methodology
- Select Noteworthy Findings
- Discussion & Closing Reflections

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Pew

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Goals & Methodology

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Project Goals

A major component of infrastructure spending in the U.S. flows through states and their public authorities. This research project examined the leading strategies, methods, tools, and policies that states are using to fund and finance infrastructure projects in the **surface transportation** (e.g., roads, bridges, highways, and public transit) **and water and sewer infrastructure sectors**. We analyze how current infrastructure investment vehicles being used by states could be optimized and enhanced to support **expanded investments in infrastructure maintenance, new projects, deferred maintenance, upgrades**, and projects that reflect attention to **climate change risks**. We selected fifteen states as the unit of analysis for this project, in consultation with the Pew Charitable Trusts.

- California
- Georgia
- Idaho
- Illinois
- Kentucky
- Maryland
- Massachusetts
- Missouri
- Montana
- Nebraska
- New Mexico
- New York
- Pennsylvania
- Texas
- Washington

Methodology Overview

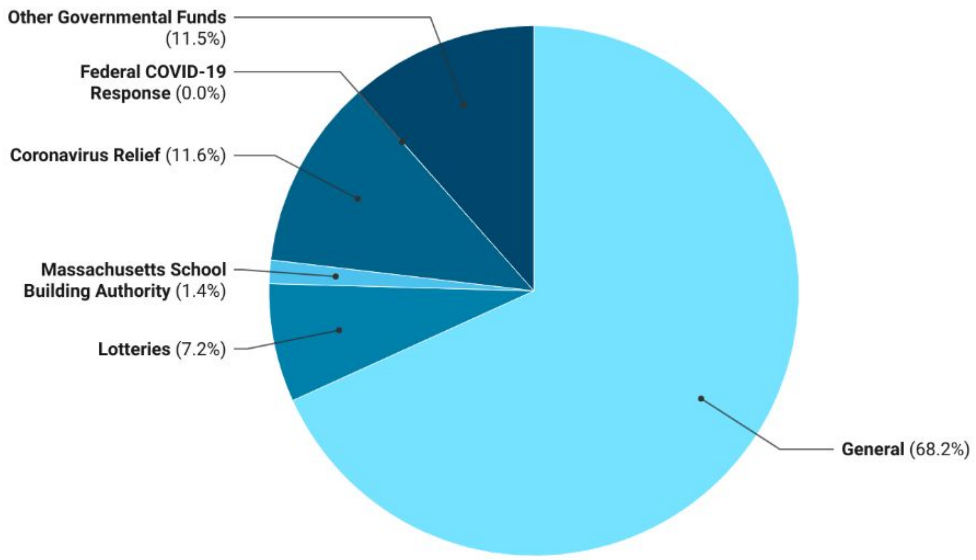
- Primary source documents (i.e., state constitutions, annual audited financial statements, comprehensive annual financial reports, Statewide Transportation Improvement Program (STIP) reports created pursuant to 49 U.S.C. 5304(g), other capital/infrastructure plans, and official statements, Clean Water & Drinking Water State Revolving Fund Program data, Public-Private partnerships legislation, etc.) provided a **holistic view of the framework of fiscal governance, own-source revenue authority, authorization and use of public finance investment vehicles** (i.e., P3, TIF, bonds) by states generally, and in transportation, water, and sewer sectors.

- We analyzed how **expenditure mandates in water, sewer, and surface transportation** are fulfilled by states alone or in cross-jurisdictional partnerships with state public authorities (municipal bond banks, etc.) or other governmental entities (e.g., municipalities, counties, districts, etc.).

- We did not arrive at a single a quantified estimate of state investments in water, sewer, or transportation annually in a state, due to **data limitations**. Certain infrastructure assets and systems are owned by local governments and an analysis of local government/county governments was outside the scope of our research.

- We also place emphasis on identifying noteworthy efforts across states, elevating **novel approaches** where **policies and practices** are in place that appear to allow for state and local governments to have greater flexibility and expanded options to invest in public infrastructure maintenance, new projects, deferred maintenance, and upgrades. A key question in such instances is - are those policies and practices **actually working** to realize target outcomes or are unintended outcomes occurring?

Example: Massachusetts



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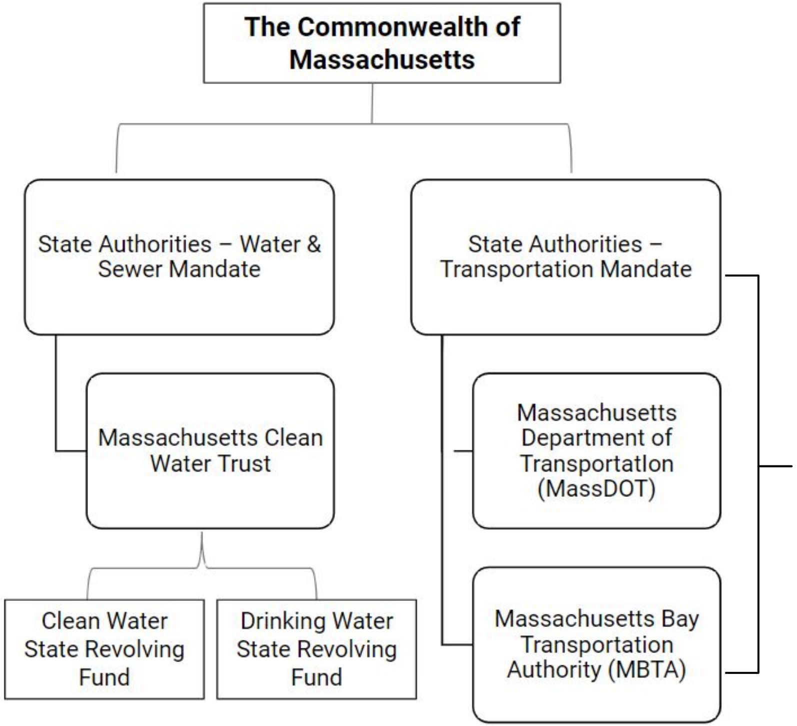
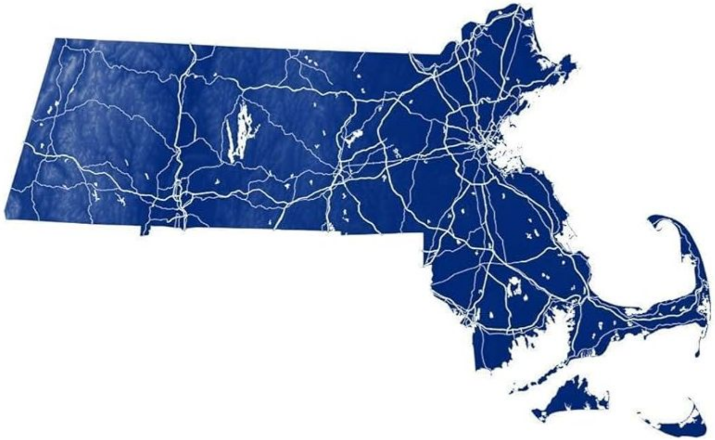
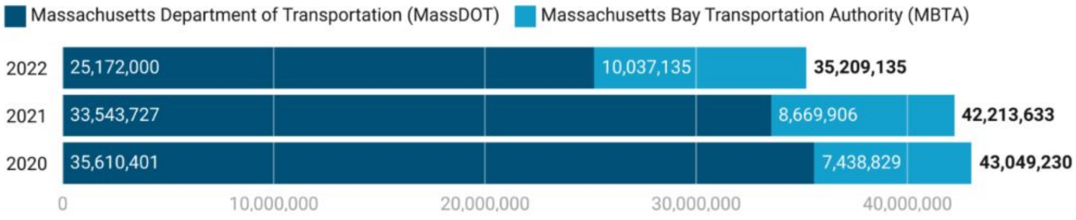
Example: Massachusetts

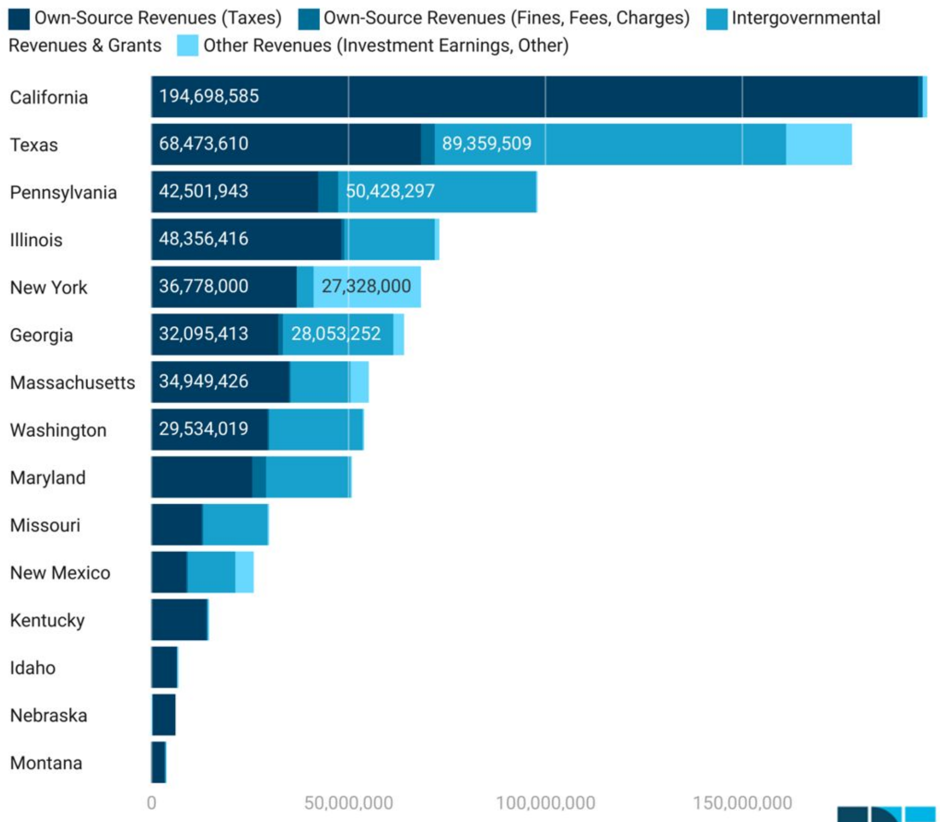






State Revenue Composition & Reliance

Chart: 15 State Governmental Fund Revenue Composition



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Select Findings

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States with Restricted or Dedicated Funds for Transportation Projects

- When examining the structure of the governmental fund in the fifteen states that we examined for this study, we considered whether states had a restricted, permanent, proprietary or dedicated fund within the governmental fund specifically for infrastructure or for transportation projects.

- Eight of the states we examined (**California, Idaho, Kentucky, Pennsylvania, Maryland, Missouri, Nebraska, and Texas**) had dedicated transportation fund mechanisms as major governmental funds.

- Two of the states (**Kentucky and New Mexico**) had major governmental funds for capital improvements.

- **California** is using budget stabilization mechanisms as a source for infrastructure funding, when such accounts reach a certain threshold (i.e. ten percent of the estimated general fund revenues for any fiscal year).

- Do mechanisms like a restricted or dedicated fund for transportation projects, where present, actually impact the level and efficacy of investment, particularly given the breadth of strategies states are using in tandem with dedicated funds (or in the absence of them) to fund infrastructure or transportation projects?

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States with Enabling Legislation for Select Public Finance Mechanisms

State	Tax Increment Financing	Municipal Bonds and Notes	Public-Private Partnerships	Revolving Loan Funds
California	Yes	Yes	Yes	Yes
Georgia	Yes	Yes	Yes	Yes
Idaho	Yes	Yes	No	Yes
Illinois	Yes	Yes	Yes	Yes
Kentucky	Yes	Yes	Yes	Yes
Maryland	Yes	Yes	Yes	Yes
Massachusetts	Yes	Yes	Yes	Yes
Missouri	Yes	Yes	Yes	Yes
Montana	Yes	Yes	No	Yes
Nebraska	Yes	No*	Yes	Yes
New Mexico	Yes	Yes	No	Yes
New York	Yes	Yes	Limited**	Yes
Pennsylvania	Yes	Yes	Yes	Yes
Texas	Yes	Yes	Yes	Yes
Washington	Yes	Yes	Yes	Yes

Notes: **The Constitution of the State of Nebraska generally prohibits the state from incurring indebtedness. Specifically, Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, the Nebraska Constitution does allow the issuance of revenue bonds for limited purposes, including for example: (1) highway construction; and (2) water conservation and management projects. Additionally, state authorities who are separate legal entities are not subject to the state's constitutional restrictions and can incur debt for various purposes. **Legislation in New York exists that enables P3s to be used in limited instances by specified state agencies.*

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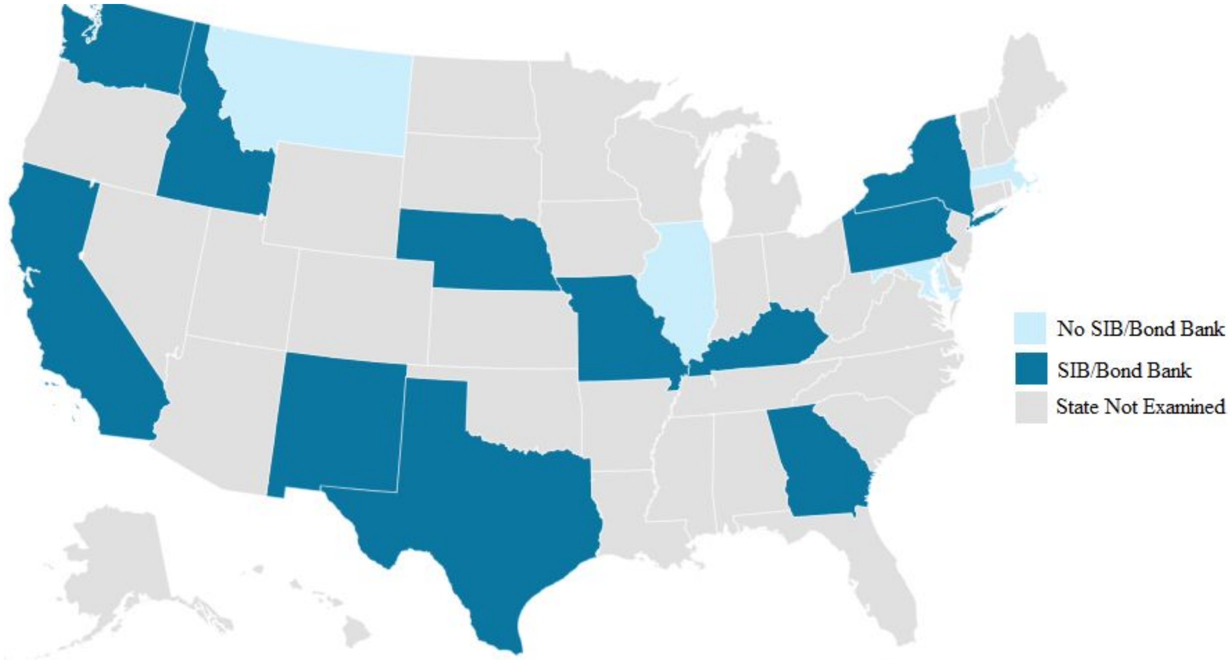
Municipal Bond Bank & State Infrastructure Bank – 15 State Map



Bond Banks & State Infrastructure Banks

- Some states have bond banks with innovative models to catalyze funding in key sectors like climate funding for localities: **The California Infrastructure Bank Climate Catalyst Fund** provides funding to public and private actors to fund projects that further the state's climate mitigation and resilience strategies.

- Some states have bond banks operating programs with a targeted geographic focus on focus on rural communities -- **The Illinois Rural Bond Bank** promotes community development efforts and encourages local governments to undertake public improvement projects by providing low- cost capital to rural borrowers, via pooled programs or on a stand-alone basis.

- Some states have bond banks with state-intercept programs to provide credit enhancement vehicles to local governments who want access to debt on stronger terms than if they went to capital markets on their own – **The Idaho Municipal Bond Bank**

- Not all states are leveraging state infrastructure banks and municipal bond banks in ways that create channels for investment in transportation, water and sewer sector projects for municipal governments. Where state experiences are uneven in this area, and which practices are leading to stronger efficacy in investments in local or state wide projects?

Examples of Noteworthy Policies and Practices

Revenues

Washington launched a "cap-and-invest" to invest more than $2.1 billion in the 2023-25 biennium for a range of climate-related investments. The cap-and-invest program sets a limit, or cap, on overall carbon emissions in the state and requires businesses to obtain allowances equal to their covered greenhouse gas emissions via quarterly auctions or in the secondary market (just like stocks and bonds).

Tax Increment Finance

New Mexico's TIF program allows incremental revenues to come from either property tax or state gross receipts tax — a significant part of the own-source revenues from taxes raised by the state's general fund.

Debt

California passed AB78 to establish the Climate Catalyst Revolving Loan Fund, within the California Infrastructure and Economic Development Bank (IBank), to provide low-interest finance for low carbon technology and infrastructure projects.

Public Private Partnerships

Georgia adopted model guidelines that provide governments seeking to undertake P3s with principles to evaluate, design, and structure the arrangement. Georgia's Public-Private Facilities and Infrastructure Act (PPFIA) specify the requirements for the agreements between public authorities and private entities and an approval process for both solicited and unsolicited project proposals from private bidders.

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Questions, Discussion & Closing Reflections

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Thank You

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