

State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation

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Many lawmakers and economists in Washington, D.C. have advocated the creation of a national infrastructure bank (NIB) to kick-start investments in the country's aging roads, bridges, water systems, transit systems, airports and other infrastructure. This NIB, as proposed in the Senate and by the White House, would provide financial assistance to infrastructure projects that contributed to regional or national economic growth, demonstrated a clear public benefit, led to job creation, offered value to taxpayers, and mitigated environmental concerns.¹ The federal assistance would be used to leverage private investment, and would be paid back through user fees or other dedicated revenue sources. Supported by parties as diverse as the Chamber of Commerce and the AFL-CIO, the idea has nevertheless become politically charged in Washington.²

Getting stalled-out in D.C. doesn't mean advocates for better financing for infrastructure have to sit on their hands. Indeed, in state houses across the country, lawmakers are having robust debates about infrastructure projects, and several cities have taken bold moves to identify innovative infrastructure funding mechanisms.³

The fact is that infrastructure is a profoundly local issue and is a key determinant of a community's standard of living.⁴ As former Pennsylvania Governor Ed Rendell noted in a U.S. Congressional hearing on infrastructure, "Visible or not, properly functioning infrastructure provides us with the reliability and predictability that we as Americans have come to expect from modern daily life."⁵ Everyday Americans feel the effects of deteriorating physical assets close to home in the form of traffic delays, unsafe drinking water, inadequate public transportation and unpredictable electrical power. Local lawmakers recognize this: in a 2011 survey, more

Critical Infrastructure: Think Locally

- 97% of U.S. roads and highways are owned by state and local governments.
- 77% of U.S. roadways are owned by local governments.
- 98% of U.S. bridges are owned by state and local governments.
- Most transit systems are owned and operated by public agencies created by state and local governments.
- Most ports are owned by state and local agencies.
- Most airports are owned by local or state governments, either directly or through a quasi-governmental body.
- Half the nation's drinking water systems are publicly owned.
- 80% of U.S. wastewater systems are publicly owned.

Infrastructure Banks as Job Creation Strategies

Researchers at the [Political Economy Research Institute](#) have found that road transportation projects can create between 8,000 and 11,000 jobs per \$1 billion spent. According to data from the [Transportation Equity Network](#), public transit projects can create even more jobs per dollar, including ongoing operations jobs.

than three-quarters of U.S. mayors identified the need to prioritize maintenance of current roads and streets over building new highways, and almost half indicated a need to grow public transit capacity.⁶

State and local governments and their constituents already carry much of the burden of funding these critical resources. Nationally, “transportation” is typically the third-largest state expenditure after “education” and “public welfare.”⁷ Since the Cold War era, local governments have invested more than \$1.25 trillion in water and sewer investments.⁸ As the National Conference of State Legislatures has pointed out, “Local governments—including counties, townships and municipalities—provide approximately 30 percent of total surface transportation funding and own 77 percent of the nation’s roadway miles.”⁹

Yet, federal funding streams through the National Surface Transportation Act or the Federal Highway Trust Fund send money to the states without requirements to consider the infrastructure needs of cities and metropolitan areas. As a 2008 policy brief from the National Conference of Mayors noted, “[O]f the more than \$42 billion annually flowing to states for surface transportation investment, only six percent of available funds are directed to decision-makers in the nation’s metropolitan areas.”¹⁰ Unfortunately, traditional sources of state funding aren’t doing the job. Through 2010, nineteen U.S. states cut transportation funding,¹¹ and in 2011 another six states followed suit.¹² To truly address the infrastructure shortcomings that affect our communities most acutely, we need state-level solutions that include input from local lawmakers and local constituents.

Even in the absence of an NIB, two-thirds of state legislatures have already embraced the concept of the infrastructure bank. Since the 1990s, various federal bills have authorized states to create their own state infrastructure banks (SIBs) to finance priority projects. In this brief, we will elaborate on the different types of SIBs that exist today, share some interesting projects that have been funded with SIBs, and posit some best practices that advocates in any state could be urging lawmakers to adopt. An SIB, if designed with enough flexibility in applicable projects and with opportunities for local advocates and lawmakers to weigh in on priorities, can be an effective tool for repairing the ill effects of decades of neglect to our communities’ transportation networks, water systems and power grids.

State Infrastructure Banks: Widespread but Uneven in Practice

As of December 2008 (the most recent data available), 32 states and one territory had entered into 579 SIB loan agreements worth a total of \$5.56 billion, but more than 87 percent of the dollar amount is concentrated in five states (SC, AZ, FL, TX and OH).¹³ Several states without an SIB, including Connecticut¹⁴ and Maryland,¹⁵ are considering establishing them. And in some states where

an SIB exists largely in name only due to a lack of funding—New York,¹⁶ California,¹⁷ and Utah¹⁸ for example—lawmakers are considering legislation to create new SIBs.

Unlike a state department of transportation, which typically owns assets (though it may contract out their construction and maintenance), an SIB acts as a lender or a guarantor. Thus, the SIB has to be concerned with returns on the investment, often by prioritizing projects with their own revenue streams or by collecting payments comprised of future tax revenues if the borrower is a county, city or special district. This distinction means that the ability for repayment is often one of the key criteria for an SIB in selecting projects to fund, and that often these projects include ongoing revenue streams through tolls or other user fees. It also means that public transit projects can be more difficult to fund because they rarely include this kind of money-making guarantee. If a state wants to use its federally-financed SIB to finance transit projects, it must enter into an agreement with the Federal Transit Administration and meet a variety of federal regulations, making transit a less attractive sector for some SIB managers.¹⁹ This reluctance can be further exacerbated by the challenge of finding transit projects with a predictable revenue stream for repayment.

Federally-Funded SIBs Versus State-Funded SIBs

The generic term “SIB” masks the fact that there are actually two types of financing tools going by that name: those authorized by federal legislation that use a mix of federal and state dollars to finance federally-authorized projects, and those that use exclusively state funds to leverage other forms of capital to fund a broader range of projects. The former is potentially more restrictive in the projects it can finance, but also inherently abides by some federal protections. The latter can be more flexible in the types of projects it finances, but may require local advocates and lawmakers to be more thoughtful about project selection criteria to ensure that local infrastructure jobs are good jobs.

Federally-Funded SIBs

SIBs have been authorized by the U.S. Department of Transportation for more than 15 years. In 1995, the National Highway Designation Act created a pilot program that allowed 10 states to use part of their federal-aid funds as “seed” money to finance transportation infrastructure. Three years later, the pilot was extended to 39 states and Puerto Rico, and 33 SIBs were created. The Transportation Equity Act for the 21st Century, passed in 1998, continued the program until the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETUA-LU) expanded the option so that all states and the District of Columbia could transfer a limited amount of the state’s Highway Trust Fund allocations to SIBs (generally, 10 percent).²⁰

Federally-funded SIBs can either lend money to projects—public or private—with loan repayments and interest payments funding future rounds of loans, or help projects to borrow from the credit market using federal assistance funds as collateral. The lending can take a variety of forms, including loans (with subsidized rates and/or flexible repayment provisions to cover either short-term construction or long-term financing); Grant Anticipation Notes (GANs), which entail borrowing against future federal-aid funds for transportation under Title 49; or Certificates of Participation (COPs), a form of leveraging public assets and borrowing all or part of their value to finance other

assets. The SIB may provide credit enhancement by providing security for bond or debt instrument financing, giving letters of credit, giving lines of credit, or providing bond insurance and loan guarantees. The Pennsylvania SIB even offers zero-percent interest loans for those seeking loans due to natural disasters.²¹

Federally-funded SIBs need to ensure that approved projects are eligible either for Title 23 funding, which applies only to the construction of federal-aid highways, or Title 49 funding, which can be used to provide assistance to capital projects. But beyond these federal mandates, selection criteria can vary widely. All states assess the likelihood of the project being able to repay the loan, but some may also look at environmental benefits or how the project fits into overall state goals.

SIB Enabling Legislation

The authorizing legislation for SIBs varies greatly. Some measures are extensive, laying out oversight bodies and selection criteria from the outset; other laws are very brief, leaving implementation up to state administrators. A few states were able to establish their SIBs using existing legislation: two used bills created for a toll-facility revolving-loan fund, and one used an existing law that allowed special purpose non-profit corporations.²² Additionally, states vary on where they house their SIBs, with some placing it within one discrete agency, some using an interagency partnership, and some creating a separate entity entirely. Advocates should urge lawmakers to house the SIB in an agency with a good record for accountability and transparency.

The Harrisburg (PA) Transportation Center: SIB-Funded Multi-Modal Project

A designated National Historic Landmark, the Harrisburg Union Station has been operating since 1885, although in the 1970s, the owner went bankrupt and Amtrak demolished part of the historic structure. By 1987, the building had started serving inter-city and local bus routes in addition to trains and was converted into the Harrisburg Transportation Center. Slated for \$7.2 million in federal transportation funding in 1999, the Pennsylvania DOT was unable to fully fund the required state match, and the Pennsylvania Infrastructure Bank was tapped to lend the project \$300,000 to cover construction costs. As a result of the loan, the Harrisburg Transportation Center benefitted from up-front financing for an earlier project start date. The loan was also instrumental in attracting other sources of funding to the project.

Located within blocks of the Pennsylvania State Capitol building and near a university, the Harrisburg Transportation Center is an important link in the local transportation network. And with retail and restaurant businesses nearby, it supports infill development and fights sprawl. With service from Greyhound and other bus operators, the center connects Harrisburg to other parts of Pennsylvania and to nearby states, and connects passengers to the Amtrak system servicing the East Coast. Class B office space above the rehabilitated building is only blocks to a proposed Harrisburg University incubator and is being marketed especially to startup companies.

SIB Decision-Making and Public Engagement

As of 2002, two-thirds of SIBs had a board or advisory committee to help guide the selection process and provide some oversight. In most cases, personnel from the state department of transportation sit on these boards, but in some cases, governors or legislators appoint members to the board as well.²³ Depending on the structure of the decision-making body, members of the general public may or may not have a direct ability to influence the projects their SIB prioritizes. In Arizona, for example, half-a-dozen advisory board members are members of the general public appointed by various government bodies, and the meetings of the board are explicitly required to be open to the public.²⁴ Conversely, in South Carolina, the seven-member board includes four members appointed by the legislature, including two lawmakers. With little staff to advise the board, advocates allege this makes the SIB effectively an extension of the political process.²⁵ In Maine, a December 2009 law created a coalition of stakeholders to explore transportation issues, including whether the state's SIB should be considered to fund regional highway improvements. While the coalition itself specified the groups to be included, the process includes a "Sounding Board" which is open to "any interested party" to give feedback on findings and recommendations at "key junctures during the study."²⁶ Community advocates may want to explore the possibility of amending their state's SIB legislation to provide for adequate public participation in the allocation of these resources.

In Arizona, half-a-dozen SIB advisory board members are members of the general public appointed by various government bodies, and the meetings of the board are explicitly required to be open to the public.

Advocates should also be aware that SAFETEA-LU itself includes provisions that call for a planning process that protects and enhances the environment, promotes energy conservation, improves the quality of life, and promotes consistency between state and local economic development plans. Additionally, it requires that metropolitan planning organizations (MPOs) develop a plan to ensure that all interested parties "have reasonable opportunities to comment on the contents of the transportation plan."²⁷ All urbanized areas with a population of more than 50,000 are required to have an MPO, one of the core functions of which is to engage the general public and other affected constituencies in developing an overall transportation plan.²⁸ Furthermore, federal law states that funds allocated to provide assistance to a project in an urbanized area of the state (with more than 200,000) can be used "only if the metropolitan planning organization designed for such area concurs, in writing, with the provision of such assistance."²⁹ Thus, at least in urbanized areas, community advocates may be able to participate in developing plans through the MPO and thus ensure that SIB funds are only used to advance projects that conform to those plans.

State-Funded SIBs

Several states—Kansas, Ohio, Georgia, Florida and Virginia—have established SIBs using only state funds. This also allows them to do projects "off the highway," including helping local governments pay for 100-percent local projects. For example, Ohio's state-funded SIB is authorized to fund "any public or private transportation project as determined by the director of transportation," including public transit, aviation, rail, tunnels or parkways.³⁰ Kansas found that its federally-funded SIB couldn't fund the projects that its rural population needed. "We can cover huge projects or a small

community,” said the manager of the state-funded Kansas Transportation Revolving Fund.³¹ The Ohio state-funded SIB manager notes that her institution “has assisted every transportation mode except a water project since its creation.”³² However, even with a state-funded SIB, selection criteria

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or requirements for local matching dollars can stunt interest in the financing program; for example, Georgia’s requirement that only projects that can be funded by the motor fuels tax can qualify³³ means that in the spring of 2011, three years after establishing its SIB, Georgia had made only one loan and had more than \$30 million in transportation funds sitting idle.³⁴ In order for a state-funded SIB to consider the greatest number of

projects, advocates may want to recommend enabling legislation that blends a variety of funding sources to ensure flexibility.

State-funded SIBs also allow state departments of transportation to establish their own regulatory criteria for projects that no longer fall under federal requirements for environmental studies, “Buy America” provisions, or requirements to pay prevailing wages.³⁵ When Virginia announced some private-sector highway projects that might be financed by a new state-funded SIB, media reports noted that these projects were currently undergoing environmental scrutiny as federally-funded projects.³⁶ Virginia has also announced it will implement a “design-build” method of funding projects that allows construction to begin before designs are finalized. While supporters say this method speeds up the construction process, others caution that by combining the phases of a project, it reduces public opportunities for input and could facilitate contractor shortcuts.³⁷ And as the Ohio Department of Transportation explains, local projects using federal SIB funds are obligated to conduct full National Environmental Policy Act documentation of Environmental Impact or Environmental Assessment Statements,³⁸ whereas local projects using state SIB funds need only adhere to state regulations concerning archaeological preservation,³⁹ rules that state nature preserves may only be taken for other public uses,⁴⁰ and Ohio Department of Transportation permits.⁴¹

Toledo’s Promenade Park: SIB-Funded Project to Boost Tourism and Business

Part of Toledo, Ohio’s 2011 Downtown Plan was redeveloping downtown areas along the Maumee River, but the City Council needed to spend capital improvement funds to repair roads, not improve the waterfront park. The Ohio SIB approved using \$2.2 million in leftover funds from a marina project to fund the park, with one-third of money in grants. The project includes plans to reclaim a vacant lot, create a covered stage, and construct terraces for an improved river view with the potential to host concerts, festivals and other events in downtown Toledo. The Toledo City Council is in the process of assessing the project before accepting the loan.

The project is estimated to create 39 full-time equivalent jobs and generate an economic impact of \$9 million.

State-funded SIBs can also be established for non-transportation projects. The Pennsylvania Infrastructure Investment Authority (PENNVEST), created in 1988, is a revolving fund that finances both public and private projects to improve sewer, storm water and drinking water projects through the state’s Clean Water State Revolving Fund and its Drinking Water State Revolving Fund.⁴² PENNVEST has also funded brownfields radiation projects when abandoned mines threatened drinking water supplies.⁴³ Indiana created the Indiana Local Infrastructure Revolving Fund as part of the state budget agency in 1996 to identify infrastructure financing mechanisms available to local communities, including opportunities for the state to enhance the credit quality of municipal bonds and to manage investment pools. These funds can be used for transportation improvements but also for water projects, redevelopment of military bases, juvenile detention centers and other projects.⁴⁴

The California I-Bank: Funding Community Priorities for More Than a Decade

California also has two infrastructure banks, with its state-funded “I-Bank” having very broad discretion in what kind of projects it finances and good criteria that reflect community priorities in choosing projects to fund. By expanding beyond traditional transportation projects, the California I-Bank engages in regional economic development to look at “infrastructure” more holistically than many other states.

Initially capitalized by a \$425-million appropriation, the I-Bank does not get annual appropriations from the state. Instead, it is financed entirely by fees, interest earnings and loan repayments. This model allows the state to fund a wide range of important projects and has important worker standards built into the process to ensure it funds only high-quality jobs. Since it began full operations in 1999, it has grown from \$6 billion to roughly \$30 billion in debt financing.⁴⁵ In crafting the legislation creating the I-Bank, lawmakers especially noted the need to give opportunities for public pension funds and other institutional investors to play a larger role in state economic development and the missed opportunities for regional development that came with local governments bearing the primary responsibility for economic development and job creation.⁴⁶

The California I-Bank is comprised of six primary programs that evaluate and finance small- to mid-sized manufacturing companies, nonprofits, school districts, local government agencies and local infrastructure projects. Because the I-Bank has a broader mandate than other SIBs, it has financed a wide variety of projects, including waste transfer stations and wastewater plant upgrades, energy efficiency loan programs, bond issues for educational facilities and public museums, and industrial bond issues for local companies.⁴⁷ As the I-Bank’s executive director explains, the established criteria were developed through a public hearing process—“quite a long process,” he recalls—that resulted in a set of criteria that is not influenced by political pressure.⁴⁸ “After consultation with all interested parties and technical experts,” he recently told Congress, “a series of public hearings was held throughout the state to insure that criteria were developed leading to the selection of only the best projects.”⁴⁹ Projects are assessed and approved by a board of directors comprised of the secretary of the Business, Transportation and Housing Agency as well as the state treasurer, the secretary of the

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State and Consumer Services Agency, the director of the Department of Finance, and one member appointed by the governor. Its day-to-day operations are overseen by an executive director appointed by the governor and confirmed by the senate.

The I-Bank's Infrastructure State Revolving Fund (ISRF) program, in particular, contains provisions that ensure funds are used on projects that will be of greatest value to local communities. Using the pre-agreed criteria and worker standards developed during the set-up process, the I-Bank has the tools at hand to identify the most promising projects and get them moving efficiently. Eligible applicants include any subdivision of a local or state government and can be used for projects in a broad variety of categories, ranging from roadways to water systems, and public transit to converting military facilities.⁵⁰ In addition to verifying a revenue source for repayment, the sponsoring body must affirm that the project will use existing and future public resources to promote economic development and conserve natural resources; that it will attract, create and sustain long-term job opportunities; that the work can start quickly for short-term opportunities; and, depending on the financing they are seeking, that it will benefit economically distressed communities. To ensure quality jobs, any portions of any project financed with I-Bank funds are required to pay prevailing wages.⁵¹

At the conclusion of each publicly announced application deadline, the ISRF uses a set "Scoring Criteria for Prioritizing Projects." The process awards points not only for the number of jobs created per dollar of financing, but also considers if the project will create indirect jobs by selling goods in other regions. Projects with established relationships with local employment and training entities or that improve the quality of life or provide needed amenities in the community also earn points. Furthermore, projects in economically distressed communities are awarded points over those with high median income or low unemployment levels, as are those that renew and maintain existing urban and suburban areas rather than contribute further to sprawl, or that promote conservation of natural resources.⁵² Even after the selection process, the I-Bank's policies place a premium on quality jobs. Any borrowers that receive I-Bank financing above \$2 million and then award construction contracts must pre-qualify contractors using a state questionnaire that includes disclosures of health and safety violations, wage and hour violations, or environmental violations.⁵³

While the California I-Bank has more requirements than many others, it is still able to award funds in a timely manner and support growth in the state. Between June 2000 and May 2010, the I-Bank board approved 95 ISRF program loans totaling nearly \$417.6 million.⁵⁴ This year, both the speaker of the California Assembly⁵⁵ and the California Business Roundtable⁵⁶ have called for expanding the I-Bank so that it can fund more critical infrastructure improvements in that state.

Challenges to Establishing a State Infrastructure Bank

Not surprisingly, the biggest challenge to establishing a SIB in this economy is funding. Many states are already struggling with shortfalls in transportation dollars. New Jersey, which depends heavily on toll revenues to finance its transportation projects, is looking at shortfalls of more than \$47 million—five percent of its target.⁵⁷ The state's turnpike authority has cut its 2011 operating budget by \$10 million, and rating agencies have lowered their rating on New Jersey turnpike bonds even as the agency tries to implement a 10-year capital improvement program.⁵⁸ In Virginia, maintaining roads alone threatens to deplete the state's Highway Maintenance and Operating Fund, and the state has

been forced to repeatedly shift funds from its Transportation Trust Fund for construction to pay for maintenance.⁵⁹

In federally-funded SIBs, states are required to match federal funds on an 80-20 federal/non-federal basis. Similarly, in SIBs that exclusively use state funds, state lawmakers also need to identify sources of revenue to fund loans. The main source of funding for about half the states is the state motor vehicle fuel tax, though in only a very small number of states (five) this money flows directly to the department of transportation without legislative appropriation. Additionally, in nearly half the states, constitutional provisions prohibit using fuel taxes for any projects that are not highway or road related. In the others, these funds can typically be used for multimodal or other transportation projects.⁶⁰ Furthermore, because gas taxes are levied per-gallon and are typically not indexed to inflation or take into account increased gas efficiency, these funds alone are rarely enough to fund an SIB.

South Carolina, the single largest user of SIB money to fund state projects, originally capitalized its SIB with a \$66-million appropriation from the state's general fund in 1997, but uses a blended revenue stream to fund ongoing operations. As of 2007, 38 percent of its revenues came from truck registration fees, 18 percent from state vehicle taxes, 16 percent from the state gasoline tax, and 6 percent from intergovernmental agreements for construction projects. The remainder, 23 percent, came from investment earnings.⁶¹

For a state-by-state listing of how each funds transportation projects, see the [NCSL's State Profiles](#).

State and Local Strategies for Transportation Funding

Many states recognize they must increase funding for their departments of transportation. As lawmakers and their constituents engage in this dialogue, advocates should urge that some of the revenues be used to fund an SIB. Managed properly, an SIB can attract private capital to infrastructure projects, and the revolving loan structure can, with prudent choices in spending, make the SIB self-sustaining.

Several states are considering an increase in their gasoline taxes. "Essentially, our needs cannot be met without new dedicated taxes and fees," noted the head of the Northern Virginia Transportation Alliance.⁶² The Virginia gas tax hasn't been raised since 1987. Nearby, Maryland lawmakers will consider a 15-cent gas tax increase during their 2012 session and have proposed creating a "lockbox" to ensure the money remains dedicated to transportation improvements.⁶³ In Michigan, lawmakers have proposed repealing the state gas tax entirely, and replacing it with an increase in the sales tax with the extra revenues going to the Michigan Transportation Fund.⁶⁴ Other states have rejected this option. In North Carolina, state law pegs the gas tax to the cost of wholesale fuel prices, allowing it rise and fall with gasoline prices. However, the state's House of Representatives recently voted to block an increase scheduled for January 2012. North Carolina Department of Transportation officials estimate the resulting cut in revenues will mean canceling plans for repaving 400 miles of highways and replacing 72 bridges, costing an estimated 2,800 jobs.⁶⁵ Similarly, in Iowa, the governor has rejected a gasoline tax increase recommended by a specially appointed citizens' panel.⁶⁶ Iowa's gas tax hasn't been raised since 1989.

Increasing the gasoline tax is controversial, and advocates need to make sure that the revenue is used responsibly and equitably. Often, consumers in urban areas pay more in tax receipts than they receive in allocations, effectively subsidizing suburban sprawl. One solution is to ensure that gasoline taxes may also be used to pay for improvements to public transit, congestion relief and air-quality improvement projects that can bring benefits—and jobs—into dense urban areas. Furthermore, gasoline taxes can hit low-income workers with few transportation choices particularly hard. When Minnesota passed its gasoline tax increase in 2008, the legislature included a tax credit for those in the lowest tax brackets to help offset the increased costs.⁶⁷ Drafting legislation that allows today's gasoline taxes to be used to develop mass transit systems is a smart tactic that can help all workers access jobs today and prepares for a future when increasing fuel-efficiency and evolving technologies that allow for alternative work patterns will limit revenues from a gasoline tax.

States are also assessing the possibility of increasing vehicle registration fees. Michigan's governor has proposed a fee of up to \$40 per car to finance local road projects.⁶⁸ Texas legislators have proposed increasing their fees by about \$50.⁶⁹ Advocates need to ensure that vehicle fees are tied to the value of the vehicle; an across-the-board increase would be regressive, forcing drivers of economy cars to pay the same amount as owners of luxury vehicles. Furthermore, advocates in Minnesota believe that their voter-passed sales tax on vehicle sales contains too many exemptions to capture the full revenue opportunities of this strategy. The Minnesota Transportation Alliance has estimated that over \$100 million annually is lost to these loopholes.⁷⁰

Finally, lawmakers should consider new options if we are going to avert widespread collapse of our infrastructure, keep our economies competitive and create quality jobs. While general sales taxes ask even those without cars to finance road improvements, residents of several

states and cities have agreed to pay more at the cash register to preserve transportation systems.⁷¹ Half-a-dozen counties in Minnesota have acted on provisions in that state's 2008 transportation bill allowing them to levy a sales tax dedicated to transportation improvements. While the legislation did

Minnesota: Blending Transportation Funding Streams

In 2008, in the aftermath of the tragic collapse of the I-35W Bridge over the Mississippi River, a coalition of Minnesota community groups, transportation advocates and state lawmakers proposed and won a new transportation funding bill that simultaneously tapped several forms of revenue to finance infrastructure improvements:

- A gasoline tax increase coupled with an additional surcharge. Those in the lowest tax bracket receive a tax credit to offset the increased cost of fuel.
- Authorization for metropolitan counties to levy a 0.25 percent sales tax and an excise tax of \$20 on motor vehicle sales, with the proceeds dedicated to transportation improvements.
- Increased vehicle registration fees.
- Increased fines to reinstate a revoked driver's license.

Department of Transportation officials have said that Governor Mark Dayton will soon announce the formation of a transportation finance task force to identify further revenue sources.

not require voter approval of these taxes, in 2004, voters in Maricopa County, Arizona, approved a similar sales tax increase of a half-cent over 20 years to fund regional transportation efforts there. In late 2008, at the height of the Great Recession, Los Angeles voters approved Measure R, agreeing to a half-cent sales tax that is projected to raise between \$34 billion to \$40 billion over the next 30 years to fund traffic relief and transportation upgrades.⁷² It is important to note, however, that in the ongoing sluggish economy, sales taxes may not raise anticipated revenues. The Arizona tax did not result in as much revenue as forecast in 2010, but it did raise \$299 million that will go into the construction of freeways, improving existing freeways and arterial streets, and expanding public transit systems.⁷³

Creating SIBs That Work

In the current budget climate, pushing for new spending is challenging. However, funding infrastructure improvements is critical: improving transportation networks can cut traffic congestion, enhance productivity for local businesses, put people to work, and prepare our communities for a reinvigorated 21st century economy. State infrastructure banks can be an important tool in this process. They can supply the initial capital to get projects moving quickly, attract private funding, and use repayments from old projects to fund new ones. However, advocates need to be actively engaged to ensure that SIBs use taxpayer money responsibly to finance projects that will truly improve our communities and create quality jobs. Whether one lives in a state that already has an SIB or is working with lawmakers seeking to start a new SIB, it is important to keep some key criteria in mind.

Tips for Advocates

- Push for SIBs to cover a broad a range of projects to address the needs of your community, especially public transit which creates more jobs than automobile-only projects. Consider if the more flexible state-funded model is better for your state's needs than the more narrowly defined transportation-only federally-funded model.
- Push for enabling legislation that specifies the decision-making body and process for the SIB, and make it clear that public input must be part of the project selection process. Urge lawmakers to put citizen representatives on the decision-making board.
- Ensure that SIBs give environmental and job standards serious consideration in funding decisions. Push for enabling legislation for a state-funded SIB that incorporates community protections.
- Push for provisions that protect SIB funding from being raided by lawmakers for other purposes.
- Urge lawmakers to blend financing for state SIB funding from a variety of sources so that no one population carries a disproportionate burden. Push for provisions that will make taxes or fees progressive and that ensure good projects are funded in a variety of communities.

ENDNOTES

¹ See, for example, the text of the “Building and Upgrading Infrastructure for Long-Term Development Act” here:

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³ “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” The Brookings-Rockefeller Project on State and Metropolitan Innovation,” February 2011.
(http://www.brookings.edu/~media/Files/rc/papers/2011/0222_infrastructure_puentes/0222_infrastructure_puentes.pdf)

⁴ Footnote for accompanying textbox: “Physical Infrastructure: Challenges and Investment Options for the Nation’s Infrastructure,” Testimony by Patricia Dalton, Managing Director of Physical Infrastructure Issues before the Committee on the Budget and the Committee on Transportation and Infrastructure, US House of Representatives, May 8, 2008.

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⁵ Testimony of Governor Edward Rendell before the United States Senate Finance Committee, May 17, 2011. Available here: <http://finance.senate.gov/imo/media/doc/Testimony%20of%20Ed%20Rendell.pdf>

⁶ “Metropolitan Transportation Infrastructure Survey,” United States Conference of Mayors, 2010. Available here:

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⁸ “Metropolitan Transportation Infrastructure Survey,” United States Conference of Mayors, 2010. Available here:

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