U.S. State Investments in Water, Sewer, and Transportation Infrastructure: A Survey

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Abstract

State and local capital investment is a major component of infrastructure spending in the United States. Although infrastructure investment typically falls as a share of the economy during initial periods of economic recovery, capital investment as a share of state and local spending has grown over the past two years by the largest amount since 1979. Still, experts warn that the magnitude of estimated current investments is insufficient to fund the growing backlog of deferred maintenance, pay for investments required to modernize core public infrastructure systems, fund repairs through the useful life of assets, and fund strategies that are attentive to the changing climate effects on infrastructure systems. This report examines how fifteen states are funding vital infrastructure assets in three key sectors — water, sewer, and transportation. We identify the macro-level public finance practices states are employing and analyze how current infrastructure investment vehicles being used by states could be optimized and enhanced to allow for expanded investments in public infrastructure maintenance, new projects, deferred maintenance, upgrades, and projects that reflect attention to climate change risks.

Authors biographies

Lourdes Germán, J.D., teaches public finance at the Harvard University Graduate School of Design and is the Founder and Executive Director of the Public Finance Initiative, a fiscally sponsored nonprofit organization of TSNE, which specializes in developing public finance programs that focus on the values of equity, sustainability, and inclusive growth in fiscal decision-making. Lourdes began her career as a public finance attorney at the law firm Palmer & Dodge (now Locke Lord, LLP), after which she served as the Vice President of Municipal Finance at Fidelity Investments. Subsequently, she served as the Vice President and General Counsel at Breckinridge Capital Advisors, followed by her appointment as a Director at the Lincoln Institute of Land Policy, where she helped launch and grow a global program of work on municipal fiscal health. At Lincoln, Lourdes also served on the team of expert advisors to the United Nations Habitat program, supporting the development of a municipal finance policy framework that served as a guide for the Sustainable Development Goals process, as well as co-authoring the book *Finance for City Leaders* (United Nations Press, 2017). Prior to joining Harvard, Lourdes worked in the Carroll School of Management at Boston College, where she served as the Assistant Professor of Practice and Co-Director of the university degree program, Managing for Social Impact. She also co-developed and taught in the Public Finance Certificate Program at the University of Chicago Harris School for Policy. Outside of work, Lourdes was appointed by the Governor of Massachusetts as the Chair of the Massachusetts State Finance and Governance Board, a role she held for over five years.

Andrew Simmons, a consultant to the Public Finance Initiative, is an urban development strategist and social scientist committed to context-sensitive, integrated approaches to development. Working at the intersection of the public and private sectors, he provides interdisciplinary advisory and strategic planning that spans urban infrastructure and investment, climate-policy analysis and ESG-integration, impact evaluation, and place-based approaches to development. As director of urban innovation and sustainability impact with the London-based Resilience Brokers, Andrew works with a variety of local authorities, university research centers,

developers, and multilateral institutions on climate resilience, civic technology, open data policies, sustainability-driven master plans, green infrastructure, and market-aligned visions for urban regeneration projects that produce wide-ranging public benefits. Past appointments include serving as a project manager contractor on a major mixed-use, mixed-income property development by Eastern Market on Capitol Hill in Washington, D.C., completed in 2017, and with the PPJ consortium as heritage planner for the Vietnam Ministry of Construction's Greater Hanoi Capital Master Plan. With Arup, the famed U.K. engineering consultancy, Andrew led a team of social scientists from the Shanghai office for Arup's world-pioneering, low-carbon planning projects in China, the U.K., and beyond. Andrew is a guest lecturer and critic at the Harvard University Graduate School of Design and has reviewed planning projects for the World Bank. Recent co-authored publications include, "The healthy city: A futuristic reimagining of the urban economy and built environment and vision for the city in 2050," a report for the U.K.'s Key Cities group, and "Financing renewable-energy and energy-efficiency projects: public equity instruments: an analysis of REITs, MLPs and yieldcos," for the National Institute of Building Sciences.

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The noted individuals were asked to review the draft because of their diverse perspectives and technical expertise. The purpose of this independent review was to provide candid and critical comments on the analysis and reasoning contained in the report so as to assist The Pew Charitable Trusts in making this report as sound as possible. Although the reviewers listed above provided many constructive comments and suggestions, they were not asked to endorse the conclusions or recommendations, nor did they see the final draft of the report before its release.

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I. Introduction

State and local capital investment are major components of infrastructure spending in the United States. Although infrastructure investment typically falls as a share of the economy during initial periods of economic recovery, capital investment as a share of state and local spending has grown over the past two years by the largest amount since 1979.[1] Experts observe that U.S. state and local governments spend approximately half a trillion dollars annually on transportation, water, and sewer infrastructure and operating costs, with about twenty-five percent of such expenditures funded with federal grants.[2] Still, experts warn that the magnitude of estimated current investments is insufficient to fund the growing backlog of deferred maintenance, pay for investments required to modernize core public infrastructure systems, fund repairs through the useful life of assets, and fund strategies that are attentive to the effects of climate change on infrastructure systems.[3]

Quantifying and measuring the level of infrastructure investment needed across all fifty U.S. states is challenging because it would require accurate measurement of several factors, which are often not reported with consistency state-by-state, including the net investment in existing infrastructure, estimates of the expected useful life of the assets, depreciation, deferred maintenance, planned upgrades that are distinct from maintenance, and other factors.[4] Only states with a comprehensive infrastructure asset costing and management system for different functional areas of infrastructure investment are reporting a single quantified estimate of infrastructure investment needs in different functional areas with certainty. Several industry groups provide their own estimates using surveys and other research methods, including the National Association of Insurance Commissioners and the American Society of Civil Engineers. These estimates suggest that the long-term infrastructure investment gap in the United States has grown from $2.1 trillion over ten years to $2.59 trillion, with the highest needs and funding gaps present in the functional areas of transportation, water, wastewater, and sewer projects.[5]

This report examines how states are funding vital infrastructure assets generally, with attention to state investments in three key sectors — water, sewer, and transportation. In Part II, we outline our methodology to survey the leading public finance strategies, methods, and tools that are being employed across a subset of fifteen states to realize investments in water, sewer, and transportation assets. The methodology and approach to this research prioritized a qualitative approach that begins with examining and understanding the unique complexities of U.S. public finance systems, as established by the framework of fiscal governance, in each of the fifteen states we selected to analyze in this report. To that end, in Part III we present

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[1]US Treasury, Infrastructure Investment in the United States, December 27, 2023, https://home.treasury.gov/news/featured-stories/infrastructure-investment-in-the-united-states.
[2]Pew, State and Local Governments Face Persistent Infrastructure Investment Challenges, February 3, 2023, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/02/03/state-and-local-governments-face-persistent-infrastructure-investment-challenges.
[3]Pew, State and Local Governments Face Persistent Infrastructure Investment Challenges, February 3, 2023, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/02/03/state-and-local-governments-face-persistent-infrastructure-investment-challenges
[4]National Bureau of Economic Research, "Measuring Infrastructure Investment in the United States" https://www.nber.org/digest/sep20/measuring-infrastructure-investment-united-states, September 1, 2020
[5]Infrastructure Report Card, *Infrastructure Investment* Gap 2020-2029, 2021, https://infrastructurereportcard.org/economics/investment-gap-2020-2029/.

jurisdictional summaries for each state that describe how the state and public authorities within the state share legal mandates to fund the water, sewer, and transportation sector infrastructure investments, within the framework of fiscal governance that is specific to each jurisdiction. The state-specific jurisdictional summaries in Part III also delve into the revenue and expenditure base of each state, and describe select key public finance mechanisms that states use (e.g., revolving loan funds, municipal bonds, etc.) to fund infrastructure investments in water, sewer, and transportation.

Three components are required to arrive at a single quantified estimate of the total investments in transportation, water, and sewer infrastructure in any one state: (1) aggregate investments made by the state on infrastructure projects in the noted sectors, on a stand-alone basis; (2) aggregate investments made by state authorities or state component units of government whose balance sheet is separate from the state, on infrastructure projects in the noted sectors; and (3) aggregate investments made by municipal governments (counties, cities, towns, districts, etc.) who fund infrastructure projects within the state's boundaries using their own fiscal base or funding raised via channels enabled by states or state authorities (e.g., state revolving loan funds, etc.), and who own and maintain infrastructure assets. The scope of our research was limited to examining only the activities arising in states and state authorities that serve as component units of government for states, with mandates to fund water, sewer, and transportation, and did not encompass or account for investments made by municipal governments. Accordingly, this report does not put forward a single quantified estimate of infrastructure investments in each of the fifteen states because the aggregate investments made by municipal governments (counties, cities, towns, districts, etc.) was outside the scope of our research and, thus, was not calculated.

Although a single quantified estimate of infrastructure investment in states is not reported, this report identifies state-level qualitative practices and trends in infrastructure funding for water, sewer, and transportation projects in Part IV. Part IV presents what states and state public authorities are doing at a macro level to fund water, sewer, and transportation projects with own-source revenues and other public finance avenues (public-private partnerships and bonds, among others), and examines how states are channeling funds to municipalities who own transportation, water, and sewer assets to enable their investments in the noted sectors. We also place emphasis on noteworthy efforts across states that are funding climate change priorities in the context of water, sewer, and transportation projects, elevating novel approaches.

Our analysis in Part IV also articulates whether any of the investment vehicles being used by states could be optimized, enhanced, or better leveraged 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. As part of that analysis, we identify how states could potentially expand resources they pass through to localities to enable them to have better public finance avenues and greater resources to invest in water, sewer, and transportation projects.

We conclude the report in Part V by identifying important avenues of future inquiry and questions that should be explored if the study is expanded or broadened to examine patterns across additional states or sectors of investment.

II. Methodology

A major component of infrastructure spending in the U.S. flows through states and their public authorities. In order to examine 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 selected fifteen states as the unit of analysis for this project in consultation with the team at the Pew Charitable Trusts: (1) California; (2) Georgia; (3) Idaho; (4) Illinois; (5) Kentucky; (6) Maryland; (7) Massachusetts; (8) Missouri; (9) Montana; (10) Nebraska; (11) New Mexico; (12) New York; (13) Pennsylvania; (14) Texas; and (15) Washington.

For each state, we gathered four initial primary source documents that provide a holistic view of the framework of fiscal governance in a state: (1) the state constitution; (2) annual audited financial statements; (3) annual information statements; and (4) comprehensive annual financial reports. Our analysis of the noted primary source documents for each state provided a starting point to construct individual jurisdictional summaries for each state that appear in the sections that follow. The jurisdictional summaries outline the scope of each state's own-source revenue authority (i.e., the authority to leverage different own-source and intergovernmental revenues, etc.) and the public finance avenues each state is authorized to leverage outside of their own-source revenue authority, including tax increment financing, public-private partnerships, and other innovative financing approaches.

The jurisdictional summaries also outline the functional expenditure mandates that each state is responsible for in the infrastructure sectors that are being examined in this project (e.g., water, surface transportation, etc.), and examine whether that mandate is fulfilled alone or in cross-jurisdictional partnerships with state public authorities or other governmental entities (e.g., municipalities, counties, districts, etc.). This helped us to identify whether other state entities have apparent authority and oversight to invest and carry out projects in the infrastructure sectors that are prioritized in this project, and to gather primary source documents for such entities (e.g., state water authority, state bond banks, etc.).

After we reviewed the content of the primary documents for each state, described above, we extracted data from each state's "Statement of Revenues, Expenditures and Changes in Fund Balance", within the audited financial statements for the last three fiscal years, and constructed the full revenue and expenditure profile of each state's governmental fund. That data from the audited financial statements of each state allowed us to examine the composition of revenues that each state relies on and the structure of each state's governmental fund. To compare revenues across the fifteen states selected for this project, we classified each individual revenue source in the governmental fund into the following four categories for each state: (1) own-source revenues from taxes; (2) own-source revenues from charges, fines, and fees; (3) intergovernmental revenues; and (4) other revenues (e.g., investment earnings, departmental

revenues, and revenues from legal judgments, land sales, mineral rights, etc.).[6] By classifying state revenues in accordance with the noted taxonomy, summarized in Table I, we were able to report and analyze the percent dependency of states on intergovernmental revenue (e.g., federal aid, shared revenues, etc.) versus own-source revenues and the composition of federal aid in the governmental fund.

Table I: State Revenue Classification Table

Classification Category	Summary	Example
Own-Source Revenues (Taxes)	Revenues raised, administered, and collected by the state from tax sources.	Property Tax, Sales Tax, Income Tax, Corporate Tax
Own-Source Revenues (Fines, Fees, Charges)	Revenues raised, administered, and collected by the state from fines, charges, or fees.	Motor Vehicle License Fees and Fines
Intergovernmental Revenues and Grants	Revenues provided to the state from a higher level of government (i.e., the federal government) in the form of competitive, discretionary, or other grants.	American Rescue Plan Act Fund, Inflation Reduction Act Funds
Other Revenues	Revenues of the state which are either raised by one-time events, potentially non-recurring events, or which are generated as passive income from investment activities undertaken by the state	Investment Earnings, Revenues from the Sale of Land or Disposition of Assets, Revenues from Mineral Rights, Grants from Philanthropic Funders

It is important to note that the audited financial statements of states are, by their nature, limited because they report historical costs for infrastructure assets and do not reflect the true opportunity cost of rebuilding or repairing those systems, at present. However, such reports provide a more robust picture of state revenues, expenditures, and liabilities. They also reflect the character and fund structure of state governments that are not offered by other sources, including the U.S. Census.

It's important to recognize that in many U.S. states, it is a common practice to create separate authorities pursuant to state legislation that enable such authorities to maintain and finance water systems, sewer systems, and transportation infrastructure assets, and for such authorities to channel funding to local governments, who play a role in funding, building, or maintaining the noted capital assets. It is also a common practice in many U.S. states for sewer and water systems, as well as certain components of transportation systems (e.g., roads, etc.), to be wholly owned and maintained by local governments. Where local governments own

[6]The classification is based on the generally accepted/most widely used approach in public finance globally and for US jurisdictions. UN Habitat for a Better Urban Future, Finance for City Leaders Handbook Source, 2nd ed., 2017, 1-352. Urban Institute, State and Local Backgrounders, March 28, 2024, www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues.

infrastructure assets, the data regarding true and full infrastructure costs and the public finance strategies that are being leveraged to fund such assets would be reported primarily in the audited financial statements of local governments, and is outside the scope of this research project. In order to gain a holistic view of infrastructure investment trends, with awareness of the noted limitation, our methodology reflected two approaches when examining water, sewer, and transportation infrastructure investments.

When documenting and analyzing state investments in transportation with a holistic lens, we relied on two principal sources: (1) the comprehensive annual financial reports, or audited financials, of each state; and (2) the information presented in each state's Statewide Transportation Improvement Program (STIP) report. We first examined STIP reports to gain a comprehensive view of how transportation finance was carried out and structured in each state because each state is required under 49 U.S.C. 5304(g) to develop a statewide transportation improvement program (STIP) covering a period of at least four years. The STIP reports also present a holistic approach to understanding statewide investment approaches and trends at a macro level across a range of transportation projects, including surface transportation, highways, transit, bridges, intermodal programs, and other projects in alignment with regional and metropolitan plans within the state and the state authorities (if any). STIP reports also presented important qualitative information focused on approaches to measuring transportation asset operational efficacy and deferred maintenance. After reviewing the STIP reports, together with other primary materials for each state described earlier (i.e., constitution, etc.), we created a visual diagram of the key state authorities with a mandate for transportation funding, relying on data from STIP reports and other primary resources presenting that information in each state's jurisdictional summary. We then examined the state's audited financials and manually transcribed data from the "Statement of Net Position" that would provide a composite view of state investments in infrastructure assets on an aggregate basis from the state as a primary unit of government, and other component units of government who shared the mandate.

When documenting and analyzing state investments in water and sewer infrastructure assets with a holistic lens and attention to the limitations described earlier, we first identified the state authorities and component units of state governments that share a mandate for water and sewer infrastructure investment, and created a visual diagram in each state's jurisdictional summary. We then examined the state's audited financials and manually transcribed data from the "Statement of Net Position" that would provide a composite view of state investments in water and sewer infrastructure assets on an aggregate basis, where available, for the state as a primary unit of government, and other component units of government who shared the mandate. In addition, recognizing that the majority of water and sewer investment occurs via state revolving funds (SRF) which leverage Environmental Protection Agency revenues to channel funding to local governments who own and manage local water and sewer system assets, we gathered and analyzed trends in SRF spending by examining select core indicators

and variables for Clean Water SRF programs, described on Table II, and Drinking Water SRF Programs, described on Table III.

Table II: Clean Water State SRF Indicators Selected for Analysis

Category	Indicator(s)
Federal Grant Dollars	Total Annual Federal Grants Cumulative Federal Grants
CWSRF Fund Investment Summary (Calculated Values)	Annual Capitalization Grants Cumulative Capitalization Grants
Outlays (Dollars)	Annual Cumulative State Contributions (Annual) State Contributions (Cumulative)
State Match Contributions (Deposited Dollars)	Total Annual Match Contributions Cumulative Match Contributions
Assistance by Project Population Size (Dollars)	Less than 3,500 3,500-9,999 10,000 to 99,999 100,000 and above Total Annual Assistance Total Cumulative Assistance
All Assistance to Hardship Communities	Annual Dollar Amount of Assistance to Disadvantaged Communities Cumulative Dollar Amount
Assistance to Indian Tribes	Annual Dollar Amount
CWSRF Project Assistance Disbursed	Annual Cumulative
CWSRF Funds Available for Projects	Annual Cumulative
CWSRF Assistance as a Percent of Funds	Annual Cumulative
Financial Indicators Based on Cumulative Activity	Undisbursed Funds to Average Disbursements (Years to Disburse)

Table III: Drinking Water State SRF Indicators Selected for Analysis

Category	Indicator(s)
Federal Grant Dollars	Total Annual Federal Grants Cumulative Federal Grants
DWSRF Fund Investment Summary (Calculated Values)	Annual Capitalization Grants Cumulative Capitalization Grants
Outlays (Dollars)	Annual Cumulative State Contributions (Annual) State Contributions (Cumulative)
State Match Contributions (Deposited Dollars)	Total Annual Match Contributions Cumulative Match Contributions
Assistance by Project Population Size (Dollars)	Less than 501 501 to 3,300 3,301 to 10,000 10,001 to 100,000 100,001 and above Total Annual Assistance Total Cumulative Assistance
All Assistance to Disadvantaged Communities	Annual Dollar Amount of Assistance to Disadvantaged Communities Cumulative Dollar Amount
Assistance to Indian Tribes	Annual Dollar Amount Cumulative Dollar Amount
DWSRF Project Assistance Disbursed	Annual Cumulative
DWSRF Funds Available for Projects	Annual Cumulative
DWSRF Assistance as a Percent of Funds	Annual Cumulative
Financial Indicators Based on Cumulative Activity	Undisbursed Funds to Average Disbursements (Years to Disburse)

Outside of own-source revenues and intergovernmental revenues, states and their authorities rely on other avenues of public finance to raise money from the private sector, including via the issuance of municipal bonds, notes, and other debt instruments. To analyze municipal debt issuance patterns and trends across the fifteen states selected for this study, we documented whether and how states and their authorities use municipal debt, and documented noteworthy constitutional or statutory limitations regarding debt issuance. Our analysis

documented whether states and state authorities are issuing debt with designations for noteworthy projects known as “ESG-labeled issuances”, and which label the securities issuance as “green”, “sustainable”, “social”, or “sustainability-linked” as a signal to investors that the projects funded by the bonds will also further environmental, social, or governance (“ESG”) objectives. We elevate examples of such issuances in this report where all or part of the issuance appears to fund projects within the sectors prioritized in this report, or funds climate change-focused projects.

We also survey whether and how states and state authorities with the legal mandate for water, sewer, and transportation spending are using public-private partnerships (P3s) to fund infrastructure. P3s can take many forms when used by states and state authorities, and can also have multi-jurisdictional participants. We survey how states define and use P3s, with concern for variations that exist in the rationales for undertaking a P3, their structures, and in how states handle and report P3s in their financials. We also consider whether novel or innovative strategies in the sectors prioritized in this project (transportation, etc.) are being led by private sector actors in configurations that vary from well-established P3 models.

In addition to analyzing the amount of funding that states and their authorities are investing in water, sewer, and transportation infrastructure projects and the instruments of public finance they are leveraging towards that end, we also engaged in a qualitative analysis of select key issues that are vital to understanding the nature of infrastructure spending patterns in the sectors prioritized in this project (water, sewer, transportation, etc.). For example, we considered how and whether states articulate the presence of, or an approach to assessing, deferred maintenance risk in transportation and other sectors with consistency.

Finally, we examined whether or not the infrastructure strategy at the state level appears to be attentive to climate-related concerns and the kinds of public finance strategies (if any) being used to fund climate investments in water, sewer, or transportation projects. In order to identify and assess whether states are using public finance vehicles to fund climate change, it was important to establish a clear definition of climate change to guide our research. To that end, this report adopted the definition of climate change of the United Nations: “climate change refers to long-term shifts in temperatures and weather patterns that occur as a result of natural forces or human activities.”[7]

While shifts in climate can result from natural forces, including variations in the solar cycle, experts at the United Nations observe that since the 1800s human activities have been the main driver of climate change, primarily due to the burning of fossil fuels like coal, oil, and gas. Climate change risks often manifest as events of extreme weather volatility and intensity.[8] Experts at the Climate Bonds Initiative observe that, because of climate change, jurisdictions

[7]The United Nations, What is Climate Change, March 28, 2024, https://www.un.org/en/climatechange/what-is-climate-change.
[8]The United Nations, What is Climate Change, March 28, 2024, https://www.un.org/en/climatechange/what-is-climate-change.

often experience "greater and more severe incidence of floods, storms and droughts… accelerating global temperatures [which] negatively [affects] our food and water supply, health of our oceans…fragile ecosystems which rely on planetary health and biodiversity."[9] Given the complex nature of climate change, there is no single reporting standard to identify public finance vehicles that address climate-related risks as well as mitigation, adaptation and resilience efforts. Accordingly, when we surveyed the practices of the fifteen states in the study, the result of our scan was non-exhaustive and focused on identifying select instances and examples where states articulated a clear intent to fund climate-related activities using that explicit terminology, and we documented the public finance instruments such states were employing.

III. Individual State Jurisdictional Summaries

California State Jurisdictional Summary

California Framework of Fiscal Governance, Budget, and Appropriations Process

In California, the framework of fiscal governance is governed by the Constitution of the state of California, along with various statutes.[10] The annual budget process begins when the California State Legislature approves an annual budget that is constructed with estimates of revenues and expenditures for the coming fiscal year and reflects the negotiations between the Governor and state legislature.[11] The California State Comptroller is responsible for controlling revenues and expenditures for each appropriation in the budget.[12]

The annual budget, which serves as the foundation for the state of California's financial planning, is submitted by the governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the legislature by June 15 each year.[13] The recommended budget submitted by the Governor traditionally includes estimated revenues even though revenues are not included in the annual budget bill that is adopted by the California State Legislature.[14] California's statutes that govern the state's public finances further provide that the state cannot adopt a spending plan that exceeds estimated revenues.[15]

The California Constitution is the principal source that governs state appropriations, providing that funds may be drawn from the state's treasury only through a legal appropriation.[16] Accordingly, the appropriations contained in the Budget Act, as approved by the legislature and signed by the governor, are the primary sources of annual expenditure authorizations.[17] The noted appropriations establish the legal level of control for the state of California's annual

[9]The Climate Bonds Initiative, Financing credible Transitions, September, 2020, 1-40.
[10]Justia US Law, California Constitution, March 28, 2024, https://law.justia.com/constitution/california/.
[11]State of California, Annual Comprehensive Financial Report, March 23, 2023, 20. Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.
[12]State of California, Annual Comprehensive Financial Report, March 23, 2023, 20.
[13]State of California, Annual Comprehensive Financial Report, March 23, 2023, 20.
[14]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89.
[15]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89.
[16]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89.
[17]State of California, Annual Comprehensive Financial Report, March 23, 2023, 90.

operating budget.[18] After the budget is constructed, it can be amended throughout the year only by special legislative action, budget revisions by the Department of Finance, or executive orders of the governor.[19]

In California's budget process, appropriations are available for expenditure, or can be encumbered either in the year appropriated or for a period of three years if the legislation does not specify a period of availability for the appropriation.[20] The encumbering authority for the unencumbered balance lapses at the end of the period of availability.[21] Some state appropriations in California, however, continue indefinitely, while other appropriations are available until fully spent.[22] Additionally, encumbrances must generally be liquidated within two years from the end of the period in which the appropriation is available, or the spending authority for the encumbrances lapses.[23]

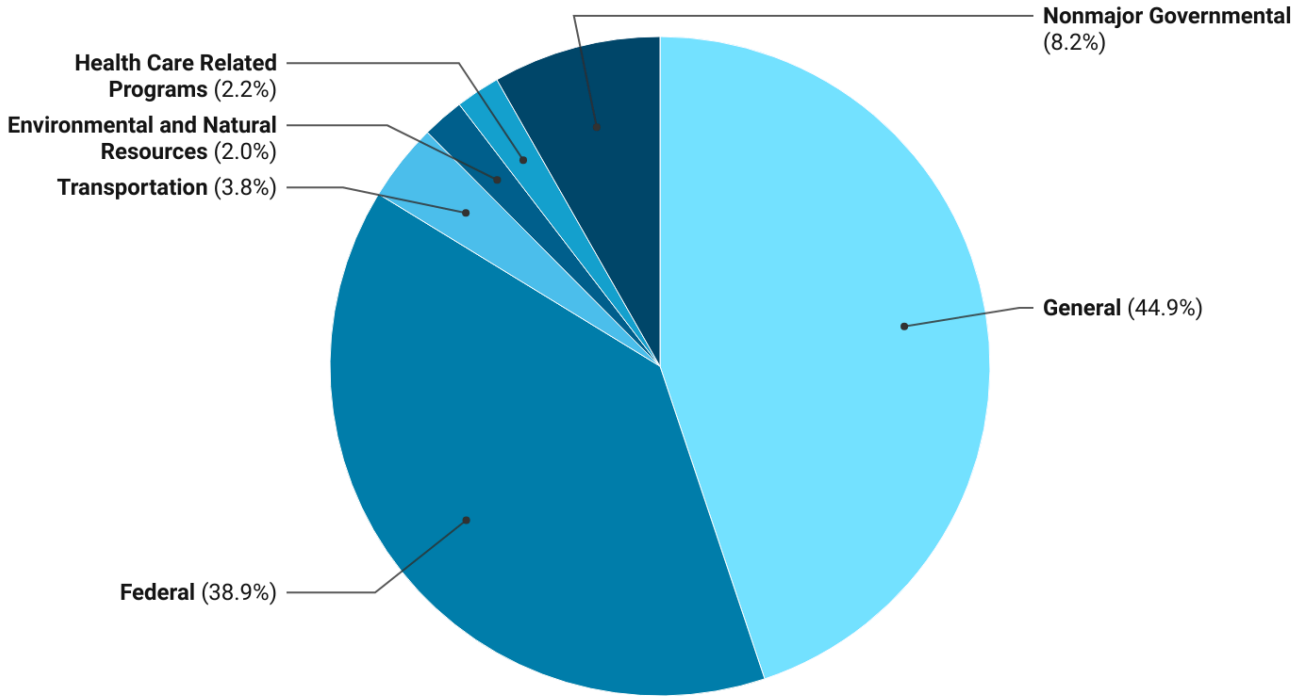
Article 16, Section 20 of the California State Constitution authorizes the creation of a budget stabilization account, which is reported in the state's general fund.[24] Every fiscal year, a transfer must be made from the state's general fund to the budget stabilization account in an amount equal to one half of (a) 1.5 percent of the estimated general fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of eight percent of estimated general fund taxes for that fiscal year less amounts that must be spent on Proposition 98.[25] The remaining half of the calculated amount is used as appropriated by the state legislature to pay down interfund loans, debts to local governments, or debts for pension and retiree health benefits.[26] If the governor declares a budget emergency, the California State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the state's budget stabilization account.[27] In instances when California's budget stabilization account reaches ten percent of the estimated general fund revenues for any fiscal year, the amount that would have been transferred to the budget stabilization account would instead be used to build and maintain infrastructure.[28]

California Revenues and Primary Funding Sources for Infrastructure and Operations

[18]State of California, Annual Comprehensive Financial Report, March 23, 2023, 90.
[19]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[20]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[21]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[22]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[23]State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[24]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
[25]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[26]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[27]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.
[28]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.

The structure of the governmental fund in California is composed of the general fund and the other restricted and proprietary funds described in Chart I.

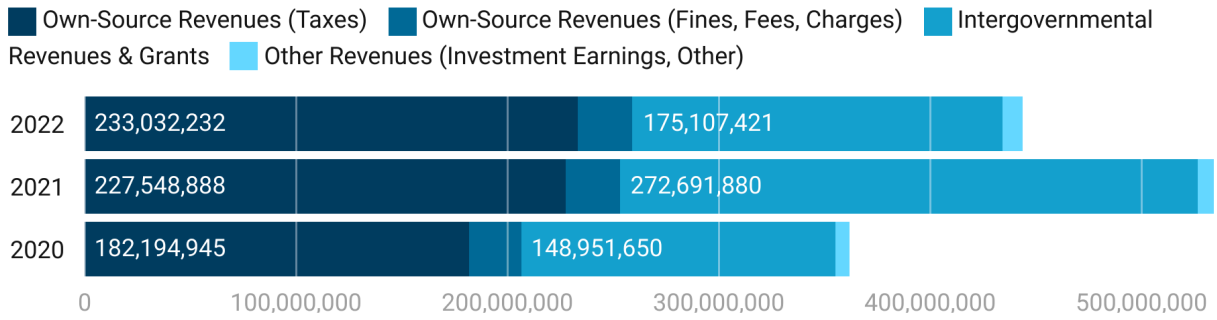
Chart I: State of California Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of California's governmental fund and used to fund operations and infrastructure are demonstrated in Chart II, which presents a revenue diversity analysis in the state's governmental fund across a three-year period.

Chart II: State of California Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the year ending June 30, 2022; Annual Comprehensive Financial Report for the year ending June 30, 2021; Comprehensive Annual Financial Report for the year ended June 30, 2020 Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

As noted in Chart I, outside of the state's General Fund, in California the major governmental funds are the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund.[29]

In addition to funding that leverages own-source and intergovernmental revenues noted above, the California State Constitution enables the primary government to issue general obligation bonds for specific purposes, where it is approved by a two-thirds vote of both houses of the California Legislature and approved by a majority of voters in a general or direct primary election.[30]

The California Constitution further authorizes the payment of debt service for general obligation bonds from the General Fund, providing that the General Fund is used first to support the public school system and public institutions of higher education, and then can be used to provide payments of debt service on outstanding general obligation bonds.[31] General obligation bonds can also be secured with pledged revenues from special enterprise funds, and in such cases the liability for repayment of debt service can come from the general fund in cases where debt service payments are insufficient within the applicable enterprise fund account.[32]

In addition, like many states, California leverages the use of tax increment financing (TIF) as a state-approved mechanism that enables local governments to channel funding to urban areas, economic development, and infrastructure projects. There are several tax increment

[29]State of California, Annual Comprehensive Financial Report, March 23, 2023, 20.
[30]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/. State of California, Annual Comprehensive Financial Report, March 23, 2023, 157.
[31]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/. State of California, Annual Comprehensive Financial Report, March 23, 2023, 157.
[32]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/. State of California, Annual Comprehensive Financial Report, March 23, 2023, 157.

financing tools that are available to local governments in California, including but not limited to Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs), which authorize expansive and broad uses of tax increment financing.[33] EIFDs, enabled in 2014, and CRIAs, enabled in 2015, are key public finance vehicles that California local governments use to finance regional infrastructure projects and public facilities via TIF.[34]

In California, localities can use EIFDs to finance a large range of capital projects and public works, in sectors that include transportation, sewage, transit, and bridges, among others.[35] The financed projects do not need to be located within the EIFD boundaries but must have a "tangible connection" to the district.[36] Experts observe that, in California, EFIDs "are only able to collect property tax increment from cities, counties, and special districts that voluntarily agree to contribute those funds, and cannot collect tax increment from K-12 school districts, community college districts, and county offices of education."[37]

CRIAs are authorities in California that are enabled to use tax increment financing to finance projects within a designated revitalization area with specific criteria, leveraging tax increment funding for infrastructure and housing in disadvantaged communities.[38] At least 80 percent of properties in a CRIA revitalization area must have a median annual household income of 80 percent of the statewide, countywide, or citywide annual median income, pursuant to metrics chosen by the CRIA.[39]

The Climate Resilience District Act in California enabled cities and counties in California to form Climate Resilience Districts (CRDs) as a specialized type of EIFDs and to fund projects

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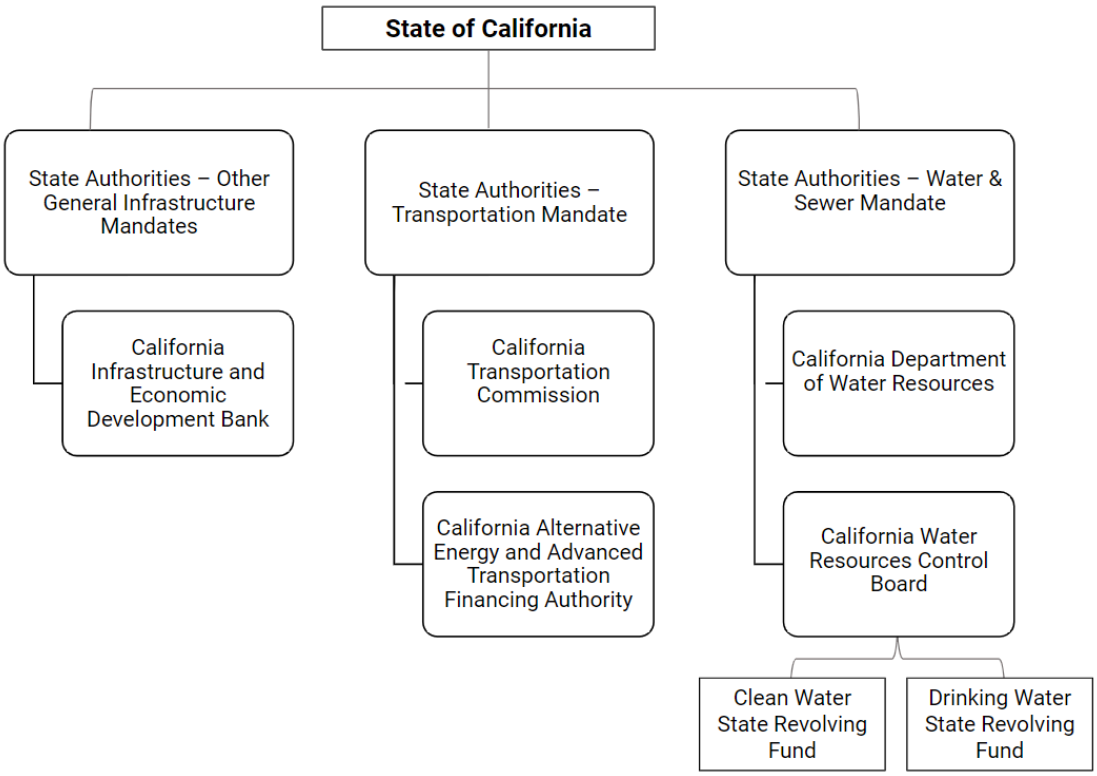
[33]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, https://caled.org/wp-content/uploads/2023/07/05.04.23_CALED_TIF_2ndEdition.pdf.
LegiScan, California Senate Bill 628, March 28, 2024, https://legiscan.com/CA/text/SB628/id/845549;
Senate Committee on Transportation and Housing, Assembly Bill 2, July, 2015,
http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_0001-0050/ab_2_cfa_20150709_162739_sen_comm.html.
Assembly Bill 2 authorizing the formation of Community Revitalization and Investment Authorities (CRIAs).
[34]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, 8.
[35]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, 8-12.
[36]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, 8-12.
[37]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, 8-12.
[38]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., 1-39. California Senate, California Senate Bill 628, May 14, 2013, https://legiscan.com/CA/text/SB628/id/845549.
San Joaquin Valley Regional Planning Agency Policy Council, Community Revitalization and Investment Authority (CRIA), March 28, 2024,
https://sjvcogs.org/funding-and-financing/community-revitalization-and-investment-authority-cria/.
Senate Committee on Transportation and Housing, Community Revitalization and Investment Authority, July 14, 2015,
http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_0001-0050/ab_2_cfa_20150709_162739_sen_comm.html.
[39]California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., 1-39. San Joaquin Valley Regional Planning Agency Policy Council, Community Revitalization and Investment Authority (CRIA), March 28, 2024,
https://sjvcogs.org/funding-and-financing/community-revitalization-and-investment-authority-cria/.
Senate Committee on Transportation and Housing, Community Revitalization and Investment Authority, July 14, 2015,
http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_0001-0050/ab_2_cfa_20150709_162739_sen_comm.html.

that address climate change mitigation, adaptation, or resilience.[40] While examining whether and how local governments in California are actually implementing CRDs is outside the scope of this report, it appears that at least one local jurisdiction in California is putting forward a ballot measure to potentially implement CRDs.[41]

California Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In California, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram I.

Diagram I: California Select Infrastructure Funding Mandates Shared Across State Entities



In California, transportation funding is a shared legal mandate across several state departments and entities. The thirteen-member California Transportation Commission (CTC) is responsible for programming and allocating funds for the construction of highway, passenger rail, transit and active transportation improvements throughout California, and advises the Secretary of the California State Transportation Agency and the California Legislature in

[40]California Senate, California Senate Bill 628, May 14, 2013, https://legiscan.com/CA/text/SB628/id/845549. California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., 1-39.
[41] Mary Callahan, "Public Meeting Scheduled Wednesday on Sonoma County Climate Initiative, Potential Tax Measure", The Press Democrat (April 18, 2023) ttps://www.pressdemocrat.com/article/news/public-meeting-scheduled-wednesday-on-sonoma-county-climate-initiative-plan/

formulating and evaluating state policies and plans for California's transportation programs.[42] Funding for transportation is supported primarily by the Transportation Fund. The Transportation Fund in California accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction.[43] The Transportation Fund's revenues are derived, in major part, from the California Road Repair and Accountability Act of 2017, Senate Bill 1, which invests $5.4 billion annually to fix roads, freeways, and bridges in communities across California, and provides funding for transit and safety projects.[44] Additionally, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation and related solar energy facilities located throughout the state.[45]

Water and sewer funding is managed in California by the California Department of Water Resources (California DWR) and the California State Water Resources Control Board. The California DWR oversees California's water resources, systems, and infrastructure, including the state water project; prevents and responds to floods, droughts, and catastrophic events; plans for future water needs, climate change impacts, and flood protection; and constructs and maintains facilities, among other responsibilities.[46] The California State Water Resources Control Board administers the state's clean water state revolving fund program and drinking water state revolving fund program.

The California Infrastructure and Economic Development Bank (California IBank) is a state authority with the mandate of financing public infrastructure and private development that promotes a healthy climate for jobs, and which contributes to a strong economy for California communities.[47] The California IBank can issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, leverage state and federal funds, and administer the state's Infrastructure State Revolving Fund (ISRF) Loan Program, Climate Catalyst Revolving Loan Fund, and other financing programs.[48]

Georgia State Jurisdictional Summary

Georgia Framework of Fiscal Governance, Budget, and Appropriations Process

The constitution of the state of Georgia provides the framework for a state government composed of the legislative, judicial, and executive branches, and also sets the foundation for key components of the state's framework of fiscal governance for the state and its component units of government, together with sections of the Official Code of Georgia Annotated.[49] Most

[42]California Transportation Commission, Welcome to California Transportation Commission, March 28, 2024, https://catc.ca.gov/.
[43]State of California, Annual Comprehensive Financial Report, March 23, 2023, 22.
[44]Caltrans, Senate Bill 1 (SB1), March 28, 2024, https://dot.ca.gov/programs/
[45]State of California, Annual Comprehensive Financial Report, March 23, 2023, 160.
[46]California Department of Water Resources, What We Do, March 28, 2024, https://water.ca.gov/What-We-Do.
[47]California Infrastructure and Economic Development Bank (IBank), What is IBank?, March 28, 2024, https://www.ibank.ca.gov/#.
[48]California Infrastructure and Economic Development Bank (IBank), What is IBank?, March 28, 2024.
[49]State of Georgia, Constitution of the State of Georgia, March, 2019, https://sos.ga.gov/sites/default/files/2022-02/state_constitution.pdf.
State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022
LexisNexis, Georgia General Assembly, March 28, 2024, https://advance.lexis.com/container

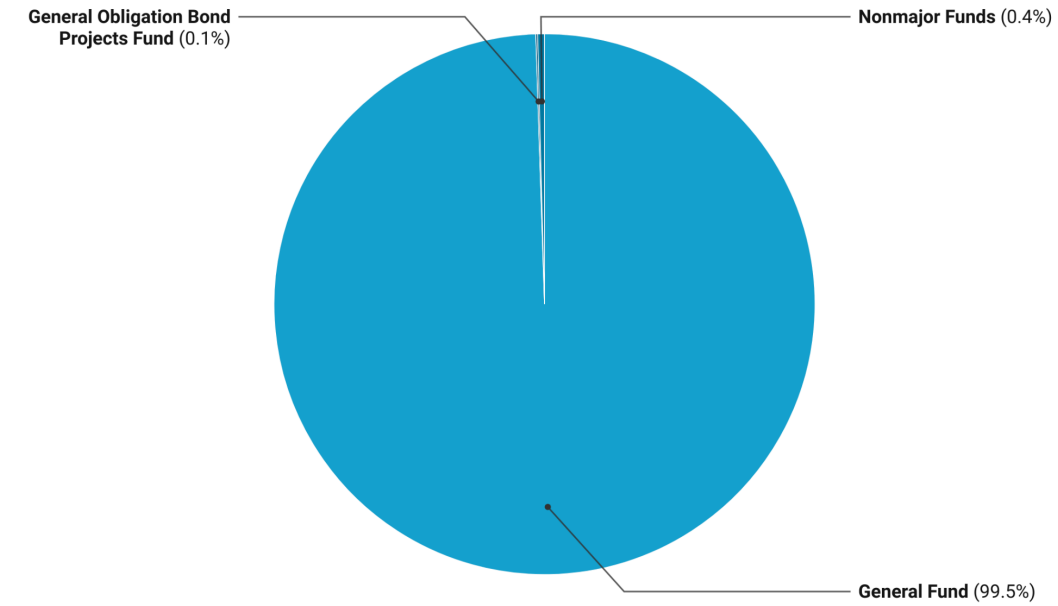
notably, the state of Georgia Constitution requires that budgeted expenditures not exceed the estimated revenues and funding sources, including beginning fund balances.[50] Each year, the governor of Georgia submits a balanced budget by program to the state legislature.[51] A core mechanism that enables budgetary control in the state of Georgia is the formal appropriations and allotment process that ensures compliance with the state of Georgia Appropriations Act, that reflects the Georgia General Assembly's approval of the annual budget.[52]

The state of Georgia has also established, and maintains, a Revenue Shortfall Reserve (RSR) which provides for the management of excess revenue collections in any given fiscal year. By law, all surplus state funds existing at the end of each fiscal year are reserved and added to the RSR, and funds held in the RSR carry forward from fiscal year to fiscal year without reverting to the revenue collections fund within the General Fund at the end of a fiscal year.[53]

Georgia Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in Georgia is composed of the general fund and the other restricted and proprietary funds described in Chart III.

Chart III: State of Georgia Structure of the Governmental Fund

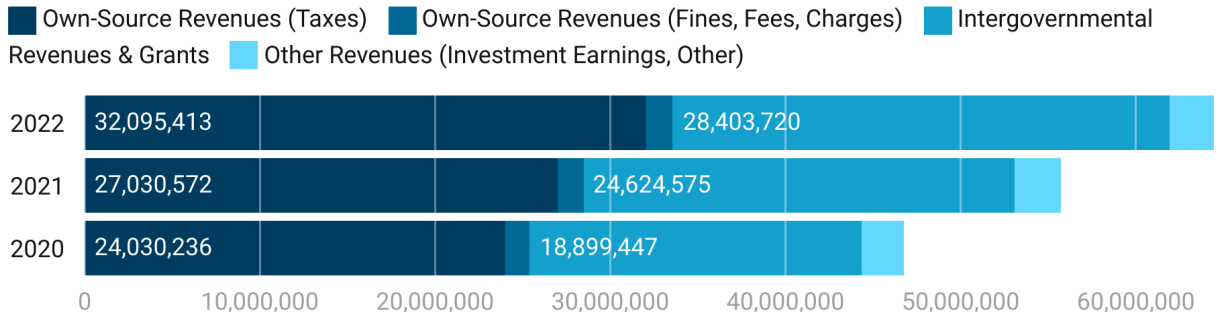


Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

[50]State of Georgia, Constitution of the State of Georgia, March, 2019. State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii.
[51]State of Georgia, Constitution of the State of Georgia, March, 2019. State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii.
[52]State of Georgia, Constitution of the State of Georgia, March, 2019. State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii.
[53]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.

The major sources of revenue that are held in the state of Georgia's governmental fund and used to fund operations and infrastructure are demonstrated in Chart IV, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart IV: State of Georgia Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the year ending June 30, 2022; Annual Comprehensive Financial Report for the year ending June 30, 2021; Comprehensive Annual Financial Report for the year ended June 30, 2020 Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

In addition to the noted revenues, the state of Georgia also relies on municipal debt as an avenue of public finance to raise funding. Article VII, Section IV, Paragraph V of the Georgia State Constitution provides that the state may raise funding by incurring two types of debt — general obligation debt and guaranteed revenue debt.[54] In Georgia, the proceeds from general obligation debt can be used, generally, to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the state of Georgia, its agencies, departments, institutions and certain Georgia state authorities; to provide educational facilities for county and independent school systems; and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries, and other purposes.[55] Guaranteed revenue debt may be incurred by guaranteeing the payment of certain revenue obligations, however, such debt can be issued by an instrumentality of the state of Georgia to finance certain specified public projects.[56]

State public debt issuance in Georgia is the responsibility of the Georgia State Financing and Investment Commission (the "Commission"), an agency and instrumentality of the state, whose members are the governor, the president of the senate, the speaker of the house of representatives, the state auditor, the attorney general, the state treasurer, and the commissioner of agriculture.[57] The Commission issues general obligation debt and guaranteed revenue debt, and has the responsibility of applying the proceeds of the debt to the purposes for

[54]The State of Georgia, Constitution of the State of Georgia, March, 2019, 1-100.
[55]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 11.
[56]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 12.
[57]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 14.

which it is incurred.[58] The noted functions of the Commission are carried out by two statutory divisions: (1) a Financing and Investment Division, which performs all services relating to the issuance of public debt, and the investment and accounting of all proceeds and other funds that are appropriated to the Commission for capital outlay purposes; and (2) a Construction Division, which is responsible for all construction resulting from the issuance of public debt or from any such other amounts that are appropriated to the Commission for infrastructure projects, except in the case of bond proceeds for public road and bridge construction or reconstruction.[59] Public road construction, bridge construction, and all other reconstruction or construction projects are carried out by the Commission via contracts with the Department of Transportation or the State Road and Tollway Authority.[60] In Georgia, the Department of Transportation or the State Road and Tollway Authority is the state entity charged with the supervision of and contracting for designing, planning, building, rebuilding, constructing, improving, operating, owning, maintaining, leasing, and managing of public roads and bridges for which general obligation debt has been authorized.[61]

Each year, the commission issues its debt management plan, which provides a five-year projection of the state's general obligation and guaranteed revenue bond, together with projected debt service requirements for outstanding debt and any new debt issuances that are projected in the current fiscal year and the four succeeding fiscal years.[62] The annual debt service requirements are compared to the actual treasury receipts of the state for the immediately preceding fiscal year and projected future treasury receipts in order to determine the ratio of debt service requirements to the prior year's state treasury receipts.[63] The noted ratio is established by the constitution at a maximum of ten percent.[64] However, the debt management plan is limited to a maximum of seven percent by commission policy and serves as a guide for the governor and the Georgia General Assembly in their consideration of the authorization of new state debt during the budget process.[65] Debt issuance levels may be increased or decreased depending on the capital needs of the state of Georgia, together with an analysis of projections of estimated treasury receipts in future years.[66]

In Georgia, local governments are enabled to create tax allocation districts pursuant to Georgia Statute O.C.G.A. § 36-44-8, which functions as a tax increment financing vehicle to revitalize blighted or underutilized areas (i.e., brownfields, declining commercial corridors, and industrial sites).[67] Tax allocation districts can be administered by a wide range of local governments and authorities, including cities, counties, housing authorities, and redevelopment agencies.[68] In order for a tax allocation district to be authorized, a member of the general assembly must also introduce local legislation that authorizes the use of the state of Georgia's redevelopment powers, a special voter referendum may be necessary at the local level

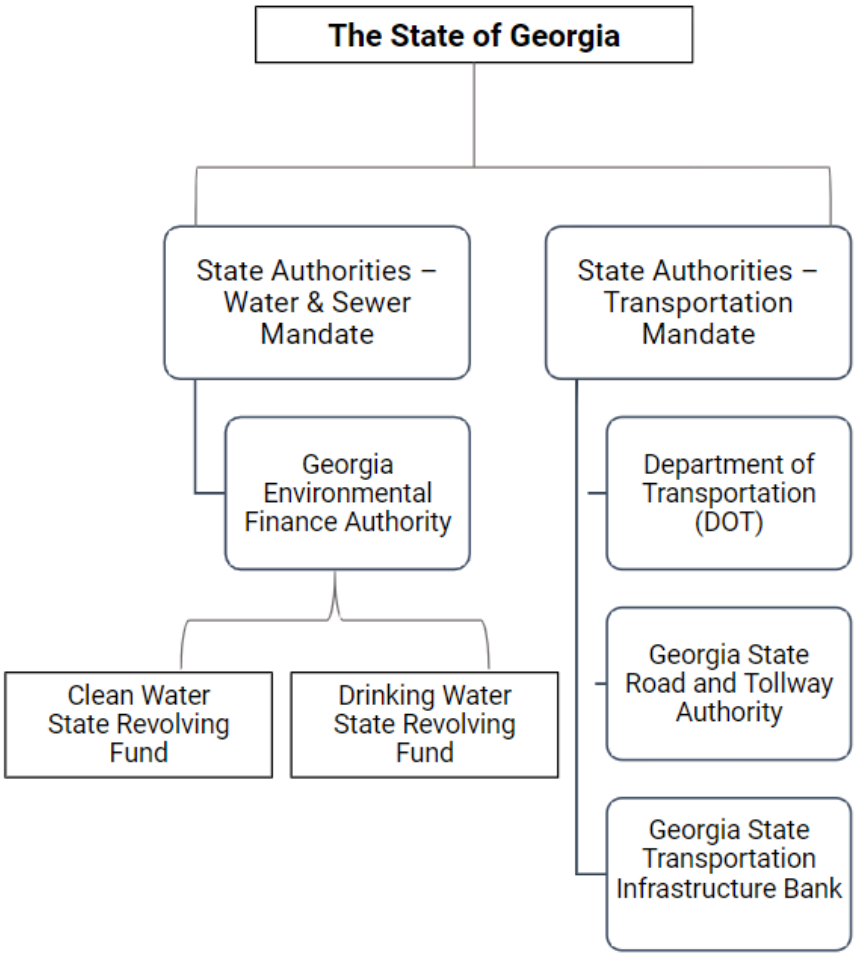
[58]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 14.
[59]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 14.
[60]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 14.
[61]The State of Georgia, Georgia State Financing and Investment Commission, June 28, 2023, 14.
[62]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.
[63]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.
[64]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.
[65]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.
[66]State of Georgia, Annual Comprehensive Financial Report, March 1, 2023, ii-iv.
[67]Georgia Department of Community Affairs, Georgia Tax Allocation Districts, March 28, 2024, https://www.appalachiandevelopment.org/rural-broadband-programs/georgia-tax-allocation-districts-tad/.
[68]Georgia Department of Community Affairs, Georgia Tax Allocation Districts, March 28, 2024.

depending on the jurisdictions creating and participating in the tax allocation district, and a local redevelopment agency would be created by resolution.[69]

Georgia Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Georgia, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram II.

Diagram II: Georgia Select Infrastructure Funding Mandates Shared Across State Entities



In Georgia, water and sewer financing at the state level is a mandate of the state and the Georgia Environmental Finance Authority (GEFA), a state public authority founded in 1985 to manage programs that conserve and improve Georgia's energy, land, and water resources.[70] GEFA provides loans for water, wastewater, and solid waste infrastructure; manages energy

[69]Georgia Department of Community Affairs, Georgia Tax Allocation Districts, March 28, 2024.
[70] Georgia Environmental Finance Authority, https://gefa.georgia.gov/about-us

efficiency and renewable energy programs; administers land conservation loans; and manages and monitors state-owned fuel storage tanks. GEFA provides low-interest loans to cities, counties, and local infrastructure authorities in the state of Georgia to enable them to fund water, wastewater, and solid waste system improvements.

Similar to other states examined in this report, GEFA administers the Clean Water Revolving Loan Program and Drinking Water Revolving Loan Program, leveraging state and federal funding from the Environmental Protection Agency to provide low interest loans and other financing to enable local governments to fund water and sewer projects.[71] Additionally, GEFA administers the Georgia Fund (a state-funded loan program for water, wastewater, and solid waste infrastructure, which also provides low-interest loans for energy-efficiency and renewable energy projects at water and wastewater treatment plants, landfills, and municipal solid waste facilities) and the Georgia Reservoir Fund (a state-funded loan program for water supply projects).[72]

The Georgia Transportation Infrastructure Bank (GTIB) is a low-interest loan and grant program administered by the State Road and Tollway Authority (SRTA), which facilitates low-interest rate loans and competitive grants for eligible municipal governments in Georgia that want to carry out transportation projects.[73] Together, the objectives of SRTA and GTIB are to make an additional funding resource available to government entities, particularly at the local level, and support them in funding critical local and state transportation needs that further economic development and mobility.[74] Many of the projects funded by SRTA and GTIB reflect a high degree of local leadership, direction, administration, and serve to accelerate transportation project delivery.[75]

Idaho State Jurisdictional Summary

Idaho Framework of Fiscal Governance, Budget, and Appropriations Process

The budget process and framework of fiscal governance in the state of Idaho is governed by several statutes and the state's constitution — most notably Article VII, Section 11 of the Idaho State Constitution, which requires that the state have a balanced budget annually.[76] Article VII, Section 11 specifically provides that: (1) state expenditures cannot exceed appropriations; and (2) no appropriation can be made, nor any expenditure authorized by the state legislature, where the expenditure of the state during any fiscal year exceeds the total tax provided for by law, and applicable to such appropriation or expenditure, unless the legislature

[71] Georgia Environmental Finance Authority, https://gefa.georgia.gov/water-resources/water-and-sewer-financing/clean-water-state-revolving-fund
[72] Georgia Environmental Finance Authority, https://gefa.georgia.gov/georgia-reservoir-fund
[73]Georgia Planning Association, Georgia Transportation Infrastructure Bank, March 29, 2024, https://georgiaplanning.org/news/georgia-transportation-infrastructure-bank-gtib-loan-and-grant-funding-available-in-2024/
[74]Georgia Planning Association, Georgia Transportation Infrastructure Bank, March 29, 2024.
[75]Georgia Planning Association, Georgia Transportation Infrastructure Bank, March 29, 2024.
[76]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).

making such appropriation provides for levying a sufficient tax to pay the appropriation of expenditure within the fiscal year.[77] In addition to the constitutional requirement for a balanced budget, Sections 67-3512 and 67-3512A of the State of Idaho Code provide authority to the governor and the board of examiners to reduce appropriations in order to meet the constitutional balanced budget requirement.[78]

In the state of Idaho, the state treasurer is the chief financial officer and serves as the receiver of all revenues charged with cash management and management of all investments for the state. Additionally, the state treasurer pays all bills incurred by the state via the redemption of state warrants and serves as the custodian of the state's Workers Compensation Fund, and others.[79]

Several statutes in Idaho create the foundation for the state's framework of fiscal governance, including Section 67-3512, which provides a mechanism for the reduction of legislative appropriations.[80] Section 67-3512 provides, in part, that: (1) any legislative appropriation made for any department, office or institution of the state may be reduced by the state board of examiners upon investigation and report of the administrator of the division of financial management; (2) no reduction of legislative appropriations made to executive department agencies shall be made without a hearing, with minor exceptions; (3) no reduction of legislative appropriations for the elected officers in the executive department shall be made to a level which prohibits the discharge of constitutional duties; and (4) no reduction of legislative appropriations for the legislative and judicial departments shall be made without the permission in writing of the head of such department.[81]

In Section 67-3512A, the state of Idaho code further provides for the temporary reduction of spending authority via an executive order of the governor in instances where the governor determines that the expenditures authorized by the state legislature for the current fiscal year exceed anticipated money available to meet those expenditures.[82] The noted statute provides processes for executive departments, offices or state institutions facing temporary reductions in spending authority to appeal to the state board of examiners, and the state board of examiners may, after hearing and consideration of evidence, restore said spending authority to its original level or to such lesser level as may be required to assist the state in maintaining a balanced budget.[83]

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[77]Idaho Legislature, Idaho Constitution, March 29, 2024, https://legislature.idaho.gov/statutesrules/idconst/.
[78]Idaho Legislature, Idaho Constitution, March 29, 2024, https://legislature.idaho.gov/statutesrules/idconst/.
[79]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
[80]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
Idaho Legislature, Idaho Statutes Title 67 Chapter 35 67-3512, March 29, 2024,
https://legislature.idaho.gov/statutesrules/idstat/title67/t67ch35/sect67-3512/.
[81]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
Idaho Legislature, Idaho Statutes Title 67 Chapter 35 67-3512, March 29, 2024.
[82]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
[83]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
Idaho Legislature, Idaho Statutes Title 67 Chapter 35 Sect 67-3512A, March 29, 2024,
https://legislature.idaho.gov/statutesrules/idstat/title67/t67ch35/sect67-3512a/#:~:text=A%20temporary%20reduction%20of%20spending,3512A%2C%20added%201981%2C%20ch.

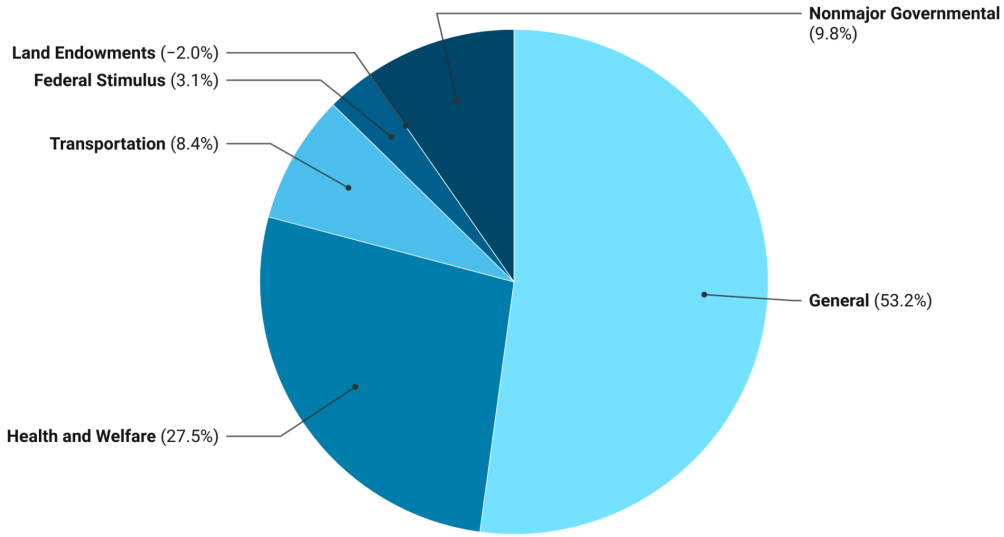
The State of Idaho Code also includes certain budget stabilization mechanisms and safeguards governing potential general fund shortfalls via Section 57-814 of Idaho Code, which creates the Budget Stabilization Fund.[84] The Idaho Budget Stabilization Fund is held in the Idaho State Treasury for the explicit purpose of meeting any revenue shortfalls in the state's general fund, or to meet expenses associated with a major disaster in the state.[85] Where general fund receipts exceed the receipts of the previous fiscal year by more than four percent, the Idaho State Controller transfers all general fund collections more than four percent to the Budget Stabilization Fund, up to a certain capped amount, and subject to certain limitations.[86]

The State Division of Financial Management prepares the governor's executive budget, monitors legislative action involving the budget, and produces the revenue and economic forecasts. Additionally, the state legislature's Joint Economic Outlook and Revenue Assessment Committee (the "Idaho EORAC") meets at the beginning of the legislative session and engages in a review of the executive revenue forecast and advises leaders in the Idaho State Legislature regarding the viability of the forecast.[87]

Idaho Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in Idaho is composed of the general fund and the other restricted and proprietary funds described in Chart V.

Chart V: State of Idaho Structure of the Governmental Fund

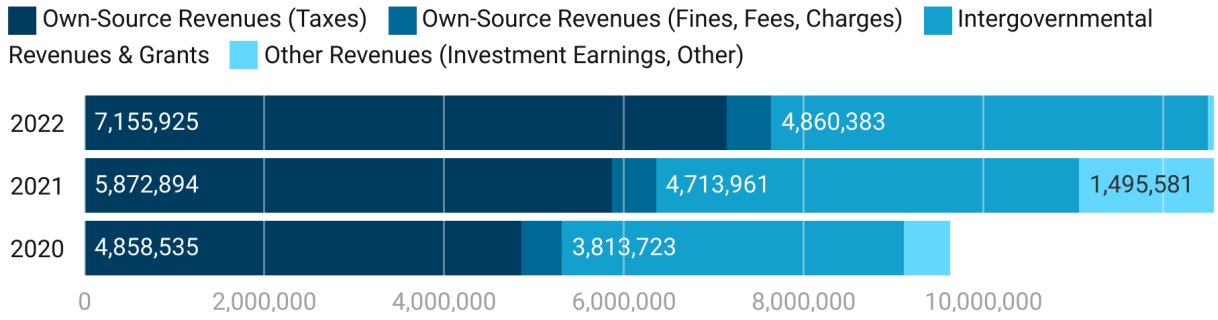


Source: Annual Comprehensive Financial Report for the year ending June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation. The Land Endowments Fund is a negative value and therefore is not visually in the chart but is included for transparency.

[84]Idaho Legislature, Idaho Statutes Title 57 Chapter 8 Sect 57-814, March 29, 2024, https://legislature.idaho.gov/statutesrules/idstat/title57/t57ch8/sect57-814
[85]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
[86]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).
[87]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-1, 2).

The major sources of revenue that are held in the state of Idaho's governmental fund and used to fund operations and infrastructure are demonstrated in Chart VI, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart VI: State of Idaho Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the year ending June 30, 2022; Annual Comprehensive Financial Report for the year ending June 30, 2021; Comprehensive Annual Financial Report for the year ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

In Idaho, like many states, the General Fund is the state's primary operating fund that accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources.[88] The General Fund in Idaho includes all financial resources of the general government except those accounted for in another fund.[89]

In Idaho, a majority of federal grant funds are held in special revenue funds, within the governmental fund, and outside of the general fund, including: (1) the Health and Welfare Special Revenue Fund, which holds funding from federal grants that are used for public assistance, medical care, foster care, and other relief for eligible citizens; (2) the Transportation Special Revenue Fund, which holds federal grants funds, together with fuel taxes, and registration fees that are used for administration, construction, and maintenance of the state highway and aviation systems; (3) the Federal Stimulus Special Revenue Fund, which accounts for resources from federal grants that are used for expenditures related to the COVID-19 emergency, upgrading infrastructure, and premium pay for essential workers.[90]

Although the state of Idaho is primarily reliant on own-source revenues to fund operations expenses from its general fund, Article VIII Section 1 of the Idaho Constitution, as amended, provides that the state legislature shall not create any debts or liabilities, except in

[88]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 40, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.
[89]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 40.
[90]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 40.

extreme emergencies, unless authorized by law and then approved by the people at a general election.[91] The noted constitutional limitation in Article VIII, Section 1 does not apply to liabilities incurred for ordinary operating expenses, or liabilities that are repaid by the end of the fiscal year.[92]

The limitation also does not apply to, or govern, debts or liabilities of independent public bodies corporate and politic created by law, and which have no power to levy taxes or obligate the general fund of the state, as such debt obligations are not liabilities of the state.[93] At present, Idaho is one of the few states in the U.S. with no state general obligation debt outstanding. However, the state often relies on Tax Anticipation Notes to meet anticipated cash flow requirements due to the time lag between when state revenue is received and when state expenses are incurred.

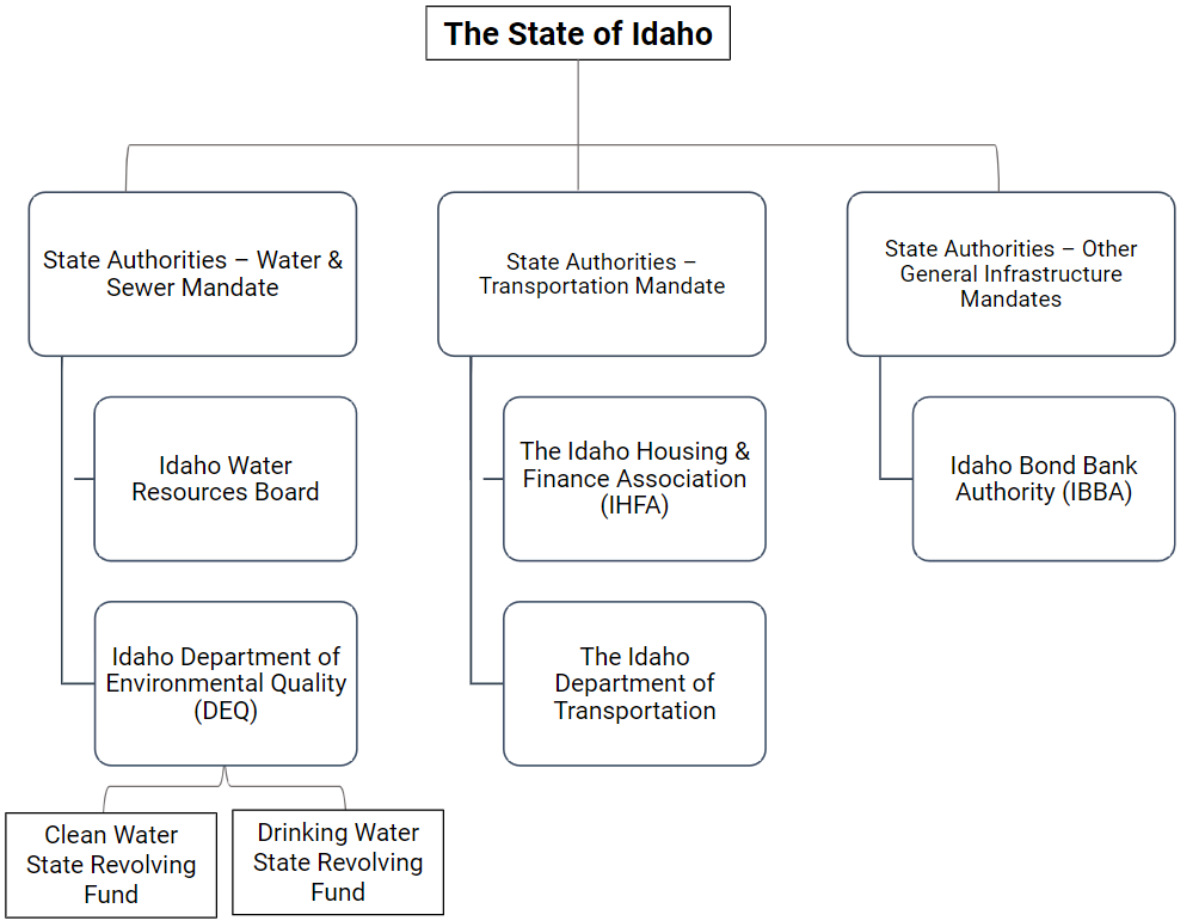
Idaho, like many other states in this report, approaches tax increment financing mechanisms as a vehicle to enable municipalities in the state to fund projects at the local level.[94] Idaho's history with tax increment financing dates to 1988, when the state legislature adopted the Local Economic Development Act, Title 50, Chapter 29 of the Idaho Code, which authorized the use of tax increment financing, via the mechanism known as "revenue allocation" and with a focus on urban renewal.[95] The basic authority to create urban renewal agencies and to undertake urban renewal projects is granted to all cities and counties in Idaho by the state legislature in Title 50, Chapter 20 of the Idaho Code.[96] Under the Idaho Economic Development Act, urban renewal agencies in the state receive the majority of their funding from tax increment revenue, or debt secured by the tax increment revenue.[97]

Idaho Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Idaho, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram III.

[91]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 40.
[92]Idaho Legislature, Idaho Constitution, March 29, 2024, https://legislature.idaho.gov/statutesrules/idconst/.
[93]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 26.
[94]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[95]Garden City Idaho, Urban Renewal Agency FAQs, March 29, 2024, https://gardencityidaho.org/index.asp?SEC=160BEF82-51E2-4136-A14D-C6D26D71D9C3&DE=0EA75CC6-7157-48FC-8217-2D411933EC22.
[96]Idaho Legislator, Title 50 Municipal Corporations, May 2023, https://legislature.idaho.gov/statutesrules/idstat/title50/t50ch20/.
[97]Garden City Idaho, Urban Renewal Agency FAQs, March 29, 2024, https://gardencityidaho.org/index.asp?SEC=160BEF82-51E2-4136-A14D-C6D26D71D9C3&DE=0EA75CC6-7157-48FC-8217-2D411933EC22.

<u>Diagram III:</u> Idaho Select Infrastructure Funding Mandates Shared Across State Entities



Water and sewer projects in the state of Idaho are funded by two separate entities — the Idaho Water Resource Board and the Idaho Department of Environmental Quality.[98] The Idaho Water Resource Board relies on project revenues and municipal bonds to fund the promotion, construction, rehabilitation, and repair of water projects. In the case of bond-financed facilities, when the debt service is fully paid, ownership of the acquired facilities transfers to the entity served by the bond issuance.[99]

The Idaho Department of Environmental Quality (DEQ) administers two revolving loan funds that provide funding for the construction of publicly owned wastewater and drinking water treatment facilities: the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. Via the noted vehicles, the DEQ provides low-interest loans and grants, leveraging federal funds and state matching dollars, to enable municipalities to carry out clean water and drinking water projects.[100]

[98]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 116-118.
[99]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 119.
[100]State of Idaho, State of Idaho Annual Comprehensive Financial Report, June 30, 2022, 119.

The Idaho Housing and Finance Association (IHFA) (formerly the Idaho Housing Agency) was initially created in 1972 to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of low income residing in the state and to coordinate and encourage cooperation among private enterprise and state and local governments to sponsor, build, and rehabilitate residential housing for such persons and families.[101] The IHFA has since been granted authority to finance transportation projects, as well as projects in other sectors, often working closely with the Idaho Department of Transportation.[102]

The IHFA can fund a broad range of transportation projects, pursuant to its authority under Chapter 62 of Title 67 of the Idaho Statutes, including "a road, street, parkway, right-of-way, bridge, railroad crossing, drainage structure, sign, guardrail, structure, interstate, surface, resurface, shoulder, roadside, or any other work, and any planning development, management and construction related thereto, all as approved or recommended to the association by the transportation board."[103] Significant levels of transportation funding in Idaho leverage federal funding, and municipal borrowing done via the IHFA.[104] In 2005, the Idaho State Legislature enacted legislation that authorized the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds or notes to fund transportation infrastructure projects in the state and enabled the payment of interest and principal with future federal aid highway apportionments.[105] The legislation specifically provides that bonding authority "should be used in a manner that does not obligate future legislatures or governors for additional bonding and be used to finance projects that are of the highest critical need based on safety, traffic volume or projected demand."[106]

Additionally, in 2021 the Idaho State Legislature enacted legislation that will allocate $80 million annually from state sales tax own-source revenue receipts to the Transportation Expansion and Congestion Mitigation (TECM) fund.[107] The TECM fund will be utilized by the Idaho Transportation Department for large infrastructure projects on the state's highway system, and will support future issuance of $1.6 billion in bonding capacity under the TECM by the IHFA.[108]

Outside of the state agencies noted above, Idaho creates a funding channel for general infrastructure projects via Idaho Code Title 67, Chapter 87, the "Idaho Bond Bank Authority Act", which created a state bond bank.[109] The Idaho Bond Bank was authorized, among other powers, to issue bonds payable from or secured by municipal bonds or notes of one or more

[101]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[102]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[103]State of Idaho Legislature, https://legislature.idaho.gov/statutesrules/idstat/title67/t67ch62/
[104]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[105]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[106]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[107]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[108]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-16).
[109]Idaho Legislature, Title 67 State Government and State Affairs, March 29, 2024, https://legislature.idaho.gov/statutesrules/idstat/title67/t67ch87/.

municipalities (including cities, counties, school districts, and other political subdivisions), to purchase municipal bonds, to pledge sales tax revenues of the state of Idaho as a source of payment or security for bonds issued by the bond bank, and to establish debt service reserve funds for its bonds.[110]

The enabling legislation for the bond bank in Idaho also provides an intercept mechanism whereby the state treasurer can make payments on the bonds of participating municipalities and, if reimbursement is not timely made, intercept the receipt of any payment of property taxes, sales tax moneys to be distributed to the defaulting municipality, or any other source of operating moneys provided by the state to the defaulting municipality.[111] To that end, the Idaho Bond Bank's intercept mechanism serves as a form of credit enhancement for municipalities, counties, and political subdivisions in Idaho, offering them access to the capital markets at lower costs of capital than they otherwise would achieve on their own.[112]

Illinois State Jurisdictional Summary

Illinois Framework of Fiscal Governance, Budget, and Appropriations Process

The framework of fiscal governance in Illinois is governed by the state's constitution, including Article VIII, Section 2(a), which governs the budget process in Illinois and requires that the governor prepare and submit to the General Assembly, at a time prescribed by law (which traditionally has been in February of each year), a state budget for the ensuing fiscal year with: (1) recommended spending levels for state agencies; and (2) estimated funds available for appropriation from tax collections and other sources, and state debt and liabilities.[113] While the Governor's Office of Management in Illinois is responsible for estimating revenues and developing budget recommendations that reflect the governor's programmatic and spending priorities, the Commission on Government Forecasting and Accountability is charged with estimating revenues for the legislative branch of government.[114]

In Illinois, the budget must contain balanced estimated revenues and proposed expenditures for the upcoming fiscal year.[115] Various state agencies are also charged with estimating the cost of potential spending pressures for the next fiscal year, and: (1) annualizing current program levels; (2) expanding services for existing programs; and (3) initiating new programs.[116] Agencies develop a capital budget in a process that runs concurrently with the development of the operating budget for the state of Illinois.[117] The state of Illinois Capital Development Board conducts a technical review and prepares cost estimates for state facility projects for which it will be responsible, but other types of capital projects, including highway, mass transit and airport facility construction, and alternative energy or school facility

[110]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-14, A-15).
[111]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-14, A-15).
[112]State of Idaho, State of Idaho Tax Anticipation Notes, Series 2021, June 22, 2021, 1-80 (A-14, A-15).
[113]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[114]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[115]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[116]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[117]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).

construction, are reviewed by other Illinois state agencies.[118] After capital projects are reviewed, proposed capital projects are ranked by category considering need, availability of resources, and the governor's priorities regarding repair and maintenance projects versus new construction.[119]

The governor of Illinois must present his budget to the general assembly no later than the third Wednesday in February of each year.[120] Specifically, the proposed budget prepared by the governor is introduced for formal consideration by the general assembly through one or more appropriations bills.[121] The state legislature reviews the governor's budget recommendations via hearings before house and senate appropriations committees, which have the power to adopt amendments to change the funding level recommended by the governor.[122] An appropriation bill moves to the full house or senate for debate, any amendment, and a vote once adopted by the committee.[123] Final approval of the budget will traditionally occur at the end of the legislative session.[124] The governor may reduce or veto any item of appropriations in a bill passed and presented to him by the general assembly, pursuant to Article IV, Section 9(d) of the Illinois Constitution.[125]

The state of Illinois has experienced financial challenges stemming, in part, from a budget impasse from 2015 through 2017, which resulted in the state's accumulation of a significant backlog of unpaid bills when parts of the state's budget were not appropriated.[126] Despite actions to increase revenue, control costs, leverage municipal bonds, and tap reserves, the state was not able to make progress towards reducing the budgetary deficit and eliminating payment delays on its unpaid bills.[127] The COVID-19 pandemic exacerbated such pressures, reducing revenue while growing the expenditure pressures on the state.[128] To navigate the noted challenges, the state availed itself of the Federal Reserve Bank's Municipal Liquidity Facility and utilized interfund borrowing.[129]

In efforts to support expansions in capital investment, in 2019 the governor of Illinois signed the Rebuild Illinois Capital Plan, which passed the general assembly with bipartisan support, into law.[130] Rebuild Illinois, the largest infrastructure investment in the state's history, is a six-year, $45 billion capital investment plan for infrastructure and economic development, and is memorialized in Public Acts 101-007, 101-029, 101-030, 101-031, and 101-032, known as the "Rebuild Illinois Acts".[131] The Rebuild Illinois Acts include several mechanisms of public finance to fund capital investment, including appropriation authority, revenues, bonding, federal funds, private funds, and others. Infrastructure sectors prioritized in the plan include mass transit projects, transportation, education, state facilities, statewide deferred maintenance,

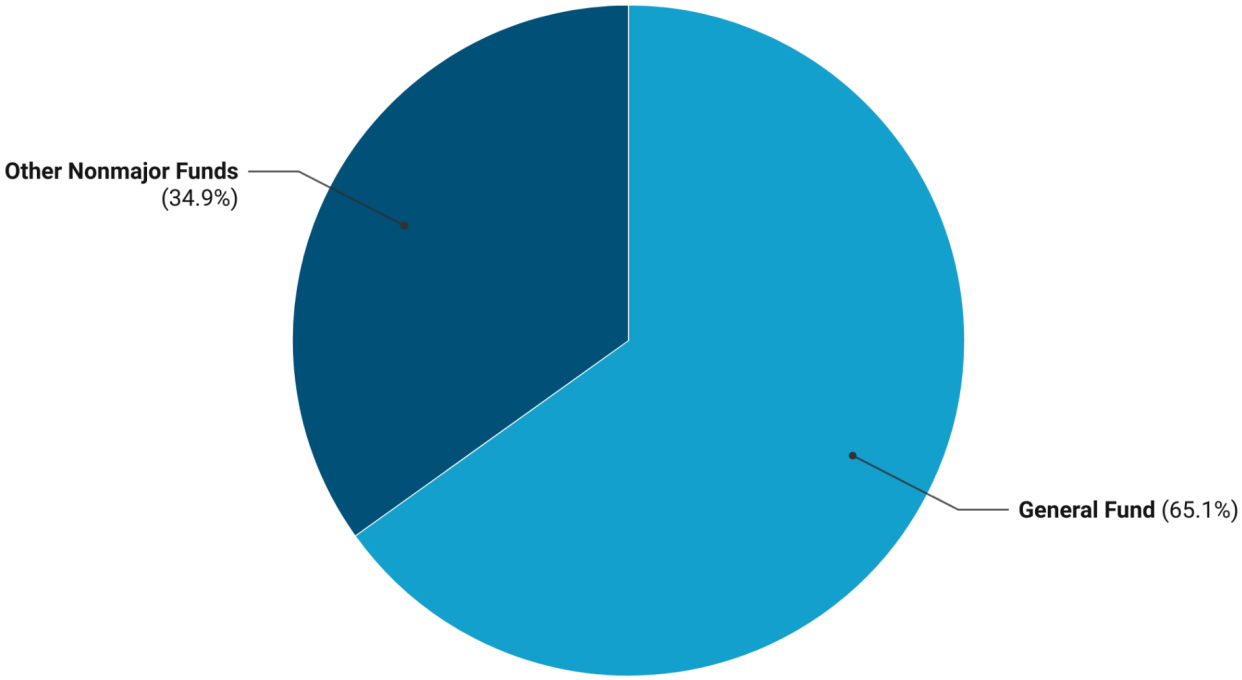
[118]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[119]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[120]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[121]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[122]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[123]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[124]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[125]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-11-12).
[126]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-18).
[127]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-18).
[128]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-18).
[129]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-18).
[130]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-22).
[131]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-22).

environment, conservation, and others.[132]

Illinois Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in Illinois is composed of the general fund and the other restricted and proprietary funds described in Chart VII.

Chart VII: State of Illinois Structure of the Governmental Fund

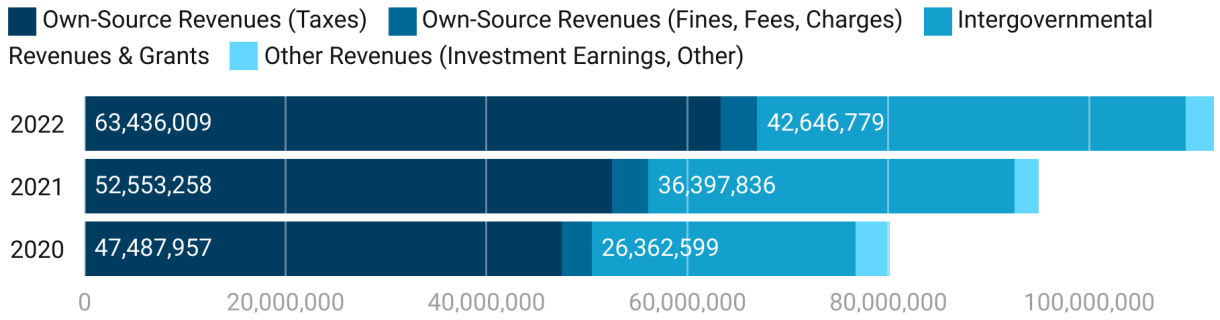


Source: Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022 and Interim Annual Comprehensive Financial Report Highlights for the Fiscal Year Ended June 30, 2022 - Updated June 2023. Calculations are based on actual audited revenue figures and are not adjusted for inflation

The major sources of revenue that are held in the state of Illinois governmental fund, and used to fund operations and infrastructure are demonstrated in Chart VIII, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

[132]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-22).

Chart VIII: State of Illinois Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022 and Interim Annual Comprehensive Financial Report Highlights for the Fiscal Year Ended June 30, 2022 - Updated June 2023; Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2021 and Interim Annual Comprehensive Financial Report Highlights for the Fiscal Year Ended June 30, 2021 - January 2022; Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

In Illinois, like most states, the general fund holds a large portion of the state's tax revenues and is the principal fund that the state relies on to fund operating expenses.[133] The general fund in Illinois consist of the: (1) General Revenue Fund; (2) the Education Assistance Fund; (3) the Common School Fund; (4) the General Revenue-Common School Special Account Fund; (5) the Fund for the Advancement of Education; (6) the Commitment to Human Services Fund; and (7) the Budget Stabilization Fund.[134]

When the Rebuild Illinois Capital Plan, described earlier, was adopted, additional revenues were authorized to finance debt service from the issuance of bonds and enable investments in infrastructure on a pay-as-you-go basis for transportation and non-transportation projects from sources that include: (1) an increase in the Motor Fuel Tax; (2) an increase in vehicle and electric vehicle registration fees; (3) tiered increases for various other title and registration fees; (4) an increase in the tax on special fuels; (5) gaming expansions (sports wagering, video gaming, casino gaming); (6) a new tax on parking lots and garages; (7) a cap on the sales tax exemption value of traded-in vehicles, and later private vehicle sales; (8) an increase to the cigarette tax; and (9) legislation to increase compliance for remote online retailers collecting the state sales tax.[135]

Several of the noted own-source revenues are also earmarked for various dedicated transportation sources or for public finance vehicles that raise money for transportation investments in Illinois, bypassing the General Fund.[136] For example, vehicle license and registration fees and the increase on special fuels are deposited in the Road Fund to cover debt service costs on bonds, and one percent of the five percent state tax on motor fuel purchases in

[133]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-2).
[134]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-21- 22).
[135]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-21- 22).
[136]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-21- 22).

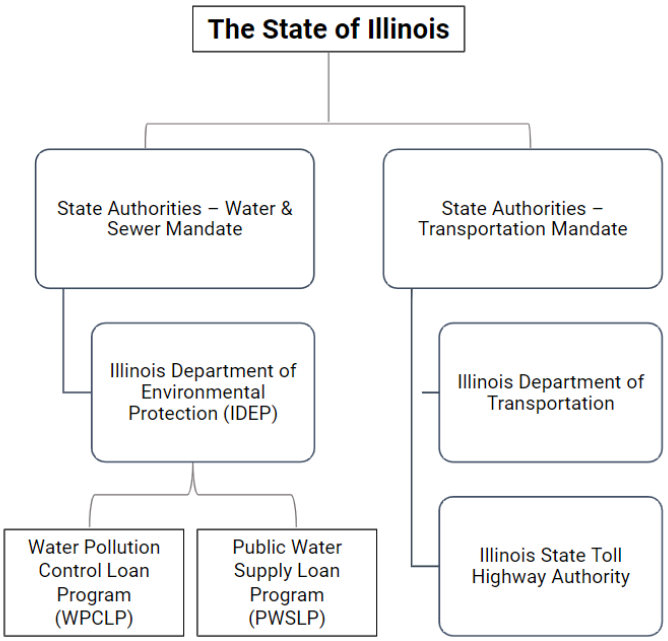
Illinois is also deposited into the Road Fund.[137] Additionally, revenue collected from a nineteen cent increase in the motor fuel tax is allocated to the Transportation Renewal Fund and to fund local road and transit districts projects, as well as state transportation construction projects, on a pay-as-you-go basis.[138]

Illinois, like many states examined in this report, has enabled TIF as a public finance mechanism for local government use.[139] Local governments can form tax increment financing districts by designating areas within their jurisdictions and dedicating sales tax revenues and additional property tax revenues that are generated within the district for capital improvements that advance workforce outcomes and economic development.[140] The kinds of projects that can be funded in the district by local governments generally include the development or redevelopment of property, historic renovation, blight remediation, and other projects that catalyze economic growth in urban areas within the state facing decline.[141]

Illinois Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Illinois, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram IV.

Diagram IV: Illinois Select Infrastructure Funding Mandates Shared Across State Entities



[137]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-21- 22).
[138]State of Illinois, General Obligation Bonds, November 28, 2023, 1-164 (A-21- 22).
[139]State of Illinois Department of Commerce & Economic Opportunity, Tax Increment Financing, March 28, 2024, https://dceo.illinois.gov/expandrelocate/incentives/taxincrementfinancing.html.
[140]State of Illinois Department of Commerce & Economic Opportunity, Tax Increment Financing, March 28, 2024, https://dceo.illinois.gov/expandrelocate/incentives/taxincrementfinancing.html.
[141]State of Illinois Department of Commerce & Economic Opportunity, Tax Increment Financing, March 28, 2024, https://dceo.illinois.gov/expandrelocate/incentives/taxincrementfinancing.html.

Transportation projects in Illinois are managed and led by the Illinois Department of Transportation (IDOT).[142] IDOT has statutory responsibility for the planning, construction, operation, and maintenance of the Illinois transportation network, which encompasses highways and bridges, airports, public transit, rail freight, and rail passenger systems.[143] Additionally, the Illinois State Toll Highway Authority (ITHA) operates a toll highway system and oversees the infrastructure assets that provide limited-access highways within Illinois, with state approval of new toll highways and issuance of bonds.[144]

In Illinois, as in most states, water and sewer projects are primarily funded via revolving loan programs under the auspices of the Illinois Environmental Protection Agency.[145] Specifically, the Wastewater and Drinking Water loan programs provide low-interest loans through the State Revolving Fund (SRF), which consists of two loan programs aimed at improving the quality of Illinois water resources: (1) the Water Pollution Control Loan Program (WPCLP), which primarily provides funding for wastewater and stormwater projects; and (2) the Public Water Supply Loan Program (PWSLP), which primarily provides funding for drinking water projects. As in most states, the noted programs are capitalized with federal funding, state matching funds, interest earnings, loan repayments, and the sale of bonds.[146]

Outside of funding water and sewer projects using traditional methods of state revolving funds via the WPCLP and PWSLP, Illinois is also a contributing member and participant in a multi-state effort together with the states of Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin, which is known as the Great Lakes Protection Fund and is managed by an Illinois not-for-profit corporation.[147] Serving as the first multi-state environmental endowment in the United States since it was established in 1989, the Great Lakes Protection Fund makes investments that restore and maintain the Great Lakes' water quality by providing grant funding for projects that promote the objectives of the regional Great Lakes Toxic Substance Control Agreement and the binational Great Lakes Water Quality Agreement.[148]

Notable features of the Great Lakes Protection Fund's operating structure are the following: (1) states becomes a member of the fund by agreeing to make a one-time contribution of $81 million, as set forth in the articles of incorporation of the non-profit that manages the fund; (2) the state's governor becomes a "member" of the Great Lakes Protection Fund, with authority to appoint two individuals to the board of directors; (3) financial decisions for the Great Lakes Protection Fund rest with the board of directors, within the boundaries of restrictions in the articles of incorporation; (4) two-thirds of the income of the Great Lakes Protection Fund is used to finance projects compatible with objectives articulated in the articles of incorporation and the remaining one-third is paid to member states in the form of "state

[142]Illinois Department of Transportation, IDOT Home, March 29, 2024, https://idot.illinois.gov/.
[143]Illinois Department of Transportation, IDOT Home, March 29, 2024, https://idot.illinois.gov/.
[144]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 51, Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022.
[145]Illinois Environmental Protection Agency, Water/Stormwater and Drinking Water Loans, June 30, 2024, https://epa.illinois.gov/topics/grants-loans/state-revolving-fund.html.
[146]Illinois Environmental Protection Agency, Water/Stormwater and Drinking Water Loans, June 30, 2024, https://epa.illinois.gov/topics/grants-loans/state-revolving-fund.html.
[147]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58.
[148]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58.

shares" — an amount in proportion to the amount and period of time that each state's contribution was invested with the fund.[149]

Kentucky State Jurisdictional Summary

Kentucky Framework of Fiscal Governance, Budget, and Appropriations Process

In Kentucky, the framework of fiscal governance and structure of government arises under the constitution of the commonwealth first adopted in 1792, and various state laws.[150] The governor serves as the chief executive of the commonwealth, and policies are directed through the various cabinets.[151] The two components of the general assembly serve as the Kentucky State Legislature: the state senate and the state house of representatives.[152] All revenue-raising issues in the commonwealth of Kentucky must be initiated in the house of representatives.[153]

The commonwealth of Kentucky uses a biennial budget model, with budgetary control maintained at the budget unit level and the use of encumbrance accounting to ensure the availability of funding before contracts are finalized.[154] Pursuant to Kentucky's budget and fiscal administration processes, payments on contracts that result in overruns of available balances are not released until budget revisions are approved, with the exception of encumbrances for long-term construction projects in the Transportation Fund and the Capital Projects Fund — those are included in assigned fund balance.[155]

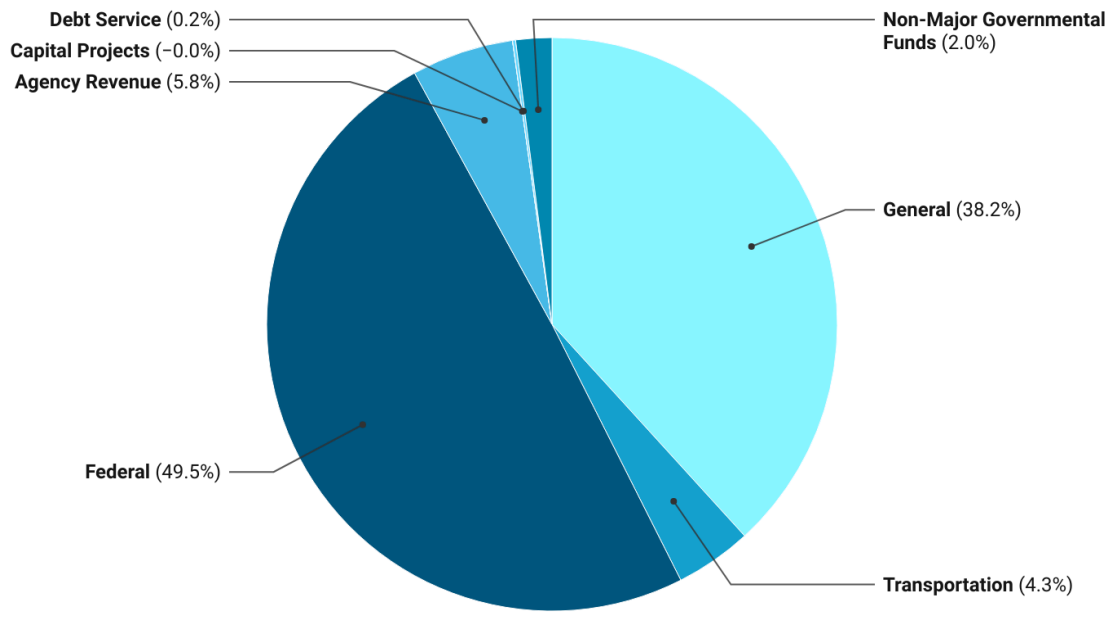
Like many other states that we examined for this study, the commonwealth of Kentucky and many of its state authorities rely on two kinds of debt financing as a core avenue of public finance to fund general infrastructure: (1) appropriation supported debt (a general obligation of the state or a lease revenue obligation of an issuing agency created by the Kentucky General Assembly to finance various projects subject to state appropriation for all or a portion of the debt service on the bonds); or (2) non-appropriation supported or moral obligation debt (a special obligation secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation, or pledge of the faith and credit of the commonwealth of Kentucky).[156]

Kentucky Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in Kentucky is composed of the general fund and the other restricted and proprietary funds described in Chart IX.

[149]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58.
[150]Kentucky General Assembly, Constitution of Kentucky, November 3, 2020, https://apps.legislature.ky.gov/law/constitution.
[151]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 3, Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022.
[152]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 3.
[153]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 3.
[154]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 3.
[155]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 3.
[156]Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 5.

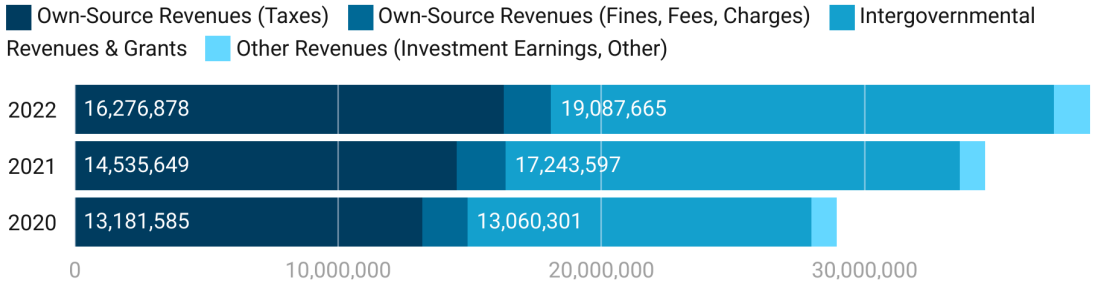
Chart IX: State of Kentucky Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the Fiscal year ended June 30, 2022 and Supplementary Information to the Annual Comprehensive Financial Report. Calculations are based on actual audited revenue figures and are not adjusted for inflation. The Capital Projects Fund is a negative value and does not visually appear in the chart, but the data is included for transparency.

The major sources of revenue that are held in the state of Kentucky governmental fund and used to fund operations and infrastructure are demonstrated in Chart X, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart X: State of Kentucky Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the Fiscal year ended June 30, 2022 and Supplementary Information to the Annual Comprehensive Financial Report; Annual Comprehensive Financial Report for the Fiscal year ended June 30, 2021 and Supplementary Information to the Annual Comprehensive Financial Report; Comprehensive Annual Financial Report for the Fiscal year ended June 30, 2020 and Supplementary Information to the Annual Comprehensive Financial Report Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

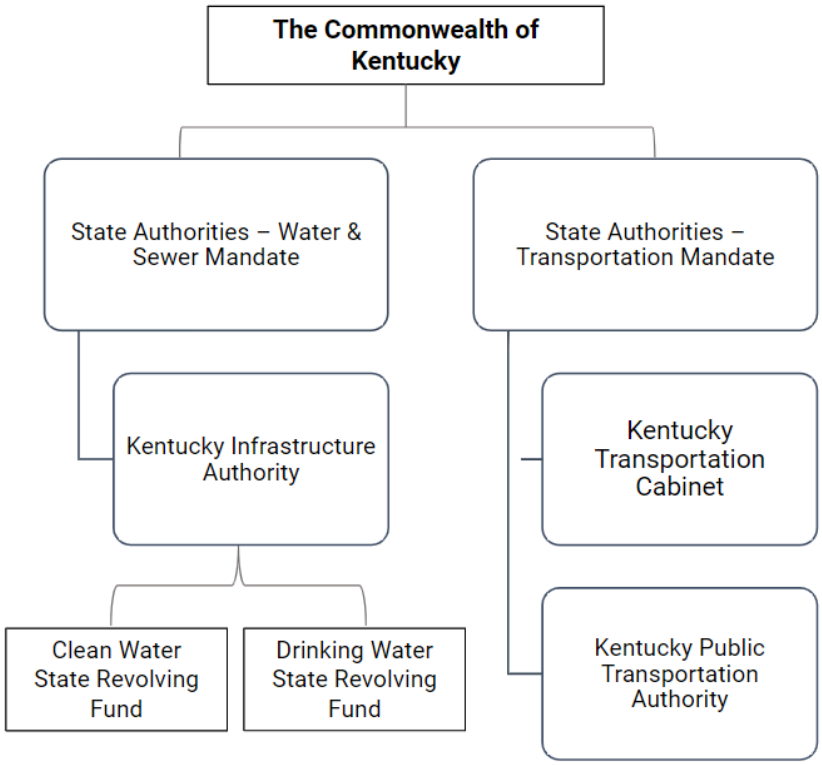
Kentucky, like many states, enables localities to use tax increment financing (TIF) as a public finance vehicle. The three principal tax increment financing programs in Kentucky (Real Property

and Ad Valorem Tax Revenues, Mixed Use Redevelopment in Blighted Urban Areas, and Signature Project) can be used by cities to fund infrastructure improvements centered on urban development, blight remediation projects, as well as public and private development projects.[157] In many instances in Kentucky, local governments provide the initial funding for tax increment financing projects and they will use the increase in tax revenues that result from the economic growth associated with the project to reimburse the government's associated expenditures over time, for a period of up to 20 years.[158] In Kentucky, like several states in this report who authorize tax increment financing, the arrangements carry many restrictions, including: (1) funding raised is restricted in their use by geography and purpose; (2) details of the transaction are memorialized in a tax increment financing agreement; (3) state notification, and other requirements.[159]

Kentucky Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Kentucky, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram V.

Diagram V: Kentucky Select Infrastructure Funding Mandates Shared Across State Entities



[157]Kentucky League of Cities, Tax Increment Financing, March 29, 2024, https://www.klc.org/InfoCentral/Detail/26.
[158]Kentucky League of Cities, Tax Increment Financing, March 29, 2024, https://www.klc.org/InfoCentral/Detail/26.
[159]Kentucky League of Cities, Tax Increment Financing, March 29, 2024, https://www.klc.org/InfoCentral/Detail/26.

Like many states, the commonwealth of Kentucky leverages the clean water and drinking water revolving loan programs as the primary public finance vehicles to fund water and sewer projects in the state. Kentucky's clean water and drinking water state revolving fund programs provide financing in the form of low interest loans for infrastructure projects that are considered a priority, and are administered by the Kentucky Infrastructure Authority, which serves as the state's infrastructure bank.[160] Although a primary function of the Kentucky Infrastructure Authority is to fund water and sewer infrastructure via the noted revolving loan programs, in 1989 it was also authorized to manage an Infrastructure Revolving Fund to provide funding for the construction or acquisition of infrastructure projects (both water and wastewater) through low-interest state funded loans, with an interest rate structure that mirrors those of the SRF programs.[161]

Transportation funding in Kentucky is managed primarily by the Kentucky Transportation Cabinet and through The Kentucky Public Transportation Infrastructure Authority, an independent municipal corporation and political subdivision of the commonwealth of Kentucky established in 2009.[162] The enabling act for the Kentucky Public Transportation Infrastructure Authority, the Kentucky Revised Statute Chapter 175B, empowers the authority to review, approve, and monitor significant transportation projects and to assist with the operation, financing, and management of those projects within the commonwealth of Kentucky and between the commonwealth and the state of Indiana.[163] The Kentucky Public Transportation Infrastructure Authority is operationally and administratively united with the Kentucky Transportation Cabinet, relying exclusively on Kentucky Transportation Cabinet staff to operate.[164] At present, the Authority is engaged in overseeing a single project, the Louisville-Southern Indiana Ohio River Bridges project.[165]

In 2013, a cross-jurisdictional collaboration was established between the Indiana Department of Transportation, the Indiana Finance Authority, the Kentucky Public Transportation Infrastructure Authority, and the Kentucky Transportation Cabinet via a development agreement that established an allocation of toll revenues equally between the Kentucky Public Transportation Infrastructure Authority and the Indiana Finance Authority, with toll collections

[160]Commonwealth of Kentucky, Clean Water State Revolving Fund, 2024, 1-55, https://kia.ky.gov/FinancialAssistance/Intended%20Use%20Plans/2024%20CWSRF%20DRAFT%20IUP.pdf. Commonwealth of Kentucky, State Fiscal Year 2024 Draft Intended Use Plan, 2024, 1-90, https://kia.ky.gov/FinancialAssistance/Intended%20Use%20Plans/2024%20DWSRF%20DRAFT%20IUP.pdf.
[161]Kentucky Infrastructure Authority, KIA Loan Programs Overview, March 29, 2024, https://kia.ky.gov/FinancialAssistance/Pages/default.aspx
[162]Team Kentucky Transportation Cabinet, Kentucky Public Transportation Infrastructure Authority, 2023, https://transportation.ky.gov/KPTIA/Pages/default.aspx.
[163]Team Kentucky Transportation Cabinet, KPTIA, March 29, 2024, https://transportation.ky.gov/KPTIA/Pages/default.aspx.
[164]Team Kentucky Transportation Cabinet, KPTIA, March 29, 2024, https://transportation.ky.gov/KPTIA/Pages/default.aspx.
[165]Team Kentucky Transportation Cabinet, KPTIA, March 29, 2024, https://transportation.ky.gov/KPTIA/Pages/default.aspx.

subject to rate covenants that require that tolls generated be sufficient to cover debt service, project costs, and necessary reserves related to municipal bonds.[166]

Separate from its functional role with the Kentucky Public Transportation Infrastructure Authority, the Kentucky Transportation Cabinet relies on a diverse pool of funds to finance transportation systems. The Transportation Fund is a major special revenue fund of the commonwealth of Kentucky that accounts for and reports specific revenue sources that are restricted or committed for the construction, preservation, and maintenance of roads.[167] Transportation funds annually consist of Kentucky state road funds, general funds from the commonwealth of Kentucky, restricted funds, and federal funds.[168]

Kentucky state road funds consist of the following revenue sources: (1) motor vehicle usage tax; (2) vehicle and boat registration; (3) motor vehicle operator's licenses; (4) motor fuels tax; (5) tolls; and (6) interest or investment earnings. Road funds can be used for road construction, maintenance, operations, engineering, planning and research, and the majority of the Kentucky Transportation Cabinet's administrative functions.[169] It is important to note that the constitution of the commonwealth of Kentucky prohibits the use of state road funds on non-highway-related projects.[170]

General funds of the state of Kentucky (comprising taxes on sales and use, income, corporations, coal severance, property, and lottery receipts) may be used by the Kentucky Transportation Cabinet to match federal dollars for the public transit and aviation programs.[171] Outside of general funds and road funds, Kentucky also relies on federal funds from the Federal Highway Trust Fund, public transit, federal aviation administration funds, and various other grants and earmarks to fund transportation.[172]

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[166]Kentucky Public Transportation Infrastructure Authority, Annual Comprehensive Financial Report, December 1, 2023, 2, https://transportation.ky.gov/KPTIA/Financial%20Statements/FY%202023%20Annual%20Comprehensive%20Financial%20Report.pdf.

[167]Commonwealth of Kentucky, Gov. Beshear Announces $2.8 Million in Transportation Funding to Local Governments for Street and Road Improvements, June 2, 2022, https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1355
Commonwealth of Kentucky, Annual Comprehensive Financial Report, January 25, 2023, 24.

[168]Kentucky Transportation Cabinet, Funding Needs, 2023, 1, https://transportation.ky.gov/Planning/Documents/Ch%204%20-%20Funding%20Needs.pdf.

[169]Kentucky Transportation Cabinet, Funding Needs, 2023, 2.

[170]Kentucky Transportation Cabinet, Funding Needs, 2023, 2.

[171]Kentucky Transportation Cabinet, Funding Needs, 2023, 2.

[172]Kentucky General Assembly, Constitution of Kentucky, November 3, 2020, https://apps.legislature.ky.gov/law/constitution.
Kentucky Transportation Cabinet, Funding Needs, 2023, 2.

Maryland State Jurisdictional Summary

Maryland Framework of Fiscal Governance, Budget, and Appropriations Process

In Maryland, the framework of fiscal governance and structure of government are enabled by the state of Maryland constitution.[173] The state of Maryland's general assembly is a bicameral legislature, consisting of a state senate with forty seven members and a house of delegates with 141 members.[174] Pursuant to the Maryland Constitution, the governor must annually submit a balanced budget to the general assembly for the following year, using a legally mandated budgetary fund structure.[175] Every state agency receives appropriations at a program level and the state also uses an encumbrance as a tool for managing available appropriations.[176] In Maryland, an encumbrance is "a commitment against allotment for legally binding purchase orders and contracts representing goods and services which have not yet been received." Accordingly, encumbrances become expenditures and create a liability only when the goods or services are received by the state.[177]

The Maryland General Assembly is not authorized to increase the budget, except in certain organizational units.[178] A Spending Affordability Committee, comprised of select designated officers of the general assembly and other members, submits a report annually to the general assembly's Legislative Policy Committee and to the governor recommending: (1) the level of state spending; (2) the level of new debt authorization; (3) the level of state personnel; and (4) the use of any anticipated surplus funds.[179]

Additionally, the Capital Debt Affordability Committee, composed of the state treasurer, the comptroller, the secretary of budget and management, the secretary of transportation, and one person appointed by the governor, submits an estimate of the maximum amount of new general obligation debt that can be authorized to the governor annually, and issues a report that encompasses all tax-supported debt, general obligation debt, bonds issued by the Department of Transportation, and capital lease transactions, among others.[180] Although the Capital Debt Affordability Committee serves as an advisory function, the governor is required to give due consideration to their findings in preparing new general obligation debt authorizations for the ensuing fiscal year.[181] The state of Maryland's Capital Budget supports transportation projects, roads, mass transit, education projects, environmental projects, and other facilities to support public services and communities.[182]

The state of Maryland, similar to other states in this study, is empowered to issue general obligation bonds, which are backed by the full faith and credit of the state, and

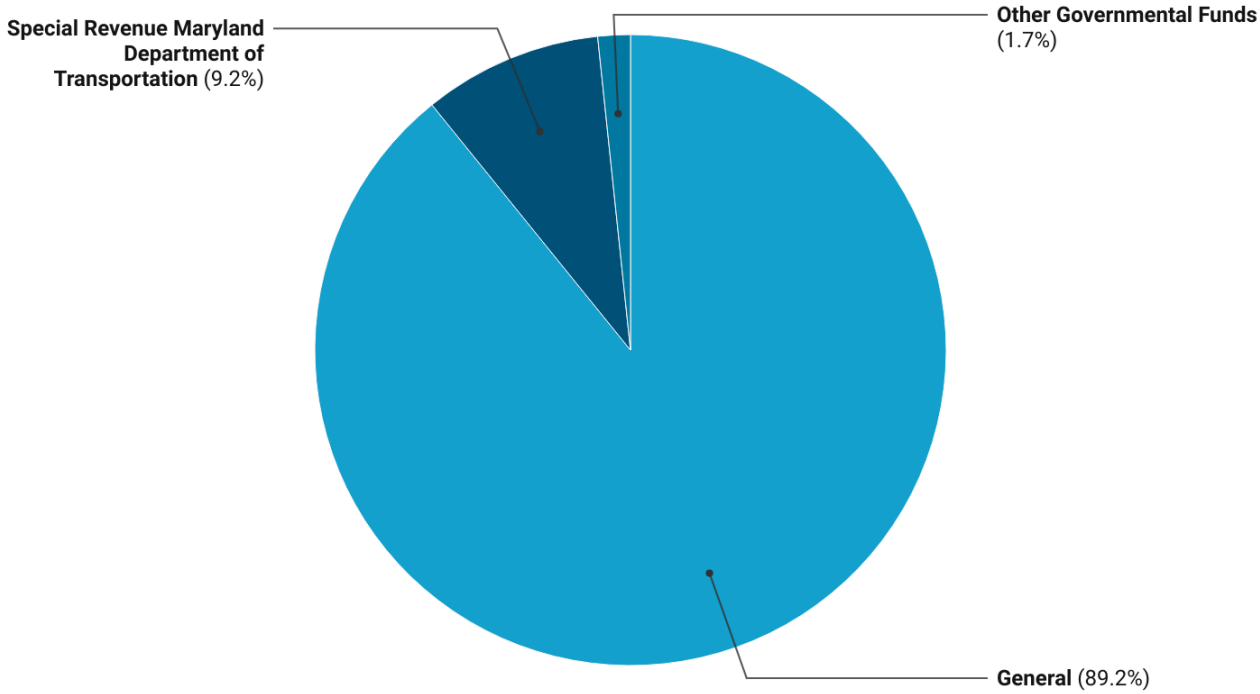
[173]State of Maryland, Constitution of Maryland, September 28, 2022, https://msa.maryland.gov/msa/mdmanual/43const/html/const.html.
[174]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5, Maryland Annual Comprehensive Financial Report 2022
[175]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[176]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[177] State of Maryland, Glossary of Budget Terms, https://dbm.maryland.gov/budget/Pages/glossary.aspx
[178]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[179]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[180]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[181]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.
[182]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 1-5.

dedicated revenue bonds for the Department of Transportation and other business-type activities.[183] There are statutory limitations on the issuance of long-term bonded debt. For example, Maryland state law limits the principal amount of Consolidated Transportation Bonds that can be outstanding to under $4.5 billion and further limits levels of debt outstanding to the amount authorized in the budget.[184]

Maryland Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in Maryland is composed of the general fund and the other restricted and proprietary funds described in Chart XI.

Chart XI: State of Maryland Structure of the Governmental Fund

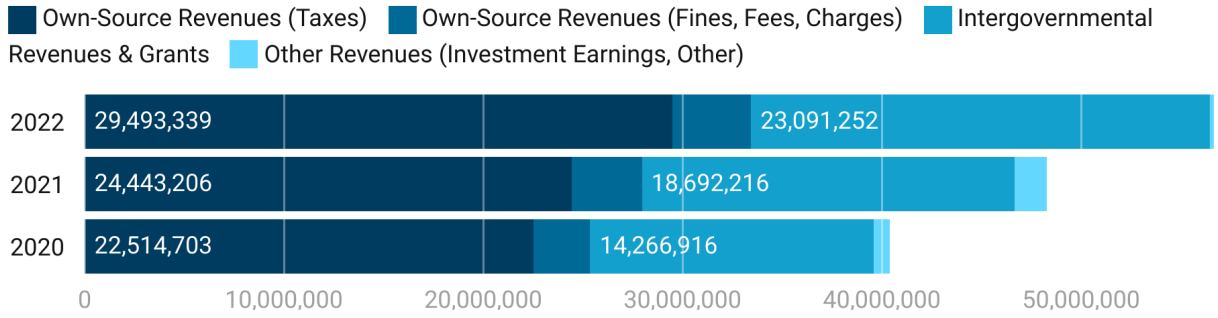


Source: Annual Comprehensive Financial Report 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of Maryland governmental fund and used to fund operations and infrastructure are demonstrated in Chart XII, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

[183]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 12.
[184]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 12.

Chart XII: State of Maryland Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report 2022; Annual Comprehensive Financial Report 2021; Comprehensive Annual Financial Report 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

The state of Maryland maintains seven governmental funds, including the general fund and the Department of Transportation special revenue fund, both of which are considered to be major funds. Additionally, the state has six enterprise funds, four of which are considered major enterprise funds: (1) the Economic Development Loan Programs; (2) the Unemployment Insurance Program; (3) the Maryland Lottery and Gaming Control Agency; and (4) the Maryland Transportation Authority.[185]

Maryland, like other states examined for this report, enables TIF via state legislation authorized in 1980. Title 12, Subtitle 2 of the Economic Development Article of the Annotated Code of Maryland (the Tax Increment Financing Act) authorizes counties, cities, towns, and other municipalities to use tax increment finance to fund infrastructure development, redevelopment, and a range of general infrastructure and other purpose projects.[186] The statute requires that the municipality establish a "development district" and a "special fund" for the public improvements that are to be funded via tax increment financing. Where bonds will be issued by the locality to raise money for the tax increment financed project, the special fund serves as a dedicated sinking fund to pay debt service for the bonds, and holds incremental tax revenue resulting from the TIF for that purpose.[187]

Maryland Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Maryland, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram VI.

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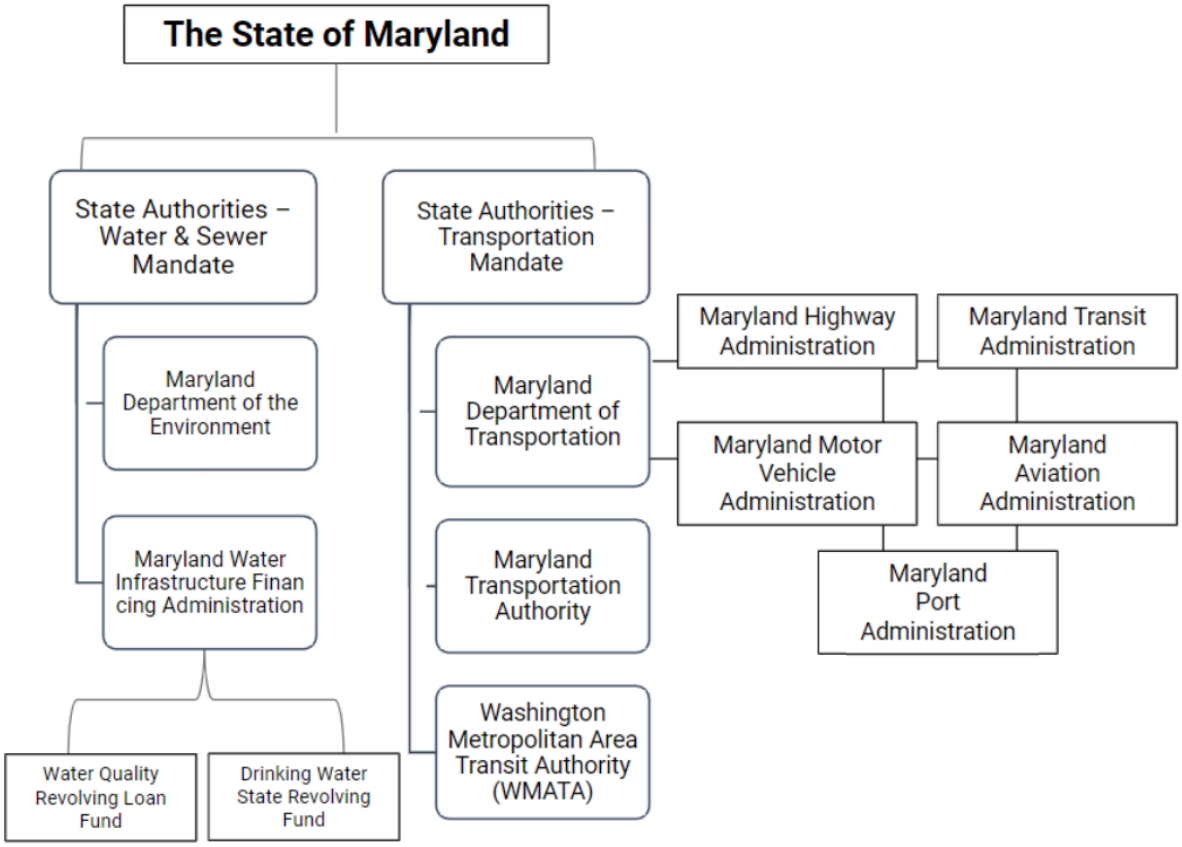
[185]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 12.
[186]2022 Maryland Statutes Economic Development, Title 12 - Local Development Authorities and Resources Subtitle 2 - Tax Increment Financing Act, https://law.justia.com/codes/maryland/2022/economic-development/division-ii/title-12/subtitle-2
[187]2022 Maryland Statutes Economic Development, Title 12 - Local Development Authorities and Resources Subtitle 2 - Tax Increment Financing Act, https://law.justia.com/codes/maryland/2022/economic-development/division-ii/title-12/subtitle-2/.

<u>Diagram VI</u>: Maryland Select Infrastructure Funding Mandates Shared Across State Entities



The authority to fund and manage transportation projects in Maryland rests primarily with the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges, and tunnels in the state, and the Maryland Department of Transportation ("MDOT").[188] MDOT retains the responsibility for capital investments as well as operating and planning activities that reach across all modes of transportation, led by a transportation secretary whose office establishes transportation policy and oversees five transportation business units: (1) the Maryland Aviation Administration; (2) the Maryland Port Administration; (3) the Maryland Transit Administration; (4) the Motor Vehicle Administration; and (5) the Maryland State Highway Administration (SHA).[189] The Secretary of Transportation also serves as the Chairman of the Maryland Transportation Authority, ensuring close coordination with the state agency responsible for Maryland's eight toll facilities and for financing new revenue producing projects.[190] The Maryland Department of Transportation

[188]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 34.
[189]Maryland Department of Transportation, FY 2022 - 2025 Maryland Statewide Transportation Improvement Program, 2022, 5, Maryland Statewide Transportation Improvement Program FY 2022-2025
[190]Maryland Department of Transportation, FY 2022 - 2025 Maryland Statewide Transportation Improvement Program, 2022, 5.

special revenue fund accounts hold the resources that fund the operation of the state's transportation activities, not including debt service or pension costs.[191]

The Maryland Water Infrastructure Financing Administration was created in 1988 to encourage capital investment for wastewater and drinking water projects pursuant to the Federal Clean Water Act of 1987 and the Federal Safe Drinking Water Act and Amendments of 1996.[192] The Maryland Water Infrastructure Financing Administration's enabling authority is focused on providing low interest rate loans under the two Revolving Loan Fund Programs and grants under the State Bay Restoration Fund Program to finance: (1) water quality point source projects and nonpoint source pollution control projects; (2) drinking water system upgrade projects; and (3) septic system upgrade projects.[193] The state of Maryland Water Quality Revolving Loan Fund is the principal public finance vehicle that is used to fund projects that protect or improve the quality of Maryland's rivers, streams, lakes, the Chesapeake Bay, and other water resources.[194]

Massachusetts State Jurisdictional Summary

Massachusetts Framework of Fiscal Governance, Budget, and Appropriations Process

In the commonwealth of Massachusetts, as in many states, funds for the state's programs and services must be appropriated by the state legislature. The process of preparing a budget begins with executive branch actions that are taken early in the fiscal year preceding the fiscal year for which the budget will take effect.[195] The legislative budgetary process begins in late January when the governor makes a budget submission to the legislature for the fiscal year commencing in the ensuing July.[196]

In accordance with the Massachusetts Constitution, the governor must recommend to the state legislature a budget that contains: (1) a statement of all proposed expenditures of the commonwealth for the upcoming fiscal year; (2) a statement of all expenditures already authorized by law; and (3) a statement of all taxes, revenues, loans, and other means by which state expenditures are to be defrayed.[197] Additionally, state law requires the legislature and the governor to approve a balanced budget for each fiscal year and prohibits the governor from approving any supplemental appropriation bills that would result in an unbalanced budget, unless the statutory requirement is superseded by an appropriation act.[198]

The Massachusetts House Committee on Ways and Means considers the governor's budget recommendations and proposes a budget to the full house of representatives with any

[191]State of Maryland, Annual Comprehensive Financial Report, January 31, 2023, 19.
[192]State of Maryland, Maryland Water Infrastructure Financing Administration Overview, March 29, 2024,
[193]State of Maryland, Maryland Water Infrastructure Financing Administration Overview, March 29, 2024.
[194]State of Maryland, Maryland Water Infrastructure Financing Administration Overview, March 29, 2024.
[195] Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[196] Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[197] Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[198] Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.

revisions.[199] Once approved by the house, the house-approved budget is then considered by the Senate Committee on Ways and Means, which then proposes a budget to be considered by the full senate, with any revisions.[200] After senate action, a legislative conference committee creates a joint budget recommendation for consideration by both houses of the state legislature, and when that is adopted, the recommendation is sent to the governor. The Massachusetts Constitution provides that the governor may veto the budget in whole or disapprove or reduce specific line items.[201] The state legislature may override the governor's veto or specific line-item vetoes by a two-thirds roll-call vote of both the house and senate. At the conclusion of the process, the annual budget legislation that is finally enacted is known as the General Appropriations Act.[202] It is important to note that the state legislature and the governor generally approve a temporary budget under which funds for the commonwealth's programs and services are appropriated based upon the level of appropriations from the prior fiscal year budget, in years in which the General Appropriations Act is not approved by the legislature and the governor before the beginning of the applicable fiscal year.[203]

As in many states, the commonwealth of Massachusetts department heads must monitor revenues and expenditures carefully and are required to notify the secretary of administration and finance and the House and Senate Committees on Ways and Means of any anticipated decrease in estimated revenues for their departments, if it appears that any appropriation will be insufficient to meet all expenditures required in the fiscal year.[204] The secretary of administration and finance must then notify the governor and the House and Senate Committees on Ways and Means whenever the secretary determines that revenues will be insufficient to meet authorized expenditures, and the secretary of administration and finance is then required to compute projected deficiencies under Section 9C of Chapter 29 of the General Laws.[205] Where such instances occur, the governor is required to either: (1) reduce allotments; (2) submit proposals to the state legislature to raise additional revenues; or (3) to make appropriations from the Stabilization Fund to cover such deficiencies.[206]

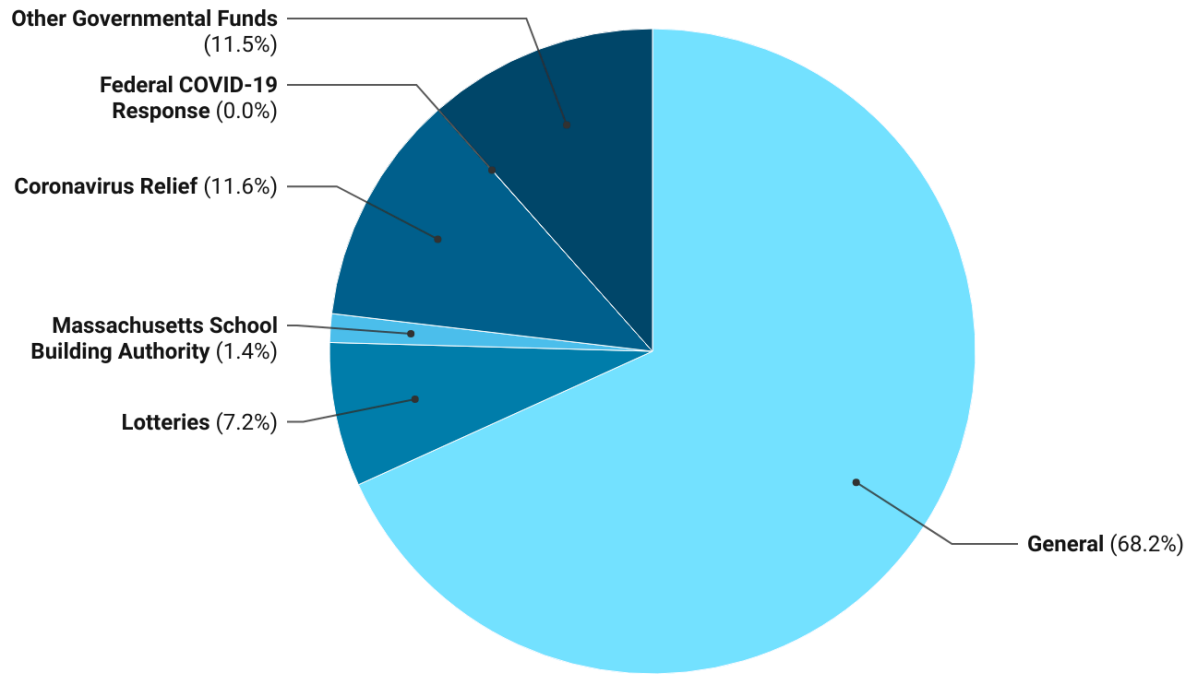
Capital expenditures in the commonwealth of Massachusetts are governed by a Capital Investment Plan established by the Executive Office for Administration and Finance, on or before July 1 annually, and are funded primarily via the issuance of debt, federal aid, and own-source revenues, described more fully in the next section.[207] The Capital Investment Plan is an administrative guideline that can be amended and outlines projects and the general avenues of public finance to fund infrastructure needs.[208]

[199] Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[200]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[201]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[202]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[203]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[204]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[205]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[206]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[207]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[208]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.

Massachusetts Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the commonwealth of Massachusetts is composed of the general fund and the other restricted and proprietary funds described in Chart XIII.

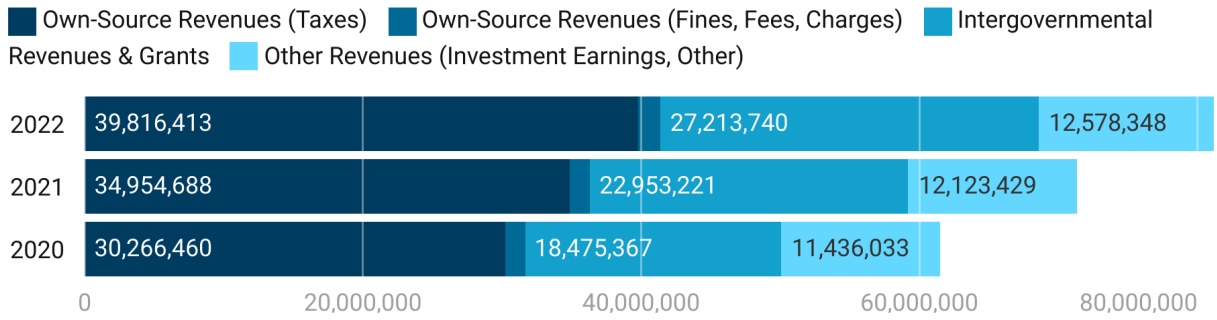
Chart XIII: Commonwealth of Massachusetts Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation. The Federal COVID-19 Response fund is present in 2022 and 2021 but is not included in the 2020 Comprehensive Annual Financial Report.

The major sources of revenue that are held in the commonwealth of Massachusetts governmental fund and used to fund operations and infrastructure are demonstrated in Chart XIV, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XIV: Commonwealth of Massachusetts Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021; Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Various sections of Massachusetts law enable a variety of tax credits and tax incentive programs that may be applied against corporate excise or personal income taxes due, and which are designed as benefits for specified economic activities as a means to encourage business in the state.[209] Additionally, state law in Massachusetts, particularly Chapter 62F of the General Laws, establishes a state tax revenue growth limit for each fiscal year equal "to the average positive rate of growth in total wages and salaries in the commonwealth, as reported by the federal government, during the three calendar years immediately preceding the end of such fiscal year".[210]

The noted growth limit is used to calculate "allowable state tax revenue" for each fiscal year. Chapter 62F further requires that allowable state tax revenues be reduced by the aggregate amount received by local governmental units from any newly authorized or increased local option taxes or excises.[211] The noted law provides that "[A]ny excess in state tax revenue collections for a given fiscal year over the prescribed limit, as determined by the state auditor, is to be applied as a credit against the then-current personal income tax liability of all taxpayers in the commonwealth in proportion to the personal income tax liability of all taxpayers in the commonwealth for the immediately preceding tax year".[212] The law does not, however, exclude principal and interest payments on commonwealth debt obligations from the scope of its tax limit, although the preamble contained in Chapter 62F provides that "although not specifically required by anything contained in this chapter, it is assumed that from allowable state tax revenues as defined herein the commonwealth will give priority attention to the funding of state financial assistance to local governmental units, obligations under the state governmental

[209]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[210]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[211]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[212]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.

pension systems and payment of principal and interest on debt and other obligations of the commonwealth."[213]

In 1980, voters in the commonwealth approved a statewide tax limitation initiative petition, commonly known as "Proposition 2 ½", to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2 ½ currently limits the property taxes that may be levied by any city or town in any fiscal year to the lesser of "(1) 2.5 percent of the full and fair cash valuation of the real estate and personal property therein or (2) 2.5 percent over the previous year's levy limit plus any growth in the tax base from certain new construction and parcel subdivisions."[214] The law contains certain voter override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special municipal election. The commonwealth makes annual substantial payments to its local governments and regional school districts in the form of local aid to mitigate the impact of local property tax limits on local programs and services.[215]

In Massachusetts, the TIF Program is administered as the local component of the state's Economic Development Incentive Program (EDIP) and enables the state, a local government, and a private sector partner together to achieve economic development objectives.[216] Chapter 40, Section 59 of the Massachusetts General Laws enables the use of TIF as a public finance mechanism that local governments in the commonwealth of Massachusetts can use to raise revenue. Cities, towns, and other local governments that are enabled to leverage the Massachusetts TIF program for large-scale investments in their community can negotiate TIF agreements only when the benefits of private investment are expected to exceed any foregone tax revenue.[217]

As noted earlier, capital expenditures in the commonwealth of Massachusetts are governed by a Capital Investment Plan established by the Executive Office for Administration and Finance.[218] Projects in the plan are funded by the following general avenues of public finance:

- "Administrative Bond Cap" — the ability to leverage the general obligation borrowing capacity of the commonwealth of Massachusetts to support portions of the regular capital program. The Executive Office for Administration and Finance sets the annual administrative limit on the amount of bond-funded capital expenditures, known as the "bond cap", to keep commonwealth debt within affordable levels.[219]

[213]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[214]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[215]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[216]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[217]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[218]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[219]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.

- "Project Financing" — the issuance of debt supported by project revenues, or federal funds related to a project.[220]

- "Accelerated Bridge Program" — commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund or federal grant anticipation notes secured by federal highway reimbursements.[221]

- "Rail Enhancement Program" — commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund to finance certain transit infrastructure rail enhancement projects.[222]

- "Pay-As-You-Go" — Funding from current revenue for capital projects, including toll revenue.[223]

- Third Party Contributions — Made by third parties to capital projects being carried out by the commonwealth, including the I-Cubed program, contributions from campuses for higher education projects, matching funds from cities and towns, and capital projects funded by assessments.[224] The Infrastructure Investment Incentive Program ("I-Cubed") is "an innovative public-private partnership created to spur economic development and job growth in the commonwealth through support for large-scale private real estate development projects."[225]

- Grant Anticipation Notes — Borrowing backed by different federal grants.[226]

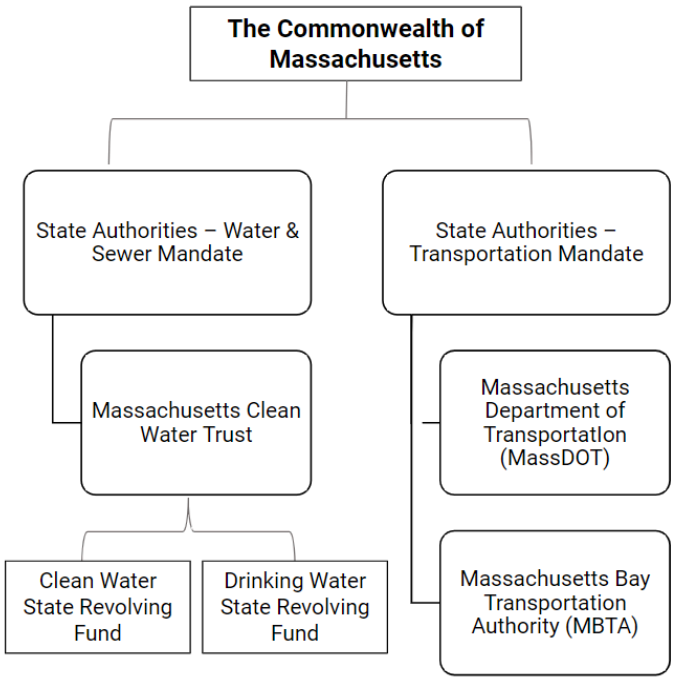
All authorization for capital spending in the commonwealth of Massachusetts requires approval by the state legislature, and the authorization to issue debt must be approved by a two-thirds roll call vote of each house of the state legislature.[227] In addition, all debt issuance requires the governor to recommend the terms of the authorized debt per the Massachusetts Constitution.[228] In Massachusetts, the state treasurer issues authorized debt at the request of the governor, and the governor, through the secretary of administration and finance, controls the amount of capital expenditures through the allotment of funds pursuant to such authorizations.[229]

[220]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[221]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[222]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[223]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[224]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[225] I-Cubed Program, Commonwealth of Massachusetts, https://www.mass.gov/i-cubed.
[226]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[227]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[228]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.
[229]Commonwealth of Massachusetts, Annual Information Statement, June 30, 2022.

Massachusetts Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Massachusetts, the funding of water, sewer, transportation and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram VII.

Diagram VII: Massachusetts Select Infrastructure Funding Mandates Shared Across State Entities



The Massachusetts Clean Water Trust (MCWT) works in collaboration with the Massachusetts Department of Environmental Protection (MassDEP) as the principal state public authority charged with supporting localities in Massachusetts to build or replace water infrastructure that enhances ground and surface water resources.[230] The MCWT carries out its mission by providing low-interest loans and grants to cities, towns, and water utilities through the Massachusetts State Revolving Funds (MA SRFs) to finance water and sewer infrastructure projects.[231]

The MCWT's principal function is to manage the commonwealth of Massachusetts state revolving fund program under the federal Clean Water Act and the federal Safe Drinking Water Act.[232] To that end, the trust is authorized to accept federal grants and state funds to capitalize the revolving funds and to issue debt obligations to provide low-interest loans and grants to cities, towns, and water utilities that enable localities to build or replace water quality

[230]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.
[231]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.
[232]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.

infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities.[233] As is typical of many SRFs, the loans made by the MCWT must provide subsidies or other financial assistance to reduce the debt service expense on the loans. Many MCWT loans are subsidized to a two percent interest rate set by statute, or bear interest at lower rates, including zero percent, among other benefits.[234] The subsidy on most MCWT loans is covered by contract assistance payments from the commonwealth of Massachusetts. The MCWT's enabling act provides that aggregate annual contract assistance payments may not exceed $138 million.[235]

In Massachusetts, transportation assets are funded via a mix of sources by the Massachusetts Department of Transportation ("MassDOT"), colleges, universities, cities and towns, quasi-public authorities, and a state agency that serves as a division of MassDOT.[236] MassDOT was formed in 1999 as successor to the Massachusetts Turnpike Authority, via a contract that provides for the commonwealth to make annual operating assistance payments to MassDOT, at $25 million annually until June 30, 2050 — the end of the 40th fiscal year following the transfer of certain facilities associated with the Commonwealth's Central Artery/Ted Williams Tunnel project to MassDOT.[237] In 2009, the commonwealth entered into an additional agreement to provide financial assistance payments to MassDOT, as successor to the Turnpike Authority, of $100 million per fiscal year, commencing July 1, 2009, until June 30, 2039.[238] The payments under both contracts constitute a general obligation pledge of the commonwealth for which the full faith and credit of the commonwealth are pledged that is similar in nature to the strength of the general obligation pledge that secures the commonwealth's bonds.[239]

The Massachusetts Bay Transportation Authority (MBTA) is a division of MassDOT charged with providing subway, bus, commuter rail, ferry, and paratransit service to eastern Massachusetts and parts of Rhode Island.[240] The MBTA funds most of its transportation assets via several public finance mechanisms, including but not limited to the following: (1) the issuance of bonds and notes; (2) contract assistance from the commonwealth of Massachusetts; (3) fees from MBTA users; and (4) annual payments from the commonwealth of Massachusetts for operating costs and debt service on MBTA bonds from revenues raised by the commonwealth's sales tax.[241]

It is important to note that for all MBTA bond issuances prior to July 1, 2000, the commonwealth of Massachusetts supported the issuance of MBTA bonds, notes, and other obligations through guaranties of the debt service, contract assistance payments equal to approximately ninety percent of the debt service on outstanding MBTA bonds and payment of the MBTA's "net cost of service", defined as the MBTA's current expenses, including debt service,

[233]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.
[234]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.
[235]Massachusetts Water Pollution Abatement Trust, *Annual Financial Report*, June 30, 2023.
[236]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[237]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[238]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[239]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[240]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[241]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.

minus current income.[242] After July 1, 2000, the commonwealth of Massachusetts annual obligation to support the MBTA for operating costs and debt service has been limited to a portion of the revenues raised by the state sales tax, and the commonwealth of Massachusetts remains contingently liable for the payment of MBTA bonds, notes, payments related to leases, interest rate exchange agreements, and other financing obligations issued prior to July 1, 2000.[243]

The commonwealth of Massachusetts also has fifteen Regional Transit Authorities ("RTAs"), which were established by state legislation to provide fixed route and paratransit service in communities across the state.[244] The RTAs in Massachusetts are funded by rider fares, advertising, assessments to the local governments served by an RTA, federal grants and state assistance, or bonds and notes of RTAs.[245] RTAs, for example, receive "net cost of service payments" from the commonwealth of Massachusetts, which are included in the commonwealth's annual budget, and together with other funding sources (i.e., local government assessments, federal aid, etc.) are used to pay operating and capital expenses, or as security for RTA bond and note issuances.[246] In addition to the noted sources of funds from the state, the commonwealth of Massachusetts supports revenue anticipation note issuances of RTAs via a guaranty program that requires the commonwealth to provide an RTA with funds sufficient to meet the debt service requirements of its bonds or notes, in the event RTAs lack revenues to make such payments.[247]

In order to make "net cost of service payments" to RTAs, the commonwealth assesses each of the cities and towns within the applicable RTA service area.[248] Massachusetts' Commonwealth Transportation Fund (CTF) has an annual required $15 million transfer to the RTAs for operations, and often provides additional funding in the form of grants.[249]

Missouri State Jurisdictional Summary

Missouri Framework of Fiscal Governance, Budget, and Appropriations Process

The constitution of the state of Missouri establishes the framework of government and framework of fiscal governance in the state.[250] Governance in the state of Missouri is centralized in three branches of government — executive, legislative, and judicial — with the executive branch consisting of the governor, lieutenant governor, secretary of state, state auditor, state treasurer, and attorney general.[251] The state legislature consists of a thirty-four-member state senate and a 163-member house of representatives.[252]

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[242]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[243]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[244]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[245]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[246]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[247]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[248]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[249]Massachusetts Department of Transportation, *Annual Financial Report*, June 30, 2023.
[250]State of Missouri, *Constitution of the State of Missouri*, December 2022, https://www.sos.mo.gov/CMSImages/Publications/CurrentMissouriConstitution.pdf?v=202212.
[251]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 1.
[252]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 1.

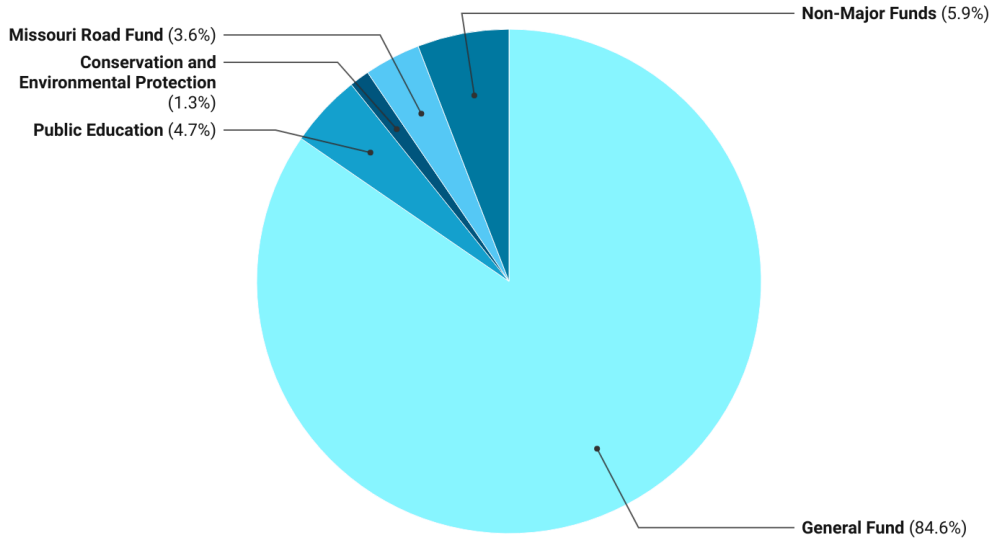
In Missouri, a legally adopted budget is the mechanism that ensures compliance with the legal provisions embodied in the annual appropriated budget, which is approved by the Missouri General Assembly and by the governor prior to the beginning of each new fiscal year.[253] Budgets for the state of Missouri are traditionally established at the program level.[254] In cases where budgetary appropriations are insufficient in a given fiscal year, supplemental amounts are requested during the next legislative session using the same process as is followed when the original appropriations are requested.[255]

There are several constitutional and statutory limitations that govern the state budget process in Missouri, including: (1) "expenditures cannot exceed the individual appropriation amount"; (2) "the governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met"; (3) "Article IV, Section 27 of the Missouri Constitution, amended in 2014, requires the governor to notify the General Assembly if the governor reduces allotments when it appears revenues will be less than estimated….this Section then gives the General Assembly the authority to overturn any of the governor's restrictions with a two-thirds vote, similar to the procedure to overturn a veto"; (4) "Unexpended appropriations lapse at the end of each fiscal year, unless reappropriated to the following budget fiscal year".[256]

Missouri Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of Missouri is composed of the general fund and the other restricted and proprietary funds described in Chart XV.

Chart XV: State of Missouri Structure of the Governmental Fund

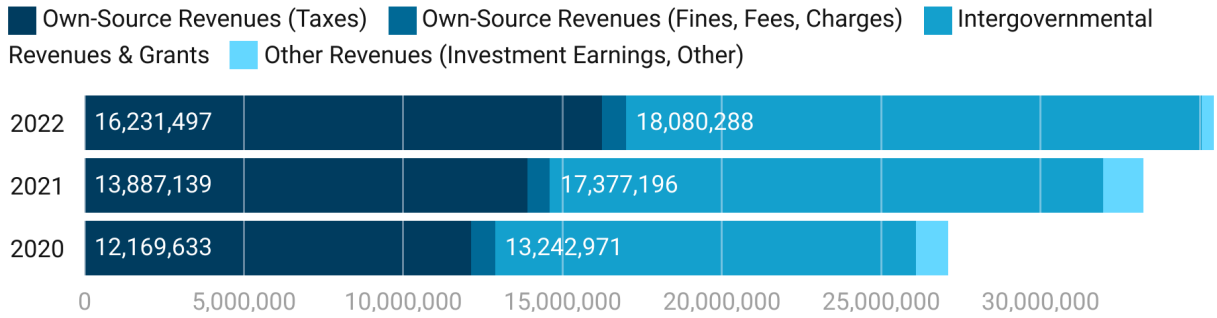


Source: Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

[253]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 2.
[254]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 2.
[255]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 2.
[256]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 2.

The major sources of revenue that are held in the state of Missouri governmental fund and used to fund operations and infrastructure are demonstrated in Chart XVI, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XVI: State of Missouri Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021; Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

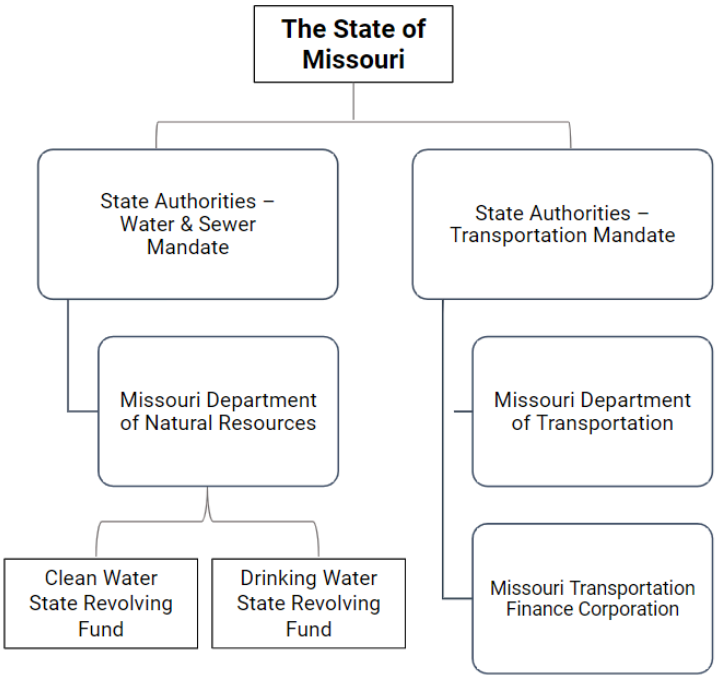
Missouri, like all other states examined in this report, enables TIF as a mechanism of public finance for local government use to fund new development projects and transportation improvements, and to use the real property taxes and other taxes generated by new development to pay for costs of construction of public infrastructure and other improvements.[257]

Missouri Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Missouri, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram VIII.

[257]Missouri Department of Transportation. *CID, NID, TIF and Economic Development Sales Tax*, March 31, 2024, https://www.modot.org/cid-nid-tif-and-economic-development-sales-tax.

<u>Diagram VIII</u>: Missouri Select Infrastructure Funding Mandates Shared Across State Entities



In Missouri, the financing and oversight of transportation assets is managed by the Missouri Department of Transportation and Missouri Transportation Finance Corporation. The latter is a not-for-profit corporation financed by federal highway and transit dollars and state and local matching funds, and serves as the state's infrastructure bank.[258] The Missouri Transportation Finance Corporation is authorized to raise money for transportation projects via the sale and issuance of revenue bonds, and provides loans to assist public and private entities to fund highway and transportation projects throughout the state of Missouri.[259]

Similar to other states examined in this report, water and sewer projects in the state of Missouri are primarily financed via two state revolving fund programs — the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund.[260] Both of the noted programs serve as vehicles that provide low-cost financing for a wide range of drinking water and wastewater infrastructure projects across the state.[261]

[258]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 38.
[259]State of Missouri, Comprehensive Annual Financial Report, March 24, 2023, 38.
[260]Missouri Department of Natural Resources, *State Revolving Fund (SRF)*, March 29, 2024,
[261]Missouri Department of Natural Resources, *State Revolving Fund (SRF)*, March 29, 2024,

Montana State Jurisdictional Summary

Montana Framework of Fiscal Governance, Budget, and Appropriations Process

In the state of Montana, the Department of Administration is responsible for all financial functions. The Montana Department of Administration comprises nine operating divisions and provides administrative services to six agencies.[262] The director of the Montana Department of Administration is the ex-officio treasurer of the state, charged with serving as the custodian of all moneys and securities of the state, receiving and accounting for all moneys belonging to the state, and purchasing or redeeming warrants.[263] The budget preparation process in the state of Montana begins with the Office of Budget and Program Planning (the "OBPP"), which prepares the executive budget, implements appropriation measures passed by the Montana State Legislature, monitors statutory changes, engages in economic forecasting to gauge potential factors impacting state revenue collection, and communicates key information across the noted areas, and others, to the governor's office.[264]

The state of Montana also follows a biennial budget model, aligned with a fiscal year calendar that begins July 1 and ends June 30.[265] In Montana, the budget cycle starts with the preparation of agency plans in the spring of each even-numbered year and reflects the following process: (1) agency budget requests are submitted to the governor by September 1 of even-numbered years; (2) the governor together with the budget director reviews these requests, determines priorities, and proposes a balanced budget with currently authorized and anticipated revenues; (3) on November 15 of even-numbered years, a copy of the governor's budget is provided to the Legislative Fiscal Division; (4) the Legislative Fiscal Division then prepares an analysis and submits it to the state legislature; (5) joint appropriations subcommittee hearings are held and then an omnibus appropriation bill is reported out to the Montana House of Representatives and subsequently to the Montana Senate; and (6) prior to June 30 of each odd-numbered year, the state legislature enacts a budget containing appropriations for the next two fiscal years, known as the biennium.[266]

Under the state constitution, the governor has the power to veto any line of any itemized appropriation bill.[267] The Montana State Legislature, however, can reconsider and pass disapproved appropriations by a two-thirds majority vote of the Montana House of Representatives and the Montana Senate.[268] After each legislative session, all state agencies

[262]State of Montana, Organization, March 29, 2024, A-4, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[263]State of Montana, Organization, March 29,2024, A-4, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[264]State of Montana, Organization, March 29,2024, A-4 - A-5, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[265]State of Montana, Organization, March 29,2024, A-4 - A-5, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[266]State of Montana, Organization, March 29,2024, A-6, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[267]State of Montana, The Constitution of the State of Montana, 2023, https://leg.mt.gov/bills/mca/title_0000/chapters_index.html.
[268]State of Montana, The Constitution of the State of Montana, 2023, https://leg.mt.gov/bills/mca/title_0000/chapters_index.html.

work via the OBPP to prepare and submit operational plans showing the allocation of operating budgets by line item.[269] The operating plans must be approved by the governor or his designee — the budget director — who has the power to authorize transfers of funds between line items unless limited by the appropriation bill.[270] The OBPP also plays a key role in the appropriations process at the state level. In order for an appropriation for the administration or operation and maintenance of a budgeted agency to be authorized as an expenditure, the OBPP submits to the governor an operating plan demonstrating the allocation of the appropriated funds, prior to the start of the fiscal year for which the funds have been appropriated.[271]

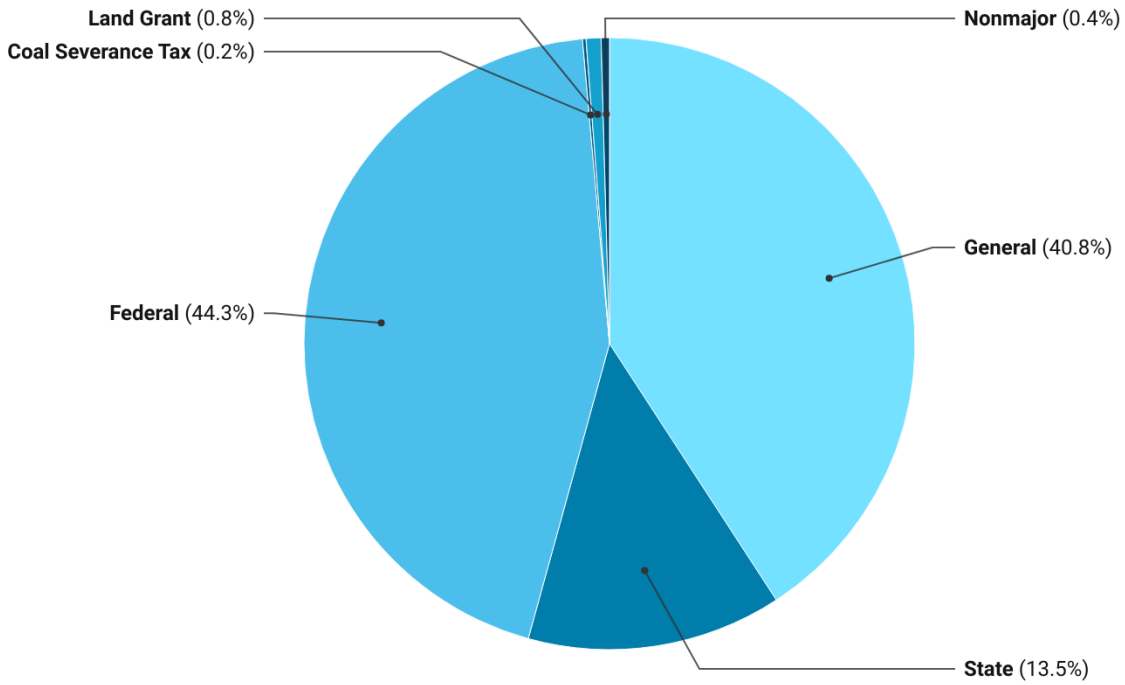
The Montana State Constitution governs several aspects of the appropriations and budget process, providing, for example: (1) the appropriations in the budget adopted by the Montana State Legislature shall not exceed available revenues; and (2) borrowing to cover deficits incurred because appropriations exceeded anticipated revenues is prohibited.[272] As part of the budget process, the OBPP prepares the revenue estimates contained in the governor's budget for thirty four specific tax types and an aggregate "all other" revenue using various forecasting methods.[273] After the state fiscal year ends, actual collections are compared to the estimates for each revenue source and used for preparing revenue estimates for the next biennium.[274]

Montana Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of Montana is composed of the general fund and the other restricted and proprietary funds described in Chart XVII.

[269]State of Montana, The Constitution of the State of Montana, 2023, https://leg.mt.gov/bills/mca/title_0000/chapters_index.html.
[270]State of Montana, Organization, March 29,2024, A-6 - A-7, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[271]State of Montana, Organization, March 29,2024, A-4 - A-5, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[272]State of Montana, Organization, March 29,2024, A-4 - A-6, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[273]State of Montana, Organization, March 29,2024, A-4 - A-6, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[274]State of Montana, Organization, March 29,2024, A-4 - A-6, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.

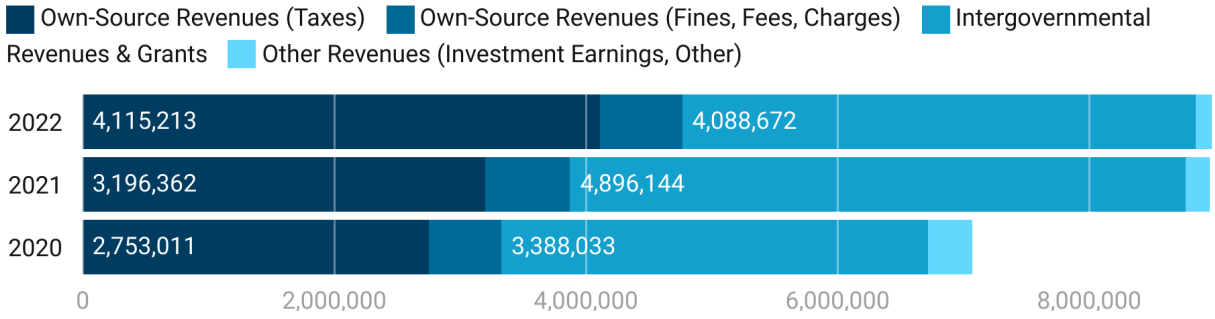
Chart XVII: State of Montana Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the year ending June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of Montana governmental fund and used to fund operations and infrastructure are demonstrated in Chart XVIII, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XVIII: State of Montana Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the year ending June 30, 2022; Annual Comprehensive Financial Report for the year ending June 30, 2021; Comprehensive Annual Financial Report for the year ended June 30, 2020 Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

When understanding the composition of general fund revenues in Montana, it is important to consider the way Montana treats federal aid, the dynamics between state and local revenues, and how the state of Montana uses special and permanent revenue funds as part of its framework of fiscal governance. In Montana, federal grants that are to be expended for operations of the state are deposited in the federal special revenue fund, not in the general fund, and can be appropriated by the Montana State Legislature.[275]

In 2001, the Montana State Legislature enacted House Bill 124, "Local Government Entitlement Share Payment Program" (ESPP), which combined several revenue sources controlled by the state legislature into one Entitlement Share Payment that functions as follows: (1) revenues that local governments previously received from a variety of sources, including motor vehicle, boat, and aircraft taxes and fees, gaming revenue except permit fees, financial institution taxes, alcohol taxes, title and registration fees, and district court fees, are sent to the state of Montana and replaced by the Entitlement Share Payment, in a single statutory appropriation to the Department of Revenue for allocation to local governments (counties, consolidated local governments, and incorporated cities and towns); (2) the Base Entitlement Share Pool must be increased annually by a growth rate, starting with fiscal year 2014, established by a formula set in statute that reflects the general growth of the Montana economy; and (3) The state assumed the costs of district courts and welfare previously funded by counties.[276]

In the state of Montana, outside of the general fund, revenues for general governmental functions are accounted for in five fund groups: (1) general fund; (2) special revenue funds; (3) debt service funds; (4) capital projects funds; and (5) permanent funds. As is the case in many state and local governments, the general fund is the principal operating fund of the state of Montana and it is used to account for all governmental financial resources.[277] In Montana, special revenue funds account for the proceeds of specific revenue sources restricted to expenditures for specified purposes other than major capital projects that are accounted for in capital projects funds, which hold revenues used for the acquisition or construction of major governmental general fixed assets.[278]

A noteworthy feature of the state of Montana's biennial budget process involves forecasting and setting aside funds for the state's ten-year capital improvement program and long-range planning via a process led by the Montana Office of Budget and Program Planning, which forecasts revenue for six years and conducts financial and budgetary stress tests over the same period.[279] Funds reported in the capital projects fund are primarily used to fund capital improvements, like construction and maintenance of state buildings, energy efficiency improvements in state facilities, and investments in state services.[280] The state of Montana also

[275]State of Montana, Organization, March 29,2024, A-30, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[276]Legislative Services Division, Entitlement Share 101, November 16, 2018, https://leg.mt.gov/content/For-Legislators/orientation/2020/Entitlement_Share_101.pdf.
[277]State of Montana, Organization, March 29,2024, A-11, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[278]State of Montana, Organization, March 29,2024, A-11, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[279]State of Montana, Comprehensive Annual Financial Report for FY23, June 5, 2023, 9.
[280]State of Montana, Comprehensive Annual Financial Report for FY23, June 5, 2023, 9.

provides loan and grant programs to local governments that help them fund infrastructure projects, fund projects that benefit the state's natural heritage, reclaim land impacted by mineral development, fund regional water systems, and protect works of art in the state capitol and other cultural and aesthetic projects, among other things.[281]

In Montana, Title 17, Chapter 7, Part 2, of the Montana Code Annotated specifically provides legislative authorization for how the state's capital projects fund is used to fund new infrastructure and deferred maintenance needs with approximately one percent of general fund revenue less any existing general obligation bond debt service.[282] The statute also provides that deferred maintenance is funded at 0.6 percent of current replacement value of existing state of Montana's "Long Range Building Program" through coal and cigarette taxes, with any difference being made up by the general fund. In addition, the state has an inflation-adjusted general obligation debt service cap, as well as a separate inflation-adjusted total state debt cap that functions to reduce appropriations for new building projects in the event the caps are passed.[283]

In contrast to the other noted funds, permanent funds hold resources that are permanently restricted, such that only earnings, not principal, are used for the purposes of supporting Montana government's programs.[284] The state of Montana has six major permanent funds, including most notably the Coal Severance Tax Trust Fund, created by Article IX, Section 5 of the state constitution, which holds fifty percent of coal severance tax collections in the state. Interest on the fund is distributed to the state's general fund, but expenditure of the principal from the Coal Severance Tax Trust Fund requires a three-fourths majority vote of the Montana House of Representatives and Montana State Senate.[285]

There are several trust funds that specifically hold revenues for the acquisition of land, assets, mineral rights, infrastructure, and other purposes, including: (1) the Parks Acquisition Trust Fund, which receives 1.27 percent of coal severance tax collections, with interest on the fund used to acquire parks; (2) the Land Grants Trust fund, which is used to account for lands granted to the state for support of public schools, universities, and state institutions; (3) the Resource Indemnity Trust Fund, which was capitalized with taxes on mineral production through fiscal year 2002, and since then has maintained a $100 million balance, with interest on the fund used to fund natural resource programs; (4) the Real Property Trust Fund, which receives money from the sale of real property, from oil, gas, and mineral deposits, and from the lease of Montana Department of Fish, Wildlife, and Parks real property, with interest earnings on this fund used for developing and maintaining real property; and (5) the Tobacco Settlement Trust Fund, created via a constitutional amendment to provide a permanent source of revenue to fund the costs the state incurs in programs for tobacco disease prevention and providing benefits, services, or coverage of health care needs.[286]

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[281]State of Montana, Comprehensive Annual Financial Report for FY23, June 5, 2023, 9.
[282]State of Montana, Comprehensive Annual Financial Report for FY23, June 5, 2023, 9.
[283]State of Montana, Comprehensive Annual Financial Report for FY23, June 5, 2023, 9.
[284]State of Montana, Organization, March 29,2024, A-11, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[285]State of Montana, Organization, March 29,2024, A-11, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[286]State of Montana, Organization, March 29,2024, A-11, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.

The state of Montana has no constitutional limit on its power to incur debt other than a provision that limits the state from using deficit funding mechanisms that arise where appropriations exceed anticipated revenue.[287] Montana House Bill 553 enables the state to issue general obligation debt for the principal purpose of funding infrastructure, by a two-thirds vote of the members of each house of the Montana State Legislature or by a majority of the electors voting thereon.[288]

Montana House Bill 553 also provides various limitations on the state legislature's ability to authorize general obligation bonds issuances: (1) the state legislature is prohibited from authorizing the issuance of general obligation bonds if the issuance of such bonds would cause the total amount of state debt to exceed 0.6 percent of the fair market value of all taxable property within the state, subject to certain exceptions; and (2) the state legislature is prohibited from authorizing in the future the issuance of general obligation bonds if doing so would create an obligation for fiscal year debt service on general obligation bonds that have been issued that exceeds 1.5 percent of the amount of the certified unaudited state general fund revenue, including transfers into the state general fund, as determined by the state treasurer on or before August 15 of the year preceding a legislative session.[289]

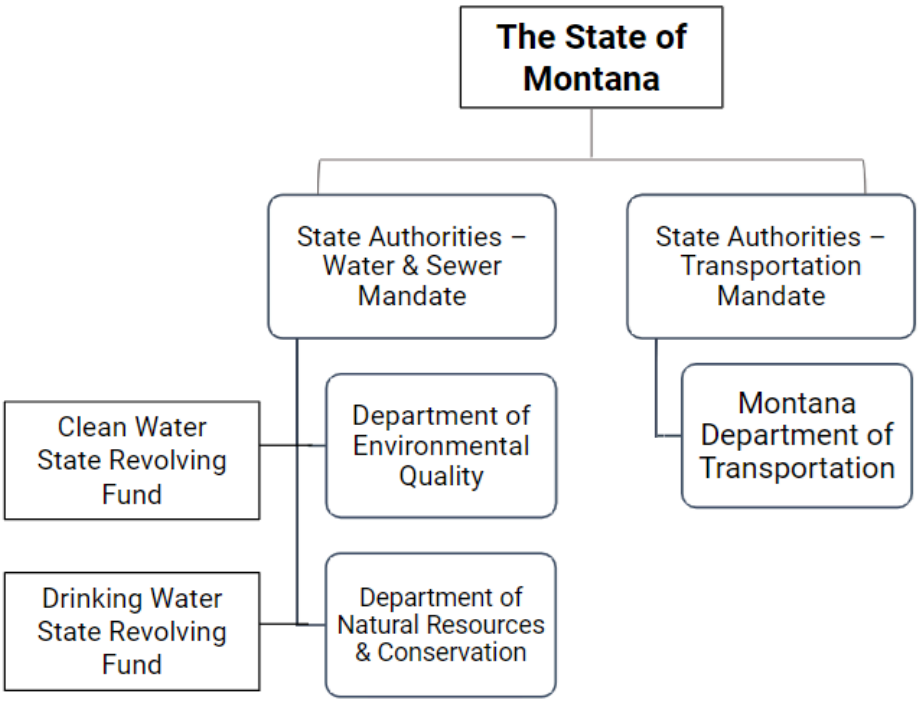
Montana state law, specifically the state's Urban Renewal Law, enables local governments to use tax revenue in designated districts known as Tax Increment Financing Districts for development and redevelopment activities and to pay for public infrastructure needs of projects.[290] State-enabling legislation gives local governments the authority to designate Tax Increment Financing Districts that last 20 or more years, or enough time to pay back the bonds issued to fund the improvements.[291] It is most common for municipal governments within the state to assume the administrative role for the financing district, and make decisions about how and where the tool is applied.[292]

Montana Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Montana, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram IX.

[287]State of Montana, The Constitution of the state of Montana, 2023, https://leg.mt.gov/bills/mca/title_0000/chapters_index.html.
[288]2019 Montana Legislator, House Bill No. 553, July 1, 2019, https://leg.mt.gov/bills/2019/billhtml/HB0553.htm.
[289]State of Montana, Organization, March 29,2024, A-50, https://emma.msrb.org/P21702903-P21287098-P21716543.pdf.
[290]Montana State Library, Montana Tax Increment Financing Districts, February 2, 2024, https://mslservices.mt.gov/geographic_information/data/datalist/datalist_Details.aspx?did=%7B5E47CE24-227C-4D11-8CA1-948AA1088719%7D#:~:text=Montana%20law%20enables%20local%20governments,public%20infrastructure%20needs%20of%20projects.
[291]Montana State Library, Montana Tax Increment Financing Districts, February 2, 2024, https://mslservices.mt.gov/geographic_information/data/datalist/datalist_Details.aspx?did=%7B5E47CE24-227C-4D11-8CA1-948AA1088719%7D#:~:text=Montana%20law%20enables%20local%20governments,public%20infrastructure%20needs%20of%20projects.
[292]Montana Code Annotated 2023, Title 7 Chapter 15 Part 42, 2023, https://leg.mt.gov/bills/mca/title_0070/chapter_0150/part_0420/sections_index.html.

<u>Diagram IX</u>: Montana Select Infrastructure Funding Mandates Shared Across State Entities



The Montana Water Pollution Control State Revolving Fund and Drinking Water State Revolving Fund programs are jointly administered by the Department of Natural Resources and Conservation and the Department of Environmental Quality.[293] The Montana State Revolving Fund programs make loans to communities funded by the EPA capitalization grants, state match, and state recycled funds. The programs are jointly administered by the Engineering Bureau of the Department of Environmental Quality (DEQ) and the Conservation and Resource Development Division of the Department of Natural Resources and Conservation (DNRC).[294]

The Montana Department of Transportation (MDT) is charged with planning, building, operating and maintaining safe and resilient transportation infrastructure across the state.[295] In 2017, the Montana State Legislature passed the Bridge and Road Safety and Accountability Act (BaRSAA) to provide expanded funding for transportation infrastructure projects.[296] BaRSAA increased motor fuel taxes over a period of six years and was initially expected to generate approximately $40 million in additional road and bridge funding annually — a vital source of

[293]State of Montana, Montana Water Pollution Control and Drinking Water State Revolving Fund Programs, March 2021, https://drive.google.com/file/d/1A6ufJHjCj4ICThsvr2fY7mh0rQmtH3ji/view.
[294]State of Montana, Montana Water Pollution Control and Drinking Water State Revolving Fund Programs, March 2021.
[295]Montana Department of Transportation, Montana Department of Transportation, March 29, 2024, https://www.mdt.mt.gov/.
[296]A National Transportation Research Nonprofit, News Release: Despite State and Federal Funding Increases, Montana's Transportation System Still in Need of Road and Bridge Improvements, Safety and Capacity Upgrades, January 18, 2023, https://tripnet.org/reports/keeping-moving-montana-forward-trip-news-release-01-18-2023/.

infrastructure funding for local governments that enabled MDT to match and leverage more than $100 million in federal funds.[297]

MDT is one of the lead agencies that administers the Statewide Transportation Improvement Program (STIP) for Montana. Developed in accordance with the requirements of Title 23 and Title 49 of the United States Code, the STIP shows projects that will address Montana's transportation needs for a five-year period. The program was developed through coordinated efforts of the MDT, state and federal agencies, local and tribal governments, metropolitan planning organizations, public agencies, transportation providers, citizens, and other interested parties, and identifies highway, rail, aeronautic, and transit improvements to preserve, renovate, and enhance Montana's transportation system.

Nebraska State Jurisdictional Summary

Nebraska Framework of Fiscal Governance, Budget, and Appropriations Process

The constitution of the state of Nebraska sets the foundation for the state's governance and fiscal frameworks. Government in the state of Nebraska is organized into three branches: legislative, executive, and judicial, with a legislative branch that (unlike other states in the U.S.) is organized as a "Unicameral Legislature".[298] The features of government in the state of Nebraska are as follows: (1) a legislature with forty-nine members elected on a non-partisan ballot; (2) a governor who serves as the chief executive and is elected for a four-year term; (3) various departments and agencies within the executive branch that perform a variety of functions.[299]

The budget process in the state of Nebraska consists of three core components: (1) a budget is required to be adopted through passage of appropriation bills by the Nebraska State Legislature; (2) the appropriated funds are allocated by program and fund type, in a manner that is controlled by the executive branch through an allotment process; and (3) the state legislature has the power to also enact a supplemental appropriation bill and other appropriation bills as it deems necessary.[300]

The constitution of the state of Nebraska generally prohibits the state from incurring indebtedness.[301] Specifically, Article XIII of the state's constitution prohibits the state from incurring debt in excess of one hundred thousand dollars.[302] However, the Nebraska Constitution does allow the issuance of revenue bonds for limited purposes, including: (1) highway construction; and (2) water conservation and management projects. Additionally, state authorities that are separate legal entities are not subject to the state's constitutional

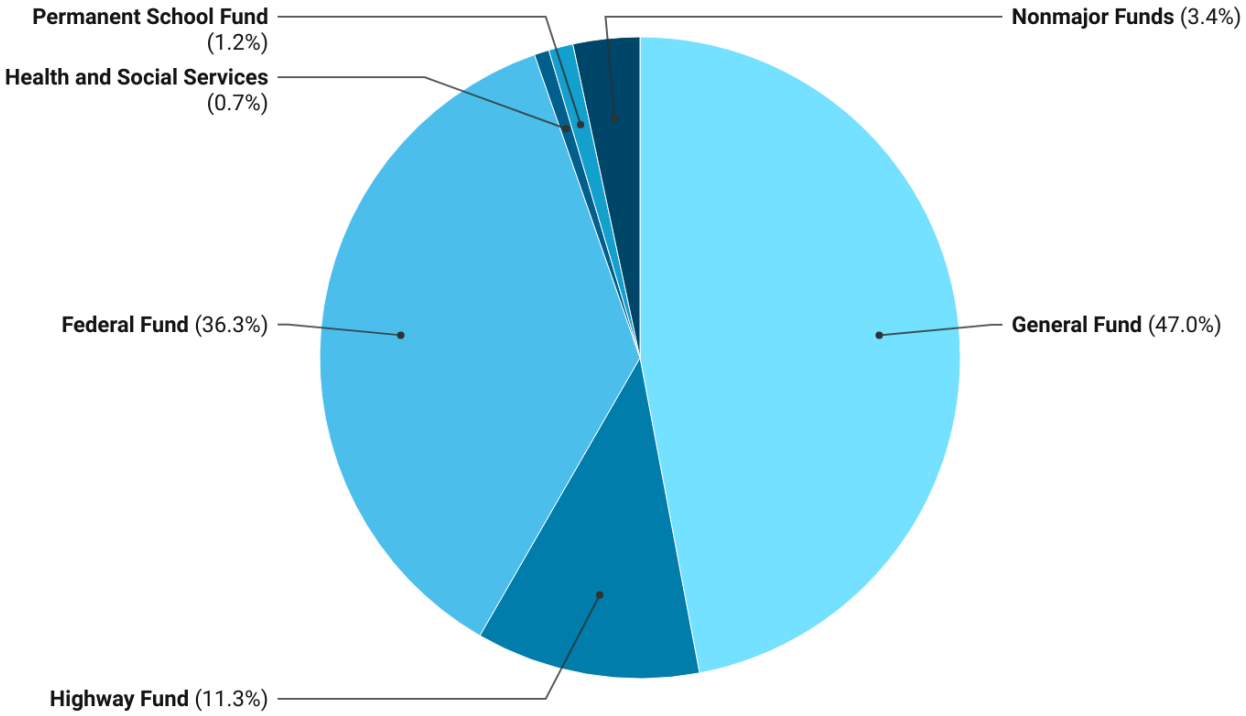
[297]A National Transportation Research Nonprofit, News Release: Despite State and Federal Funding Increases, Montana's Transportation System Still in Need of Road and Bridge Improvements, Safety and Capacity Upgrades, January 18, 2023, https://tripnet.org/reports/keeping-moving-montana-forward-trip-news-release-01-18-2023/.
[298]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 10, Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022.
[299]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 10-11.
[300]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 10-11.
[301]State of Nebraska, Constitution of the State of Nebraska, December 5, 2022, https://nebraskalegislature.gov/FloorDocs/Current/PDF/Constitution/constitution.pdf.
[302]State of Nebraska, Constitution of the State of Nebraska, December 5, 2022.

restrictions and can incur debt for various purposes.[303] Due to the constitutional limitations on debt issuance at the state level, the majority of projects and expenses at the state level are funded on a pay-as-you-go basis in Nebraska.[304]

Nebraska Revenues and Primary funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of Nebraska is composed of the general fund and the other restricted and proprietary funds described in Chart XIX.

Chart XIX: State of Nebraska Structure of the Governmental Fund

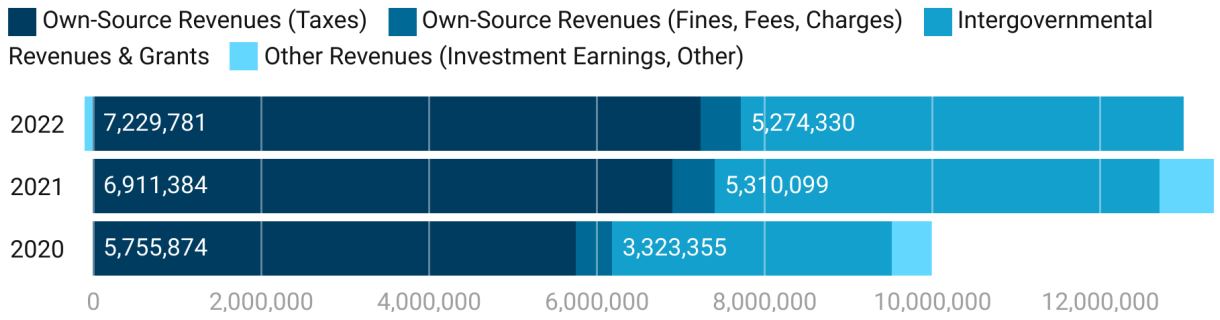


Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of Nebraska governmental fund and used to fund operations and infrastructure are demonstrated in Chart XX, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

[303]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 86.
[304]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 10, 86.

Chart XX: State of Nebraska Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021; Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Nebraska is one of the states in our study with negative revenue balances in its general fund, arising due to dynamics of its investment income. As brief background, in Fiscal Year 2022, revenues in the state of Nebraska's general fund increased overall from the prior year by $145 million, driven primarily by increases in income tax revenues of $245 million, an increase in sales and use tax revenue of $105 million, and an increase in business and franchise taxes of $13 million.[305] However, despite the fact that the general fund in Nebraska holds more investments than other programs, the general fund showed a decrease in investment income from 2021 to 2022 of $213 million (a 1,005 percent decrease).[306] The 1,005 percent decrease arose due to the changes in the market value of the state's underlying investments, resulting in negative revenue trends in investment income, which are reflected in "other revenues" in Chart XX, in accordance with the revenue classification approach we adopted for this study.[307]

Traditionally, the state of Nebraska's mechanism to address revenue downturns is the budgetary basis "Cash Reserve Fund" — a mechanism that is committed to economic stabilization on the state's governmental funds balance sheet.[308] Although the Cash Reserve Fund is commingled with general fund cash in the financial statements for the general fund, "it is separate and distinct in that, by [Nebraska] State Statute, it can only be used (1) when the cash balance of the general fund is insufficient to meet general fund current obligations and (2) for legislatively mandated transfers to other funds."[309] When money is transferred from the Cash Reserve Fund, it must be repaid as soon as there is sufficient cash in the general fund cash account to do so.[310] No transfers from the Cash Reserve Fund were made in 2022, despite the significant downturns in investment income.[311]

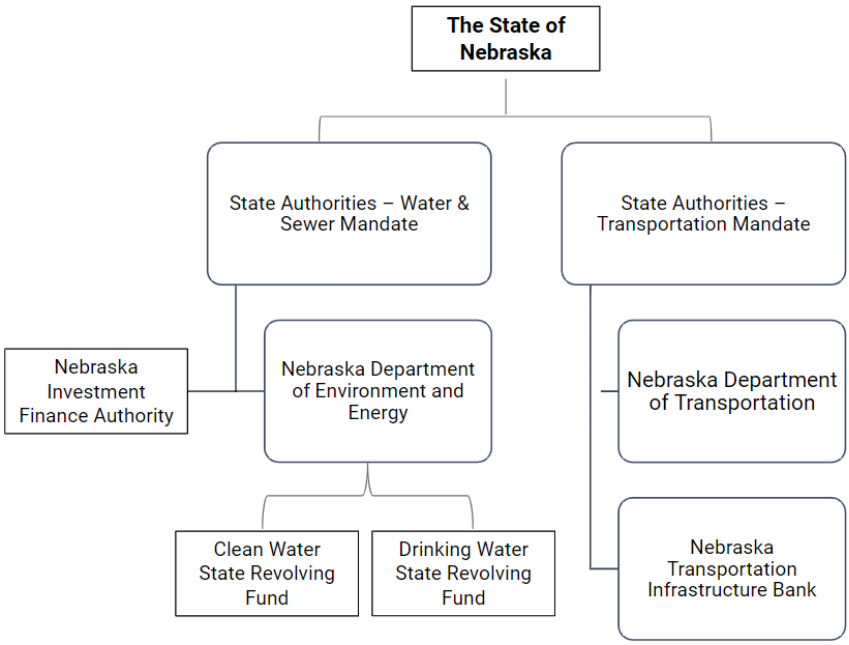
[305]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[306]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[307]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[308]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[309]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[310]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.
[311]State of Nebraska, Annual Comprehensive Financial Report, January 30, 2023, 29.

Nebraska, similar to other states examined in this report, enables the use of TIF as a local tool to fund urban development projects.[312] TIF are enabled via The Nebraska Community Development Law, Neb. Rev. Stat.§§18-2101, et seq., (the "Nebraska TIF Act"). The Nebraska TIF Act authorizes communities to designate as blighted and substandard areas that have deteriorated buildings, high unemployment, old structures, unimproved land, low-income residents, declining population, and other factors. The Nebraska TIF Act allows for a divided ad valorem property tax to be used to repay bonds or debt on redevelopment projects that "would not be economically feasible or would not have occurred in the community redevelopment area without the use of TIF."[313] The Nebraska TIF program is designed to expand the public finance avenues local governments can use to encourage private investment in development. As in other jurisdictions, the Nebraska TIF framework allows for property tax increases resulting from a development to be targeted to repay the public investment required by the project funded using the TIF mechanism.

Nebraska Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Nebraska, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram X.

Diagram X: Nebraska Select Infrastructure Funding Mandates Shared Across State Entities



[312]City of Wayne, Nebraska. Tax Increment Financing, March 30, 2024, https://www.cityofwayne.org/382/Tax-Increment-Financing.
[313]City of Lincoln, Nebraska, Tax Increment Financing Policy Guidelines, March 30, 2024, https://www.lincoln.ne.gov/files/sharedassets/public/v/1/urban-development/redevelopment/tif-policy-revised-2022-final.pdf.

In Nebraska, the Nebraska Department of Environment and Energy ("NDEE") works in coordination with the Nebraska Department of Health and Human Services Division of Public Health to fund water and sewer projects across the state, leveraging two revolving loan fund programs: (1) the Clean Water State Revolving Loan Fund; and (2) the Drinking Water State Revolving Loan Fund.[314] Although the majority of funding for the clean water and drinking water revolving loan programs comes in the form of grants, the U.S. Department of Environmental Protection and the Nebraska Investment Finance Authority (which traditionally finances housing, development, health care projects, and loans to farmers and ranchers) also issue municipal bonds to provide state matching funds for the clean water and drinking water state revolving fund bond program.[315]

The Nebraska Department of Transportation ("NDOT") is the entity responsible for managing and funding statewide transportation system assets.[316] In 2016, the Transportation Innovation Act ("TIA") was enacted in Nebraska, and provided NDOT with a new revenue source and authority to implement new programs and tools to increase mobility and economic growth in the state of Nebraska, and specifically to catalyze highway capital improvements.[317] The TIA also enabled the creation of the Transportation Infrastructure Bank ("TIB"), providing for its capitalization with a one-time transfer of $50 million from the state's cash reserve fund in 2016 and annual fuel tax revenues.[318]

New Mexico State Jurisdictional Summary

New Mexico Framework of Fiscal Governance, Budget, and Appropriations Process

The New Mexico State Constitution provides the structure of governance and the foundation of the state's framework of fiscal governance.[319] Pursuant to the state constitution, the powers of government are shared by three equal and independent branches: legislative, executive, and judicial.[320] The state budget process in New Mexico begins when the governor submits a budget, which must be balanced by agency, program, activity, and category to the state legislature each year.[321] The state legislature authorizes expenditures in the annual General Appropriations Act of the state of New Mexico by source, which is then signed into law by the governor.[322]

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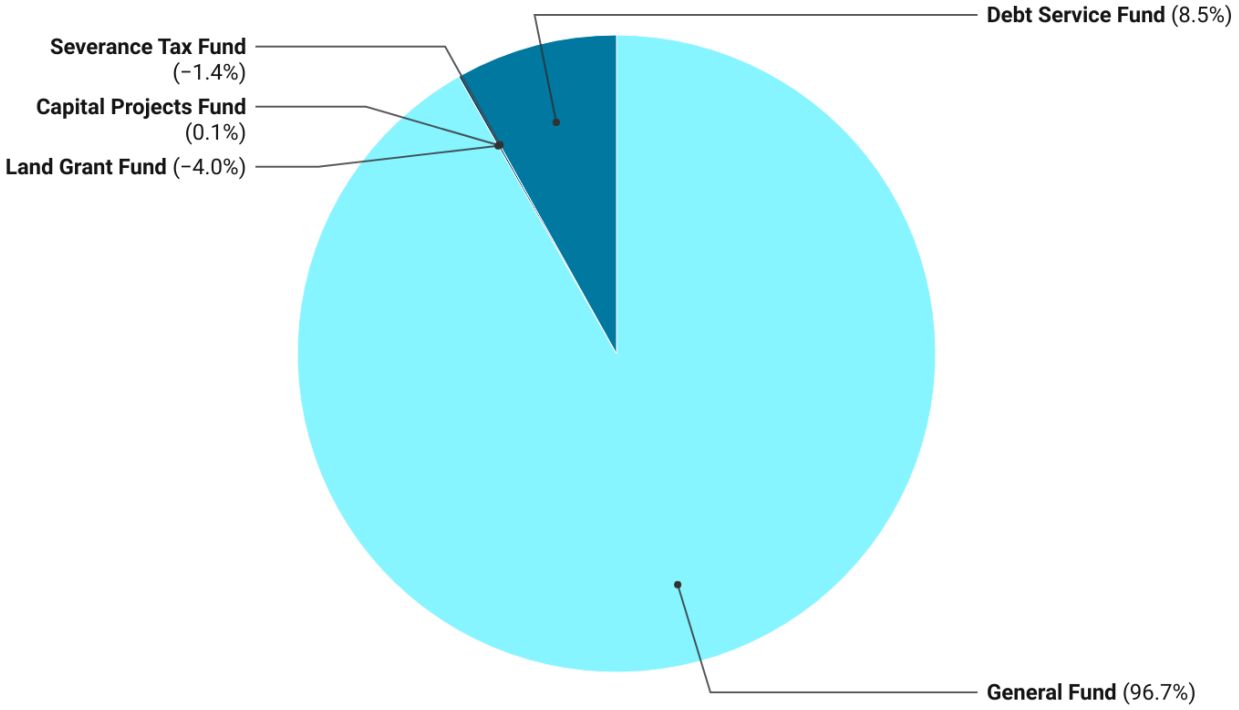
[314]Nebraska Department of Environment and Energy, NDEE Water Programs, March 29, 2024, http://dee.ne.gov/NDEQProg.nsf/WaterHome.xsp.
[315]Nebraska Investment Finance Authority, 2022 Impact Report, 2022, https://www-nifa-org-files.s3.amazonaws.com/55a8-30637077-20220000_NIFAImpactReport_7x10-online.pdf?versionId=9N9HwsM.2hsYNS02pCEX29BKVDpCQX.U
[316]Nebraska Department of Transportation, About Us, March 29, 2024, https://dot.nebraska.gov/about/.
[317]Nebraska Department of Transportation, Transportation Innovation Act, March 29, 2024, https://dot.nebraska.gov/projects/tia/.
Nebraska Legislature, LB960, April 20, 2016, https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=28845.
[318]Nebraska Department of Transportation, Transportation Innovation Act, March 29, 2024.
Nebraska Legislature, LB960, April 20, 2016.
[319]New Mexico Secretary of State, NM Constitution, 2023, https://www.sos.nm.gov/about-new-mexico/publications/nm-constitution/
[320]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.
[321]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9.
[322]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9.

The constitution of the state of New Mexico, and state public finance laws, authorize the state to use debt instruments (i.e., general obligation bonds, severance tax bonds, and revenue bonds) as a primary source of funding for capital projects.[323] In New Mexico, general obligation bond issuances of the state are secured by the full faith and credit of the state and are repaid from a dedicated statewide property tax.[324] There are, however, constitutional limits on indebtedness, including most notably Article 9, Section 8 of the New Mexico Constitution, which limits General Obligation indebtedness to no more than one percent of the assessed valuation of all the property subject to taxation in the state.[325] Severance Tax Bonds can be issued by the state to finance statewide capital projects that have been authorized by the New Mexico State Legislature and approved by the governor, and they are repaid from revenues deposited into the Severance Tax Bonding Fund, consisting of taxes on mineral production in the state.[326]

New Mexico Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of New Mexico is composed of the general fund and the other restricted and proprietary funds described in Chart XXI.

Chart XXI: State of New Mexico Structure of the Governmental Fund

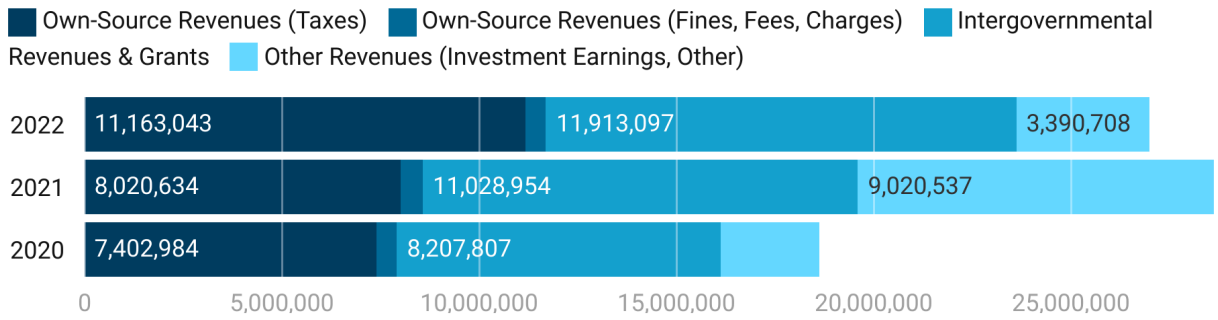


Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation. The Severance Tax Fund and Land Grant Fund are negative values so visually they do not appear in the chart, but the number is included for transparency.

[323]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9
[324]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9
[325]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9
[326]State of New Mexico, Annual Comprehensive Financial Report, 2023, 8-9

The major sources of revenue that are held in the state of New Mexico governmental fund and used to fund operations and infrastructure are demonstrated in Chart XXII, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XXII: State of New Mexico Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021; Annual Financial Report for the Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

New Mexico, like other states, authorizes local government use of TIF as a public finance mechanism pursuant to the state's Tax Increment for Development Act. Local governments in New Mexico who want to use TIF are authorized to form Tax Increment Development Districts ("New Mexico TIDD").[327] New Mexico's TIDDs have features that are unique from the TIFs authorized by other states we have examined in this report.[328] In a TIDD, the increase in revenues ("incremental revenue") is diverted to a board who is authorized to spend it on roads, water systems, and other infrastructure improvements — a broader set of purposes than authorized for states who confine the use of TIF for urban redevelopment, private development, and blight. The infrastructure that is funded by incremental revenue is deeded to the appropriate government unit, which also assumes responsibility for the operation and maintenance of the infrastructure.[329] After a TIDD has been formed and a board elected, the state of New Mexico will recognize the district as a political subdivision separate from the county or municipality and divert the incremental revenue to the district.[330]

New Mexico TIDDs are designed to support economic development and job creation by providing gross receipts tax financing and property tax financing for public infrastructure

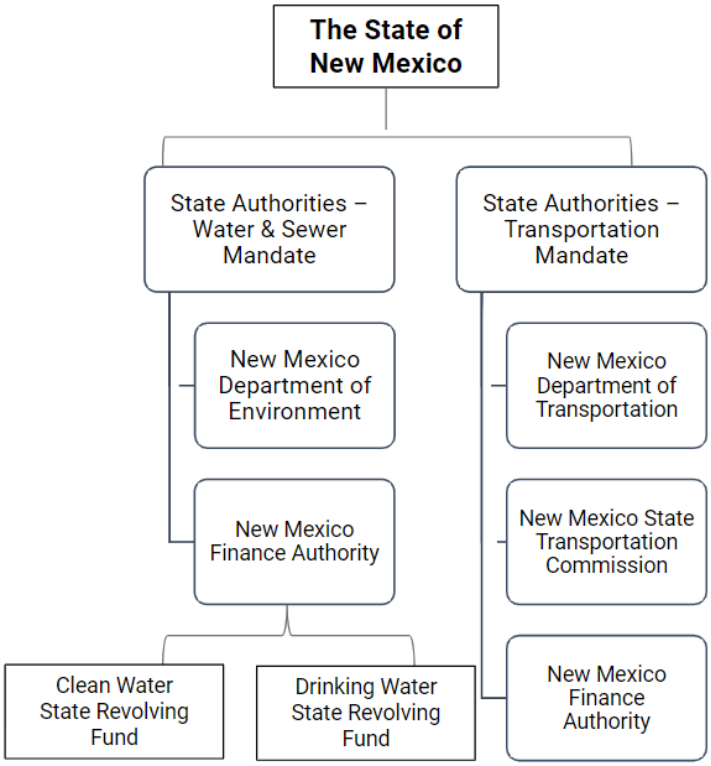
[327]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.
[328]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.
[329]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.
[330]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.

projects.[331] The broad sources of revenue the TIDD program relies on differentiate it from TIF programs in other states we examined in this report because the incremental revenues can be from either property tax or gross receipts tax or both. In New Mexico, state gross receipt taxes are a significant part of the general fund, visualized in Chart XI as comprising own-source revenues from taxes. Such revenues account for approximately thirty percent of the state's general fund, which provides money for basic services across the state, like schools, teachers, and health care.[332] Where TIDDs rely on bond issuances to raise money from infrastructure, the issuance must be approved by the New Mexico Finance Authority, as well as the state legislature if state gross receipts are pledged to secure the bonds.[333]

New Mexico Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In New Mexico, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram XI.

Diagram XI: New Mexico Select Infrastructure Funding Mandates Shared Across State Entities



[331]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023.
[332]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.
[333]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023, https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf.

Similar to most states, in New Mexico water and sewer projects are primarily funded via various revolving loan programs, capitalized with federal grants from the U.S. Department of Environmental Protection and state contributions. Specifically, the Clean Water and Drinking Water State Revolving Loan Funds are operated as a joint partnership between the New Mexico Environment Department ("NMED") and the New Mexico Finance Authority to provide low-cost financing for the construction of and improvements to drinking water projects, sewer facilities, and other vital water quality projects throughout New Mexico.[334]

Transportation project funding is shared in New Mexico across three entities — the New Mexico Finance Authority, the New Mexico State Transportation Commission ("NMSTC"), and the New Mexico Department of Transportation ("NMDOT"). In 2004, the New Mexico Finance Authority was authorized to issue bonds on behalf of NMDOT and the NMSTC pursuant to a program created in 2003 known as Governor Richardson's Investment Partnership ("GRIP") program.[335] The GRIP program, enacted pursuant to House Bill 15 during the 2003 special legislative session, established a partnership between the Department of Transportation and the New Mexico Finance Authority and created a $1.6 billion statewide transportation expansion and infrastructure improvement initiative financed by the issuance of tax-exempt bonds.[336] Additionally, bond issuances by NMDOT raise funding for transportation infrastructure projects in the State of New Mexico, including highways, bridges, and the Rail Runner commuter train.

New York State Jurisdictional Summary

New York Framework of Fiscal Governance, Budget, and Appropriations Process

The framework of fiscal governance and structure of government in the state of New York are both established by the constitution of the state of New York.[337] State government in New York is composed of executive, legislative, and judicial branches. The executive branch includes the governor and officials who are charged with finance and administration, including the state comptroller.[338] The New York State Legislature consists of a sixty-three-member senate and 150-member assembly, who are each elected to two-year terms.[339]

The budget process in New York State is governed by the constitution, which mandates that the governor submit a "cash basis balanced executive budget" that: (1) includes a complete plan of expenditures for the ensuing fiscal year; (2) identifies the anticipated revenues sufficient to meet the proposed expenditures; (3) includes provisions for spending authority for

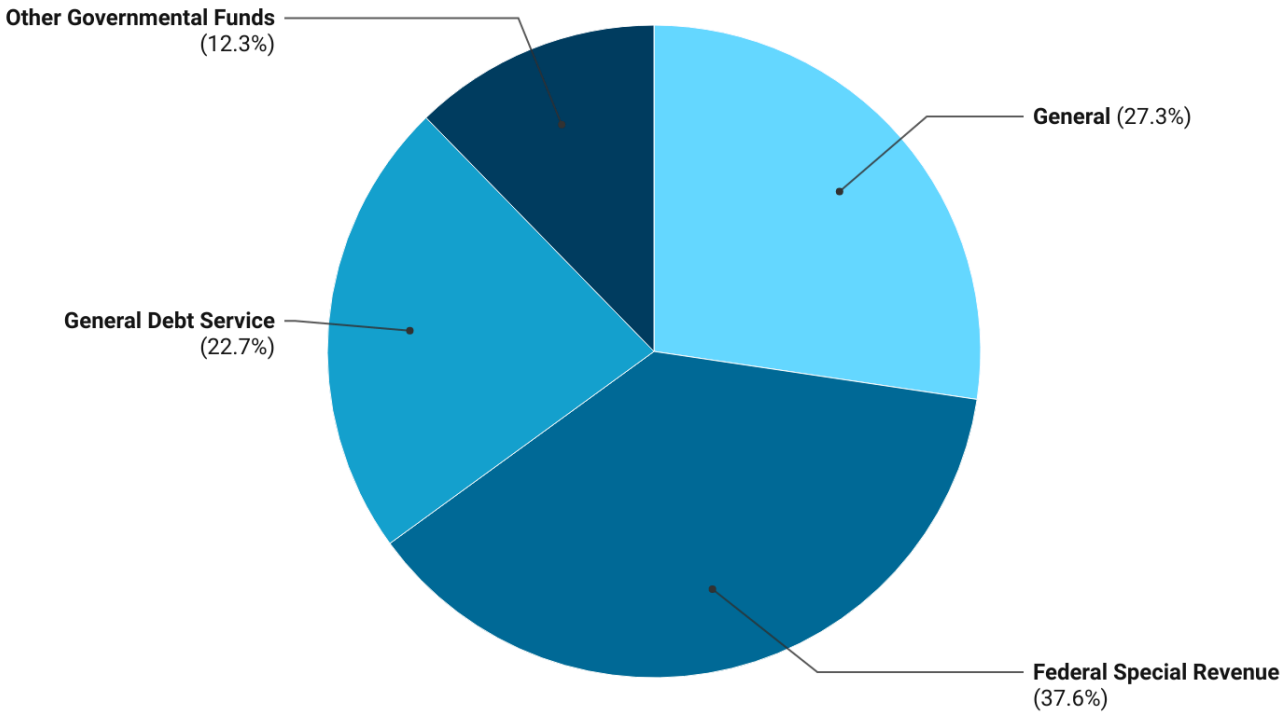
[334]New Mexico Finance Authority, Drinking Water State Revolving Loan Fund, March 29, 2024, https://www.nmfinance.com/water-project-fund/drinking-water-state-revolving-loan-fund/.
[335]New Mexico Finance Authority, Investor Information, March 29, 2024, https://www.nmfinance.com/investor-information/
[336]New Mexico Finance Authority, Investor Information, March 29, 2024.
[337]The New York State Senate, New York State Constitution, January 1, 2015, 1-46, https://www.nysenate.gov/new-york-state-constitution.
The New York State Senate, New York State Constitution, January 1, 2022, 13, https://dos.ny.gov/system/files/documents/2022/01/Constitution-January-1-2022.pdf.
[338]The New York State Senate, New York State Constitution, January 1, 2022, 13, https://dos.ny.gov/system/files/documents/2022/01/Constitution-January-1-2022.pdf.
[339]The New York State Senate, New York State Constitution, January 1, 2022, 13, https://dos.ny.gov/system/files/documents/2022/01/Constitution-January-1-2022.pdf.

unanticipated revenues or unforeseen emergencies; (4) provides cash basis and GAAP basis financial plans for the ensuing fiscal year; and (5) includes a multi-year financial projection for governmental funds and a five-year capital plan.[340] The New York State Legislature enacts appropriation bills and revenue measures governing the parts of the executive budget it has approved.[341]

New York Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of New York is composed of the general fund and the other restricted and proprietary funds described in Chart XXIII.

Chart XXIII: State of New York Structure of the Governmental Fund

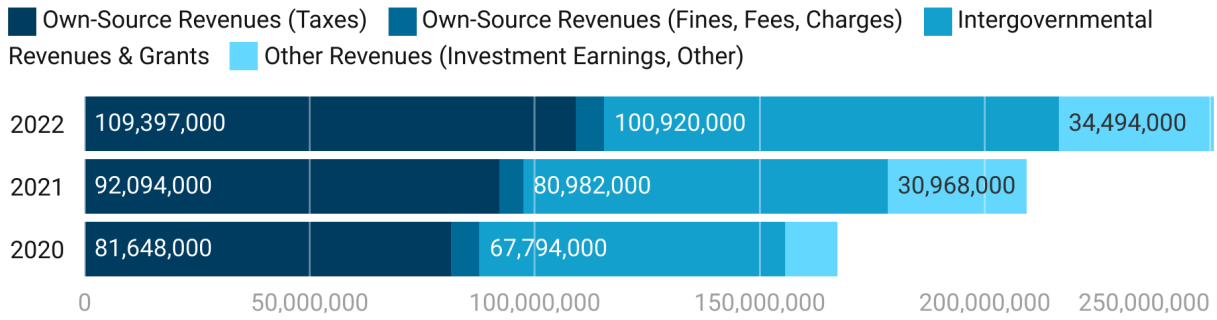


Source: Annual Comprehensive Financial Report for Fiscal Year Ended March 31, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of New York governmental fund and used to fund operations and infrastructure are demonstrated in Chart XXIV, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

[340]The New York State Senate, New York State Constitution, January 1, 2022, 13, https://dos.ny.gov/system/files/documents/2022/01/Constitution-January-1-2022.pdf.
[341]The New York State Senate, New York State Constitution, January 1, 2022, 13, https://dos.ny.gov/system/files/documents/2022/01/Constitution-January-1-2022.pdf.

Chart XXIV: State of New York Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for Fiscal Year Ended March 31, 2022; Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2021; Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

The state of New York authorizes TIFs pursuant to the New York State Municipal Redevelopment Law, Article 18-C Section 970.[342] Like all states examined in this report, in New York, TIFs are authorized by the state for use by local governments.[343] Local governments in New York can use TIF as a tool to eliminate blight, but they are constrained by a private enterprise requirement that allows them to only engage in redevelopment which "cannot be accomplished by private enterprise alone".[344]

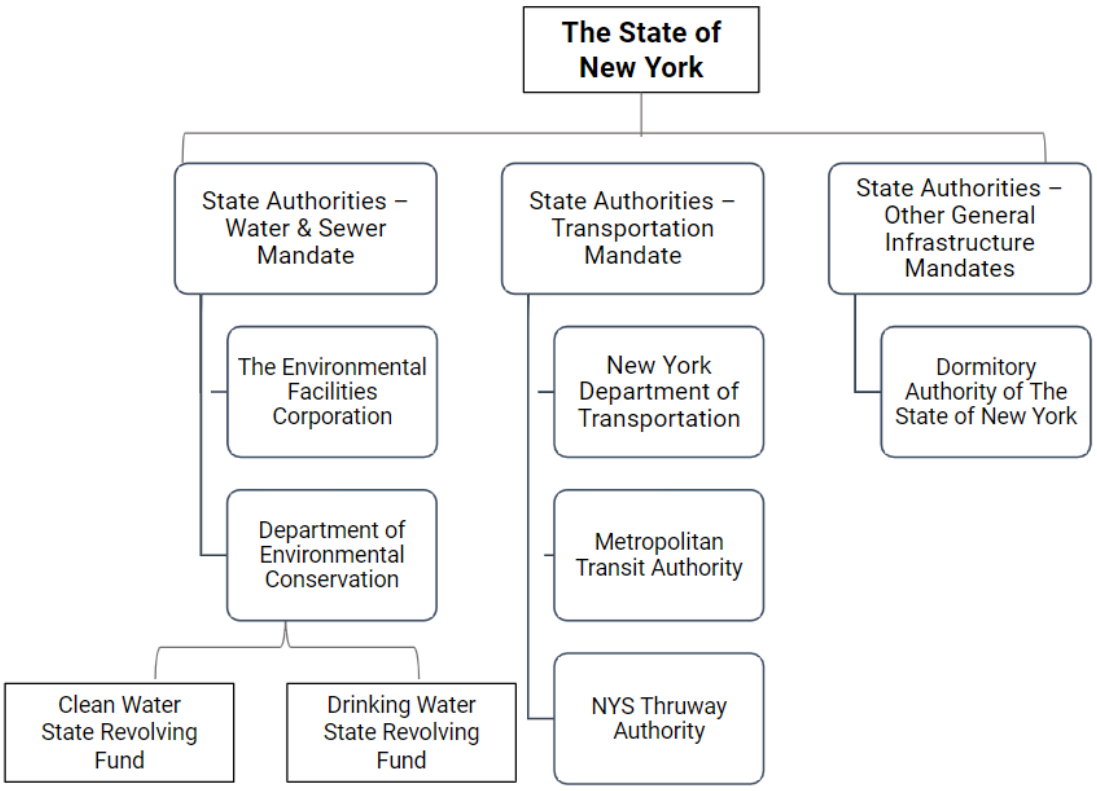
Where they are authorized, TIFs in New York function to divert property tax revenue from a local government's general operating budget.[345] Like other states we examined in this report, local governments in New York can issue revenue bonds to fund TIF projects that are secured primarily by the incremental revenues within the TIF district.[346]

New York Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In New York, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram XII.

[342]The New York State Senate, Article 18-C Municipal Redevelopment Law, September 22, 2014, https://www.nysenate.gov/legislation/laws/GMU/A18-C.
[343]The New York State Senate, Article 18-C Municipal Redevelopment Law, September 22, 2014, https://www.nysenate.gov/legislation/laws/GMU/A18-C.
[344]New York City Independent Budget Office, Learning From Experience: A Primer on Tax Increment Financing, September 2002, https://www.ibo.nyc.ny.us/iboreports/TIF-Sept2002.pdf.
[345]Citizens Budget Commission (CBC), Tax Increment Financing: A Primer, December 5, 2017, https://cbcny.org/research/tax-increment-financing-primer.
[346]New York City Independent Budget Office, Learning From Experience: A Primer on Tax Increment Financing, September 2002, https://www.ibo.nyc.ny.us/iboreports/TIF-Sept2002.pdf.

<u>Diagram XII</u>: New York Select Infrastructure Funding Mandates Shared Across State Entities



As in all other states examined in this report, New York utilizes water and sewer revolving loan funds as a primary mechanism to fund water and sewer infrastructure systems in the state and to resource local government expenditures in the noted area.[347] The New York Environmental Facilities Corporation (EFC) administers the Clean Water State Revolving Fund (CWSRF), which provides interest-free or low-interest-rate financing for wastewater and sewer infrastructure projects to municipalities throughout New York State. Projects eligible for financing include construction or restoration of sewers and wastewater treatment facilities, stormwater management, landfill closures, and habitat restoration and protection projects. When communities repay their financings, it allows EFC to finance new projects and the funds "revolve" over time.[348]

The EFC, in partnership with the New York Department of Health, also administers the Drinking Water State Revolving Fund (DWSRF), which provides funding and financial incentives for municipally and privately owned drinking water systems to finance needed drinking water infrastructure improvements (e.g., treatment plants, distribution mains, and storage facilities).[349] The program provides subsidized low-interest-rate financing for local governments who want to construct eligible water system projects. As financings are repaid, money is made available for

[347]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf
[348]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf
[349]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf

new financings in the model of a revolving fund.[350] For communities with demonstrated financial hardship, interest rates can be reduced to zero percent.[351] In cases of severe hardship, additional assistance in the form of grants may also be available to localities.[352]

In New York, transportation projects are principally administered by the New York State Department of Transportation ("NYSDOT"), The New York Metropolitan Transit Authority (MTA), and the New York State Thruway Authority.[353] In addition to the federal aid that is a core source of transportation funding, NYSDOT provides matching funding for and stand-alone funds for capital projects and operating assistance.[354] For example, New York's State Dedicated Fund (SDF) provides funds for capital projects and is dedicated to improvements of the systems and providing funds for innovative capital projects. The New York State Operating Assistance (STOA) funding provides operating monies to transit agencies and authorities based on vehicle miles and passenger revenue service.[355]

The New York MTA, which oversees transit systems, receives the largest share of revenue — $7.222 billion on average — that comes from dedicated taxes and subsidies from the cities that it serves and New York State, and its second largest source of revenues — approximately $6.870 billion — from fares and tolls.[356] The New York State Thruway Authority operates and maintains a user-fee-supported highway system, which is supported primarily by toll revenues, lease revenues, and funding raised via the issuance of municipal bonds.[357]

In New York, the Dormitory Authority of the State of New York (DASNY) is a public benefit corporation authorized to serve as a municipal bond bank.[358] DASNY enables anchor institutions and other entities to finance and build higher education, health care, mental health, court, and other public-purpose facilities across New York State.

Pennsylvania State Jurisdictional Summary

Pennsylvania Framework of Fiscal Governance, Budget, and Appropriations Process

The starting point to understand the commonwealth of Pennsylvania's finances begins with an understanding of Articles II, IV, and V of the Pennsylvania Constitution, which provide that the government of the commonwealth of Pennsylvania is composed of three separate branches — legislative, executive, and judicial.[359] Each branch bears responsibility for its respective fiscal operations subject to restrictions embodied in the constitution, the

[350]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf
[351]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf
[352]New York EFC, Clean Water Programs, March 29, 2024, https://efc.ny.gov/cwsrf
[353]New York DOT, Federal and State Funding, March 29, 2024, https://www.dot.ny.gov/
[354]New York DOT, Federal and State Funding, March 29, 2024, https://www.dot.ny.gov/
[355]New York DOT, Federal and State Funding, March 29, 2024, https://www.dot.ny.gov/
[356]New York MTA, Budget, March 20, 2024, https://new.mta.info/
[357]New York State Thruway Authority, March 30, 2024, https://www.thruway.ny.gov/about/compliance/index.html
[358]Dormitory Authority of the State of New York, Our Clients, March 29, 2024, https://www.dasny.org/our-clients
[359]Commonwealth of Pennsylvania, Constitution of the Commonwealth of Pennsylvania, March 29, 2024, https://www.legis.state.pa.us/WU01/LI/LI/CT/HTM/00/00.HTM.

administrative code[360] and the fiscal code.[361] Administrative functions and restrictions are carried out and enforced across the noted three branches of government by the following five departments:

- The Office of the Budget
- The Office of Administration
- The Treasury Department
- The Department of Revenue
- The Department of the Auditor General

State commissions, state authorities, and state agencies in Pennsylvania that are both independent by statute and financially self-supporting operate autonomously. Their financings are reviewed by the Office of the Budget and can be included in the capital budget.[362]

Pursuant to the Pennsylvania Constitution, in Section 12, the governor must submit annually to the general assembly a budget consisting of the following three parts: (1) a balanced operating budget for the ensuing fiscal year setting forth proposed expenditures and estimated revenues from all sources and, if estimated revenues and available surplus are less than proposed expenditures, recommending specific additional sources of revenue enough to pay the deficiency; (2) a capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the commonwealth or of its agencies or authorities or from operating funds; and (3) a financial plan for not less than the succeeding five fiscal years, which includes for each year (i) projected operating expenditures classified by department or agency and by program, and estimated revenues by major categories from existing and additional sources, and (ii) projected expenditures for capital projects specifically itemized by purpose and their proposed sources of financing.[363]

The Pennsylvania Constitution also requires that: (1) the total operating budget appropriations made by the general assembly may not exceed the sum of the actual and estimated revenues in a given year, and the surplus of the preceding year; (2) any surplus of operating funds at the end of the fiscal year shall be appropriated for the ensuing year; and 3. if a deficit occurs at year-end, funds must be provided for such a deficit.[364]

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[360]Commonwealth of Pennsylvania, The Administrative Code of 1929, March 29, 2024, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/1929/0/0175..HTM?84.
[361]Commonwealth of Pennsylvania, Chapter 1 - The Fiscal Code, March 29, 2024, https://casetext.com/statute/pennsylvania-statutes/statutes-unconsolidated/title-72-ps-taxation-and-fiscal-affairs/chapter-1-the-fiscal-code.
[362]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[363]Pennsylvania General Assembly, The Constitution of Pennsylvania Article VIII, § 12, April 23, 1968, https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=00&div=0&chpt=8&sctn=12&subsctn=0.
[364]Commonwealth of Pennsylvania, Constitution of the Commonwealth of Pennsylvania, 1968, https://www.legis.state.pa.us/WU01/LI/LI/CT/HTM/00/00.HTM.

The Pennsylvania Administrative Code[365] outlines the contours and process regarding the annual creation and approval of the operating budget, capital budget, and appropriations process in the commonwealth.[366] With respect to the operating budget, the executive branch establishes the revenue estimates used in the budget. In practice, the revenue estimates used to balance the operating budget consist of the appropriate fund's available surplus and its estimated cash receipts for the fiscal year, as well as net accruals. Appropriation lapses estimated to occur during the year or at year-end are traditionally not included; lapses are not available for re-appropriation until they occur.[367] A deficit can occur if revenues are less than those estimated in the budget and the shortfall is not offset by any unappropriated surplus or by appropriation lapses during or at the end of the year or by legislative action to increase revenues or reduce appropriation.[368]

A notable feature of the operating budget process rests in the fact that all departments under the governor's jurisdiction may be required to submit estimates of expenditures during the ensuing month, quarter, or any other such period as requested by the governor.[369] The noted estimates are subject to the approval of the secretary of budget, and the governor of the commonwealth is empowered to request that the state treasurer withhold funds from any such department not spending within such estimates.[370] The secretary of budget is empowered to set personnel levels for departments. Departments are required to provide personnel data monthly so that the commonwealth's computerized data file on personnel levels can be maintained and used to monitor the commonwealth's largest operating expense.[371]

The proposed capital budget is considered in the form of the Capital Budget Bill and its supplements in Pennsylvania.[372] The capital budget determines limits for the amount of debt that can be issued in that fiscal year for categories of capital projects, itemizes funding all capital projects not previously itemized, authorizes the issuance of debt to finance these projects, and appropriates the proceeds from the issuance of debt.[373] In Pennsylvania, all appropriations require the majority vote of all members in each chamber except for non-preferred appropriations, appropriations from the Budget Stabilization Reserve Fund and the Health Endowment Account portion of the Tobacco Settlement Fund, which require passage by

[365]Commonwealth of Pennsylvania, The Administrative Code of 1929, April 9, 1929, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/1929/0/0175..HTM?84.
[366]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[367]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[368]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[369]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[370]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[371]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[372]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[373]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.

a two-thirds vote.

During the legislative process, the general assembly may add, change, or delete any items in the budget proposed by the governor. Once the bills constituting the budget have passed both chambers and are returned to the governor, he/she may either veto bills or line item veto appropriations within bills. A gubernatorial veto can be overridden only by a two-thirds majority of all members of each chamber.[374]

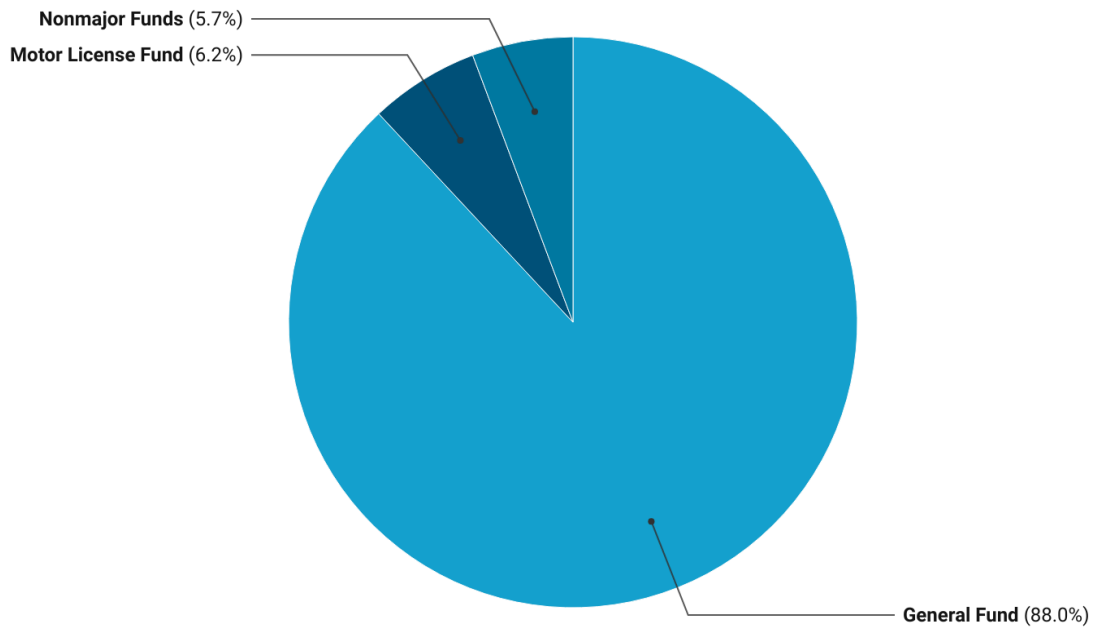
The Pennsylvania Constitution, and related laws, require all payments from the state treasury except for refunds of taxes, licenses, fees, and other charges to be made only by duly-enacted appropriations.[375] Furthermore, amounts that are appropriated from a fund may not exceed its actual and estimated revenues for the fiscal year, plus any unappropriated surplus available.[376] Appropriations from the principal operating funds of the commonwealth of Pennsylvania (the general fund, the Motor License Fund and the State Lottery Fund) are generally made for one fiscal year and are returned to the unappropriated surplus of the fund categorized as a lapse, if not spent or encumbered by the end of the fiscal year.[377]

Revenues and Primary Funding Sources for Infrastructure and Operations in Pennsylvania

The structure of the governmental fund in the commonwealth of Pennsylvania is composed of the general fund and the other restricted and proprietary funds described in Chart XXV.

[374]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[375]Commonwealth of Pennsylvania, Constitution of the Commonwealth of Pennsylvania, 1968, https://www.legis.state.pa.us/WU01/LI/LI/CT/HTM/00/00.HTM.
[376]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.
[377]Commonwealth of Pennsylvania, Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2022, September 7, 2022, https://drive.google.com/file/d/1D6imwdoAAtF4Q3yehuFSJNv03BLGMbFK/view?usp=drive_link.

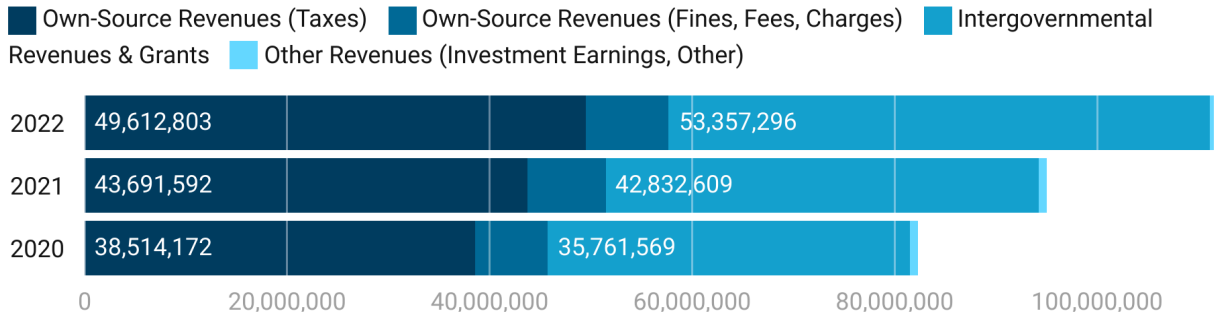
Chart XXV: Commonwealth of Pennsylvania Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the commonwealth of Pennsylvania governmental fund and used to fund operations and infrastructure are demonstrated in Chart XXVI, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XXVI: Commonwealth of Pennsylvania Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021; Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

In addition to noted dependency on own-source and intergovernmental revenues, the commonwealth of Pennsylvania relies on a number of public finance funding mechanisms to fund infrastructure and operating expenses. The Tax Increment Financing Act in the commonwealth of Pennsylvania, 53 Pa. Stat. § 6930.1-.13 (the "PA TIF Act") enables local municipal government use of TIF as a financing vehicle to fund projects that alleviate blighted, decayed, and substandard areas, increase the tax base, and improve the general economy of the commonwealth.[378] However, pursuant to the PA TIF Act, the commonwealth of Pennsylvania is not authorized to create or enable TIFs at the state level. Instead, the PA TIF Act appears to centralize that authority in industrial and commercial development authorities or a redevelopment authority, acting in collaboration with the governing bodies of all municipalities and school districts, which levy property taxes within the area in which the proposed tax increment district will be located.

The commonwealth of Pennsylvania and state-level authorities with mandates for funding general infrastructure, water, and sewer projects also rely heavily on funds raised via the use of municipal bonds to different degrees in two forms: (1) bonds are issued as general obligations (secured by the full faith and credit of the state); or (2) revenue bonds (secured by specific streams of project-based revenues, or discrete and specific pledged state revenues). Traditionally, all principal of and interest payments on general obligation bonds secured by the full faith and credit of the commonwealth come from the general fund. There are several acts that authorize the incurrence of debt by the state, and which require that the general assembly appropriate annually the revenues that are necessary to pay interest and principal on debt and constitutional provisions that govern debt limits that are noteworthy, including Article VIII, Section 7(d), the Pennsylvania Constitution[379], which places a claim on certain revenues for the payment of debt service (i.e., principal of and interest on all debt). Article VIII, Section 7(d) also provides that, if sufficient funds are not appropriated for the timely payment of the interest on and principal of all debt, the state treasurer shall set apart from the first revenues thereafter received applicable to the appropriate fund a sum sufficient to pay such interest and principal, and shall so apply the money so set apart.

Article VIII, Section 7(a) of the Pennsylvania Constitution[380] articulates debt limits that govern how much debt can be incurred and how such debt may be authorized as follows: (1) debt can be incurred for purposes itemized in law and approved by voter referendum; (2) without approval of the electorate for the rehabilitation of areas affected by man-made or natural disasters, and (3) without approval of the electorate for capital facilities projects specifically itemized in a capital budget if such debt does not cause the amount of all net debt outstanding (as defined for purposes of that Section) to exceed one and three quarters times (1.75x) the average of the annual tax revenues of the state deposited in all funds in the previous five fiscal years, as certified by the auditor general (i.e., the "Commonwealth Constitutional Debt Limit"). Public-private partnerships and revolving loan funds are also used to fund projects in the

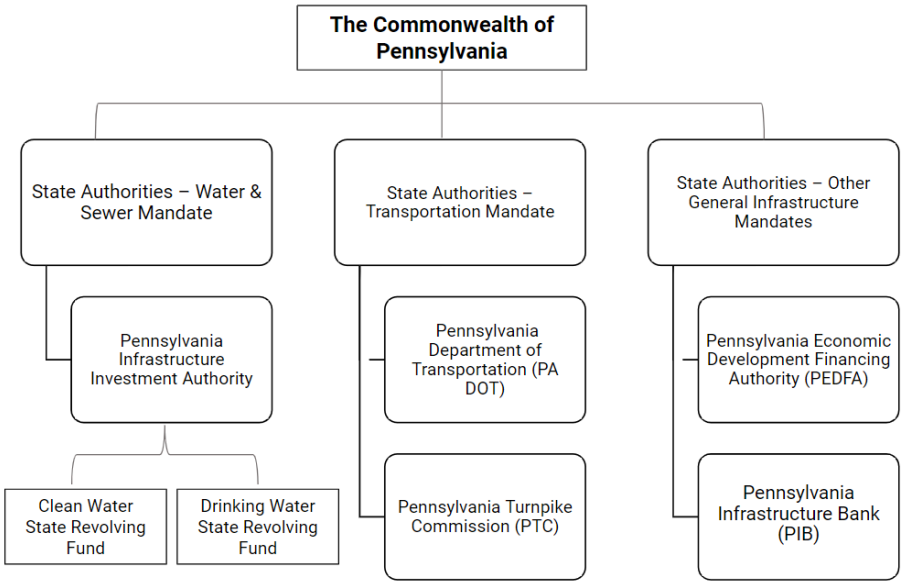
[378]Casetext, Chapter 24D - Tax Increment Financing Act, 1990, https://casetext.com/statute/pennsylvania-statutes/statutes-unconsolidated/title-53-ps-municipal-and-quasi-municipal-corporations/part-i-general-municipal-law/chapter-24d-tax-increment-financing-act.
[379]Commonwealth of Pennsylvania, Constitution of the Commonwealth of Pennsylvania, 1968, https://www.legis.state.pa.us/WU01/LI/LI/CT/HTM/00/00.HTM.
[380]Commonwealth of Pennsylvania, Constitution of the Commonwealth of Pennsylvania, 1968.

commonwealth primarily by the state authorities and state entities with dedicated mandates for water, sewer, and transportation capital project funding.

Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities in Pennsylvania

In Pennsylvania, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram XIII.

Diagram XIII: Pennsylvania Select Infrastructure Funding Mandates Shared Across State Entities



In Pennsylvania, the funding of transportation projects at the state level is generally a mandate shared jointly by two entities: The Pennsylvania Department of Transportation[381] (PennDOT) and the Pennsylvania Turnpike Commission[382] (PTC). Pursuant to legislation known as Act 44 of 2007, the PTC provides PennDOT with $450 million annually for highways, bridges, and public transit.[383] Additionally, the state law known as Act 89 of 2013 dedicates the full amount of such payments to public transit purposes.[384] Beginning in 2022, PTC payments to PennDOT for transit were reduced annually to $50 million, and the balance of $450 million was slated to come from the state's general fund for statewide public transit projects.[385] To raise funds and meet the payments required pursuant to Act 44 PTC relies on two primary sources of

[381]Pennsylvania Department of Transportation, About Us, April 1, 2024, https://www.penndot.pa.gov/about-us/pages/default.aspx.
[382]Pennsylvania Turnpike, Home, April 1, 2024, https://www.paturnpike.com/.
[383]Pennsylvania General Assembly, 2007 Act 44, 2007, https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2007&sessInd=0&act=44.
[384]Pennsylvania General Assembly, 2013 Act 89, https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=89.
[385]Pennsylvania General Assembly, 2007 Act 44, 2007, https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2007&sessInd=0&act=44

funding: (1) toll revenues; and (2) debt issuance from municipal securities. Additionally, PennDOT also appears to leverage public-private partnerships to finance different aspects of the commonwealth of Pennsylvania's transportation network, improve motorist safety, and generate revenue for the commonwealth.[386]

Funding for water and sewer infrastructure projects in Pennsylvania is primarily carried out by the Pennsylvania Infrastructure Investment Authority (PENNVEST), relying most heavily on the U.S. Environmental Protection Agency State Revolving Loan Fund.[387] PENNVEST relies on combined intergovernmental federal grant and revenues from the commonwealth to provide funding for the eligible costs associated with the acquisition, construction, improvement, expansion, extension, repair, rehabilitation, or security measures of all or part of any water facility or water system, whether publicly or privately owned.[388]

Texas State Jurisdictional Summary

Texas State Framework of Fiscal Governance, Budget, and Appropriations Process

The framework of fiscal governance and structure of government in the state of Texas is established by the Texas State Constitution.[389] State government in Texas is composed of executive, legislative, and judicial branches. The executive branch includes the governor and officials who are charged with finance and administration, including the state comptroller.[390] The Texas State Legislature is a bicameral legislature consisting of a thirty-one-member senate and 150-member house of representatives.[391]

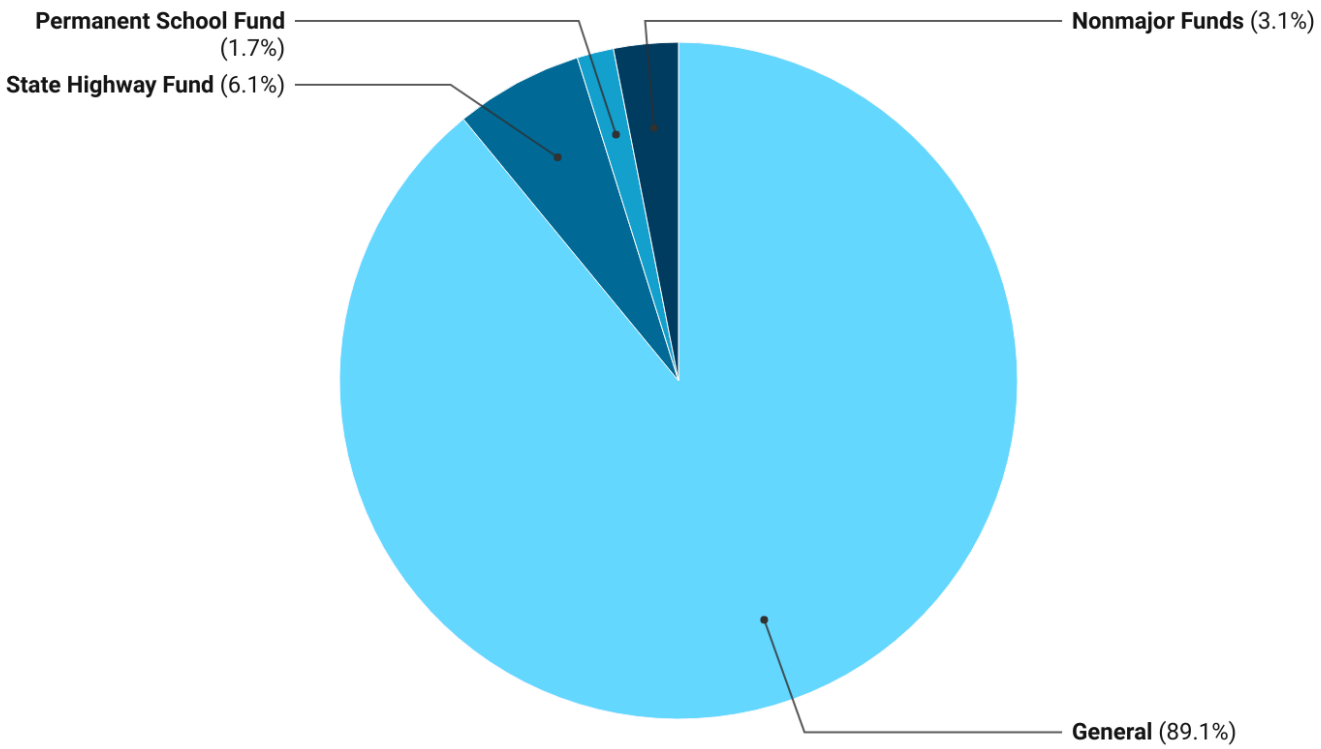
Similar to many states examined in this report, the state of Texas constitution supports and sets the foundation for the budget process and creates several limitations on state budgeting.[392] Specifically, Article III, Section 49-a of the Texas Constitution requires passage of a balanced budget and also creates limitations on budget growth and indebtedness. Additionally, Article VIII, Section 22 of the Texas Constitution provides that appropriations from state tax revenue not dedicated by the Texas Constitution "cannot grow faster than state economic growth estimated by the Legislative Budget Board".[393] In Article III, Section 49-j, the Texas State Constitution further provides that payments required for debt paid from general revenue cannot exceed five percent of the previous three-year average of non-dedicated general revenue.[394]

[386]Pennsylvania General Assembly, 2007 Act 44, 2007, https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2007&sessInd=0&act=44
[387]PENNVEST, Home Page, April 1, 2024, https://www.pennvest.pa.gov/Pages/default.aspx.
[388]PENNVEST, Home Page, April 1, 2024, https://www.pennvest.pa.gov/Pages/default.aspx.
[389]The State of Texas, Texas Constitution, November 7, 2023, https://tlc.texas.gov/docs/legref/TxConst.pdf.
[390]State of Texas, Annual Comprehensive Financial Report, February 28, 2023, 10-11, https://drive.google.com/file/d/1VZkwhq-1FsadNLid-rmzJy3mFqdSpHQj/view.
[391]Texas Legislature Online, Home, April 1, 2024, https://capitol.texas.gov/.
[392]The State of Texas, Texas Constitution, November 7, 2023.
[393]The State of Texas, Texas Constitution, November 7, 2023; State of Texas, Annual Comprehensive Financial Report, February 28, 2023, 4.
[394]The State of Texas, Texas Constitution, November 7, 2023. State of Texas, Annual Comprehensive Financial Report, February 28, 2023, 4.

Texas State Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of Texas is composed of the general fund and the other restricted and proprietary funds described in Chart XXVII.

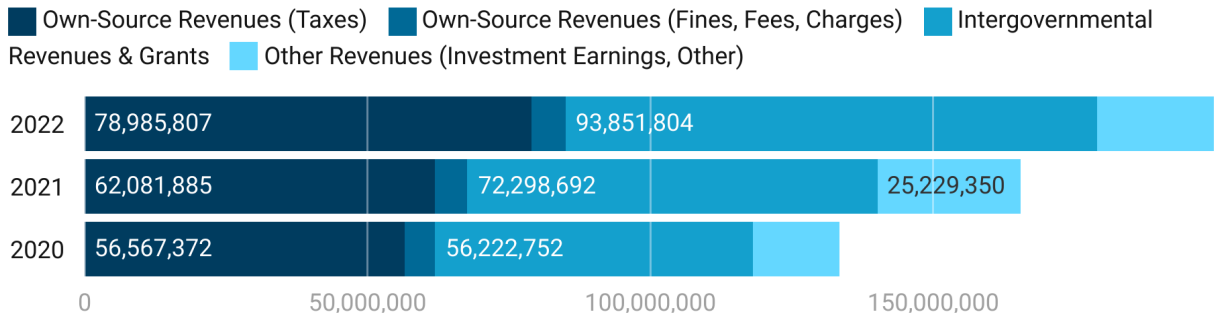
Chart XXVII: State of Texas Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation.

The major sources of revenue that are held in the state of Texas governmental fund and used to fund operations and infrastructure are demonstrated in Chart XXVIII, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XXVIII: State of Texas Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2022; Annual Comprehensive Financial Report for the Fiscal Year Ended August 31, 2021; Comprehensive Annual Financial Report for the Fiscal Year Ended August 31, 2020 Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

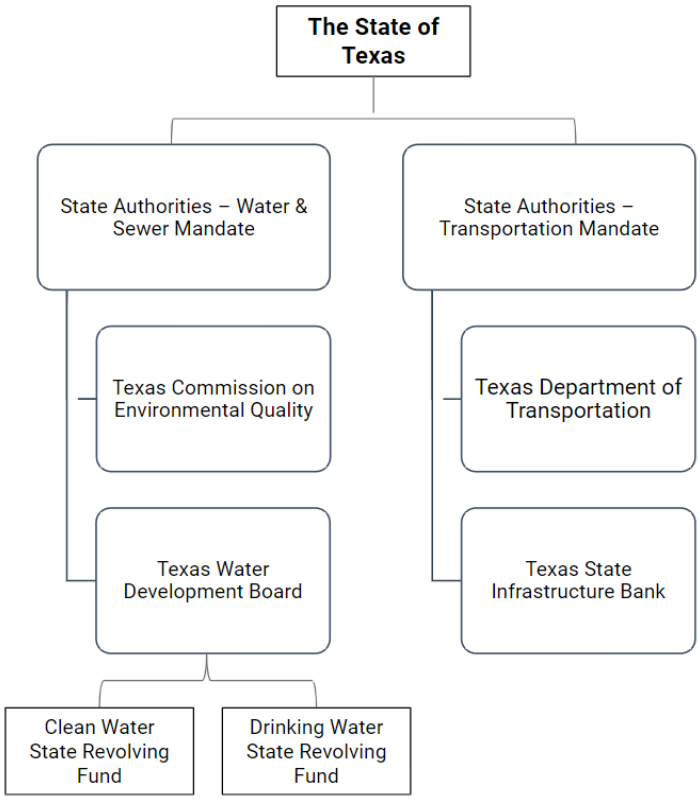
In Texas, local governments can use TIF as a mechanism of public finance to fund improvements that will draw private investment to an area.[395] Like other states, in Texas, TIF redirects property tax in a geographic area designated as a Tax Increment Reinvestment Zone ("Texas TIRZ") to pay for infrastructure and capital improvements in the TIRZ.[396] In order to form a TIRZ, an eligible municipal government can designate: (1) a contiguous geographic area within its borders as a reinvestment zone; (2) a noncontiguous geographic area in its corporate limits as a reinvestment zone; or (3) a reinvestment zone in the city's extraterritorial jurisdiction.[397] Infrastructure improvements are expected to result in additional property tax revenue, which is considered a tax increment for the TIRZ and is used to pay for TIRZ improvements.[398]

Texas State Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Texas, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram XIV.

[395]Texas Comptroller, Tax Increment Financing Chapter 311, April 1, 2024, https://comptroller.texas.gov/economy/development/prop-tax/ch311/.
[396]Texas Comptroller, Tax Increment Financing Chapter 311, April 1, 2024.
[397]Texas Comptroller, Tax Increment Financing Chapter 311, April 1, 2024.
[398]Texas Comptroller, Tax Increment Financing Chapter 311, April 1, 2024.

<u>Diagram XIV</u>: Texas Select Infrastructure Funding Mandates Shared Across State Entities



Texas, like several states in this report, leverages clean and drinking water revolving loan programs as a primary vehicle for water and sewer funding. The Texas Water Development Board (TWDB) administers and manages the state's clean water and drinking water state revolving fund programs, which assist communities by providing low-cost financing for a wide range of water system, wastewater, stormwater, reuse, and other pollution-control projects, and provides year-round funding for projects that are included within intended-use plans.[399] Additionally, the TWDB also administers the State Water Implementation Fund for Texas (SWIFT), which helps fund water projects at the local level with support via loans that carry low interest rates and payment features that include, but are not limited to, extended repayment terms, deferral of loan repayments, and incremental repurchase terms for projects that reflect some level of state ownership.[400] The SWIFT program channels funding to a wide range of stakeholders, including any political subdivision or nonprofit water supply corporation with a project included in the most recently adopted state water plan.[401] Notably, TWDB only finances SWIFT program projects through bonds, and thus, participating stakeholders can only participate in the SWIFT program if they are able to issue bonds.[402]

[399]Texas Water Development Board, Water Supply Planning, March 20, 2024, https://www.twdb.texas.gov/waterplanning/index.asp
[400]Texas Water Development Board, Swift, May 1, 2024, https://www.twdb.texas.govSWIFT/index.asp
[401]Texas Water Development Board, Swift, May 1, 2024, https://www.twdb.texas.govSWIFT/index.asp
[402]Texas Water Development Board, Swift, May 1, 2024, https://www.twdb.texas.govSWIFT/index.asp

Transportation funding in Texas is led by the Texas Department of Transportation, which operates and manages the State Infrastructure Bank ("SIB") as a program that provides innovative financing methods to communities to assist them in meeting their infrastructure needs.[403] In Texas, the SIB program allows borrowers to access capital funds at or below market interest rates and also operates as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal payments.[404] In Texas, SIB financial assistance can be granted to any public or private entity authorized to construct, maintain, or finance an eligible transportation project.[405]

Washington State Jurisdictional Summary

Washington State Framework of Fiscal Governance, Budget, and Appropriations Process

The structure of government and framework of fiscal governance in the state of Washington is enabled, primarily, in the Washington State Constitution.[406] In Washington, the government is composed of executive, legislative, and judicial branches, with the key officials charged with fiscal oversight in the executive branch (i.e., the governor, lieutenant governor, secretary of state, state treasurer, state auditor, and others).[407] The Washington State Legislature, composed of a forty-nine-member senate and ninety-eight-member house of representatives, plays a key role in the annual budget process.[408]

Washington, like several other states in this report, enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year.[409] The governor traditionally proposes a biennial budget in December of each calendar year before the Washington State Legislature convenes in regular session. Once enacted by the Washington State Legislature, the biennial budget can be modified in any legislative session via changes to the original appropriations.[410] If the state legislature enacts revisions to the biennial budget, such changes are known as supplemental budgets.[411]

The budget process in the state of Washington reflects key distinctions between appropriations for operating and capital expenses: (1) operating appropriations are traditionally made at the fund/account and agency level and cover either the entire biennium or a single fiscal year in the biennium; and (2) capital appropriations are biennial and are traditionally made at the fund/account, agency, and project level.[412]

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[403]Texas DOT, Business, March 30, 2024, https://www.txdot.gov/business/grants-and-funding/traffic-safety-egrants.html
[404]Texas DOT, Business, March 30, 2024, https://www.txdot.gov/business/grants-and-funding/traffic-safety-egrants.html
[405]Texas DOT, Business, March 30, 2024, https://www.txdot.gov/business/grants-and-funding/traffic-safety-egrants.html
[406]State of Washington, Constitution of the State of Washington, August 31, 2023, https://leg.wa.gov/CodeReviser/Documents/WAConstitution.pdf.
[407]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 4, https://drive.google.com/file/d/1xobqPANEBmbs378shTSnVg7imjqDuQoi/view.
[408]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 4.
[409]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 4.
[410]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 4.
[411]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 4.
[412]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.

Like many states, Washington relies on bonds and notes to fund infrastructure, particularly transportation. The Washington Constitution and state laws enable the issuance of state general obligation debt, secured by the full faith and credit of the state pledged by the state legislature or a body designated by statute, which at present is known as the State Finance Committee.[413] When state general obligation debt is authorized by a vote of sixty percent of the members of each house of the Washington State Legislature without voter approval, the debt is subject to a constitutional debt limitation.[414]

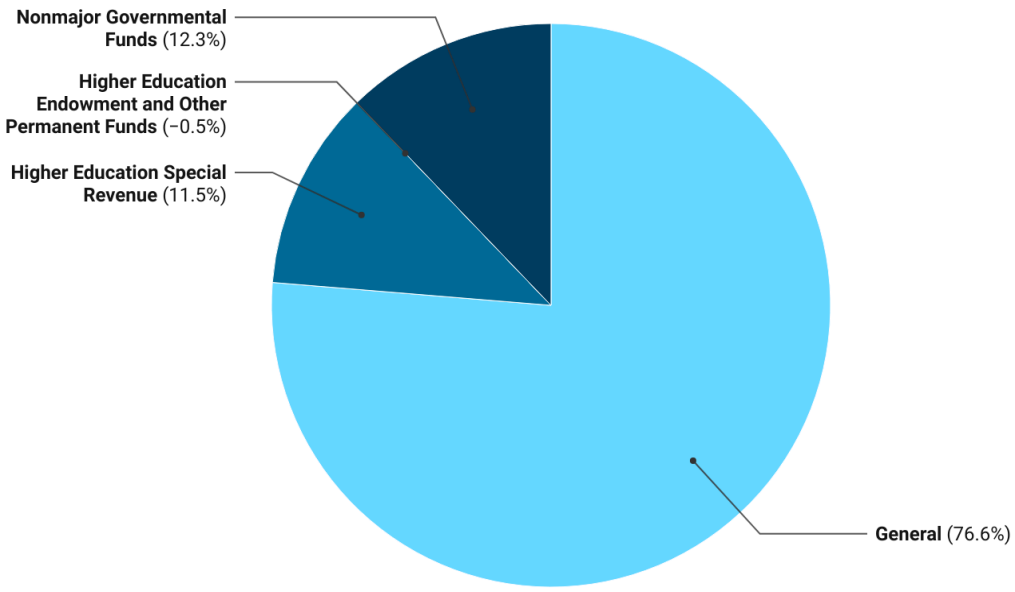
The Washington Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues that may be allocated to pay principal and interest on debt subject to these limitations.[415] In 2012, a constitutional amendment specified that the "maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.25 percent and will decline to eight percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years."[416] However, state general obligation debt that is approved by a majority of the voters in the state of Washington, and which is authorized by law, is not subject to the constitutional debt limit.[417]

Washington State Revenues and Primary Funding Sources for Infrastructure and Operations

The structure of the governmental fund in the state of Washington is composed of the general fund and the other restricted and proprietary funds described in Chart XXIX.

[413]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.
[414]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.
[415]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.
[416]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.
[417]State of Washington, Annual Comprehensive Financial Report, December 20, 2022, 123.

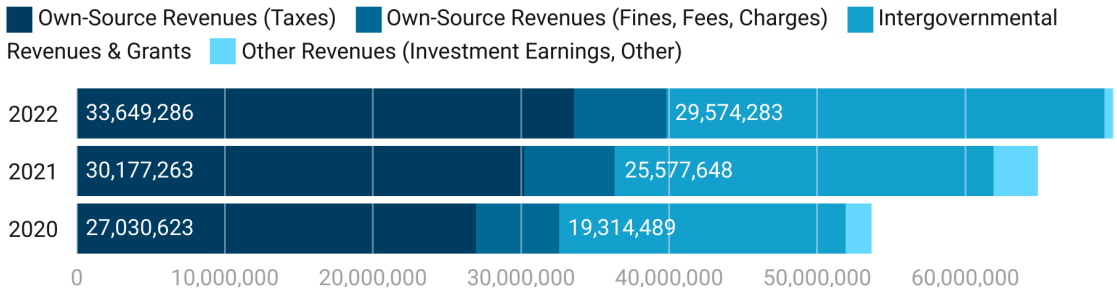
Chart XXIX: State of Washington Structure of the Governmental Fund



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation. The value for the Higher Education Endowment and Other Permanent Funds is negative and therefore visually does not appear in the chart but is included for transparency.

The major sources of revenue that are held in the state of Washington governmental fund and used to fund operations and infrastructure are demonstrated in Chart XXX, which presents a revenue diversity analysis of the state's governmental fund across a three-year period.

Chart XXX: State of Washington Revenue Diversity Analysis (Three Fiscal Years)



Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021; Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020 . Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

In 2021, the state of Washington enacted the ESHB 1189, known as the TIF for Jobs Bill, which enabled cities, counties, and port districts in the state the authority to use TIF as a public finance mechanism to fund finance development of local government-owned infrastructure

projects that include, but are not limited to, streets, roads, water systems, sewer systems, sidewalks, streetlights, parking, and other municipal and community infrastructure.[418] The infrastructure improvements must be within what is known as an "Increment Area" or (if a project is outside the Increment Area) the project must serve the community within the Increment Area.[419]

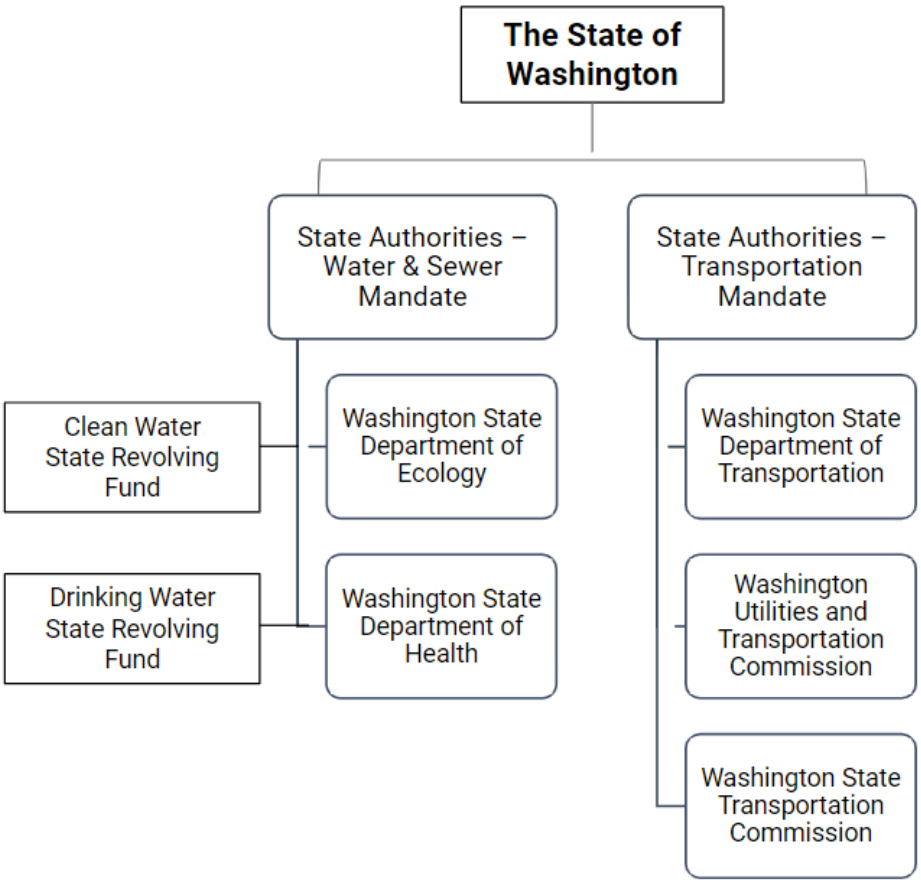
TIFs in Washington are subject to several unique limitations. For example, in Washington, a jurisdiction may have only two active Increment Areas at any given time, the areas cannot overlap, the Increment Area cannot comprise the entire geographic area of the jurisdiction, and the duration of the TIF must sunset in a maximum period of twenty-five years, after the first year where tax revenues are allocated to the Increment Area.[420]

Washington State Water, Sewer, and Transportation Infrastructure Mandates by the State and Related State Entities

In Washington, the funding of water, sewer, transportation, and other vital infrastructure projects rests with the state and several of its public authorities, as visualized in Diagram XV.

[418]Washington State Legislature, House Bill 1189 - 2021-22, 2021, https://app.leg.wa.gov/billsummary?BillNumber=1189&year=2021.
[419]Washington State Legislature, House Bill 1189 - 2021-22, 2021.
[420]Washington State Legislature, House Bill 1189 - 2021-22, 2021.

<u>Diagram XV</u>: Washington Select Infrastructure Funding Mandates Shared Across State Entities



The state of Washington, like many states analyzed in this report, relies heavily on revolving loan programs to provide channels for funding of water and sewer system infrastructure projects in the state. Specifically, the Washington State Department of Ecology and the Washington State Department of Health jointly administer the Clean Water and Drinking Water State Revolving Fund.[421] The programs provide low-interest construction loans to publicly (municipal) and privately owned drinking water systems, loans that enable recipients to cover capital improvements that increase public health and compliance with drinking water regulations, and other forms of financing that cover planning and engineering loans to cover pre-construction work.

In the state of Washington, transportation system oversight rests with the Washington State Department of Transportation (WSDOT), the Washington Utilities and Transportation Commission, and the Washington State Transportation Commission. In recent years, the governor and state legislators in Washington have passed historic, nation-leading policies related to clean energy, clean transportation, clean buildings, and a cap on climate pollution in the context of transportation funding bills. The state launched a new so-called "cap-and-invest" program in early 2024, and plans to invest more than $2.1 billion in the 2023-25 biennium for a

[421]Washington State Department of Health, Drinking Water Programs, March 21, 2024, https://doh.wa.gov/

range of climate-related investments including charging infrastructure, electric ferries and trucks, community-driven grants to improve air quality in overburdened communities, and assistance for lower-income households to transition to heat pumps.[422]

IV. Analysis of State Practices and Summary Findings

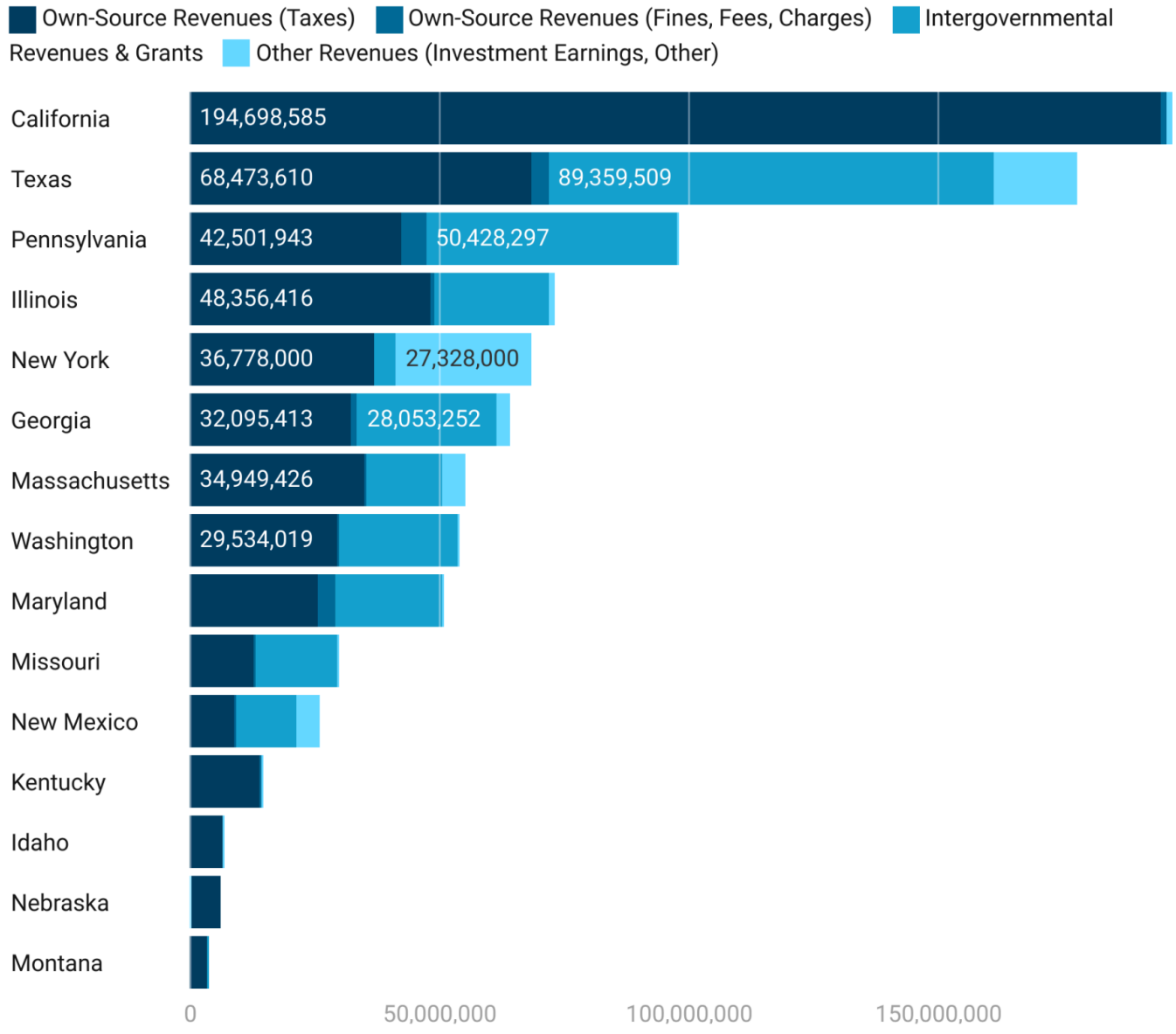
The jurisdictional summaries in Section III of this report surfaced the variation that exists across all aspects of the fiscal base and public finance strategies of the fifteen states we examined for this study. A macro-level view of select state practices across certain foundational public finance elements is an important starting point when analyzing the strategies of state governments, and in order to make recommendations regarding infrastructure spending strategies or practices that can be enhanced and optimized with a lens on the sectors prioritized for this report (i.e., water, sewer, and transportation).

State Practices Funding Water, Sewer, and Transportation

First, there is a high degree of variation in the revenues that the fifteen states in this study rely on to finance operating and capital expenses in the governmental fund. We examined the composition of revenues in the governmental fund of each state, recognizing that it is considered uniformly as the core fund that holds the general funds, other enterprise or proprietary funds that governments use to fund operating and capital expenses, and other liabilities on a current basis. Awareness of the revenue composition and trends visible in the governmental fund is also a vital part of a larger analysis considering a state's capacity to engage in the strategy known as "pay-as-you-go" financing to fund infrastructure and operating needs in certain functional areas of spending. To that end, Chart XXXI presents a comparison in the composition of the revenues that comprise the governmental funds for the most recent fiscal year, for each state.

[422]State of Washington, Annual Comprehensive Financial Report, December 31, 2023, 7.

Chart XXXI: Fifteen State Governmental Fund Revenue Composition Comparison



Source: The chart above was constructed using revenue data from the annual audited financial statements of each state, presented in greater detail annually, in Charts I-XXX of this report. The data presented for each state is derived from the "Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds" that appears in the most recent annual audited financial statement available for FY 2022. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

The revenue base of eleven of the states we analyzed in this study have a general fund that is fifty percent or more reliant on own-source revenues from tax sources. Four of the states we analyzed in this study have a general fund that is highly reliant on intergovernmental

revenues, raising over fifty percent of state revenues annually from that source. All states in this study demonstrate minimal reliance on own-source revenues from non-tax own-source revenues derived from charges, fees, and fines, raising less than fifteen percent of their revenues, on average, from such sources.

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 water and sewer projects, transportation projects, or general infrastructure projects. The governmental funds of eight of the states we examined (California, Idaho, Kentucky, Pennsylvania, Maryland, Missouri, Nebraska, and Texas) had dedicated transportation fund mechanisms as major governmental funds, and only two of the states (Kentucky and New Mexico) had major governmental funds for capital improvements. While no states in this report had a major governmental fund for water and sewer projects, two states (California and Missouri) had funds for environmental and conservation purposes that referenced water and sewer projects as areas covered by the language of the broad mandate. Where present, a major fund that holds resources dedicated to broad or specific sectors of capital infrastructure investment can potentially serve as an important source of consistent and sustained investment in new projects, ongoing maintenance, or deferred infrastructure needs.

However, it is unclear given the scope of this study whether having such funds actually impacts the level and efficacy of investment in the noted areas, particularly given the breadth of strategies states are using in tandem with dedicated funds, and in the absence of them. For example, some states like Montana, as described earlier, have dedicated funds that do not appear as major governmental funds, which are used to fund infrastructure. An example of such a mechanism was described earlier in this report for the State of Montana Capital Projects Fund, enabled via Montana, Title 17, Chapter 7, Part 2, Montana Code Annotated, to provide funds for new infrastructure and deferred maintenance needs with approximately one percent of general fund revenue less any existing general obligation bond debt service and deferred maintenance funding thresholds set at 0.6 percent of current replacement value of existing state of Montana's "Long Range Building Program".[423] States that consider adopting a similar practice can create powerful vehicles for funding new projects and deferred maintenance. Additionally, many states create dedicated funds for infrastructure investment by sector that live outside of the state's balance sheet within the mandate, oversight, and administration of public authorities or other state entities who have statutory authority to carry out a water or sewer investment mandate like the Texas Water Development Board SWIFT program, described earlier in this report.

When examining variations in state revenue composition and the variations in the structure of the funds within the governmental fund in states, and the use of a myriad of public authorities to carry out infrastructure investment mandates, it is important to be attentive to how such variations arise, due to several factors we describe in Section III of this report — mainly differences in state constitutions, state enabling laws, fiscal policies that govern how governmental funds are structured, tax and expenditure limitations, and other factors. Across the fifteen states in this study, state-by-state variations in revenue composition are also,

[423]State of Montana, *Comprehensive Annual Financial Report for FY23*, June 5, 2023, 9.

primarily, a function of state law and constitutional enabling authority regarding the types of revenues that states can collect and administer, either alone or in partnership with local governments as shared revenues.

Additionally, variations in general fund state revenue composition for several of the states we examined are also impacted by state fiscal policies, which restrict the way that revenues flow across different governmental funds. For example, in Montana and Idaho the general fund holds less than two percent of each state's general intergovernmental revenues. Both states, however, adopt the practice of segregating federal grant revenues to be expended for operations or infrastructure by depositing them in special revenue funds within the governmental fund, rather than in the general fund. Additionally, in Montana the state raises several own-source revenues from the exploration and development of oil, gas, and mineral deposits, in part, because of the geographic and industry factors present in the state. As noted earlier in Section III, the Montana State Constitution enables the creation of state permanent funds as a vehicle to hold a portion of such revenues and enables the state to earmark such revenues for certain specific functional areas of spending.

State permanent funds and special revenue funds are mechanisms that, if used to a greater degree in the proper contexts, could possibly be one additional strategy that enables states with consistently high infrastructure costs to segregate and dedicate a portion of state revenues annually on a permanent basis to key functional areas of infrastructure spending (or specific types of infrastructure projects) that are known to have ongoing high investment needs or high deferred maintenance needs. By their nature, such mechanisms allow revenues to bypass the general fund, carrying the potential benefit of ensuring that a sustainable funding source could be established to support key infrastructure spending in sectors or projects that may lack historically dedicated or consistent funding sources.

The noted strategy could potentially be used to strengthen a state's capacity to engage in pay-as-you-go financing (where that is a priority) because the pay-as-you-go method uses current revenues to fund projects, rather than other approaches like debt issuances, or public-private partnerships. Additionally, a special, restricted, or permanent fund mechanism could also be used to segregate revenues to serve as a state matching contribution for federal water and transportation programs described throughout this report, where states do not want to commingle revenues that are dedicated to a state matching contribution with other funds. Some states, like California, are using budget stabilization mechanisms as a source for infrastructure funding, when such accounts reach a certain threshold (e.g., ten percent of the estimated general fund revenues for any fiscal year).[424] An important area for further research might be to analyze whether states with restricted, permanent, or stabilization funds for infrastructure investment have greater efficacy when funding projects or if they have lower deferred maintenance risks, when compared to states that do not use such mechanisms.

There can be, however, potential risks of using state restricted, permanent funds or special revenue funds to earmark revenues for infrastructure if a state faces weaker fiscal health or revenue dislocations for a prolonged period. In such instances, and others, many

[424]Justia US Law, California Constitution Article XVI - Public Finance Section 20, March 28, 2024, https://law.justia.com/constitution/california/article-xvi/section-20/.
State of California, Annual Comprehensive Financial Report, March 23, 2023, 89-90.

states might opt to maximize the revenues of the state's general fund, given the importance of that fund in funding core operating needs. Other factors that might be relevant in informing whether revenues should flow to a permanent fund or remain in the general fund, include considering impacts to a state's credit rating, whether a state has constitutional requirements that require balanced budgets, funding budget stabilization reserves, among others.

A state's flexibility, diversity, and composition of its revenues are some factors of many that also impact the degree to which states can pass through funding in the form of state aid to support local governments (cities, towns, districts, local authorities, etc.) that fund local infrastructure projects within the state's jurisdictional boundaries of a general nature, including in the water and transportation sectors. State aid passed through to localities takes on heightened importance in states where local jurisdictions face property tax limits. As described earlier in Section III, the commonwealth of Massachusetts approved a statewide tax limitation initiative petition, commonly known as "Proposition 2 ½", to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments.[425] The commonwealth makes annual substantial payments to its local governments and regional school districts in the form of local aid to mitigate the impact of local property tax limits on local programs and services.[426]

Recognizing the importance of state and localities working together to fund infrastructure projects, we analyzed the own-source revenue frameworks within the fifteen states and examined the authorization and use of predominant local option revenues that states leverage to enable local funding channels for transportation, water, and waste-water projects: (1) local option sales taxes — a special-purpose tax that is enabled and authorized by the state, but implemented at the municipal level, often above a base sales tax rate; (2) local option fuel taxes — a special-purpose tax on motor fuel that is enabled and authorized by the state, but which is implemented at the municipal level; and (3) local motor vehicle fees or taxes — a revenue or tax authorized by the state, but implemented at the municipal level either as a vehicle registration fee or annual taxes on the value of a vehicle value, and/or other attributes of the vehicle (i.e., weight, number of wheels, etc.).[427] Table IV summarizes trends in the noted area.

[425]Town of Andover Massachusetts, Proposition 2 ½, April 1, 2024, https://andoverma.gov/949/Proposition-2-12#:~:text=Proposition%202%20%C2%BD%20refers%20to,from%20year%20to%20year.

[426]Commonwealth of Massachusetts, Monthly Local Aid Payments from the Treasury, April 1, 2024, https://www.mass.gov/monthly-local-aid-payments-from-the-treasury#:~:text=Local%20aid%20is%20appropriated%20in,and%20towns%20are%20also%20made.

[427]Goldman, T., & Wachs, M.,. A Quiet Revolution in Transportation Finance: The Rise of Local Option Transportation Taxes. Transportation Quarterly, 19-32, 2003, cited in DuPuis, N. & McFarland, K., Paying for Local Infrastructure in a New Era of Federalism: A State-By-State Analysis, 2016.

<u>Table IV:</u> State Practices Enabling Local Option Own-Source Revenues for Water, Sewer, and Transportation (Road and Transit) Projects

State	Local Option Fuel Tax		Local Option Sales Tax		Local Option Motor Vehicle Registration Fee	
	Authorized	Infrastructure Sector or General Revenue?	Authorized	Infrastructure Sector or General Revenue?	Authorized	Infrastructure Sector or General Revenue?
California	Yes	Roads/Transit	Yes	Roads	No	N/A
Georgia	Yes	General Revenue	Yes	Roads/Transit	No	N/A
Idaho	No	N/A	No	N/A	Yes	Roads
Illinois	Yes	Roads/Transit	Yes	Roads/Transit/ Water/Sewer	Yes	Roads
Kentucky	No	N/A	No	N/A	No	N/A
Maryland	No	N/A	No	N/A	No	N/A
Massachusetts	No	N/A	No	N/A	No	N/A
Missouri	Yes	Roads	Yes	Roads/Transit/ Water/Sewer	Yes	Roads
Montana	Yes	Roads	Yes	Roads	Yes	General Revenue
Nebraska	No	N/A	Yes	Roads/Transit	Yes	Roads
New Mexico	Yes	General Revenue	No	N/A	No	No
New York	No	N/A	Yes	General Purposes	No	N/A
Pennsylvania	No	N/A	No	N/A	No	N/A
Texas	No	N/A	Yes	Roads/Water/ Sewer	No	N/A
Washington	Yes	Roads	Yes	Roads	Yes	Roads/Transit

Source: The chart above was constructed using revenue data from the annual audited financial statements of each state, presented in greater detail annually, in this report. The data presented for each state is derived from the "Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds" that appears in the most recent annual audited financial statement available for FY 2022 for all states. In order to validate the assumptions, and consider the historical use of these mechanisms by states and their local governments, we consulted various reports from the National League of Cities examining local government use of special revenues and local option taxes, including, "Paying for Local Infrastructure in a New Era of Federalism: A State Analysis" (2016).

Across the states analyzed in this study, only seven states authorize local option fuel taxes, and five states enable the use of the noted revenues for road and transit projects. Nine states authorize local option sales taxes, and eight states enable the use of the noted revenues for road, transit, water, and sewer projects. Notably, six states authorize local motor vehicle

registration fees, and five states enable the use of the noted revenues for road, transit, water, and sewer projects. This data makes clear that municipal governments in states with limited enabling authority for the noted local option taxes and fees are facing less optionality with respect to the own-source revenues they can raise and use for transportation funding. Whether local governments are leveraging local option taxes, where they are authorized, is outside the scope of this study because our methodology was limited to analyzing state entities rather than the investment and public finance patterns within localities but such presents an important area for future research and analysis. As noted earlier, examining local government funding of infrastructure and understanding whether local option taxes are creating a positive enabling environment for localities to invest in such projects is a vital part of understanding holistic investment in water, sewer, transportation infrastructure levels, trends, and patterns in the noted sectors and others, particularly for assets owned by localities.

While local governments, like states, can certainly integrate other public finance approaches to complement an own-source revenue strategy (i.e., debt, public-private partnerships, intergovernmental aid, etc.), states can play a broader role creating a stronger enabling environment that provides localities with expanded revenue options, in view of the vital role local governments play in funding water, sewer, and transportation infrastructure.

An additional mechanism that states employ to provide local governments with efficient and affordable channels to raise money to finance infrastructure projects generally, and in the sectors prioritized for this report (i.e., transportation, etc.) occurs via state authorities, including state infrastructure banks, or municipal bond banks. In many instances, the noted entities administer and run revolving funds that provide loans to local governments to finance certain projects, can provide grants, potentially provide credit enhancement, and may provide technical assistance, among other public finance avenues to support local governments. State infrastructure banks and state municipal bond banks are often capitalized with federal funds or state revenues that are appropriated to the entity.

Figure I visualizes the states in our study that have state infrastructure banks or municipal bond banks (SIBs/Bond Banks), which appear in the jurisdictional summaries of Section III and denotes states that were not examined in this study. Table V further reports which SIBs/Bond Banks have mandates that allow them to enable local funding of projects in the transportation, water, and sewer sectors prioritized for this report, versus general public projects or general infrastructure projects.

Figure I: State Infrastructure Banks and Municipal Bond Banks (Fifteen State Analysis)

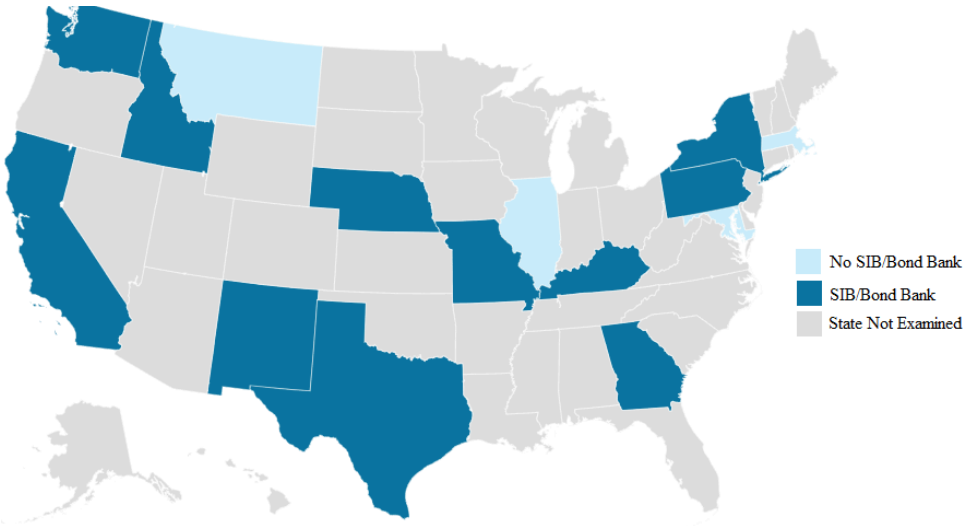


Table V: Select Infrastructure Sector Focus Areas for States Examined in this Report with State Infrastructure Banks and Municipal Bond Banks

State	Transportation	Water/Sewer	Other General Infrastructure
California	Yes	Yes	Yes
Georgia	Yes	No	No
Idaho	No	No	Yes
Kentucky	No	Yes	Yes
Missouri	Yes	No	No
Nebraska	Yes	No	No
New Mexico	Yes	No	Yes
New York	No	No	Yes
Pennsylvania	Yes	Yes	Yes
Texas	Yes	Yes	No
Washington*	Yes	No	Yes

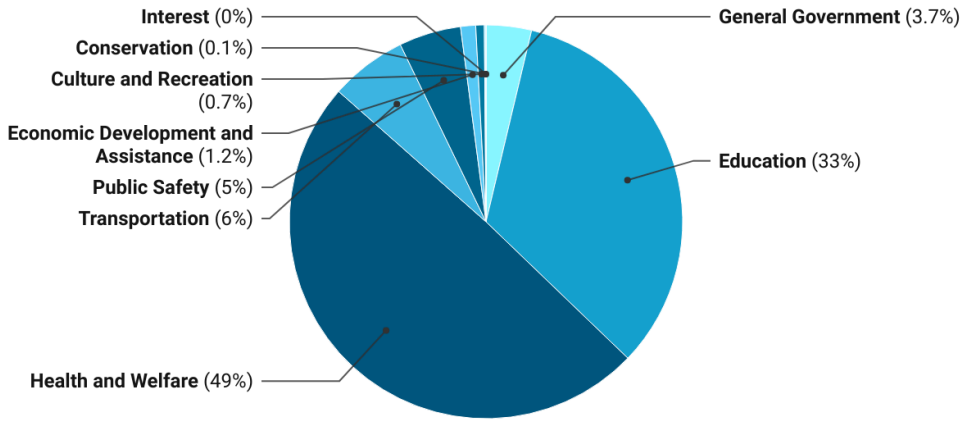
**Note: The state of Washington participated in the U.S. Department of Transportation State Infrastructure Bank program, which was created in 1996 as an initiative to better allocate federal funds to state transportation infrastructure projects. At present, the State of Washington has not created a stand-alone infrastructure bank as a state entity, but*

legislation is pending to establish the state's first infrastructure bank, SB 5509, "Creating the Washington state public infrastructure Bank" is currently being evaluated.[428]

As Figure I and Table V make clear, 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. Georgia, for example, has established a state infrastructure bank that is capitalized solely with state funds and which are not entering into cooperative agreements with the U.S. Department of Transportation and seeking or receiving federal funds.

When examining expenditure data in the "Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds" for each state in this study, there are significant limitations that inhibit our ability to derive a comprehensive understanding of how states are funding general infrastructure, water, and sewer projects as a state entity if we only focused on the general fund for several reasons. First, each state's general fund expenditures define functional areas of operating and capital expenditures in different ways and categorize projects funded within such areas in accordance with their own state-specific approach. One state, for example, may include water projects funded by general fund revenues within a broad functional category of "environmental", "conservation", "natural resources" expenditures, and presenting composite data that cannot be disaggregated to measure solely state spending on water, rather than other environmental projects, absent specific schedules in the financials with lists of projects that comprise that expenditure area. To illustrate the high degree of variation in this area, compare Fiscal Year 2022 expenditures in Georgia and Idaho in Charts XXXII and XXXIII:

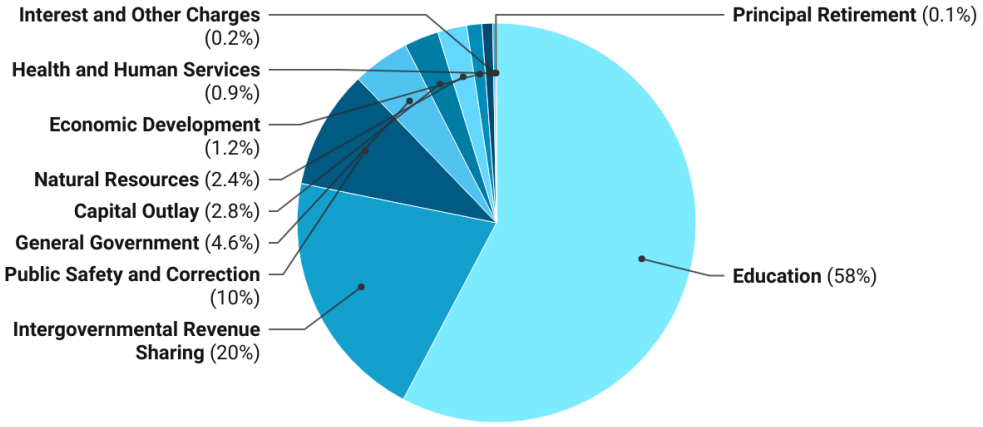
Chart XXXII: State of Georgia General Fund Expenditures, FY 2022



Source: State of Georgia Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; Calculations are based on actual audited revenue figures and are not adjusted for inflation

[428]Washington State Legislature, S.B.SB 5509, 2023-2024, April 1, 2024, https://app.leg.wa.gov/billsummary?BillNumber=5509&Year=2023&Initiative=false

Chart XXXIII: State of Idaho General Fund Expenditures, FY 2022



State of Idaho Annual Comprehensive Financial Report for the year ending June 30, 2022; Calculations are based on actual audited revenue figures and are not adjusted for inflation

Additionally, a singular focus on the general fund may not fully capture other important avenues of state spending on key functional areas, particularly efforts that are novel and may reflect cross-jurisdictional funding structures that impact multiple state's balance sheets as is visible in the multi-state Great Lakes Protection Fund effort described earlier in this report as a joint undertaking by Michigan, Minnesota, New York, Ohio, Pennsylvania and Wisconsin.[429] The funding that flows through that multi-state environmental endowment also is held, in part, on the balance sheets of the non-profit that administers the fund.[430]

In order to build a more holistic understanding of all the channels a state may be leveraging to invest in infrastructure generally and transportation, water, and sewer infrastructure specifically, it is important to examine funding raised by states from public finance sources beyond revenues, including funding raised from borrowing, outside investors, and other external sources derived outside of government's own-source or intergovernmental resources. To do that, we examined two core questions across all states in this study: (1) do states have authorization to use TIF, municipal borrowing, revolving loan fund, and public-private partnerships (P3s)?; (2) where state-enabling legislation exists that authorizes the use of tax increment financing, municipal borrowing, revolving loan funds, and public private partnerships, is there evidence that states are actually using or leveraging the mechanism to fund infrastructure? The approach recognizes that not every state that is enabled to use a public finance instrument may actually leverage that instrument at the state level to finance projects. Table VI summarizes some of our findings to the noted questions.

As reported in Table VI, and described throughout this report, although nearly all states examined in this report have legislation authorizing all of the major instruments of public finance, some mechanisms are enabled by states only for local governments to use or for select

[429]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58
[430]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58.

state agencies to use. For example, TIF is enabled at the state level in all of the states we examined in this report. However, in all instances it is enabled only for local governments to use, rather than for use by states at the state level. This stands in contrast to municipal bonds, notes, public-private partnerships, and revolving loan funds, which are enabled at the state level for use both by state entities and by local authorities.

Table VI: 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.*

The data summarized in Table VI, together with the individual state jurisdictional summaries in Section III of this report, make clear that the majority of states rely on component units of government and state authorities to fund general infrastructure, transportation, and water projects. Furthermore, the public finance practices within those state authorities are not uniform and reflect a high degree of variation and include many of the mechanisms summarized

in Table VI (e.g., multiple state authorities may each have a mandate to fund transportation, but some may rely on federal aid, others might be more reliant on municipal borrowing, etc.).

In view of the variations we observed in state general funds and other factors described earlier, in order to attempt to quantify general infrastructure investment trends, and investments in transportation infrastructure, by states and state authorities, we relied on data from the Statement of Net Position, within each state's audited financials. The Statement of Net Position offers one of the most comprehensive views of a government's investments in assets, reported with awareness of the amounts invested in the assets "plus deferred outflows, less liabilities, less deferred inflows of resources."[431]

In calculating the net investments in capital assets and transportation specifically for each state in this study using the Statement of Net Position, we included amounts for the primary government of the state and all component units of government with an infrastructure funding mandate, categorized as follows: (1) "Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchangeable revenues. Governmental activities are usually reported in the governmental fund types and internal service funds in the funds financial statements"; and (2) "Business-type activities are financed in whole or in part by fees charged to the users of the services, or dedicated funds."[432] Chart XXXIV summarizes aggregate transportation investments for each state surveyed in this study, and includes the following components in the calculation:

- Net investment in capital assets by the state for transportation, transit, roads, bridges, highways, and other surface transportation projects reported in the statement of net position for the state as a primary unit of government;

- Net investment in capital assets by individual component units of state government that have a mandate to fund transportation, transit, roads, highways, and bridges, and which are visualized in the diagrams that appear in the state jurisdictional summaries earlier in this paper; and

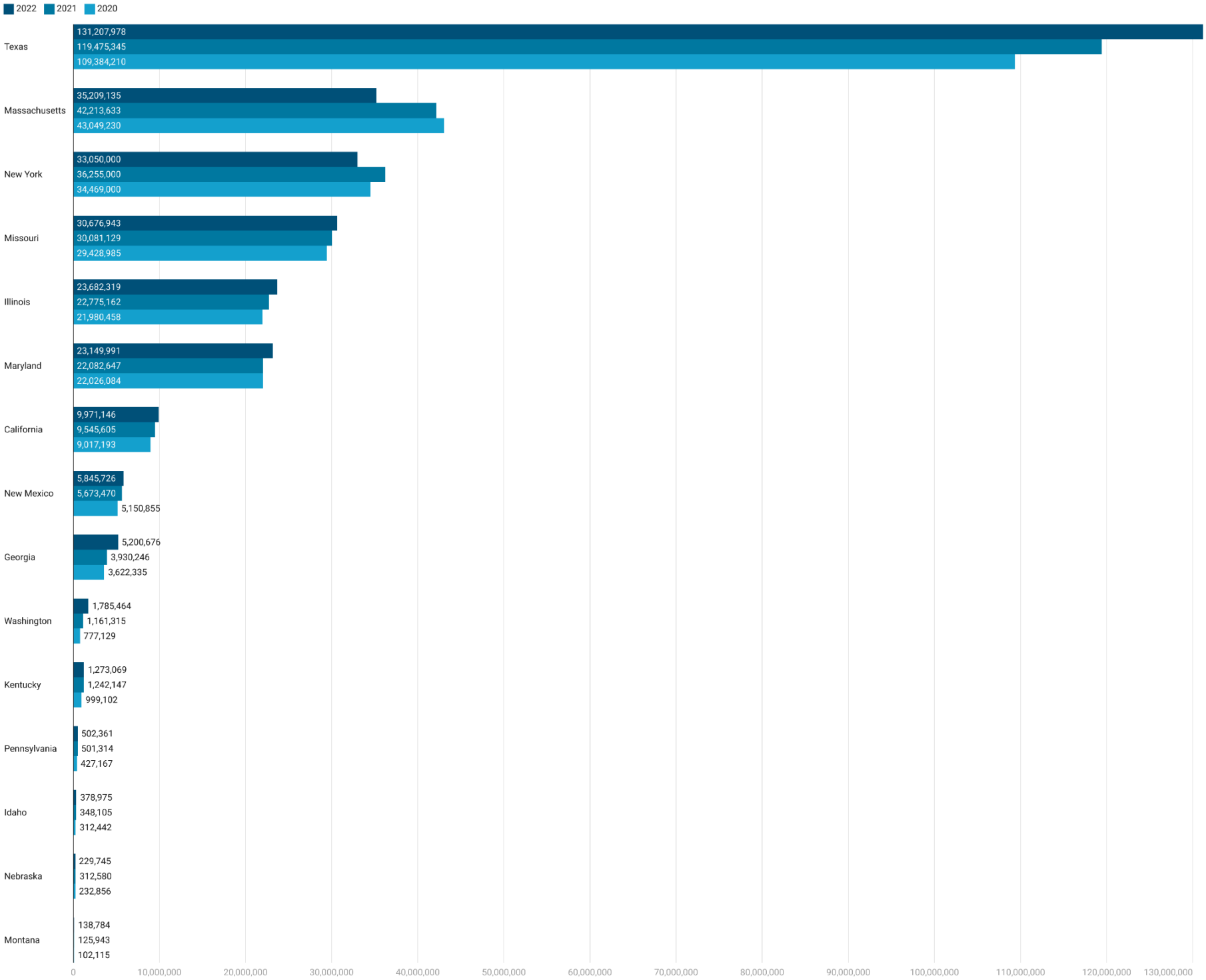
- Net investment in transportation, transit, roads, highways, or bridge infrastructure assets by individual component units of state government that have a mandate to fund such areas and which are visualized in the diagrams that appear in the state jurisdictional summaries earlier in this paper.

Individual data for each state transportation investments derived using the noted formula also appear in Appendix B to this paper, reported annually for fiscal years 2020 to 2022.

[431]State of Washington, Statement of Net Position. March 31, 2024. https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/government-wide-financial-statements/statement-net-position

[432]State of Washington, Statement of Net Position. March 31, 2024. https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/government-wide-financial-statements/statement-net-position

Chart XXXIV: Net Investment in Transportation Capital Assets, Fifteen State Analysis, FY 2020-2022



Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statement available for FY 2022 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Water and Sewer Infrastructure Funding Practices

Data limitations inhibited our ability to apply the same process to calculate the net investments in capital assets for water and sewer assets specifically for each state using the Statement of Net Position data as the process described for transportation.

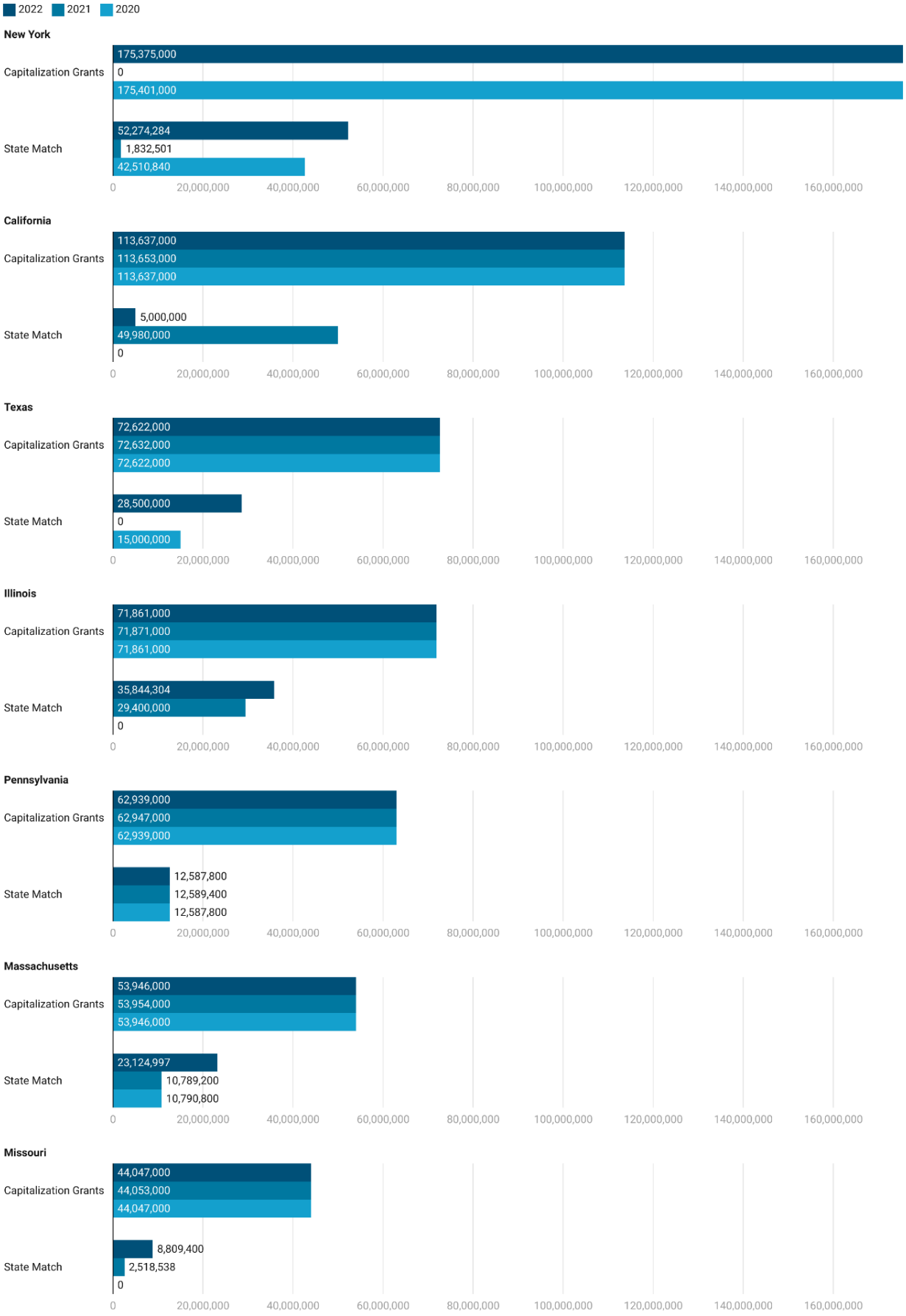
In many states, water and sewer infrastructure investments were reported within data for environmental spending, and did not appear in a sufficiently disaggregated form needed for our analysis. Additionally, the wide variations in the manner in which states fund water and sewer projects that are owned and operated at the state level was a further limiting factor to deriving such calculations, as well as the fact that many water and sewer assets in states are owned by localities rather than states and their authorities. Accordingly, as described in our methodology, to analyze water and sewer data, we focused on two programs that were present state-to-state at significant scales, and which would help us understand the magnitude of state investments and important dynamics regarding how states support local government investments in the water and sewer area.

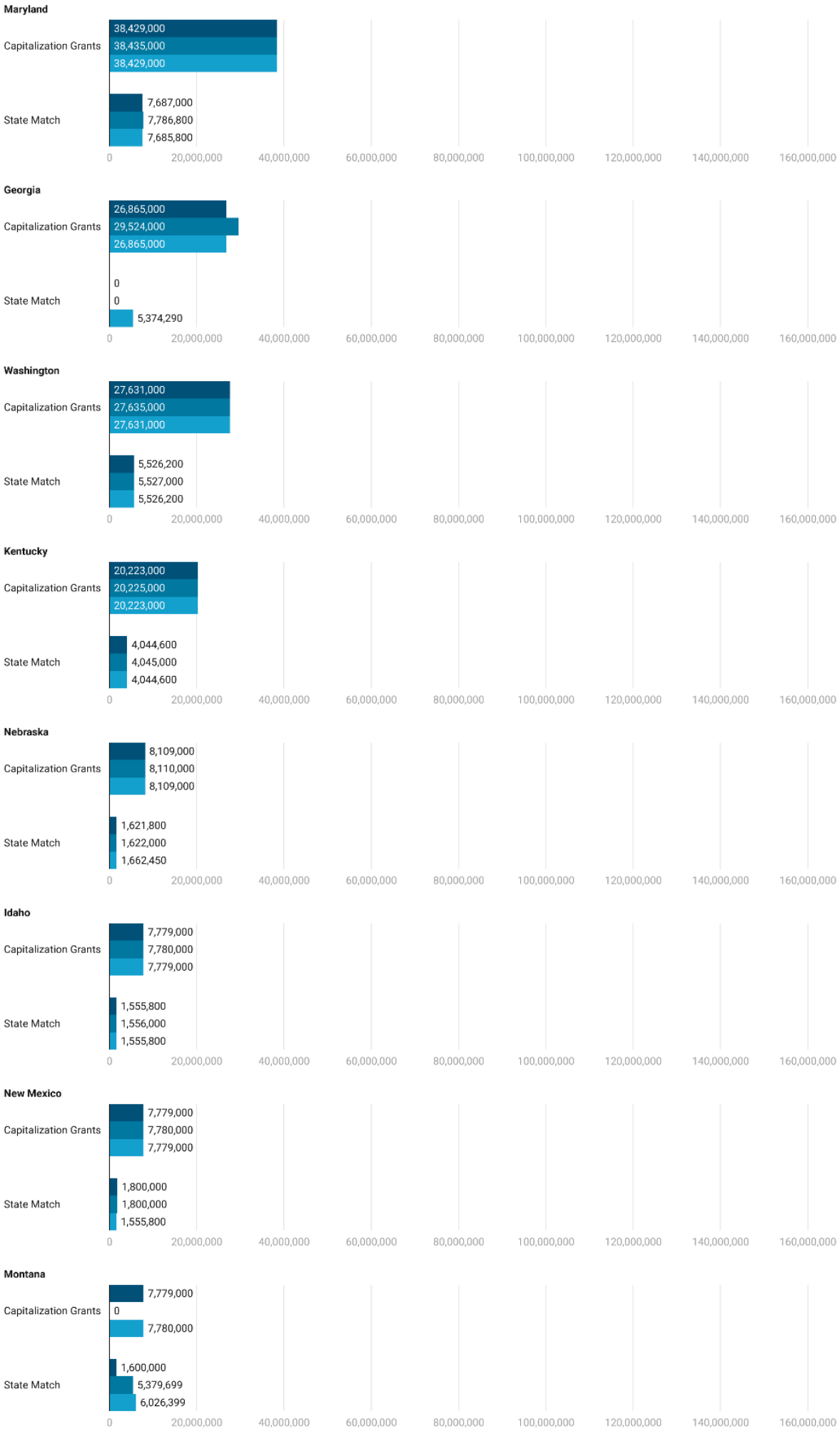
When funding water and sewer systems, every state we examined for this report relies on revolving loan mechanisms, administered either by the state, a state department, or a separate state authority as described in Section III. At present, revolving loan programs are of vital importance and serve as the primary mechanism to fund water and sewer projects within the state from two core federal programs: (1) the Clean Water State Revolving Loan (CWSRF); and (2) the Drinking Water State Revolving Loan (DWSRF).

Across all states, CWSRF and DWSRF programs are capitalized with a combination of federal grant funds, state revenues, and proceeds raised from the issuance of municipal bonds. DWSRF and CWSRFs programs are principal sources that governments currently use to fund the acquisition, construction, improvement, expansion, extension, and repair of water and sewer systems. The data within Statements of Net Position was not sufficiently disaggregated to provide accurate data regarding water and sewer investments across states, and their authorities, examined in this report. Accordingly, we examined state CWSRF and DWSRF data from the U.S. Department of Environmental Protection to gain a holistic sense of water and sewer funding at the state level.

The capitalization, strength, breadth, and prevalence of the noted programs is represented in Chart XXXV, which presents state-by-state total annual capitalization grants awarded and total state match contributions across to the fifteen states in our study for the CWSRF program, and Chart XXXVI, which presents state-by-state total annual capitalization grants awarded and total state match contributions across to the fifteen states in our study for the DWSRF program.

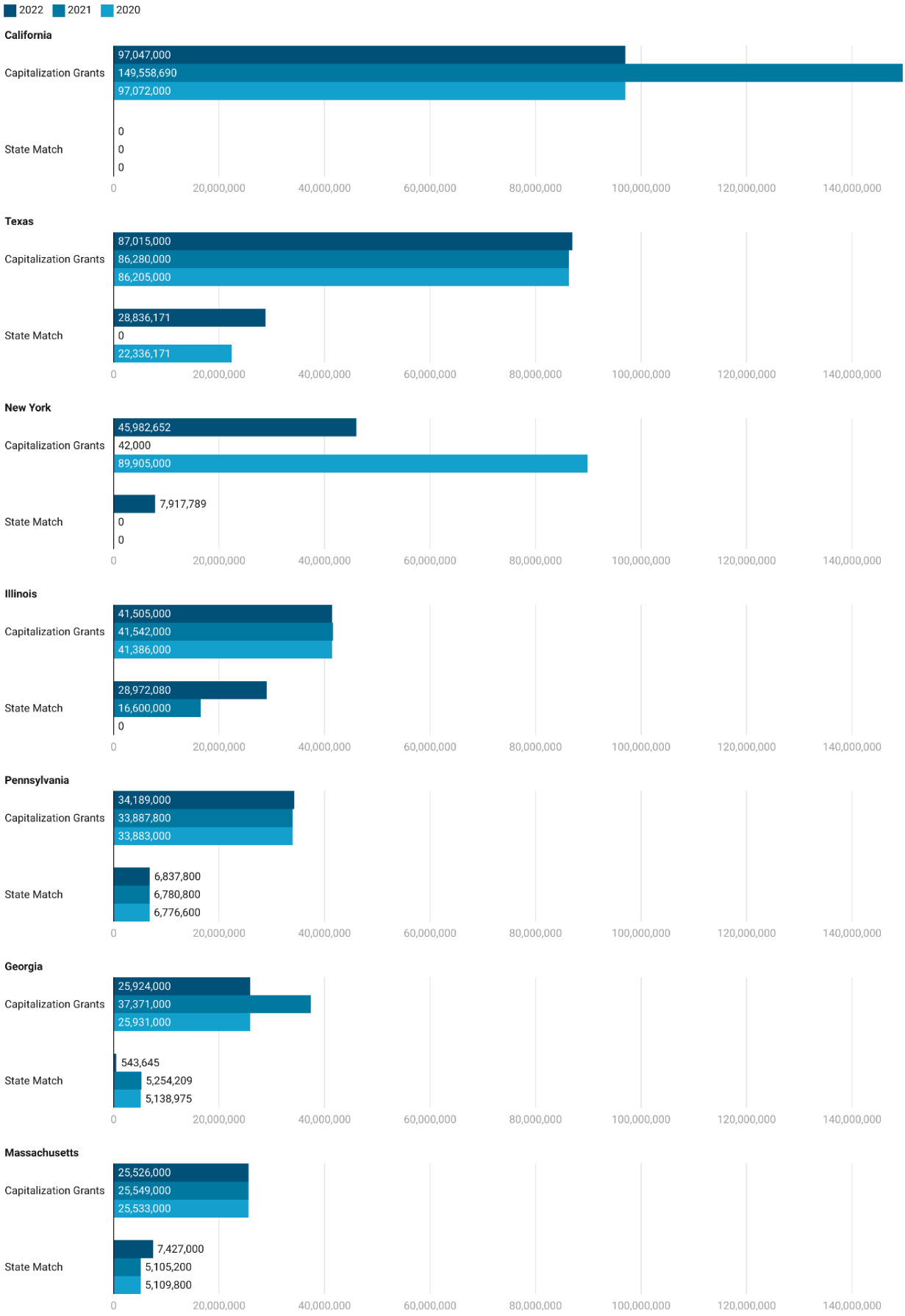
Chart XXXV: CWSRF Total Annual Capitalization Grants and Total Annual State Match Contributions — Fifteen State Data

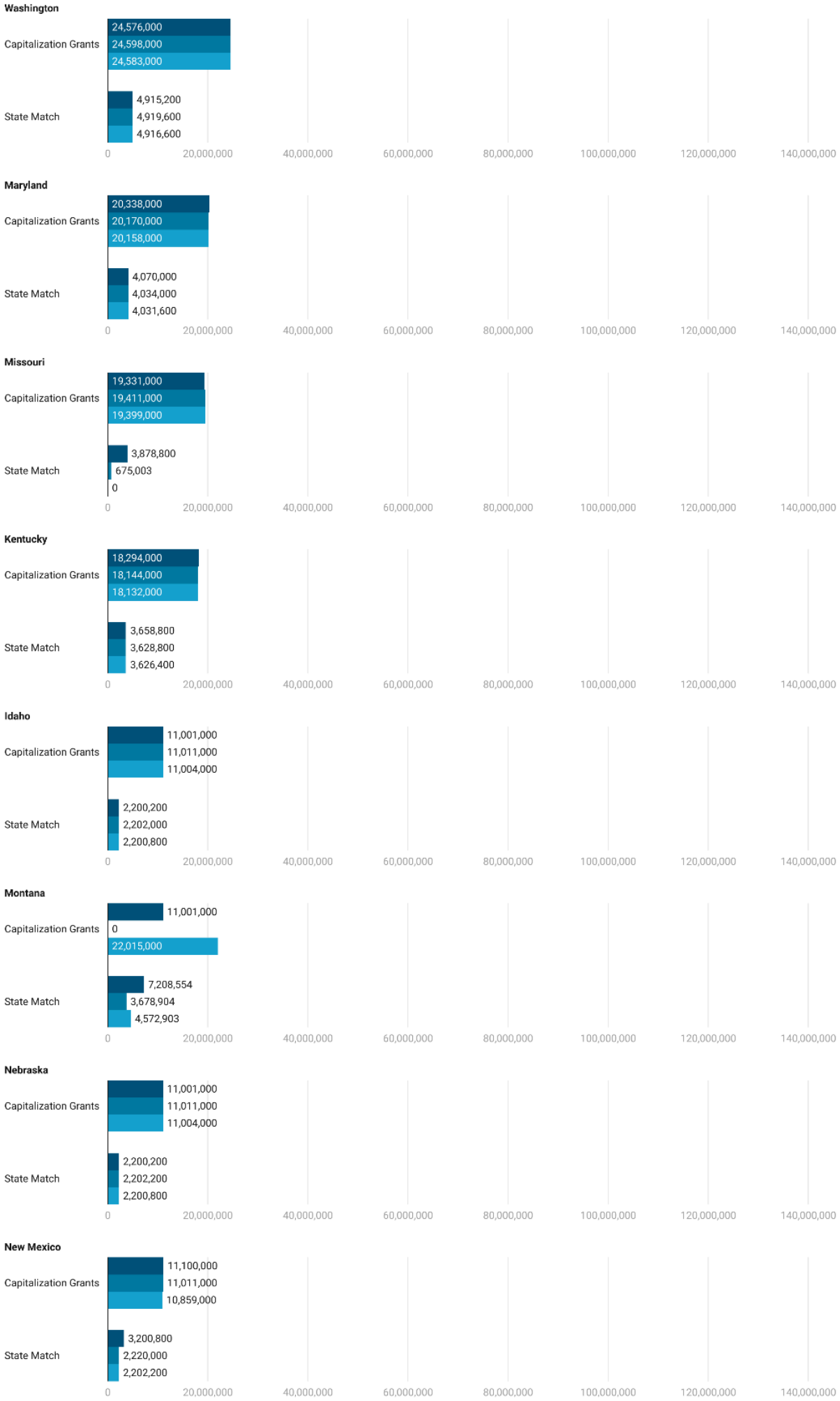




Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XXXVI: DWSRF Total Annual Capitalization Grants and Total Annual State Match Contributions — Fifteen State Data





Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

CWSRF and DWSRF programs operate in consistent ways across states: (1) Congress appropriates funding to the U.S. Department of Environmental Protection for the SRF programs; (2) the U.S. Department of Environmental Protection awards capitalization grants to each state; (3) for most appropriations, states provide traditionally a twenty percent match to those capitalization grants; (4) states then provide below-market rate loans and other authorized assistance to eligible recipients (e.g., water and wastewater systems) for water infrastructure projects; (5) loan terms are typically twenty to thirty years; (6) states disburse SRF funds to eligible recipients on construction costs that are incurred; (7) recipients repay their loans back into the state's SRF; and (8) the state SRFs use these "recycled" funds to make additional loans, creating a "revolving" cycle.[433]

The SRF programs serve as the predominant source of funding for state and local government investment in water and sewer projects. Certain provisions of the Infrastructure Investment and Jobs Act (IIJA) passed in 2021 modified existing elements of the SRF program, including easing the state match requirement in some cases to expand state access to SRF funds, expanded subsidies for disadvantaged communities, and other elements.[434] The SRF programs also, in some instances, leverage public finance vehicles known as guarantees — a form of credit enhancement that can improve the cost of capital for communities and projects that have challenging or low credit quality.[435]

Across the fifteen states we examined in our study, a few noteworthy trends emerged. New York, California, Illinois, and Texas have the highest concentration CWSRF and DWSRF capitalization grants consistently on a year-over-year basis for the three-year period of data we analyzed in this report, as reported in earlier and in Appendix A. Grant awards to states for the CWSRF program are made using formulas in the Clean Water Act and other legislation that has authorized or revised the CWSRF program provisions. Factors that are considered include a combination of infrastructure needs, population, and other potential factors that are weighted in calculating an award to each state, above a minimum threshold of 0.5 percent.[436] When making grant awards to states pursuant to the DWSRF program, the Safe Drinking Water Act governs and prescribes the process for the annual allotment of federal funds to states, tribes, and territories.[437] The annual allotment to states is established through a survey of water system capital improvement needs conducted every four years. Each state receives a minimum annual allotment of one percent of the national grant funds after allotments for tribes, territories, and other national reserved programs are made.[438]

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[433]Commonwealth of Massachusetts, Clean Water and Drinking Water State Revolving Funds and the Bipartisan Infrastructure Law, 2022, https://www.mass.gov/doc/clean-water-and-drinking-water-state-revolving-funds-and-the-bipartisan-infrastructure-law-presentation/download.

[434]Congress, H.R. 3684 - Infrastructure Investment and Jobs Act, 2022, https://www.congress.gov/bill/117th-congress/house-bill/3684.

[435]United States Environmental Protection Agency, About the Clean Water State Revolving Fund (CWSRF), April 1, 2024, https://www.epa.gov/cwsrf/about-clean-water-state-revolving-fund-cwsrf.

[436]Congressional Research Service, Clean Water State Revolving Fund Allotment Formula: Background and Options, March 15, 2023, https://crsreports.congress.gov/product/pdf/R/R47474.

[437]United States Environmental Protection Agency, Drinking Water State Revolving Fund Annual Allotment of Federal Funds for States, Tribes, and Territories, April 1, 2024, https://www.epa.gov/dwsrf/annual-allotment-federal-funds-states-tribes-and-territories.

[438]United States Environmental Protection Agency, Drinking Water State Revolving Fund Annual Allotment of Federal Funds for States, Tribes, and Territories, April 1, 2024.

Experts, practitioners, state officials, and local officials widely agree that the expansive and consistent levels of funding made available to states by Congress for the CWSRF and DWSRF programs are not enough to keep pace with the investment needs in water and sewer infrastructure.[439] However, across the fifteen states in our study, the data in our Appendix suggests that not all SRF resources are being fully committed and utilized on an annual basis. There are significant utilization gaps in states with high levels of uncommitted funds and in states where funding is not reaching hardship communities and disadvantaged communities, as demonstrated in our Appendix. Accordingly, it will be important for policy-makers and state officials to consider whether and how CWSRF and DWSRF need reform or technical assistance at the local level, to ensure that they can function with the greatest efficacy and stronger utilization ratios.

Outside of funding water and sewer projects using the predominant method of state revolving funds via the DWSRFs and CWSRFs, a select number of states we examined also use unique cross-jurisdictional models to fund water projects. The state of Illinois, for example, is also a contributing member and participant in a multi-state effort with the states of Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin that is collectively known as the Great Lakes Protection Fund, which is managed by an Illinois not-for-profit corporation.[440] As noted earlier in this report, the Great Lakes Protection Fund is the first multi-state environmental endowment in the United States that makes investments that restore and maintain the Great Lakes' water quality by providing grant funding for projects that promote the objectives of the regional Great Lakes Toxic Substance Control Agreement and the binational Great Lakes Water Quality Agreement.[441]

Tax Increment Finance

Every state examined in this study has enabling authority, at the state level, that authorizes eligible local governments in the state to engage in tax increment financing. Although significant variation exists in the nuances of TIF statutes state-to-state, in every instance where TIF authority is present there are some consistent trends: (1) TIFs are not enabled as a mechanism for states or state authorities to use; and (2) TIFs are enabled for local government use. While the majority of states enable local governments to use TIF with a finding of blight or for the purpose of funding urban redevelopment and economic development projects, at least three states in our study explicitly allow the use of TIF for a broad range of infrastructure improvements, including transportation and water projects. California's TIF statutes also enable local government use of TIF as a mechanism to advance climate change funding. The Climate Resilience District Act in California enabled cities, counties, and special districts in California to form Climate Resilience Districts (CRDs) as a specialized type of EIFDs and to fund projects that address climate change mitigation, adaptation, or resilience.[442]

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[439]National League of Cities, Paying for Local Infrastructure in a New Era of Federalism A State-by-State Analysis, 2016, https://www.nlc.org/wp-content/uploads/2016/12/NLC_2016_Infrastructure_Report.pdf.
[440]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58, Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022.
[441]State of Illinois, Annual Comprehensive Financial Report, August 15 2023, 58.
[442]California Senate, California Senate Bill 628, May 14, 2013, https://legiscan.com/CA/text/SB628/id/845549. California Association for Local Economic Development, Primer on California's Tax Increment Financing Tools, 2nd ed., May 2023, 1-39.

The majority of TIF statutes for the fifteen states we examined in this report principally rely on the property tax as a source of funding. However, New Mexico's TIF program is unique in allowing 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.[443] The noted practice can provide an expansive and generative resource base for TIF projects that isn't solely reliant on the property tax. However, it also potentially carries the risk of serving as a drain on a significant general fund resource for the state of New Mexico that is vital to funding core government services. As noted earlier in Section III, state gross receipt taxes in New Mexico are a significant own-source revenue that comprise nearly thirty percent of the state's general fund, and are used by the state to fund basic services including schools, teachers, and health care, among other purposes.[444]

In all instances where TIF rely solely on property taxes or an expanded set of revenues, like the New Mexico state gross receipts taxes, it is important for state leaders to be attentive to measuring the degree to which the trajectory of TIFs is proving to be yielding positive generative effects to the locality and to the state as economic development goals are realized (e.g., boosting state sales taxes or corporate tax revenues as redevelopment is successful, etc.) or whether the TIF is having negative or extractive effects on the local or state fiscal base.

Public-Private Partnerships (P3s)

State and local governments, including any government-controlled public authorities responsible for infrastructure systems, have traditionally contracted private companies to complete a single phase of a project, such as the construction phase or the maintenance of an existing infrastructure asset. Commonly referred to as the traditional approach or the design-bid-build ("DBB") approach, the public authority procures a private company, paying them using public funds from the government's revenues on a pay-as-you-go basis, through debt, or using other forms of investment described earlier in this report. Upon completion of the infrastructure project under the noted approach, the state or public authority retains a considerable degree of control of the project, remaining responsible for managing that asset's ongoing operation and management. Further, while the private company assumes a limited amount of project-related risk, the state or public authority assumes risks like construction delays, cost overruns, and shortfalls from revenue projections.

Unlike the noted traditional DBB government process, in public-private partnerships ("P3s"), the state or public authority sponsor of a project engages private companies through contractual arrangements to assume significant responsibility for multiple stages of an infrastructure project or system – design, build, finance, operate, and maintain ("DBFOM").[445] The definitions of P3s vary widely. For example, the National Council for Public-Private Partnerships ("NCPPP") defines a public-private partnership as "a contractual agreement between a public agency (federal, state, or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each

[443]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023. https://www.nmlegis.gov/entity/lfc/Documents/Finance_Facts/finance%20facts%20tidd.pdf
[444]New Mexico Legislature, Legislative Finance Committee Finance Facts: Finance Fact: Tax Increment Financing, 2023.
[445]Washington State Legislature, Transportation Resource Manual: Public-Private Partnerships, 2023. https://leg.wa.gov/JTC/trm/Documents/TRM%202023%20Update/12PublicPrivatePartnerships.pdf

party shares in the risks and rewards potential in the delivery of the service and/or facility."[446] In contrast, the U.S. Department of Transportation provides the following definition in the context of highway projects that is applicable to other types of public infrastructure assets:

> The use of P3s marks a shift away from traditional models of procuring and financing highway projects. … P3s are contractual agreements formed between a public agency and a private entity that allow for greater private sector participation in the delivery and financing of [public infrastructure] projects. With P3s, the private sector may take on the risks and rewards of financing, constructing, operating, and/or maintaining a [public infrastructure] facility in exchange for the right to future revenues or payments for a specified period. P3s can expand the capacity of states to finance infrastructure projects while accelerating delivery times, potentially reducing project costs, transferring project risks, and improving the cost-effectiveness of long-term maintenance; however, P3s are complex transactions with notable tradeoffs that require substantial review, due diligence and technical expertise to manage effectively.[447]

In the context of water or sewer projects, some experts define P3s as "performance-based" contracts that allocate risks to the party best suited to manage them and link public-sector payments from the system to contractual performance obligations of the private-sector partner."[448]

Whereas all fifteen states have laws permitting traditional Design-Bid-Build (DBB) procurement for transportation projects, which are generally not considered to be P3s, the way that states that we surveyed in this report define P3s lacks uniformity.[449] The state of Washington, for example, offers a definition of P3s that quotes a U.S. Department of Transportation's definition, holding that "a public-private partnership (P3) is a contractual agreement formed between public and private sector partners, allowing more private sector participation than is traditional. The agreements usually involve a government agency contracting with a private company to design, renovate, construct, operate, maintain, and/or manage a facility or system."[450] The state of Kentucky, in contrast, offers a World Bank definition of P3s, which holds that a P3 is a "long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance."[451] The commonwealth of Pennsylvania defines P3s, with a sector focus, as "a contractual agreement between a public entity and a private entity (or another public entity) in which the public entity transfers the responsibility for engineering, construction, operation, financing, and/or maintenance (or any

[446]The Construction Association, Public-Private Partnership Basics. www.agc.org/public-private-partnership-p3-basics
[447]Federal Highway Administration, U.S. Department of Transportation, Public-Private Partnership Oversight: How FHWA Reviews P3s, January, 2015, 1. www.transportation.gov/sites/dot.gov/files/docs/p3-toolkit_p3_project_financing_guidebook_122816.pdf
[448]American Water Works Association and EY, To P3 or not to P3: A water industry view on the relevance of public-private partnership delivery models, 2019, 4. www.awwa.org/Portals/0/AWWA/Communications/P3Report.pdf
[449] Design-Build Institute of America, 2024 Design-Build State Statute Report, Design-Build Institute of America, https://store.dbia.org/product/state-statute-report/
[450]Washington State Legislature, Transportation Resource Manual: Public-Private Partnerships, 2023. https://leg.wa.gov/JTC/trm/Documents/TRM%202023%20Update/12PublicPrivatePartnerships.pdf
[451]Commonwealth of Kentucky Finance and Administration Cabinet, Public-Private Partnerships. https://finance.ky.gov/eProcurement/public-private-partnerships/Pages/default.aspx

combination) of a transportation project or facility to the private sector for a defined period of time."[452]

Because there is no consensus on how P3s are defined globally, in the United States, or among the states we survey in this report, the nature of public-private collaborations and arrangements that can arise as P3s are highly varied and diverse. Table VII highlights a few select common models of P3s we observed across different states at a macro level:

Table VII: Select Common Models of P3s

P3 Model	Acronym	Description
Build-Own-Operate	BOO	A government contracts with a private sector partner to build, own, and operate a project in perpetuity, that otherwise would have been built, operated and owned as a public project or which constitutes a government service. A private entity partner may potentially receive the right to user fees associated with the project or facility that otherwise would have been charged and retained by the government partner.
Build-Own-Operate-Transfer	BOOT	A private entity receives a franchise from a government entity to build, and operate a facility that otherwise would be built, operated. and owned as a public project for a period of time. The private sector partner may potentially charge user fees for the project or facility, for the defined period of time of the franchise. At the conclusion of the franchise period, ownership of the project or facility is transferred back to the public sector.
Build-Lease-Operate-Transfer	BLOT	A private entity receives a franchise to finance, design, build, and operate a leased government facility, and is provided the right to charge user fees for the lease period, against payment of a rent.
Design-Build-Finance-Operate	DBFO	A private entity designs, finances, constructs a new facility under a long-term lease with a government partner, and operates the facility during the term of the lease.

The high degree of variation across P3 models, and their complexity, makes it difficult to identify, with precision, the full range of P3s that may exist in a state or every potential P3 arrangement that is enabled or used by a state, its public authorities, or other government entities. Accordingly, to survey P3 practices in the states and state-controlled public authorities described earlier in Section III of this report, we prioritized examining the nature of the legal mandate at the state level for water, sewer, and transportation infrastructure projects, with awareness of the highly varied P3 definitions and P3 arrangements described earlier in this section.

The legislation enabling P3s in the states we surveyed lack uniformity, but reflect some noteworthy trends and potentially meaningful practices. In many states, enabling legislation can

[452]Pennsylvania Department of Transportation, About P3: What is a Public-Private Partnership, www.penndot.pa.gov/ProjectAndPrograms/p3forpa/Pages/About-P3.aspx

be characterized as being either: (1) *broad*, enabling P3s to be undertaken by government units at multiple levels in the state either via one bill or separate bills; (2) *limited*, or tailored narrowly, enabling only certain jurisdictions to undertake P3s; (3) includes express limitations around the sectors of infrastructure that P3s can be used for; and/or (4) includes limitations on project cost thresholds that must be met to engage in a P3. The broad approach is visible in the state of Georgia's Public-Private Facilities and Infrastructure Act, summarized in Table VIII. In contrast, the state of Nebraska has a broad approach in enabling all political subdivisions to undertake P3s but restricts the sectors of infrastructure that P3s can be used for, excluding from P3s roads, streets, highways, water or utility projects, summarized in Table VIII.[453]

The limited approach is visible in the state of California, for example, which enables P3s via separate bills that each create discrete authority for P3 development by entities like CalTrans, regional transportation entities and local government agencies for different purposes, and with different duration limitations, summarized in Table VIII. Similarly, in the state of New York, P3s are not enabled at the state level; however, some public authorities with a transportation mandate, like the MTA and the Empire State Development Corporation (ESDC), have undertaken P3s in limited instances for infrastructure sectors via their enabling acts.

The limitation that P3s can only be undertaken if projects meet certain cost thresholds is visible in the state of Massachusetts, for example, where a $5 million project threshold is present for P3s by municipal entities, as further summarized in Table VIII.[454]

Table VIII: Example State-Enabling Legislation for P3s

State	Legislation	Unit(s) of Government Enabled to Undertake P3s by the State	Brief Summary
California	California Government Code Sections 5956-5956.10[455]	Local Government Agencies	Provides broad enabling authority allowing local governmental agencies to utilize private sector investment capital to study, plan, design, construct, develop, finance, maintain, rebuild, improve, repair, or operate, or any combination thereof, fee-producing infrastructure facilities in partnership with the private sector in a wide range of specified sectors (including transportation and water and sewage-related projects).
	California Chapter 107 (AB 680 Baker), as amended; Chapter 2, Statutes of 2009	CalTrans and Regional Transportation Agencies	Provides broad enabling authority for CalTrans and regional transportation entities (e.g., California High Speed Rail) to enter into P3s to fund highways, local roads, and transit projects,

[453] Nebraska Legislature, Nebraska Revised Statute 13-2903. https://nebraskalegislature.gov/laws/statutes.php?statute=13-2908 and Nebraska Legislature, Nebraska Revised Statute 13-2903. https://nebraskalegislature.gov/laws/statutes.php?statute=13-2903
[454]Commonwealth of Massachusetts, Massachusetts General Laws Part I, Title XXI, 149A. https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXI/Chapter149A
[455]California Government Code Sections 5956-5956.10.https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=5956.4

	(SB 2X4 Cogdill)[456]		for the duration allowed in the legislation.
	California Water Code, Chapter 45, County Water Authority Act	County Water Authorities	Provides general enabling authority for the organization, incorporation and governance of county water authorities, authorizing and empowering such authorities to acquire water and water rights, and to acquire, construct, operate and manage works and property, to incur bonded indebtedness, tax property, and leverage other public finance approaches to fund projects in the jurisdictional boundaries of the authority.[457] Although the statute does not expressly authorize P3s, the broad public finance enabling authority has been used by the San Diego Water Authority to carry out P3 desalination projects.
Georgia	The Public-Private Facilities and Infrastructure Act of 2015 (O.C.G.A. §36-91-110 et seq.) [458]	Any department, agency, board, bureau, commission, authority or instrumentality of the state, including the Board of Regents of the University System of Georgia; and any county, municipality, consolidated government or board of education, and any local authority created under Georgia law (e.g., water or sewerage authority).	Provides a process for various units of government to partner with private entities for the development of a wide range of projects for public use, with pathways that differ depending on the nature of the solicitation (i.e., solicited versus unsolicited proposals) which could result in a public-private partnership. The legislation created the Partnership for Public Facilities and Infrastructure Act Guidelines Committee, consisting of members from state and local government, private entities, and other interested parties, to prepare model guidelines for local governments in the implementation.
	Georgia Code Ann. §32-2-41(b)(6), Highways Bridges & Ferries & Georgia Code Ann. §§ 32-2-78 to 80[459]	The State of Georgia Department of Transportation	Authorizes the commissioner to establish a Public-Private Initiatives Division within the state DOT.[460] Additionally, the legislation authorizes the DOT to solicit and accept proposals for projects that are funded or financed in part or in whole by private sources. The legislation further incorporates public comment requirements, and other factors as part of the contracts award process, and authorizes contracts to include tolls, fares, or other user fees and tax increments for use of the project. The legislation further authorizes the approval of P3 contracts by the State

[456]California Chapter 107 (AB 680 Baker), as amended; Chapter 2, Statutes of 2009 (SB 2X4 Cogdill).https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=SHC&sectionNum=143.&highlight=true&keyword=construction+lease%20of%20transportation%20projects
[457]San Diego County Water Authority, County Water Act (Water Code Appendix), 2024. https://www.sdcwa.org/sites/default/files/files/CWA_Act.pdf
[458]The Public-Private Facilities and Infrastructure Act of 2015 (O.C.G.A. §36-91-110 et seq.). https://law.justia.com/codes/georgia/2020/title-36/chapter-91/article-5/section-36-91-110/
[459]Georgia Code Ann. §32-2-41(b)(6), Highways Bridges & Ferries & Georgia Code Ann. §§ 32-2-78 to 80. https://codes.findlaw.com/ga/title-32-highways-bridges-and-ferries/ga-code-sect-32-2-41/
[460]Federal Highway Administration of the U.S. Department of Transportation, State P3 Legislation, https://www.fhwa.dot.gov/ipd/p3/legislation/

			Transportation Board.
Illinois	Illinois Statutes Chapter 605. Roads and Bridges § 5/10-802[461]	Local Government Agencies (Municipalities)	Broad enabling authority allowing municipalities to make contracts "of every kind and nature" to acquire, construct, reconstruct, improve, enlarge, better, operate, maintain and/or repair any bridge within five miles of the corporate limits of the jurisdiction, and to repair and apply tolls/fees for use of such a bridge.
	Ill. Rev. Stat. ch. 605 §§ 130/1 to 130/999 (605 ILCS 130/) Public Private Agreements for the Illiana Expressway Act[462]	Illinois Department of Transportation (IDOT)	Limited enabling authority for IDOT to enter a P3 to develop, construct, manage, or operate the Illiana Expressway. Contract term limited to 99 years (with extensions permitted upon legislative approval).
	Ill. Rev. Stat. ch. 630 §§ 15/5 (630 ILCS 5/) Public-Private Partnerships for Transportation Act[463]	Illinois Department of Transportation (IDOT) and Illinois State Toll Highway Authority (Illinois Tollway)	Broad enabling authority for IDOT and Illinois Tollway to undertake new P3 projects in eligible the development of new P3 projects. Eligible projects include roads, bridges, passenger rail, and transportation facilities; airports and toll roads are ineligible, requiring authorizing legislation. The Act provides descriptions for procurement processes and the types of P3 contracts, including, design-build, development, maintenance, and operation.
Kentucky	Ky. Rev. Stat. § 45A.077 Public-private partnership delivery method of awarding state contracts for capital construction projects[464]	Any state and local authority	Broad enabling authority for all state and local agencies and authorities to undertake P3s for capital construction projects. The agencies undertaking the projects, the types of projects (i.e., sectors), and the types of P3 contracts are not specified in the legislation. The legislation focuses on the procurement process and the responsibilities of the state's Capital Projects and Bond Oversight Committee, which must approve private contractors' responses to Requests for Proposals. The statute allows unsolicited proposals and provides specific requirements that must be adhered to. The statute further states that, beginning July 1, 2024, any P3 for a capital project with an aggregate value exceeding $25,000,000 must be authorized by the General Assembly.

[461]Illinois Statutes Chapter 605. Roads and Bridges § 5/10-802. https://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=060500050HArt%2E+10+Div%2E+8&ActID=1745&ChapterID=45&SeqStart=60200000&SeqEnd=61200000
[462]Ill. Rev. Stat. ch. 605 §§ 130/1 to 130/999 (605 ILCS 130/). https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3229&ChapterID=45
[463]Ill. Rev. Stat. ch. 630 §§ 15/5 (630 ILCS 5/). https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3380&ChapterID=74
[464]Ky. Rev. Stat. § 45A.077. https://apps.legislature.ky.gov/law/statutes/chapter.aspx?id=37982

Maryland	Md. State Finance and Procurement Code Ann. §§10A-101 to 403[465]	State Department of General Services, State DOT, Maryland Transportation Authority, all state universities and colleges	Broad enabling authority for specified state agencies and entities ("reporting authorities") to "develop and strengthen a public infrastructure asset in conjunction with a public-private partnership." The statute defines P3s as a "method for delivering public infrastructure assets using a long-term, performance-based agreement…where appropriate risks and benefits can be allocated in a cost-effective manner." Agencies are permitted to define their own regulations and processes for P3 procurement, development, and delivery.
Massachusetts	Chapter 149A of the Massachusetts General Laws, as amended	All municipal entities	All municipal entities have the authority to procure public building and public works projects using "construction management-at-risk" and "design-build" methods that comprise public private partnerships. In order to qualify for Chapter 149A, the project must have an estimated construction cost of $5 million or greater, and the municipality must receive approval from the Massachusetts Office of the Inspector General.[466]
	Chapter 6C of the Massachusetts General Laws, §§1 to 74, as amended[467]	Massachusetts Department of Transportation and other state agencies	Enables the Department of Transportation to undertake P3s. Creates a Public-Private Partnership Infrastructure Oversight Commission to oversee public private partnerships. The Department of Transportation cannot issue an RFP for a P3 project without the commission's written approval, and review of issues enumerated in the statute.[468]
Missouri	Mo. Rev. Stat. §§ 227.600 to 669 Missouri Public-Private Partnerships Transportation Act[469]	Missouri Highways and Transportation Commission for the Missouri Department of Transportation (MoDOT)	Broad enabling authority to the Missouri Highways and Transportation Commission, which oversees MoDOT, to contract with private partners to finance, develop and/or operate any "pipeline, ferry, port facility, water facility, water way, water supply facility or pipeline, stormwater facility or system, wastewater system or treatment facility, public building, airport, railroad, light rail, vehicle parking facility, mass transit facility, tube transport system [MagLev]" projects. A private

[465]Md. State Finance and Procurement Code Ann. §§10A-101 to 403. https://mgaleg.maryland.gov/mgawebsite/laws/StatuteText?article=gsf&section=10A-101&enactments=False&archived=False

[466]Darov, Anatoly and Feher, 2018. "Public-Private Partnerships Offer Alternative Models for Water Infrastructure Projects." *Municipal Advocate*, Vo. 28 (No.2) www.mma.org/wp-content/uploads/2018/07/adv_28-2_pub-private-partner_0.pdf

[467]Chapter 6C of the Massachusetts General Laws, §§1 to 74, as amended. https://malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter6C/Section62

[468]Commonwealth of Massachusetts. General Laws Part I, Title II, Chapter 6C. https://malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter6C

[469]Mo. Rev. Stat. §§ 227.600 to 669. https://revisor.mo.gov/main/OneSection.aspx?section=227.600&bid=48740&hl=

			partner is not permitted to finance, develop, or operate any project not mentioned "until such project is approved by a vote of the people."
	Mo. Rev. Stat. §§ 238.300 to 367 Missouri Transportation Corporation Act[470]	Missouri Highways and Transportation Commission (MHTC) Creation of Special Purpose Transportation Corporations (TCs)	The statute establishes the Missouri Transportation Corporation Act, enabling the creation of private Transportation Corporations (TCs) or of special purpose non-profit corporations and for such TCs to obtain rights-of-way and to assist in the planning and design of transportation facilities. It further enables TCs to issue bonds and charge user fees.
Nebraska	Nebraska Revised Statutes § 13-2903 and Nebraska Revised Statutes § 13-2908[471]	All state political subdivisions	All political subdivisions (cities, counties, school districts, state and community colleges, airports, and sewer districts) are authorized to use P3s for projects except those arising in the following infrastructure sectors: roads, streets, highways, water or utility projects.
	NE Code § 39-2825 (2023) Public-private partnership delivery method authorized[472]		Authorizes public partners to enter into P3 agreements for improvements of transportation facilities/infrastructure or broadband facilities. Contracts are subject to the approval of an 11-member P3 board.
New York	State of New York, Urban Development Corporation Act, Chapter 174, Section 1, Laws of 1968, as amended	New York Empire State Development Corporation	The New York Empire State Development Corporation relies on its powers pursuant to the Urban Development Corporation Act to undertake P3s in limited instances, for some infrastructure projects in partnership with the Port Authority of New York and New (PANYNJ).[473] PANYNJ projects include LaGuardia Airport Terminal B, JFK Airport New Terminal One, Goethals Bridge Replacement Project.
	NY CLS Pub A § 550	New York Metropolitan Transportation Authority (MTA)	The MTA used powers pursuant to its enabling authority to upgrade 13 New York City stations under standards that are compliant with the American Disabilities Act.[474]
Pennsylvania	Penn. Conso. Stat.74 §§ 9101 to 9124[475]	Pennsylvania Department of Transportation (PennDOT)	Broad enabling authority for state or local public entities for the design, construction, operation, maintenance, financing or lease of transportation projects. Prior to procurement,

[470]Mo. Rev. Stat. §§ 238.300 to 367. https://revisor.mo.gov/main/OneSection.aspx?section=238.300&bid=12757
[471]Nebraska Revised Statutes § 13-2903 and Nebraska Revised Statutes § 13-2908. https://nebraskalegislature.gov/laws/statutes.php?statute=39-2801
[472]NE Code § 39-2825 (2023) Public-private partnership delivery method authorized. https://nebraskalegislature.gov/laws/statutes.php?statute=39-2825
[473]Empire State Development, New York State, Legal Notice, 2018. https://esd.ny.gov/sites/default/files/news-articles/windstreambroadbandNYBBP3BroadbandCapital.pdf
[474] Orrick,https://www.orrick.com/en/News/2022/12/Orrick-Advises-MTA-on-Historic-Subway-Station-Accessibility-P3 (last visited June 18, 2024)
[475]Penn. Conso. Stat.74 §§ 9101 to 9124. https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0088..HTM

			all projects must be approved by PennDOT's P3 Board. The legislature can reject state-led P3s, and any P3 for the Pennsylvania Turnpike requires legislative approval. Unsolicited proposals may be submitted twice a year.
Texas	Tex. Transportation Code Ann. §§222.001 to 107[476]	Texas Department of Transportation (TxDOT)	This statute includes P3-related provisions that relate to TxDOT's funding and financing and its use of federal aid. TxDOT is expressly prohibited from issuing bonds or using state highway funds to guarantee loans for associated costs of a public or private entity's toll facility. TxDOT is enabled to partner with a private or public entity in the financing of acquiring, constructing, maintaining, or operating a toll facility, and specific tolling agreements (e.g., pass-through tolls or "shadow tolls") are specified related to the reimbursement of the design, development, financing, construction, maintenance or operation of the state highway system, whether a toll or non-toll system. Besides TxDOT, the Texas Center for Alternative Finance and Procurement ("CAP") provides advisory services to support state agency-led P3 procurement and also supports regional, county and municipal authorities.
	Tex. Transportation Code Ann. §§ 366.401 to 409 A[477]	Regional tollway authorities	Provides limited enabling authority for regional tollway authorities to use comprehensive development agreements with private entities to design, develop, finance, construct, maintain, repair, operate, extend or expand turnpike projects. The statute further allows for the creation of new regional tollway authorities and defines their powers, including tolling, with strict specifications.
Washington	Wash. Rev. Code §§ 47.29.010 to 900[478]	Washington State Department of Transportation (WSDOT)	Broad enabling authority for WSDOT to enter into P3s for transportation projects ("capital or operating"), stating that the state's primary purpose for a project is to facilitate safe transportation of people or goods. Any project exceeding $300 million must include an advisory committee. Revenue-negative transit projects are permissible; however, such projects must be operated as public facilities with any debt issued by the state treasurer. Unsolicited proposals are allowed but must be reviewed by the Transportation Partnerships Office. WSDOT's Office of Innovative Partnerships provides P3-related support.

[476]Tex. Transportation Code Ann. §§222.001 to 107. https://statutes.capitol.texas.gov/Docs/TN/htm/TN.222.htm
[477]Tex. Transportation Code Ann. §§ 366.401 to 409 A. https://statutes.capitol.texas.gov/Docs/TN/htm/TN.366.htm
[478]Wash. Rev. Code §§ 47.29.010 to 900. https://app.leg.wa.gov/RCW/default.aspx?cite=47.29

The nature and character of state P3 strategies, whether grounded in legislation or practice, reflects a wide array of variation and some emerging approaches that are potentially noteworthy. There are some P3 enabling acts that require some measure of review, oversight, or approval before a P3 can be undertaken. For example, in Pennsylvania, the state's P3 Transportation Board must approve public-private partnership projects in the transportation sector.[479] Additionally, the Office of Public-Private Transportation Partnerships in Pennsylvania plays a review function and evaluates whether and how the structure and implementation of the solutions at the heart of a P3 being developed are consistent with the transportation goals of PennDOT, the state public authority charged with the legal mandate for funding and carrying out transportation infrastructure projects.[480]

The state of Washington, like Pennsylvania, authorizes the Washington State Division of Transportation to enter into P3s for transportation projects, with the review and approval by the state Transportation Commission for P3 contracts or agreements.[481] The state of Washington further defines the terms that must be included in P3 agreements, and also requires an advisory committee review process with respect to projects that cost $300 million or more, among other limitations.[482] Massachusetts centralized approval and oversight of P3s at the pre-development stage in two ways: (1) localities with projects that meet a cost-threshold must have projects approved by the Massachusetts Office of the Inspector General; and (2) state level P3s undertaken by the Massachusetts Department of Transportation must be approved by the Public Private Partnership Infrastructure Oversight Commission when the RFP is developed.[483] The Public Private Partnership Infrastructure Oversight Commission in Massachusetts evaluates the following issues at the RFP stage: (1) the policy and regulatory structure for overseeing a privately-operated transportation facility and on-going legislative oversight; (2) issues of taxation, profit-sharing, and resolution of new revenue-producing ideas; (3) use of new technologies; (4) lease terms and termination clauses; (5) additional responsibilities by both the private infrastructure operator and the state during the lease period; (6) the financial valuation of the transportation facility; (7) the anticipated advantages of the P3 agreement, among other factors.[484] Additionally, the state's Division of Capital Asset Management and Maintenance ("DCAMM") includes a dedicated P3 team that identifies and executes long-term real estate transactions that leverage the value of state assets to access private financing and development expertise, examining how and whether P3s are structured to deliver cost-effective improvements that advance the mission of various state agencies.[485]

Our survey of the fifteen states in this report also revealed that the majority of the fifteen states enable P3s for transportation projects, often creating avenues that at minimum allow the authorization for states to enter into P3s that include the transfer of risk and sharing of authority

[479]Pennsylvania Department of Transportation, Public-Private Partnerships. https://www.penndot.pa.gov/ProjectAndPrograms/p3forpa/Pages/default.aspx/ViNSR
[480]Pennsylvania Department of Transportation, Public-Private Partnerships. https://www.penndot.pa.gov/ProjectAndPrograms/p3forpa/Pages/default.aspx/ViNSR
[481]Wash. Rev. Code §§ 47.29.010 to 900. https://law.justia.com/codes/washington/2019/title-47/chapter-47-29/section-47-29-010/
[482]Wash. Rev. Code §§ 47.29.010 to 900. https://law.justia.com/codes/washington/2019/title-47/chapter-47-29/section-47-29-010/
[483]Commonwealth of Massachusetts. General Laws Chapter 6C, §§1 to 74, as amended https://malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter6C
[484]Ibid.
[485]Commonwealth of Massachusetts, Public-Private Partnerships Team. www.mass.gov/info-details/public-private-partnerships-p3s-team

around the "design, build, finance" elements described earlier, but only extends P3s to encompass "design, build, finance, operate, maintain" ("DBFOM") models in very limited instances and projects. An example of this is visible in the state of Texas, and has been documented by external P3 landscape surveys conducted by the National Conference of State Legislatures across multiple U.S. states.[486]

However, some states have undertaken significant revisions to their P3 enabling legislation to remove oversight and review functions, articulating a desire to reduce administrative burdens and create more expansive channels to undertake P3s.[487] In 2018, the state of Kentucky amended core portions of its public-private partnership statute, KRS 45A.077 to remove oversight provisions that many considered stifled the development of P3 projects.[488] Most notably, the noted legislation was amended to: (1) remove a requirement that the General Assembly approve P3 capital projects with an aggregate value of $25,000,000 or more that are publicized, either through public agency solicitation or public notice; and (2) remove the requirement for P3 contract approval by the Government Contract Review Committee.[489] The amendments did not change other requirements related to Kentucky P3 transportation projects governed by other statutes, however, and retained requirements that the General Assembly ratify all such P3 agreements.[490]

Public-private partnerships in the water and sewer sector are rarer than those for transportation in the United States. In the fifteen states surveyed for this report, we could not identify a single state that had broad enabling legislation authorizing P3s for water and sewer project sectors at the state level. This is in alignment with industry experts who have conducted comprehensive landscape scans of U.S. states and concluded that only the state of Hawaii (which is outside the scope of the states selected for this report) has broad state enabling authority for water projects.[491] It is important to note that, where broad state-level enabling authority to engage in P3s in the water and sewer sectors is absent, several states, like California and Georgia, enable P3s to be undertaken for water or sewer projects at the local level and by other instrumentalities of the state.[492] In California, for example, state enabling law authorizing the formation of county-level water authorities, and providing such authorities with broad public finance powers, has been used to carry out P3 water projects by certain county authorities. As one example, the San Diego County Water Authority relied on such authority to carry out a P3 project leveraging private-activity bonds for a desalination plant and other

[486] Tex. Transportation Code Ann. §§222.001 to 107; Tex. Transportation Code Ann. §§ 366.401 to 409; https://www.ncsl.org/transportation/building-up-how-states-utilize-public-private-partnerships-for-social-vertical-infrastructure

[487]Kentucky General Assembly, Kentucky Revised Statutes, KRS Chapter 45A.077 https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=53096

[488]Kentucky General Assembly, Kentucky Revised Statutes, KRS Chapter 45A.077 https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=53096

[489]Henderson, Steve. 2018. Kentucky Amends Public-Private Partnership Laws to Reduce Red Tape, Stites & Harris Client Alerts. www.stites.com/resources/client-alerts/kentucky-amends-public-private-partnership-laws-to-reduce-red-tape/

[490]Kentucky General Assembly, Kentucky Revised Statutes, KRS Chapter 175B.0005 https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=44861

[491]Design-Build Institute of America, 2021 State Statute Report. https://dbia.org/wp-content/uploads/2021/01/2021-DBIA-State-Statute-Report.pdf

[492]Georgia General Assembly, Ga. Code § 36-91-100. https://casetext.com/statute/code-of-georgia/title-36-local-government/provisions-applicable-to-counties-municipal-corporations-and-other-governmental-entities/chapter-91-public-works-construction/article-4-bidding-for-government-works-projects/section-36-91-100-definitions

projects.[493] Examining the use of P3s by localities and local authorities with greater depth is outside the scope of the methodology of this report, but presents a potential important area for further study, particularly in the water and sewer infrastructure sector where state-level P3s are rarely used.

For state and other units of government, the cost-benefit analysis for engaging in a P3, where enabled, often turns on a number of factors. Industry trade organizations, like the National Conference of State Legislatures, observe that, in general, P3s do not directly serve as public finance mechanisms that introduce new revenues, but they create new financing opportunities.[494] (Asset leases or asset recycling – P3s developed from existing infrastructure assets like adding toll lanes to an existing highway – might be considered an exception.[495]) In some instances, the financing opportunities, coupled with the way risk is shared in the ownership or administration of the project, can create cost savings over time or introduce other innovations determined to be valuable.[496] However, despite that some risks are typically transferred to the private sector (e.g., design-build-related cost overruns), public authorities can still retain significant risk like revenue risk in which the public sector may be responsible for repaying creditors when a P3 project fails to meet forecasted revenues that are contractually-defined.[497] Several states like Georgia, have 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 of 2015 (PPFIA) mandates the adoption of P3 guidelines to govern the procurement of qualifying projects, which are defined. The model guidelines, which were developed by an appointed committee of 10 that is still active, 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.[498]

The strategic cost-benefit analysis to enter a P3 often also includes an evaluation of a concept known as "Value for Money" ("VfM"), which generally is an analysis that endeavors to compare the potential financial impacts of a public-private partnership project versus the traditional public delivery method where government would carry out the project fully on its own.[499] VfM is frequently used to evaluate P3 proposals at early stages of project development or procurement, as well as after bids are received from private development entities. Across the states surveyed in this report, where a VfM analysis is articulated or present in legislation, practice, or guidelines, the responsible public agency or unit of government often retains

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[493]San Diego County, Multi-Jurisdictional Hazard Mitigation Plan:San Diego County Water Authority, 2023. www.sandiegocounty.gov/content/dam/sdc/oes/emergency_management/HazMit/2023/2023_SDCWA_Haz_Mit_Annex_Final.pdf

[494]National Conference of State Legislatures (NCSL), Building-Up: How States Utilize Public-Private Partnerships for Social & Vertical Infrastructure, 2017. www.ncsl.org/transportation/building-up-how-states-utilize-public-private-partnerships-for-social-vertical-infrastructure

[495]Congressional Research Service, Public Private Partnerships (P3s) in Transportation, 2021. https://crsreports.congress.gov/product/pdf/R/R45010

[496]National Conference of State Legislatures (NCSL), Building-Up: How States Utilize Public-Private Partnerships for Social & Vertical Infrastructure, 2017. www.ncsl.org/transportation/building-up-how-states-utilize-public-private-partnerships-for-social-vertical-infrastructure

[497]Congressional Research Service, Risks and Rewards of Transportation Public-Private Partnerships (P3s) with Lessons from Texas and Indiana, 2017. https://crsreports.congress.gov/product/pdf/IF/IF10735

[498]State of Georgia Public-Private Partnerships Guidelines Committee, https://opb.georgia.gov/about-us/public-private-partnerships-guidelines-committee

[499]Federal Highway Administration of the U.S. Department of Transportation, Evaluating Public-Private Partnership Project Delivery. www.fhwa.dot.gov/ipd/pdfs/fact_sheets/fact_sheet_6_evaluating_project_delivery.pdf

discretion to make assessment of value, as is visible in the state of Illinois.[500] Some government entities at the federal level have put forward recommended elements for states engaging in a VfM analysis to consider that include but are not limited: (1) to creating a cost model to compare the costs of the project through its projected useful life, including operating and infrastructure expenses, and through the construction and operating phases of the project; and (2) comparing the cost structure under the traditional model to the cost structure alternatives that would arise if the design, build, operations, and/or maintenance responsibilities are transferred to a private partner in the P3, and considering potential shadow bids or actual "sample bids" from private companies in the evaluation process.[501]

In order for states and their instrumentalities to undertake the P3 models described throughout this report, and beyond it, at times they have to bring resources to the table to fund different aspects or phases of a project (e.g., pre-development, funding for a concession, etc.). Generally, where states have to bring funding to a P3 arrangement, they will rely on own-source revenues, intergovernmental revenues, or funds raised from the issuance of debt (typically in the form of private activity bonds). Although there is no visible trend we could discern regarding the sources of funding states are using for P3 arrangements, there are a number of federal grant programs that are used with frequency in the context of P3 arrangements. The Transportation Infrastructure Finance and Innovation Act program (TIFIA), of the Federal Department of Transportation, serves as one example.[502] The Infrastructure Investment and Jobs Act (IIJA), also introduced new sources of funding that states and other instrumentalities are encouraged to use in the context of P3s.[503]

Due to the immense variation of P3 models, practices, and arrangements, it is impossible to quantify the full scope and extent that states are using P3s to fund projects in the transportation, water, or sewer sector. It is also impossible to assess the efficacy of different models of P3s visible across states, and their instrumentalities, due to the variation which creates an incredibly vast and highly fragmented array of national and local projects that would have to be evaluated. Additionally, even where a subset of P3 projects could be identified in a state, evaluating and determining whether a project is successful would require a longitudinal analysis to review project outcomes, financial, and potentially place-based outcomes to understand the impact and trajectory of the project in the jurisdiction across its useful life. All of those areas are outside the scope of this report, but present important avenues for further study and research. Questions that may be important to explore to that end, include:

- What risks are associated with removing or reducing oversight functions when states do so with the expressed goal of fostering greater P3 activity?

- In instances where state-level oversight of P3 procurement and delivery has been relaxed, what are some of the outcomes and consequences, both intended and

[500]Illinois General Assembly, Illinois Compiled Statutes, General Transportation: Public-Private Partnerships for Transportation Act. https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3380&ChapterID=74
[501]Federal Highway Administration of the U.S. Department of Transportation, P3 Toolkit: Value for Money Analysis for Public-Private Partnerships, 2017. https://rosap.ntl.bts.gov/view/dot/55651
[502]Build America Bureau of the U.S. Department of Transportation, Public-Private Partnership Procurement: A Guide for Public Owners, 2019. www.fhwa.dot.gov/ipd/pdfs/p3/toolkit/p3_procurement_guide_0319.pdf
[503]U.S. Congress, Infrastructure Investment and Jobs Act H.R.3684, 2022. www.congress.gov/bill/117th-congress/house-bill/3684

unintended, that have occurred at the project level as well at the wider economic and political levels?

- Where P3-related oversight functions have increased, what types of outcomes have been seen and how can such outcomes be measured and compared?

- Are P3s more successful from a project delivery, economic, financial or other standpoint when they are carried out in states that have oversight functions with respect to P3s (e.g., legislative review and approval mechanisms, or dedicated P3 offices, teams, etc.)?

- If so, what efforts appear to make the greatest difference with respect to project risks or project success?

- Where experts widely agree that a "significant headwind to the deployment of P3s is the complexity of the transactions, in particular the financial and legal agreements … No two are exactly the same with respect to the facility to be constructed, the financing schemes or the allocated risks," are efforts by states that put forward model guidelines for P3s evaluating whether guidelines are being adopted, easing complexity, or engendering consistency across P3s in the jurisdiction?[504]

Additionally, an added layer of complexity to the analysis of P3s, as noted above, rests in the fact that many jurisdictions evolve and amend the framework of fiscal governance broadly, in ways that directly impact P3s and other avenues of public finance. An important area of future study may be to examine the dynamic nature of the role of state legislatures and how they are using their powers of amendment to shift and change P3 enabling frameworks and practices. As described earlier in the example of the state of Kentucky, legislative reforms were used to ease administrative burdens and strengthen how P3s can take form in the state. Such insights might be instructive to other state leaders seeking to evolve and refine their practices in this area to create a more expansive enabling environment for context-appropriate P3s to flourish across the state, or within any local governments and other instrumentalities that are enabled to use P3s. In a similar vein, it is important to also examine whether and how states are using their powers of preemption to curtail or limit existing P3 authority within lower units of government. For example, Illinois law has enabled P3s for the state of Illinois' transportation agencies (i.e., the Illinois Department of Transportation and the Illinois State Toll Highway Authority) and the municipalities in the state that possess home rule powers. Recent legislation, the Illinois Public-Private Partnership Act, SB1919, would have extended P3 enabling authority to Illinois local governments that are not home rule municipalities, including counties, townships, school districts, park districts, villages, and towns, but such provisions were stricken from the legislation.[505]

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[504]Darov, Anatoly and Feher, 2018. "Public-Private Partnerships Offer Alternative Models for Water Infrastructure Projects." *Municipal Advocate*, Vo. 28 (No.2). www.mma.org/wp-content/uploads/2018/07/adv_28-2_pub-private-partner_0.pdf

[505]Partnerships Bulletin, Illinois Seeks P3 Experts. https://www.partnershipsbulletin.com/article/1759901/illinois-seeks-p3-experts; and Devit, Caitlin. 2023. Pritzker strikes P3 authority for local Illinois governments. *The Bond Buyer* https://www.bondbuyer.com/news/pritzker-strikes-p3-authority-for-local-illinois-governments; and General Assembly of the State of Illinois (2023 and 2024), Public-Prviate Partnership Act https://trackbill.com/bill/illinois-senate-bill-1919-public-private-partnership-act/2362125/

States' Use of Public Finance Mechanisms to Address Climate Change Mitigation, Adaptation and Resilience Measures

As noted earlier in this report, experts have elevated the importance of examining the degree to which state infrastructure investment strategies are attentive to climate change risks and the effects of climate change on vulnerable infrastructure systems.[506] The range of projects and public finance mechanisms that states and their authorities are using to fund climate change mitigation, adaptation, and resilience is highly varied and reflects significant emerging innovations. Table IX summarizes select examples of the public finance mechanisms and vehicles that the fifteen states we examined in this report use to address climate-related risks as well as mitigation, adaptation and resilience efforts. Given the breadth and diversity of emerging climate finance approaches, the examples that appear in Table IX are not exhaustive and, in many cases, are anchored in water, sewer, and transportation infrastructure sectors that are prioritized in this project.

Table IX. Select Examples of Mechanisms Used by States Examined in this Report to Address Climate Change Mitigation, Adaptation and Resilience Measures

State	A. Own-Source Revenues	B. Select Municipal Bond Issuances, Including ESG-Designated Issuances	C. State Revolving Funds and Dedicated State Loan Funds	D. Climate Banks, Green Banks, Climate-Dedicated Centers
California	Yes. Clean Car Standards (tailpipe emissions)	Yes. California Infrastructure and Economic Development Bank Yes.State Public Works Board Lease Revenue Bond Issuances	Yes. CWSRF and DWSRF: State Water Board resolutions require IUPs to include climate change mitigation and adaptation objectives and that project applications and reviews account for climate change impacts and point system for green infrastructure and drought resilience projects. Yes. CWSRF funds drought resilience projects through the Water Recycling Funding Program, which provides grants for groundwater storage, ecosystem and watershed protection, drinking water protection and habitat restoration. Yes. Cap and Trade: California Air Resources Board (CARB). Transportation sector does not receive free allowances. Yes. The Climate Catalyst Revolving Loan Fund, commonly referred to as the	Yes. California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). The California Infrastructure and Economic Development Bank (IBank), in addition to its economic development and business support roles, also administers several climate finance-related programs.

[506]Pew, State and Local Governments Face Persistent Infrastructure Investment Challenges, February 3, 2023, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/02/03/state-and-local-governments-face-persistent-infrastructure-investment-challenges.

			Climate Catalyst Program, is administered by the California Infrastructure and Economic Development Bank (IBank) and offers a range of climate-mitigation and resilience-related instruments in areas including clean-energy transmission, climate-smart agriculture, and forestry and wildfires.	
Georgia	None discovered.	None discovered.	Yes. The Georgia Fund (administered by the Georgia Environmental Finance Authority, or GEFA, which also administers the state's CWSRF and DWSRF programs) provides low-interest loans for energy-efficiency and renewable-energy projects at water and wastewater treatment plants, landfills, and municipal solid waste facilities. Yes. Coastal Incentive Grant Program (NOAA grant combined with grants from Georgia Dept. of Natural Resources Division to provide sub-grants to projects to address vulnerabilities, coastal resilience, heatwaves).	No climate-dedicated centers discovered; however, the Georgia Environmental Finance Authority (GEFA), serves as an entity eligible for federal climate funds and oversees many state-issued climate funds and programs outside GEFA's other activities.
Idaho	None discovered.	None discovered.	Yes. CWSRF sponsorship program incentivizes point source upgrades and jointly addresses National Park Service water quality (e.g., construction of floodplain, habitat restoration). Yes. DWSRF Green Project Reserve program for green infrastructure projects and water efficiency. Yes. Aging Infrastructure Grants program (Idaho Water Resource Board appropriated funding for spending, loans, and grants for projects that address water sustainability, rehabilitation of aging water infrastructure, or support flood management.)	None discovered.
Illinois	None discovered.	None discovered.	Yes. DWSRF point system. Yes. Water Pollution Control Loan Program Intended Use Plan: Green Project Reserve (including green stormwater infrastructure).	Yes. Illinois Climate Bank Energy and grid focus; will deploy EV-charging infrastructure from DOT grant
Kentucky	None discovered.	None discovered.	Yes. CWSRF and DWSRF award points for water efficiency (including conservation) and Green Projects (green stormwater infrastructure).	Yes. The Green Bank of Kentucky appears to have a nearly-exclusive energy focus (some projects include water conservation).

Maryland	Yes. Clean Car Standards (tailpipe emissions) Yes. Bay Restoration Fund supported by a "flush tax" that is dedicated to the Env Trust Fund; Yes. "Green fund" supported by a rental car tax for Chesapeake and Atlantic C. Trust Funds	None discovered.	Yes. Nutrient Credit Trading program (Maryland Department of Agriculture for Chesapeake Bay / also interstate program) Yes. CWSRF ranking system prioritizes funding to projects Maryland's Final Watershed Implementation Plan (conservation) climate mitigation, adaptation, and resilience. Yes. DWSRF awards sustainability points for projects that support green infrastructure.	Yes. Maryland Clean Energy Center (MCEC). Energy focus but is authorized to finance EV infrastructure.
Massachusetts	Yes. Clean Car Standards (tailpipe emissions)	Yes. Mass. Water Resources Authority Yes. Mass Bay Transportation Authority	Yes. CWSRF and DWSRF — 2023 IUP both identify climate change and resilience as a "long-term goal." Green infrastructure projects and stormwater projects are identified as types of projects to be financed.	Yes. Massachusetts Green Energy Center (MassGEC) has an energy focus. Includes Accelerating Clean Transportation (ACT) School Bus.
Missouri	None discovered.	Subject to ongoing investigation	Yes. CWSRF 2023 IUP 15% planned allocation to Green Project Reserve; Water Quality Incentive Grants to construct green infrastructure to address nonpoint source pollution. Point system for Green Project Reserve (e.g., green infrastructure, water efficiency).	Yes. Missouri Green Bank (MGB) is a nonprofit affiliate of the Missouri Clean Energy District, a governmental subdivision of the State of Missouri; exclusive energy focus.
Montana	None discovered.	None discovered.	Yes. CWSRF. At least 10% of the FFY23 EC capitalization grant must be used to fund green projects (as defined by EPA), including green infrastructure, water efficiency.	None discovered.
Nebraska	None discovered.	None discovered.	Yes. CWSRF and DWSR IUP 2023 identifies Green Project Reserve to address green infrastructure.	None discovered.
New Mexico	Yes. Clean Car Standards (tailpipe emissions)	None discovered.	Yes. CWSRF and DWSRF. From 2023, NMED CP's Intended Use Plans have added questions about resilience (including climate change, natural disasters) and seek to prioritize projects, although no point system is evident.	Yes. New Mexico's Climate Investment Center is set up as an independent nonprofit, established in October 2023. Appears to have energy and emissions focus.
New York	Yes. Clean Car Standards (tailpipe emissions)	Yes. NY State Thruway Authority;	Yes. CWSRF (EFC) guarantor of NYSERDA's PACE program (pre-2013; ongoing)	Yes. New York Green Bank.

		Yes. Triborough Bridge and Tunnel Authority	Yes. CWSRF scoring for projects that implement measures that address climate change (including cooling/ mitigating urban heat islands), reducing air pollution. Yes. DWSRF. Climate Change Initiative — awarding points for hazard risk (extreme weather events), addressing public health, sea level rise, storm surges, flooding.	
Pennsylvania	Yes. Watershed Surcharge Yes. Clean car Standards (tailpipe emissions)	None discovered.	Yes. Nutrient Credit Trading Program (administered by EP's Bureau of Clean Water for Chesapeake Bay; also participating in interstate program)	No/pending. Keystone Green Bank Partnership ("Keystone Green") authorized by state treasurer but establishment appears to be pending.
Texas	None discovered.	None discovered.	Yes. CWSRF —water conservation and drought contingency plan CWSRF to support drought-resilient infrastructure investments. The Texas Water Development Board provides financial assistance to local governments for water and wastewater projects, requiring applicants to have in place a water conservation and drought contingency plan that is consistent with the state water plan. Yes. Clean Energy Fund of Texas has an energy and grid resilience focus. EV loan pilot launched; water conservation.	None discovered.
Washington	Yes. Clean Car Standards (tailpipe emissions)	None discovered.	Yes. DWSRF — IUP 2023 to fund projects promoting water-system resilience against climate change and bonus points for projects identified as climate readiness projects to protect water systems from extreme weather events. CWSRF — IUP identifies Green Project Reserve and green retrofit/infrastructure projects. Yes. Cap and Trade: State legislature passed the Climate Commitment Act in 2021, started in January of2023; Rail starts in 2031	None discovered.

The efforts summarized in Table IX reflect some important trends that could be considered by leaders in states who want to potentially enhance or refine their practices. Many jurisdictions often do not prioritize funding for climate-related activities for several reasons, including: a concern that it will drain the fiscal base; the challenging nature of funding climate

adaptation and climate-risk reduction and measures; capacity to understand and communicate climate impacts, risks, and responses; political will; a lack of a visible payoff; among others. That concern, while valid, can be potentially addressed where leaders integrate a climate change funding strategy supported by new own-source revenue mechanisms, like the examples of the flush tax and vehicle-related taxes, charges, and fees that are being used by Maryland, Pennsylvania, New Mexico, and other states summarized in Table IX. Additionally, mechanisms like the Nutrient Water Quality Trading Program administered by the Maryland Department of Agriculture can create a public market for nitrogen, phosphorus, and sediment reductions to enhance the restoration and protection of the Chesapeake Bay and local waters, and potentially expand funding sources that can be used for climate projects.[507]

Many jurisdictions may stall with respect to the implementation of a cohesive climate change funding strategy because the expertise to lead and manage climate change efforts requires dedicated expertise in climate science that often may not naturally co-exist with the public finance competency of officials charged with budget or treasury functions. One strategy to address this is emerging across several states, including New Mexico, Illinois, Massachusetts, and Missouri. As is shown in Table IX, these states are creating new state entities, green banks, climate banks, and climate-related centers that unite the disciplines needed to consider climate change projects and funding decisions in one central unit of government or department. An added potential benefit of such models is the creation of dedicated funding sources, which can hold or segregate funding for climate change potentially separate from state balance sheets, to resource climate change initiatives as a priority in ways that could potentially be insulated from appropriation risk.

Several states in Table IX are creating dedicated climate funds within existing authorities or component units of government that provide dedicated funding for climate change as a priority in ways that are insulated from appropriation risk, and recognize the importance of providing financial and technical assistance resources to government and private sector actors in addressing climate change. For example, the Climate Catalyst Revolving Loan Fund ("Climate Catalyst Fund") of the California Infrastructure and Economic Development Bank (IBank) provides funding to public and private actors to fund projects that further the state's climate mitigation and resilience strategies.[508] Efforts like these in California are attentive to the fact that private capital is a vital part of climate change funding strategies and can be cultivated with supportive public sector contributions that create new opportunities for public-private partnerships to be formed in the climate space by governments who might be resource-constrained.[509] Funds like the Climate Catalyst Fund "can leverage 3-8X in private investment, providing a great public benefit in a time of challenged budgets."[510]

An equally important and promising strategy emerging across the states we surveyed and shown in Table IX is the use of existing revolving loan funds that tap the extensive resources of the CWSRF programs to fund climate change projects. Texas, New York, California,

[507]Maryland Department of the Environment, Water Quality Trading Program Home, April 1, 2024, https://mde.maryland.gov/programs/water/WQT/Pages/index.aspx.
[508]California Infrastructure and Economic Development Bank, Climate Catalyst, July 2023, https://ibank.ca.gov/wp-content/uploads/2023/07/CatalystFactSheet.pdf.
[509]California Infrastructure and Economic Development Bank, Climate Catalyst, July 2023.
[510]California Infrastructure and Economic Development Bank, Climate Catalyst, July 2023.

and Idaho are a few states that are leveraging their CWSRF programs to fund climate change projects, in alignment with water and sewer system improvements that are within the guidelines of the respective revolving loan program models. The noted trend may be arising as a result of changes that occurred to the CWSRF program in 2009, when the American Recovery Act of 2009 ("ARRA") required all CWSRF programs to use a portion of their federal grant for projects that address "green infrastructure, water and energy efficiency, or other environmentally innovative activities".[511]

V. Conclusion

Infrastructure investments in transportation, water, sewer, and other areas are vital to the lives of countless residents and communities in the United States. States and state authorities play a key role in the infrastructure investment process — either by directly funding projects or by providing low-cost channels for local governments to carry out investments. As the need for funding continues to grow across all levels of government, it will be important to consider whether some of the traditional or emerging public finance strategies that the fifteen states we examined in this study are undertaking can potentially be optimized or enhanced, as further described in Section IV.

There are several key questions beyond the scope of this report that present important avenues for potential future inquiry if the study is expanded or broadened to examine patterns across additional states or sectors of investment. For example, many states have sustainable budget assessment tools, which include so-called "stress tests" or scenario modeling that enables a government to adopt prudent practices when funding key expense items to maintain strong fiscal health. It may be important to examine whether prevailing sustainable budget assessment tools could have a stronger nexus to infrastructure expenditure criteria, to ensure that such factors receive stronger attention as part of the budget planning process.[512] Additionally, it may be important to examine whether budget assessment tools could also begin to incorporate model indicators that states can use to enhance how they measure the operating performance or deferred maintenance risk of capital assets — an area that reflects little consistency and uniformity but that is vital to developing strategies to keep assets in a state of good repair. A future research study, for example, could review budget assessment tools and examine the degree to which the tool quantifies and measures the annual levels of infrastructure investment needed statewide to ensure capital assets are maintained in a state of good repair with attention to the net investment in existing infrastructure, estimates of the expected useful life of the assets, depreciation, deferred maintenance, planned upgrades that are distinct from maintenance, among other factors. It could be important to examine whether states with a comprehensive infrastructure asset costing system are reflecting how and whether a state budget would be "stressed" by fully or partially funding the infrastructure needs that are quantified at certain levels and percentages annually.

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[511]United States Environmental Protection Agency, Green Project Reserve Guidance for the Clean Water State Revolving Fund (CWSRF), April 1, 2024,
https://www.epa.gov/cwsrf/green-project-reserve-guidance-clean-water-state-revolving-fund-cwsrf.
[512]The Pew Charitable Trusts, Tools for Sustainable State Budgeting: Long-term Budget Assessments and Stress Tests Promote Fiscal Resilience, 2023,
www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting

Activity in several states, documented earlier in this report, suggests that climate funding is being prioritized in many novel ways, particularly in the transportation sector where mechanisms are being introduced to offset emissions and pollutants caused by vehicles. The legislative landscape is evolving rapidly, and future research could be attentive to tracking the content and characteristics of pending legislation that offers statewide holistic approaches and could provide models for states seeking to strengthen their practices. For example, this year, legislators in the state of Maryland will be considering the passage of the Transportation and Climate Alignment Act, House Bill 836, which would require that proposed highway projects be consistent with state greenhouse gas reduction targets and encourage affordable, safe, and sustainable transportation options.

Similarly, future research could also track state participation in federal programs that require enhanced coordination among agencies and local governments for planning decisions and projects and the extent that such actions are reflected in states' intended use plans. For example, the PROTECT Program, part of the federal Infrastructure Investment and Jobs Act (IIJA), seeks to make surface transportation more resilient to natural hazards (including climate change, natural disasters, flooding, sea-level rise, and other extreme weather events) by funding specific resilience improvements and planning activities through state, regional, and local projects.

In high interest rate and inflationary environments, states and local governments might struggle to complete vital infrastructure projects on time and on budget with available resources. The cost of capital can be particularly high — and thus pose a challenge — for jurisdictions that are more reliant on debt financing, rather than pay-as-you-go strategies, and where the credit quality is low or weakened. In such cases, it might be important to consider whether state guarantee mechanisms are being underutilized or overlooked, and could serve as strong enablers for smaller local governments who lack market access on fair and efficient terms. Guarantee mechanisms could be particularly powerful because they do not require an immediate or short-term capital outlay from state governments. In addition, by elevating credit quality at the time of issuance and sale for local governments, a guarantee mechanism can be a powerful tool that immediately produces an economic benefit and lower cost of capital for the jurisdiction. Legislation may be needed in some states in order to create new guarantees, state intercept programs, and other novel forms of credit enhancement. Alternatively, states could consider pursuing avenues that do not require legislation to expand statewide access to guarantees and credit enhancement mechanisms in partnership with philanthropic actors who have a history of using program related investments in the form of guarantees, for example, or other private sector actors.[513]

Revenue for most states' transportation investments derives from several sources, including states' vehicle registration fees and other own-source revenues in their general funds. However, in many cases states' own-source revenues are derived from motor fuel taxes (or gasoline taxes). Trends such as increased fuel efficiency and especially the proliferation of electric vehicles are further challenging states' dependency on motor fuel taxes for their transportation budgets. Further research could examine the way states are incentivizing EV

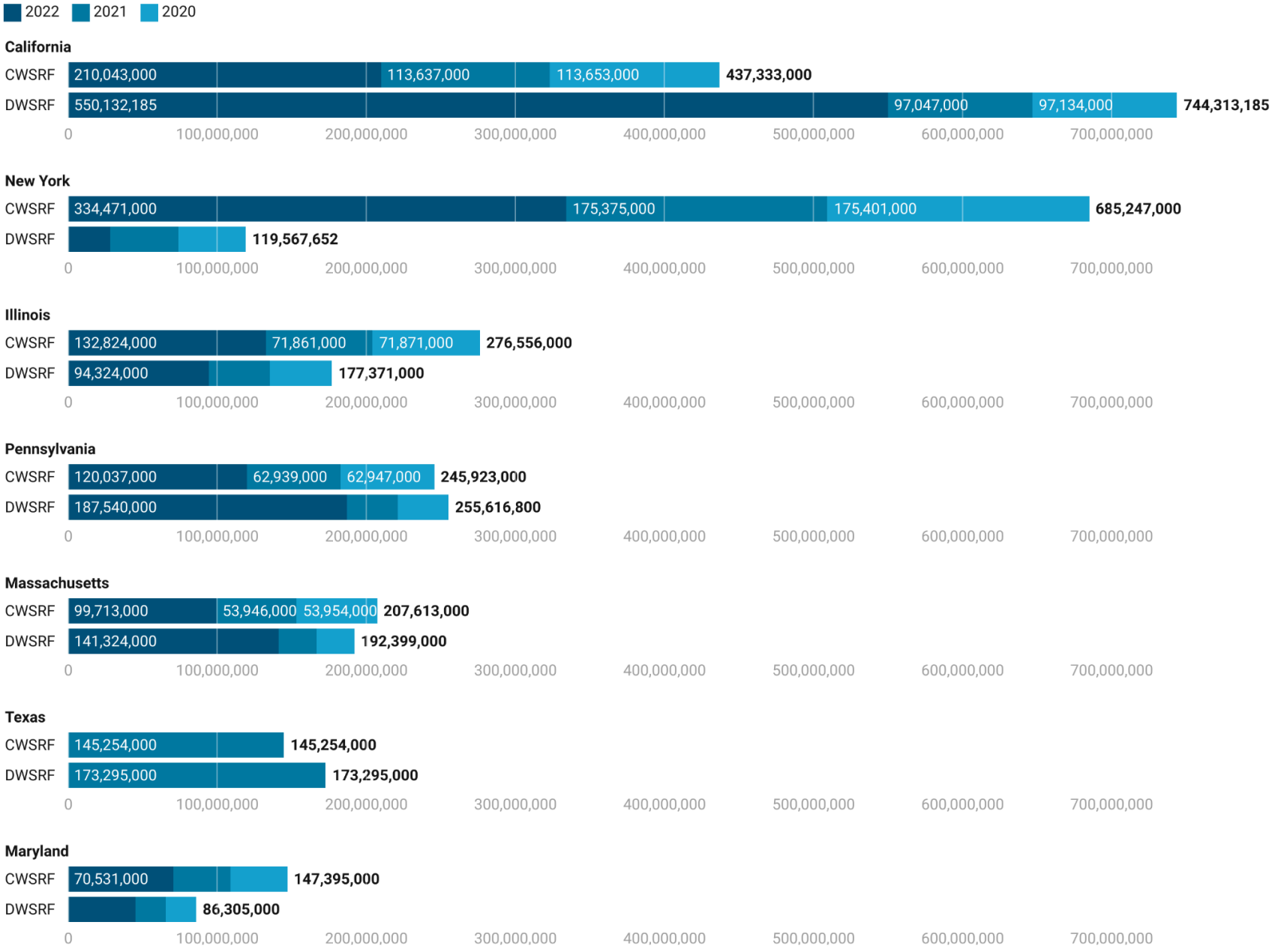
[513] Internal Revenue Service, Program Related Investments; https://www.irs.gov/charities-non-profits/private-foundations/program-related-investments

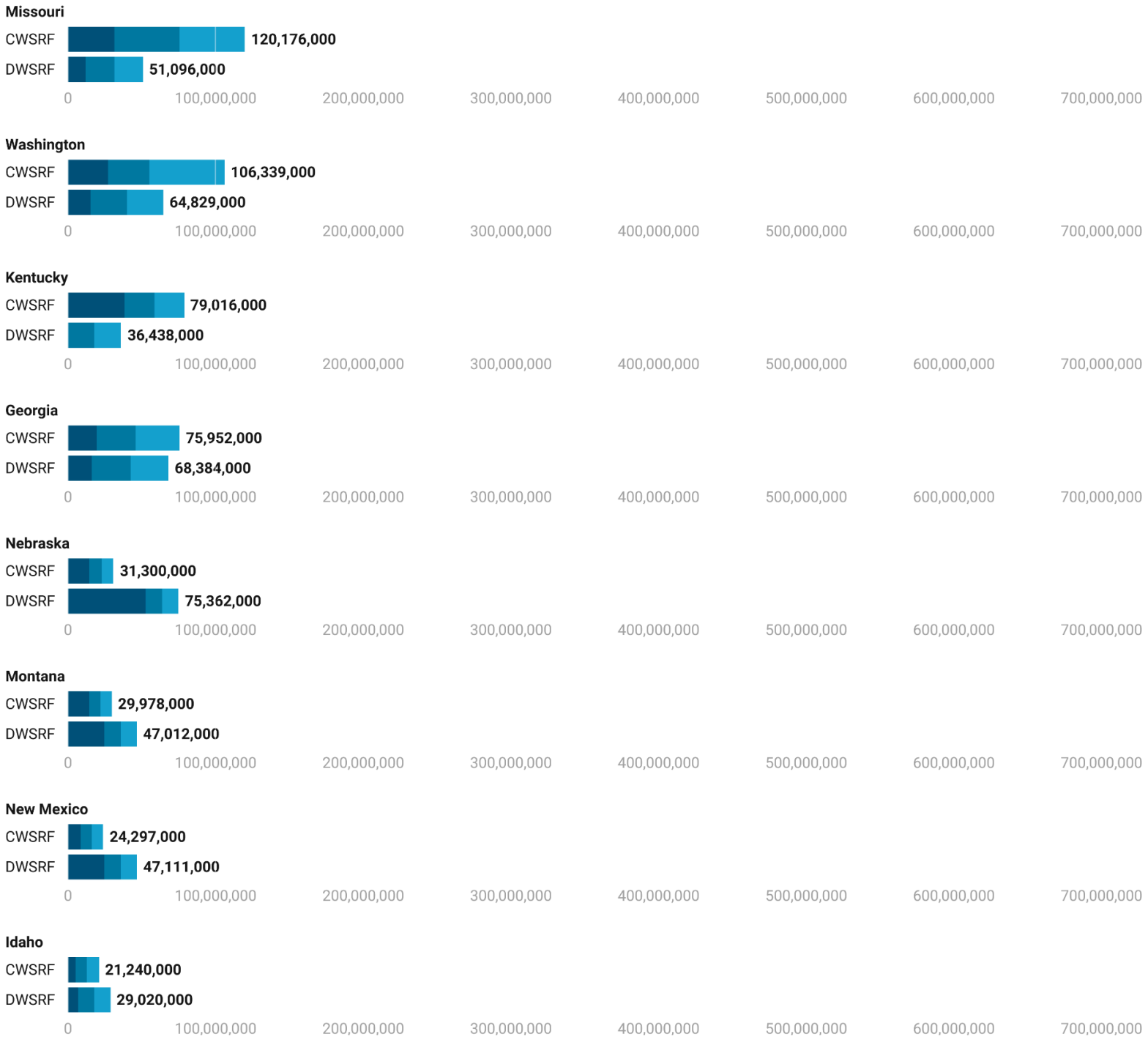
adoption on one hand with the urgent need for new transportation revenue sources (besides one-time EV registration fees) on the other.

The SIBs identified in this report have mandates that are highly varied, lack uniformity state-to-state, and in many instances are under-utilized as mechanisms to accelerate transportation investment — a core purpose for which they were conceived. Several states examined in this report, including Georgia, have established state infrastructure banks that are capitalized solely with state funds and are not entering into cooperative agreements with the U.S. Department of Transportation and seeking or receiving federal funds. This could be a potential missed opportunity where state infrastructure banks can be optimized, but where the logic and reason behind the strategic choices states are making must be carefully examined. What did not surface in our study is why the landscape for state infrastructure banks has evolved as such, and what enabling factors are present in jurisdictions described in our report that are utilizing SIBs to their fullest potential, versus those that are not. A qualitative survey that would interview state officials charged with leading SIBs is an important area for further future study that may shed light on the confluence of factors present in the more successful models that other governments stand to learn from.

Appendix: Additional Clean Water State Revolving Fund and Drinking Water State Revolving Fund Data

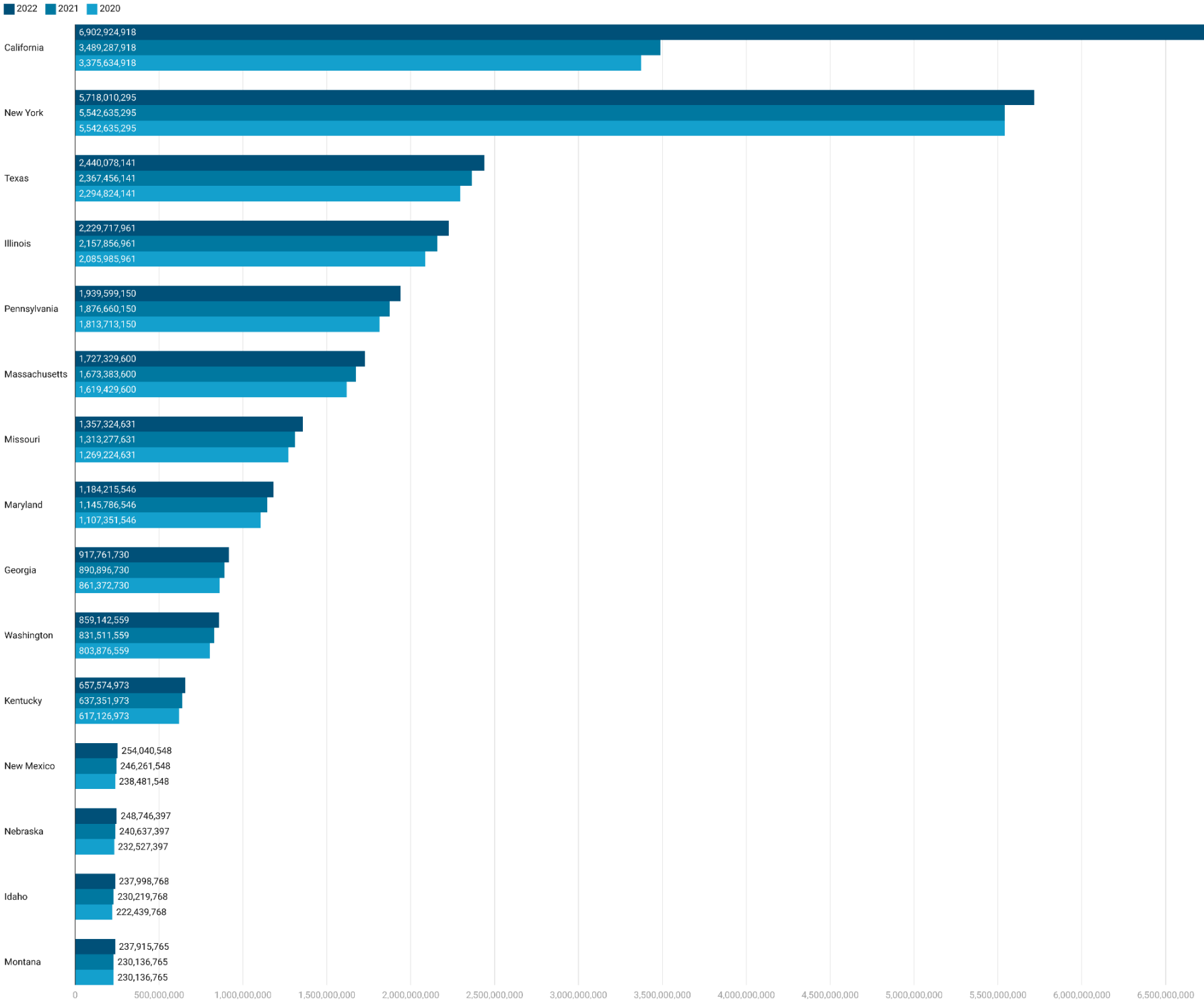
Chart XXXVII: CWSRF and DWSRF Cumulative Annual State Grant Awards, FY 2020-2022





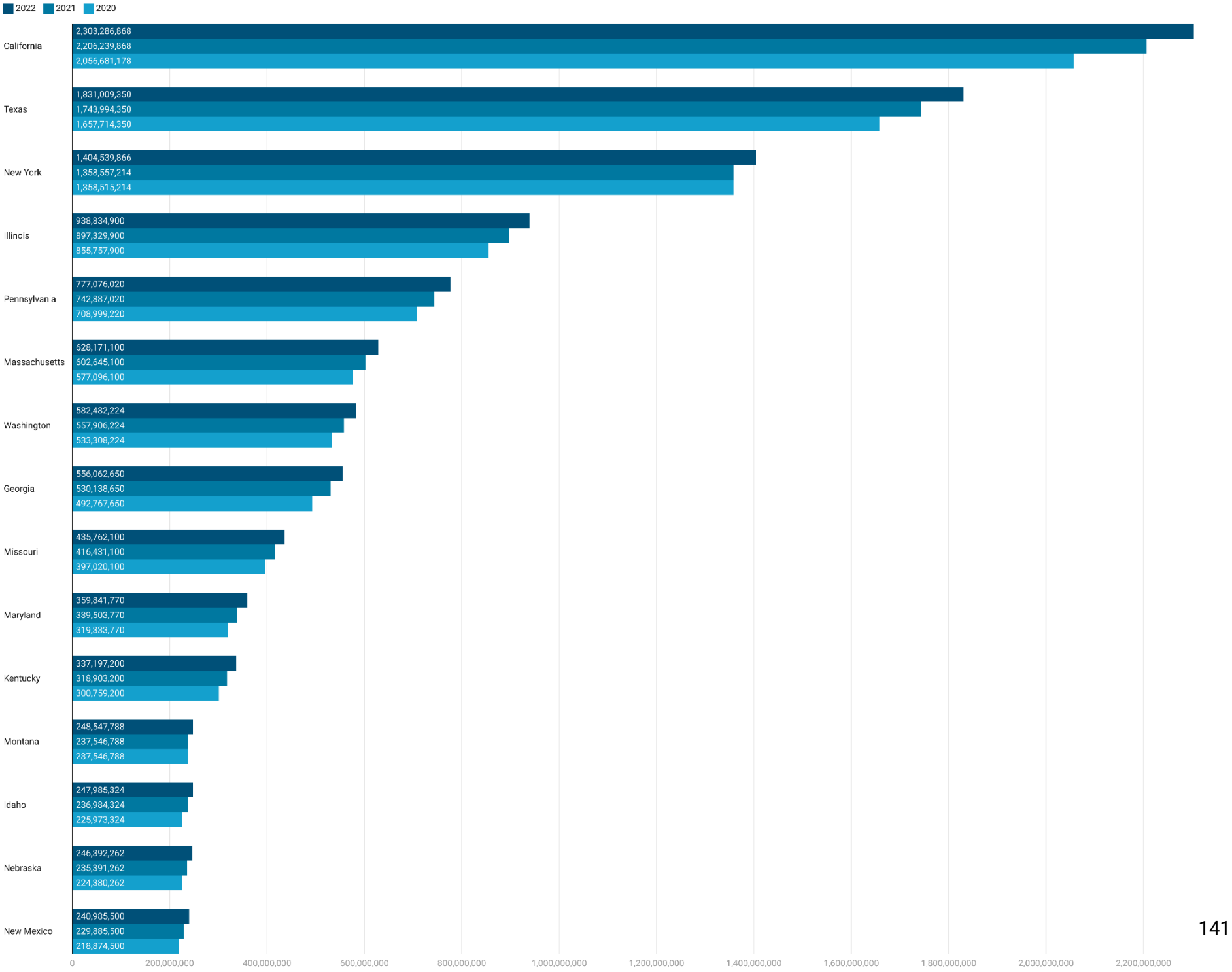
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports and Clean Water State Revolving Fund National Information Management System Reports

Chart XXXVIII: CWSRF Cumulative Capitalization Grants - Fifteen State Data



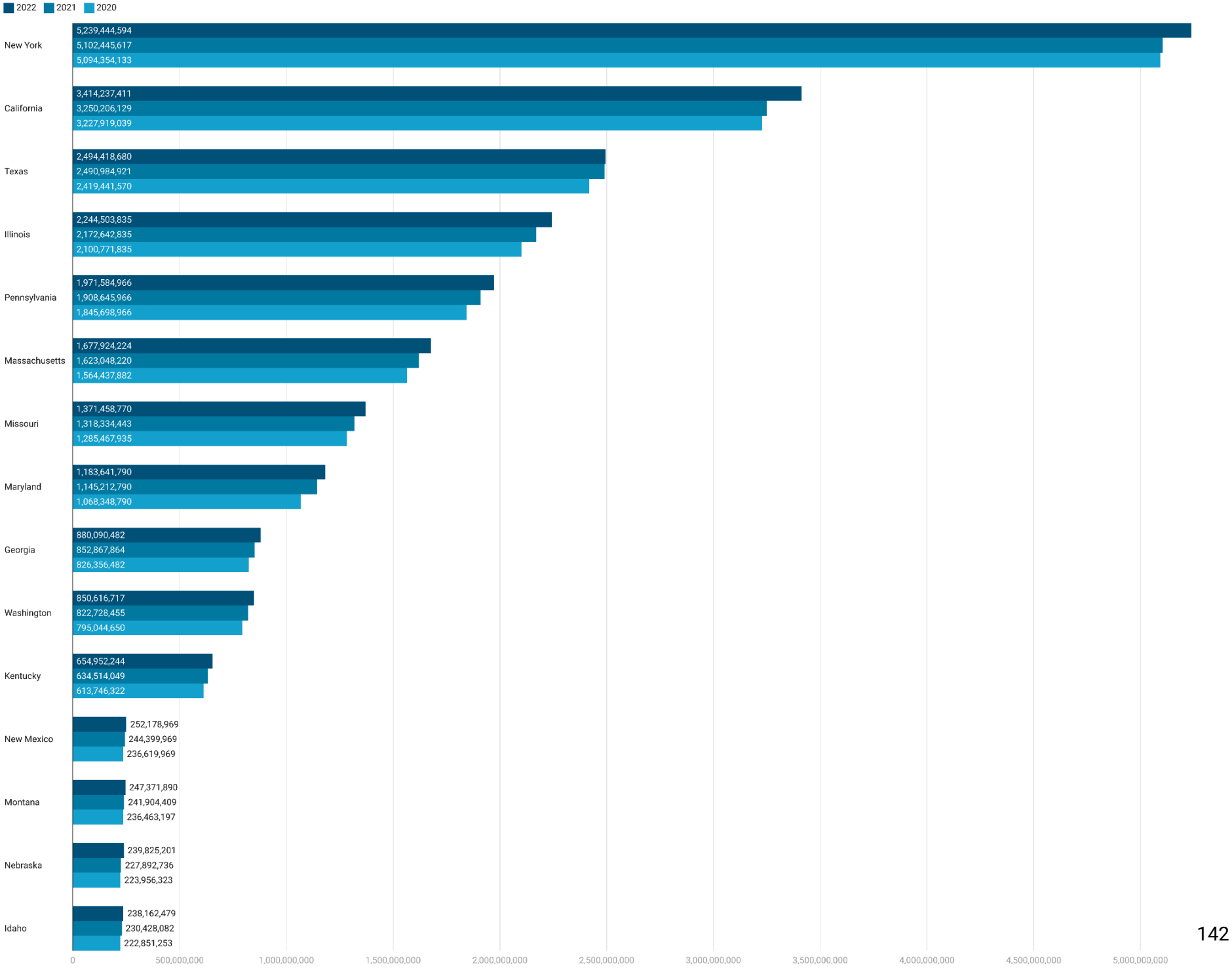
Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XXXIX: DWSRF Cumulative Capitalization Grants — Fifteen State Data



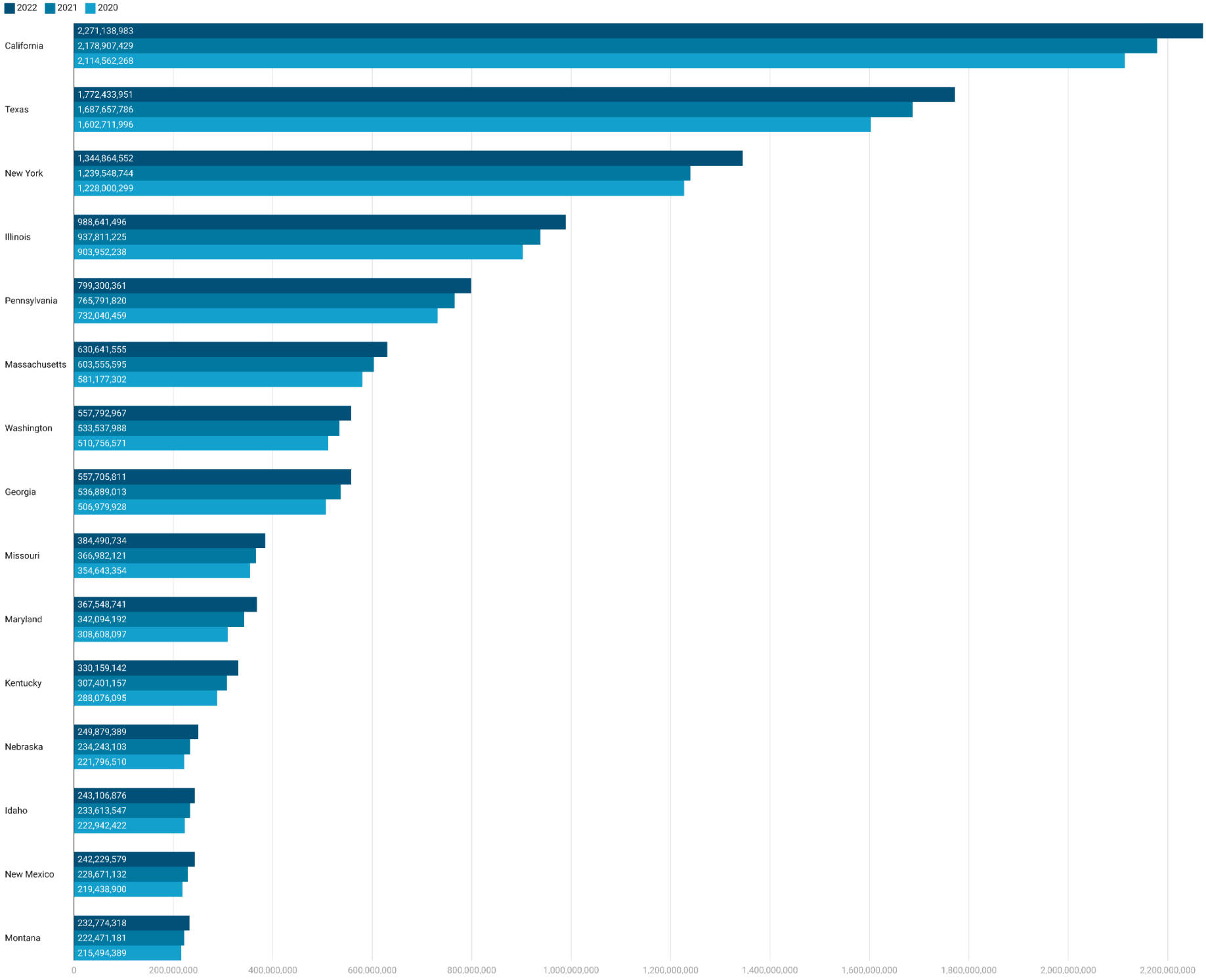
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart XL: CWSRF Outlays (Dollars) Cumulative — Fifteen State Data



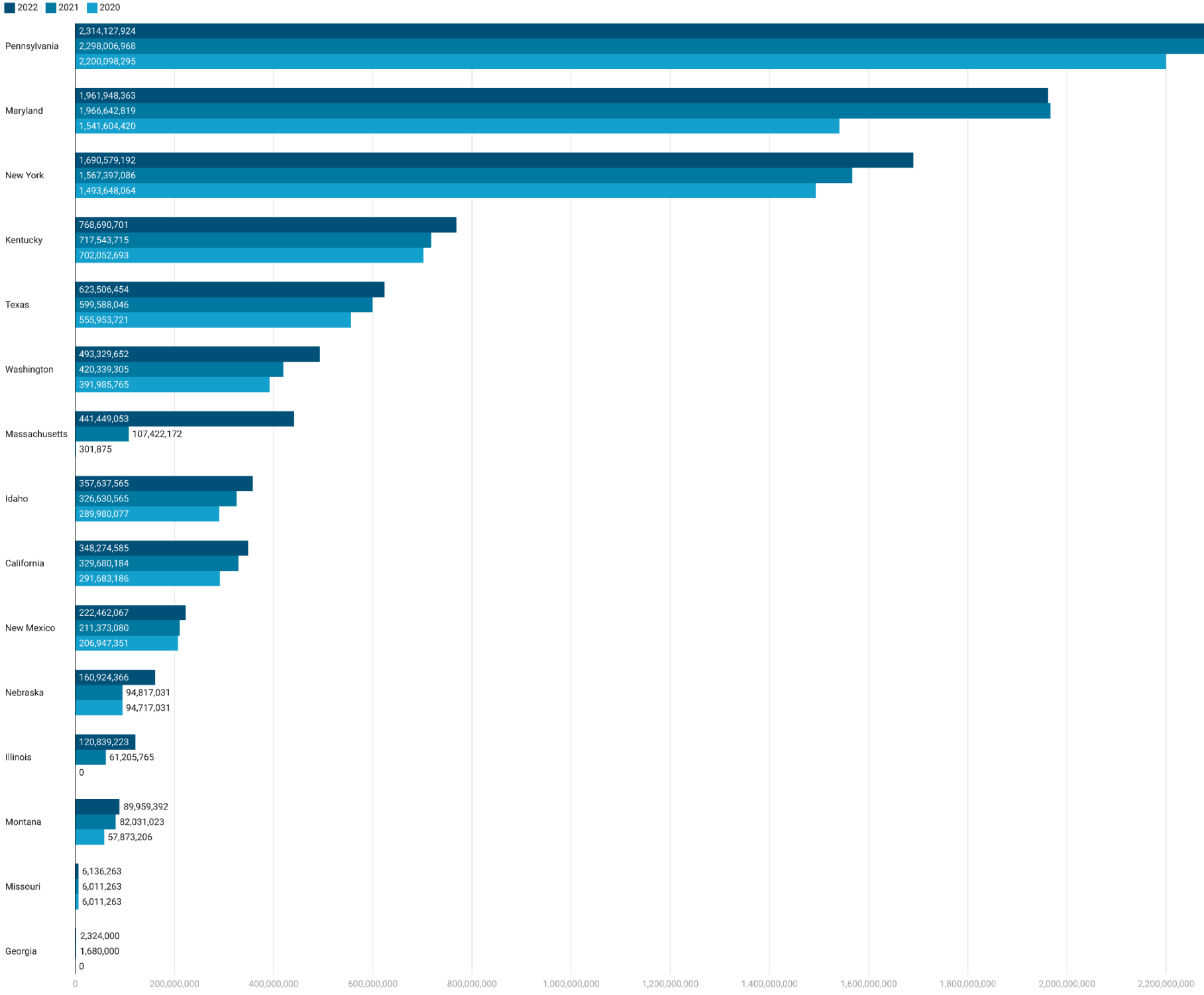
Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XLI: DWSRF Outlays (Dollars) Cumulative — Fifteen State Data



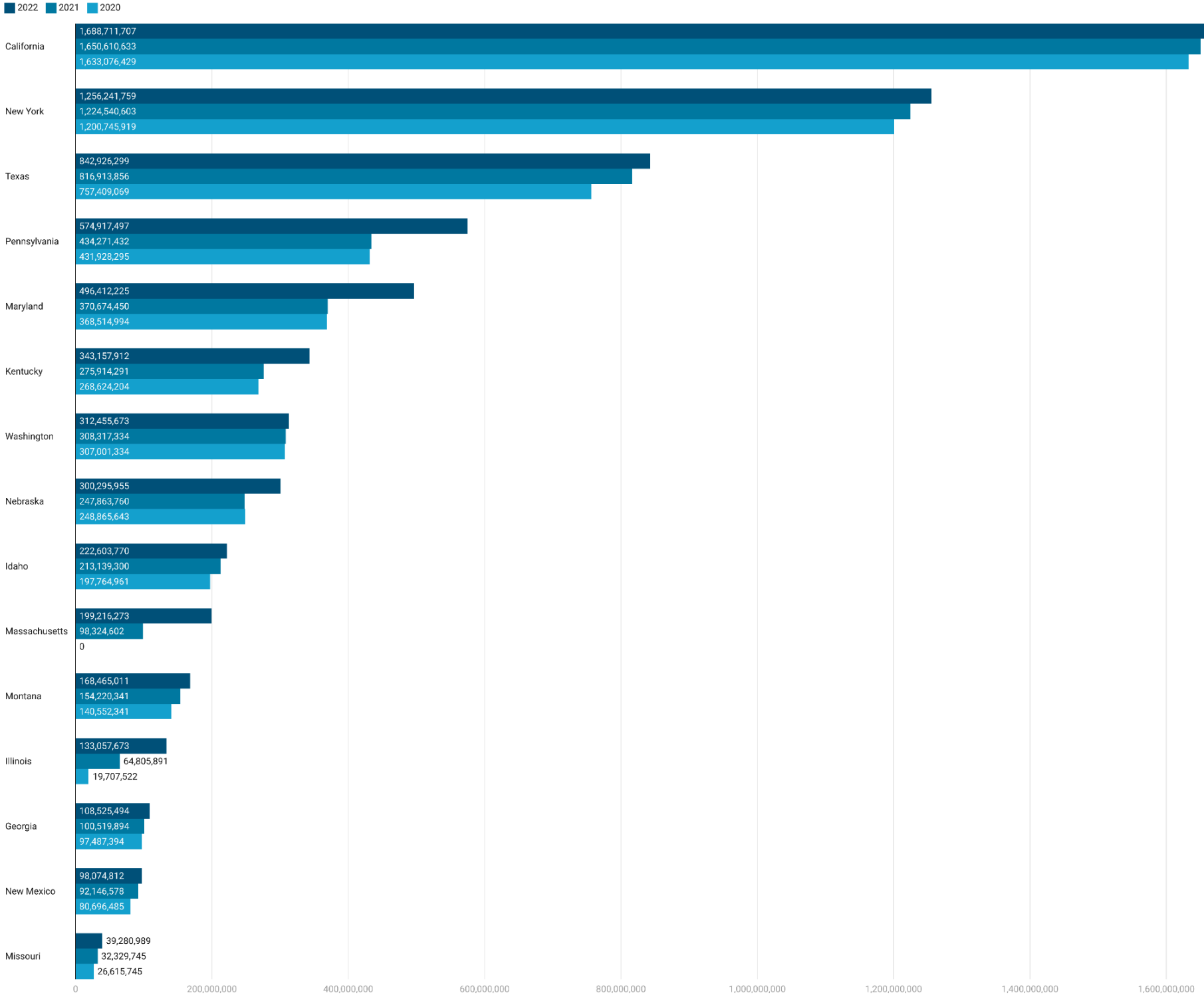
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart XLII: CWSRF Assistance to Hardship Communities (Cumulative) — Fifteen State Data



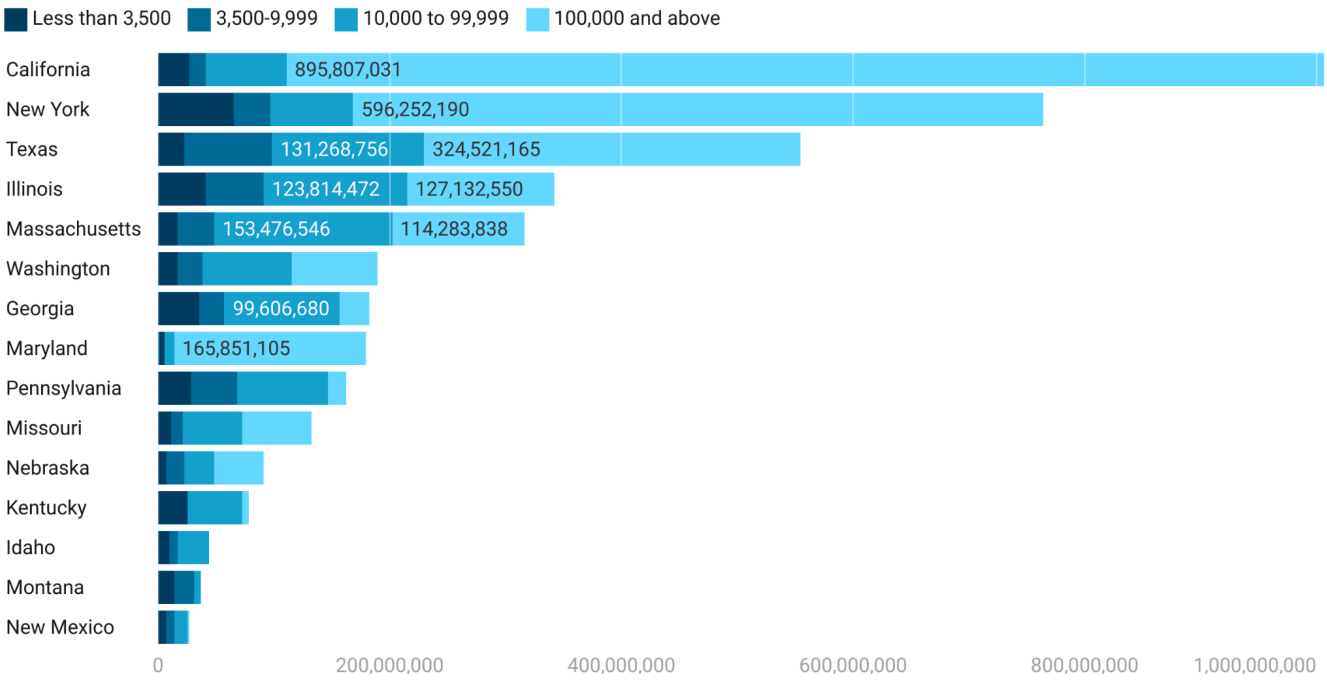
Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XLIII: DWSRF Assistance to Disadvantaged Communities (Cumulative) — Fifteen State Data



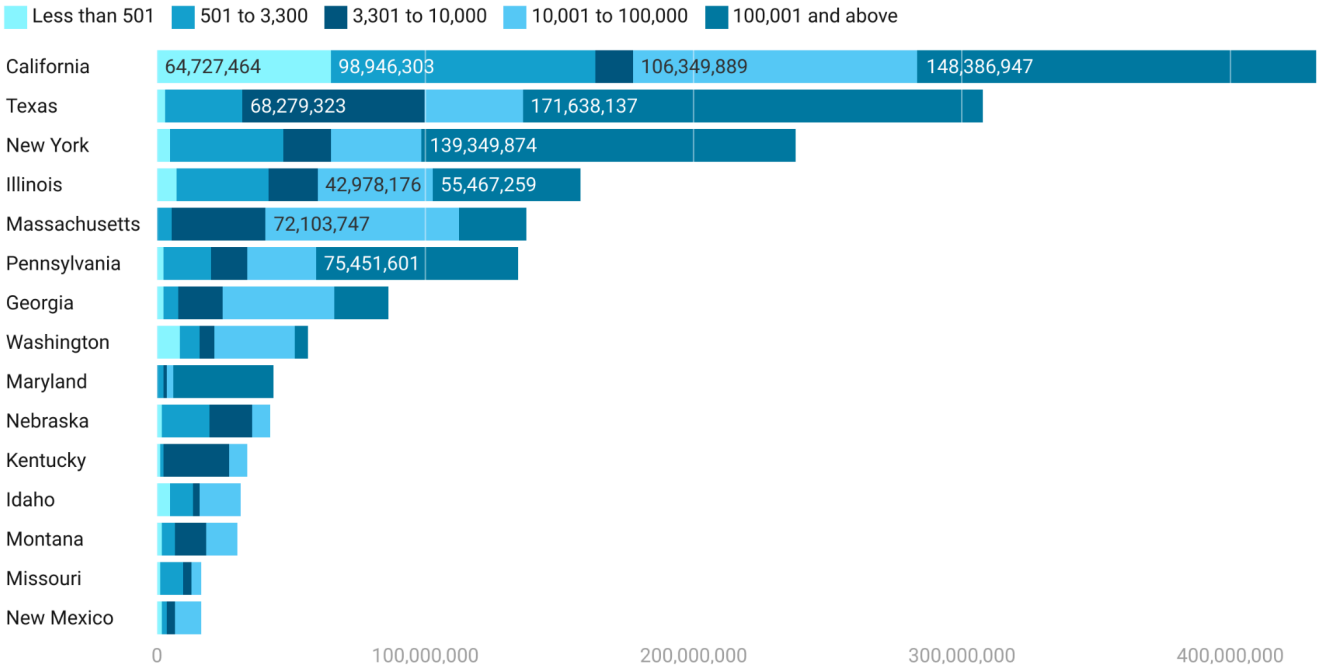
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart XLIV: CWSRF Assistance by Project Population Size (Three-Year Average, 2020-2022) — Fifteen State Data



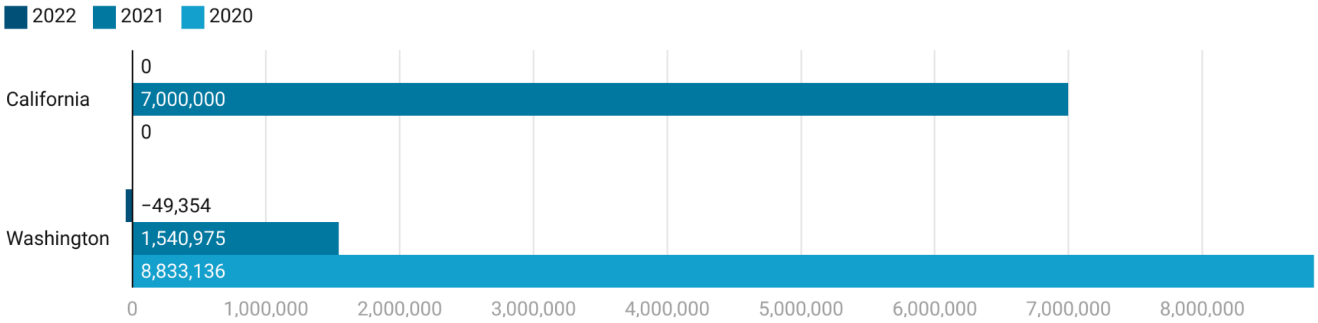
Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XLV: DWSRF Assistance by Project Population Size (Three Year Average, 2020-2022) — Fifteen State Data



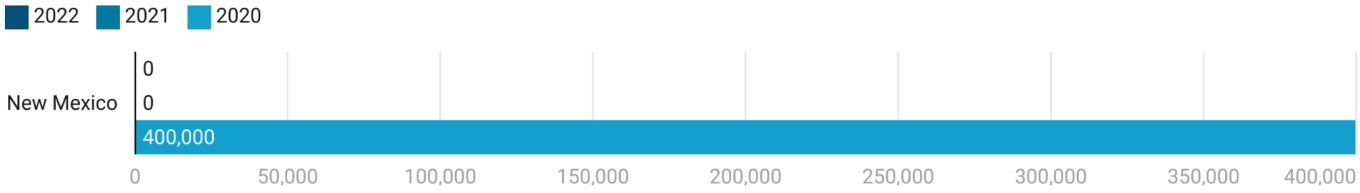
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart XLVI: CWSRF State Assistance to Indian Tribes (Annual Dollar Amount)



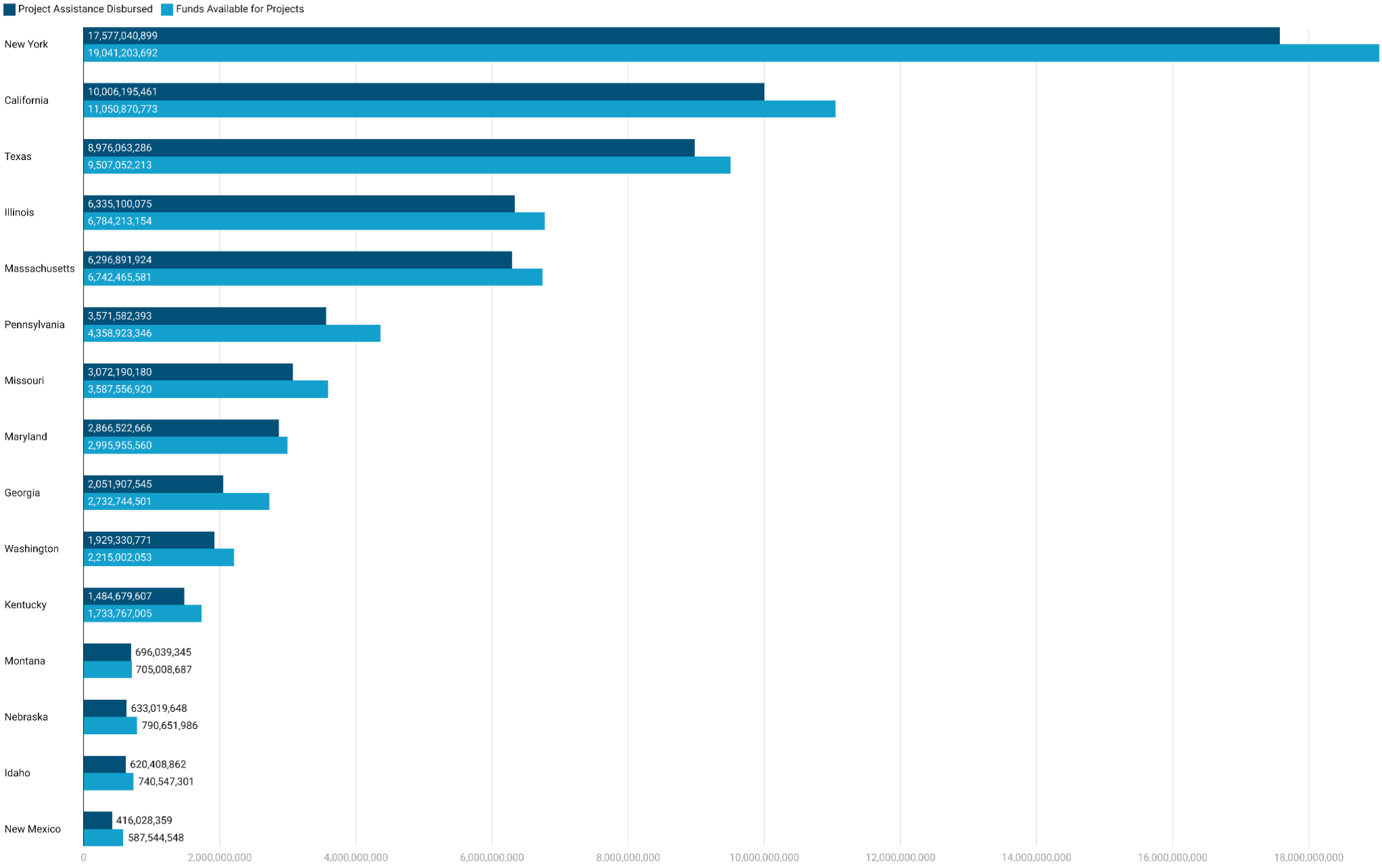
Note: States reporting zero assistance to Indian Tribes and years where zero assistance was reported are omitted from the chart Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XLVII: DWSRF State Assistance to Indian Tribes (Annual Dollar Amount)



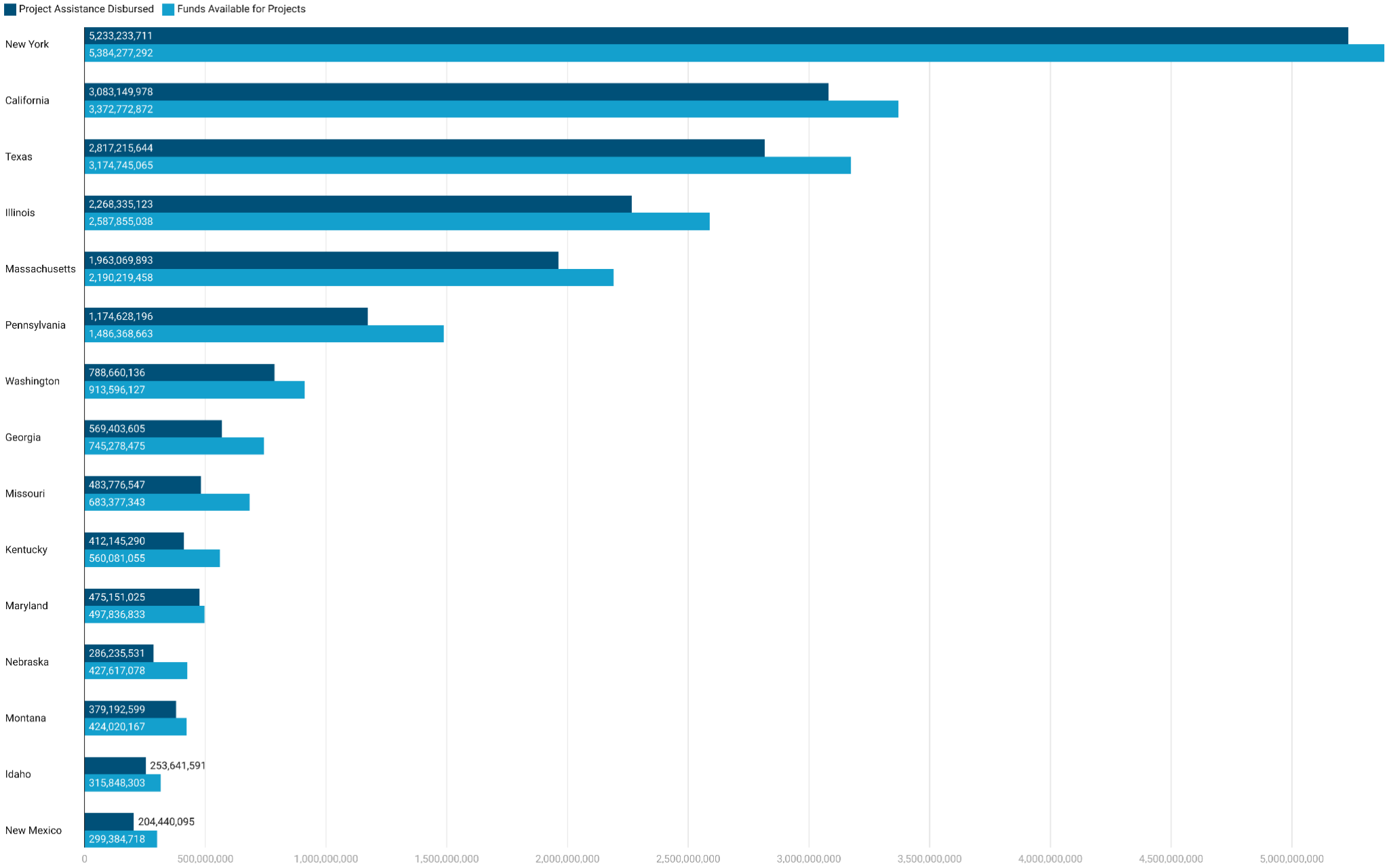
Note: States reporting zero assistance to Indian Tribes were omitted from the chart. Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart XLVIII: CWSRF Project Assistance Disbursed and Funds Available for Projects (Three Year Average, 2020-2022) — Fifteen State Data



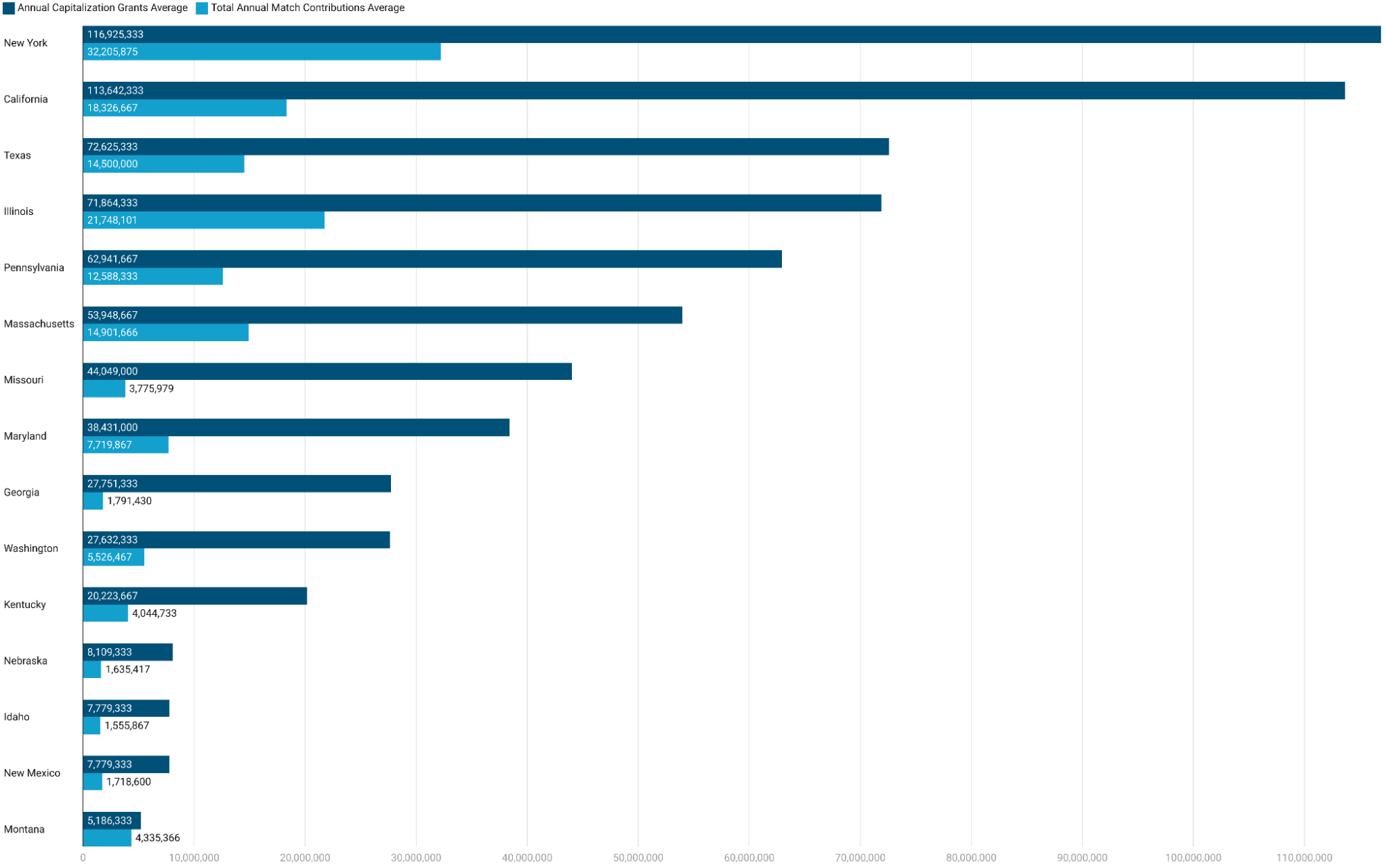
Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart XLIX: DWSRF Project Assistance Disbursed and Funds Available for Projects (Three Year Average, 2020-2022) — Fifteen State Data



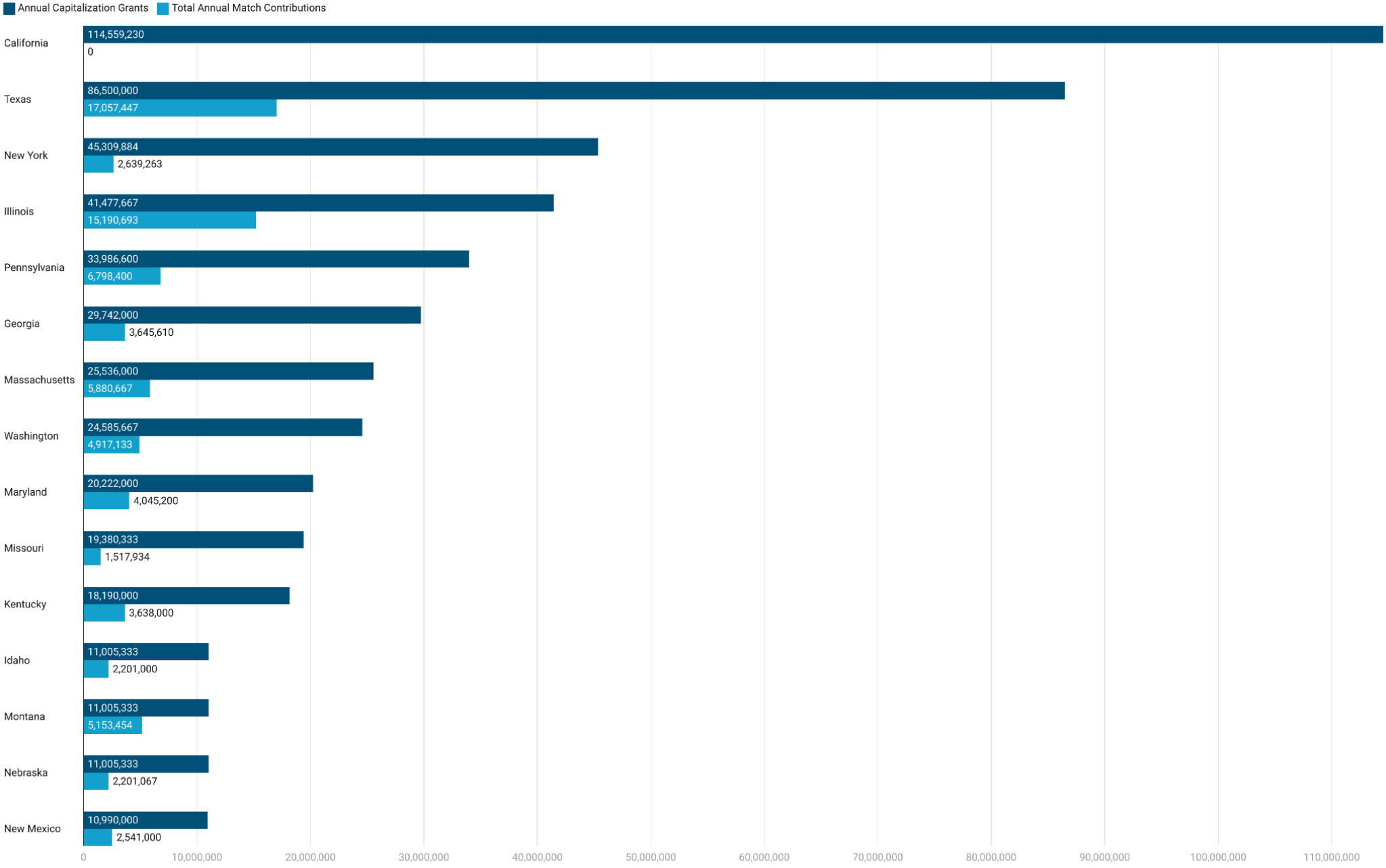
Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Chart L: CWSRF (Three Year Average, 2020-2022) of Total Annual Capitalization Grants and Three Year Average of Total Annual State Match Contributions — Fifteen State Data



Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Chart LI: DWSRF (Three Year Average, 2020-2022) of Total Annual Capitalization Grants and Three Year Average of Total Annual State Match Contributions — Fifteen State Data



Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

Table X: CWSRF Financial Indicators Based on Cumulative Activity Undisbursed Funds to Average Disbursements (Years to Disburse)

State	2020	2021	2022
California	1.6	1.9	1.6
Georgia	7.0	7.9	6.1
Idaho	5.1	4.0	2.8
Illinois	0.5	1.7	1.5
Kentucky	3.6	4.3	4.2
Maryland	0.7	0.7	0.6
Massachusetts	1.3	2.8	2.6
Missouri	6.2	5.4	4.9
Montana	0.3	−0.2	0.6
Nebraska	5.2	15.2	5.3
New Mexico	9.0	10.6	11.4
New York	2.5	2.3	2.0
Pennsylvania	4.5	4.2	5.4
Texas	0.8	0.8	1.4
Washington	2.7	3.9	3.1

Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Table XI: CWSRF Assistance as a Percent of Funds — Cumulative

State	2020	2021	2022
California	112%	110%	123%
Georgia	88%	93%	96%
Idaho	107%	107%	106%
Illinois	105%	100%	101%
Kentucky	98%	97%	98%
Maryland	101%	110%	104%
Massachusetts	104%	101%	104%
Missouri	89%	92%	89%
Montana	104%	107%	100%
Nebraska	96%	82%	104%
New Mexico	86%	84%	86%
New York	95%	99%	100%
Pennsylvania	90%	92%	89%
Texas	97%	97%	94%
Washington	100%	100%	104%

Source: U.S. Department of Environmental Protection, Clean Water State Revolving Fund National Information Management System Reports

Table XII: DWSRF Financial Indicators Based on Cumulative Activity Undisbursed Funds to Average Disbursements (Years to Disburse)

State	2020	2021	2022
California	1.1	1.3	1.1
Georgia	5.1	4.6	2.9
Idaho	4.3	4.3	3.1
Illinois	0.9	1.7	2.5
Kentucky	7.3	8.0	8.7
Maryland	1.0	0.5	0.1
Massachusetts	1.8	2.3	2.1
Missouri	12.0	19.3	19.1
Montana	1.9	1.6	2.0
Nebraska	10.9	10.3	8.9
New Mexico	7.5	8.4	8.5
New York	0.7	0.7	0.4
Pennsylvania	3.6	3.7	4.4
Texas	0.7	1.0	1.9
Washington	2.2	3.9	6.7

Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

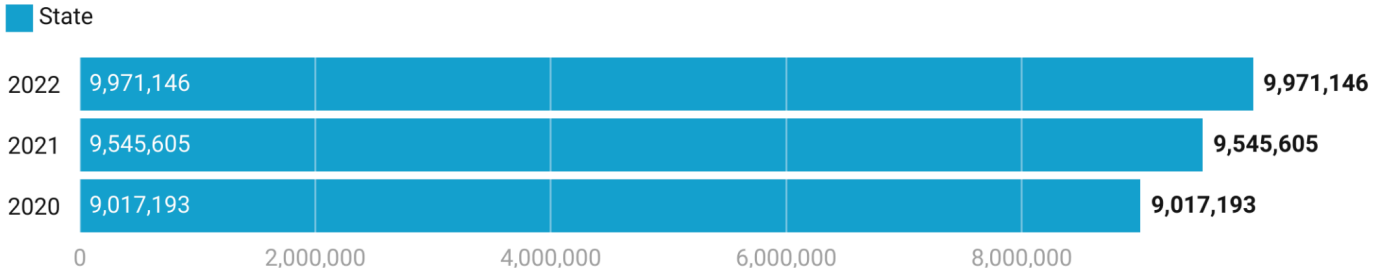
Table XIII: DWSRF Assistance as a Percent of Funds — Cumulative

State	2020	2021	2022
California	110%	108%	128%
Georgia	98%	113%	109%
Idaho	110%	107%	103%
Illinois	105%	100%	100%
Kentucky	85%	82%	90%
Maryland	102%	119%	112%
Massachusetts	104%	101%	104%
Missouri	75%	73%	72%
Montana	91%	95%	97%
Nebraska	77%	75%	88%
New Mexico	82%	88%	85%
New York	96%	99%	96%
Pennsylvania	97%	93%	91%
Texas	93%	92%	86%
Washington	112%	107%	112%

Source: U.S. Department of Environmental Protection, Drinking Water State Revolving Fund National Information Management System Reports

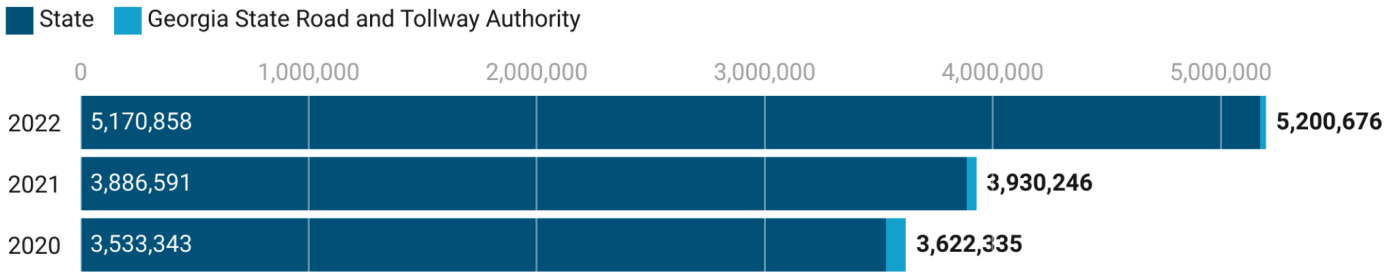
Appendix B: Additional State Transportation Data

Chart LII: Transportation Funding - Select State Entities in California



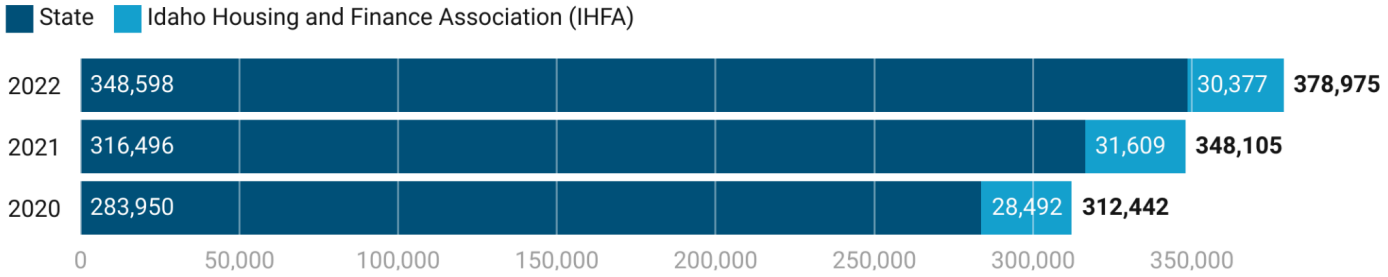
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LIII: Transportation Funding - Select State Entities in Georgia



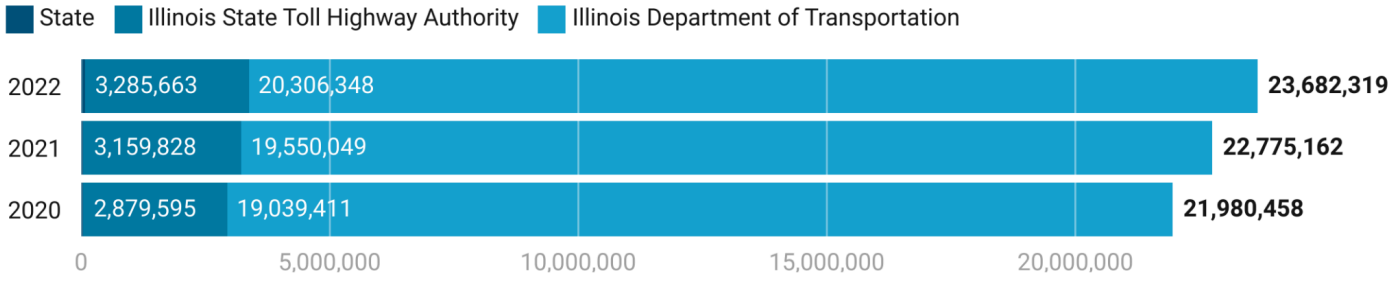
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands. The State amount for 2022 includes both the Motor Fuel Tax Funds and Transportation Investment Act amounts. The other two years did not have the Transportation Investment Act listed on the Statement of Net Position.

Chart LIV: Transportation Funding - Select State Entities in Idaho



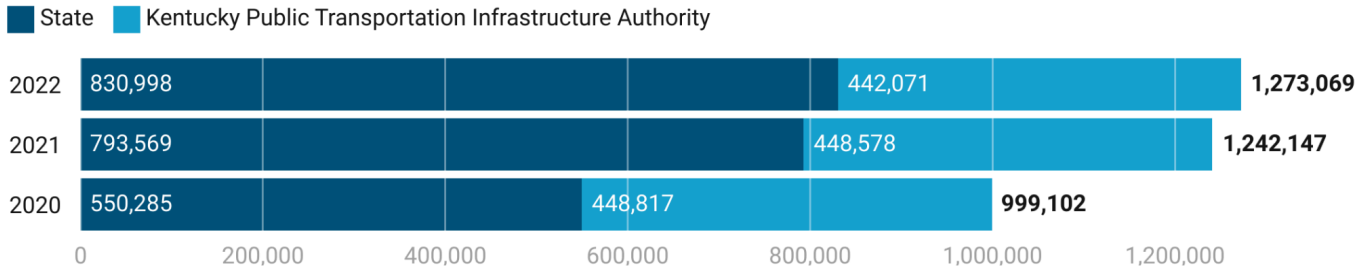
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LV: Transportation Funding - Select State Entities in Illinois



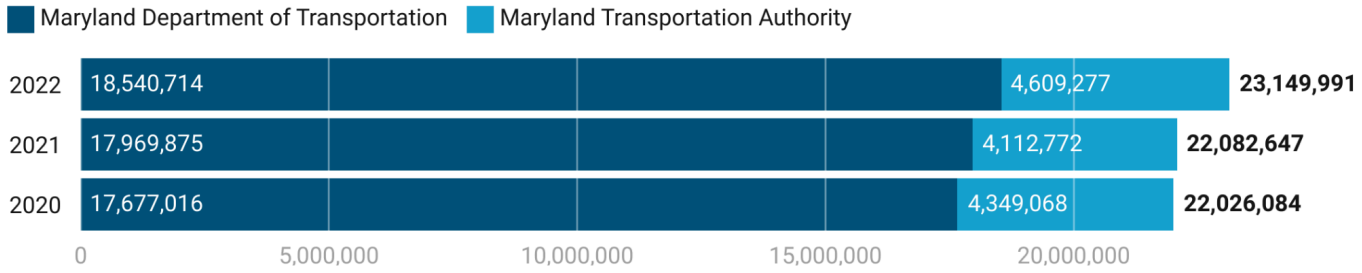
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LVI: Transportation Funding - Select State Entities in Kentucky



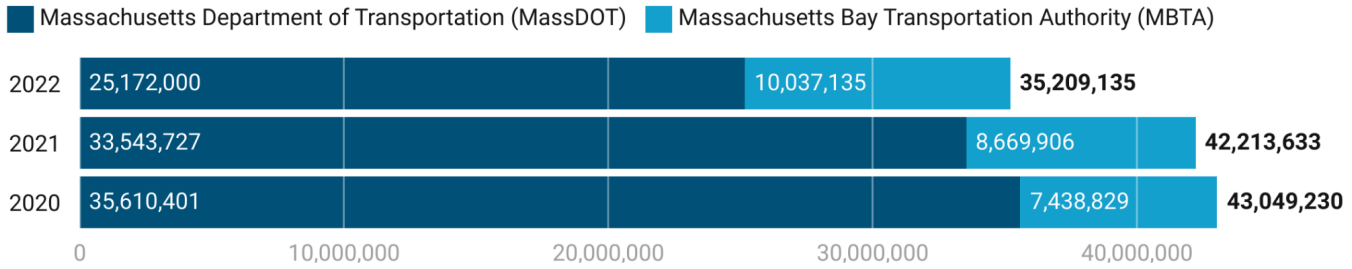
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LVII: Transportation Funding - Select State Entities in Maryland



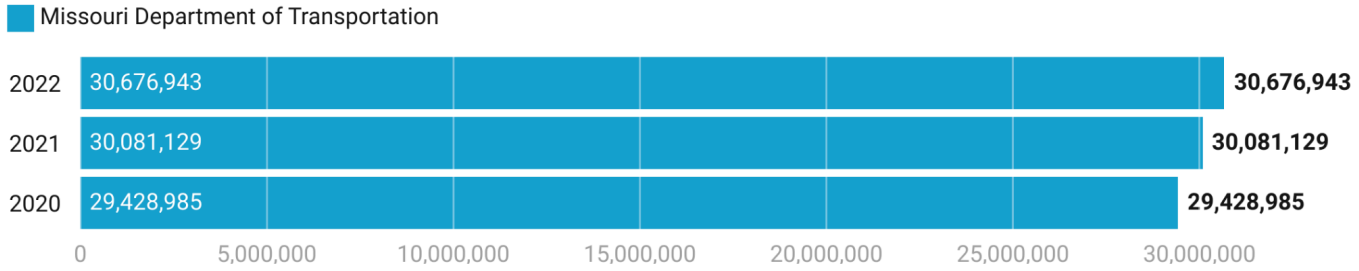
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LVIII: Transportation Funding - Select State Entities in Massachusetts



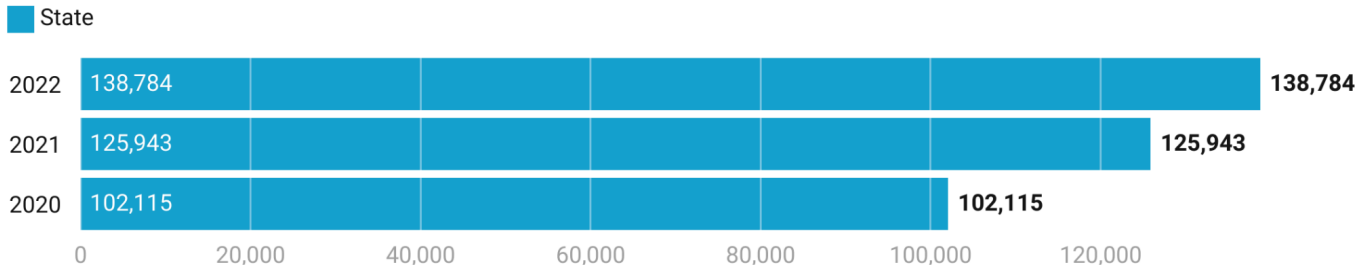
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LIX: Transportation Funding - Select State Entities in Missouri



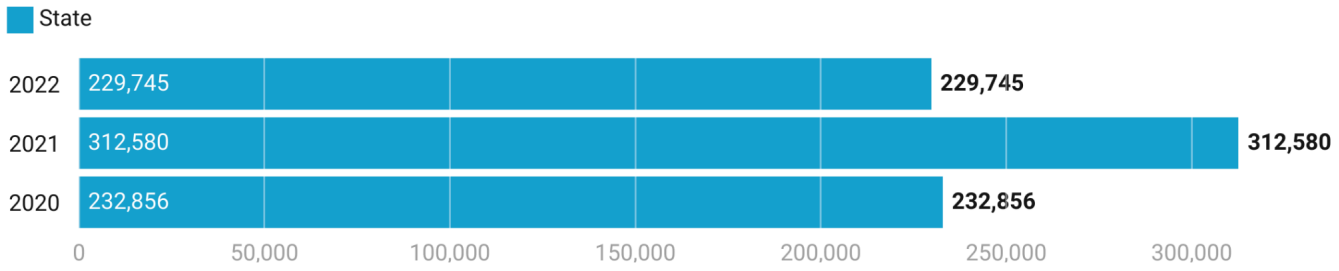
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LX: Transportation Funding - Select State Entities in Montana



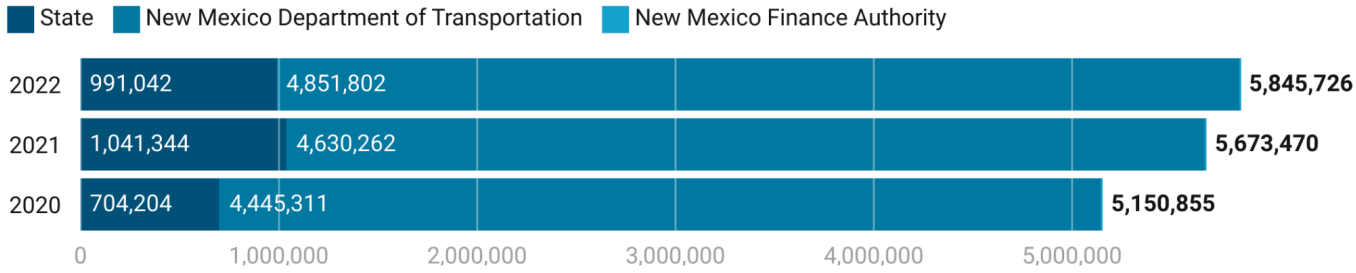
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LXI: Transportation Funding - Select State Entities in Nebraska



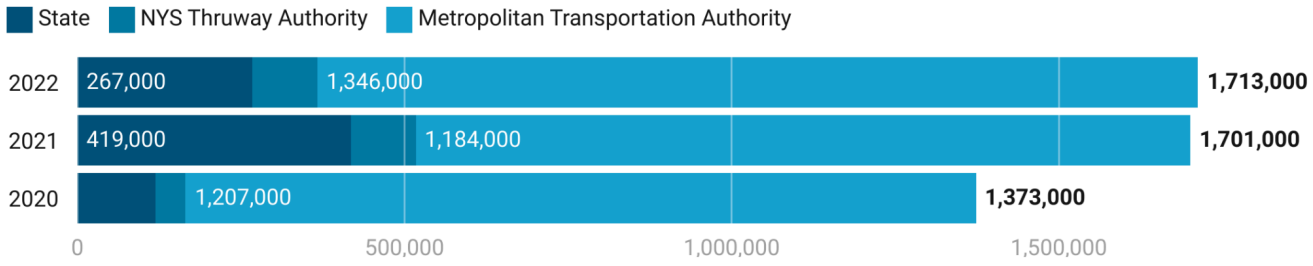
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LXII: Transportation Funding - Select State Entities in New Mexico



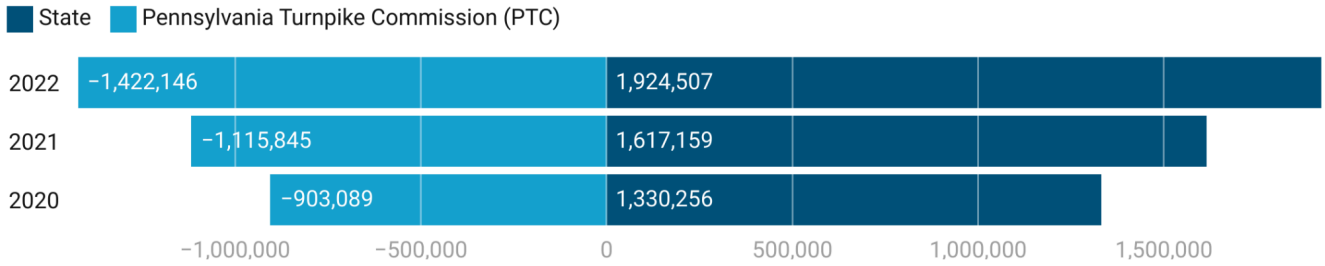
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LXIII: Transportation Funding - Select State Entities in New York



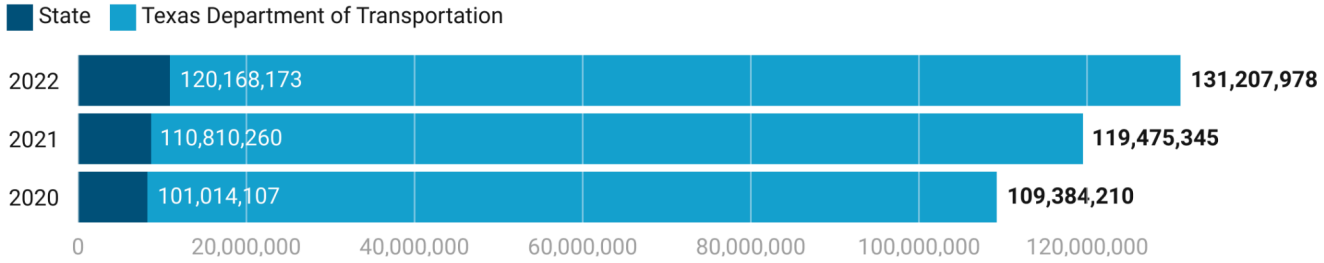
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands. The line item for the State amounts is "economic development, housing and transportation," so this figure is not for transportation alone as it cannot be separated.

Chart LXIV: Transportation Funding - Select State Entities in Pennsylvania



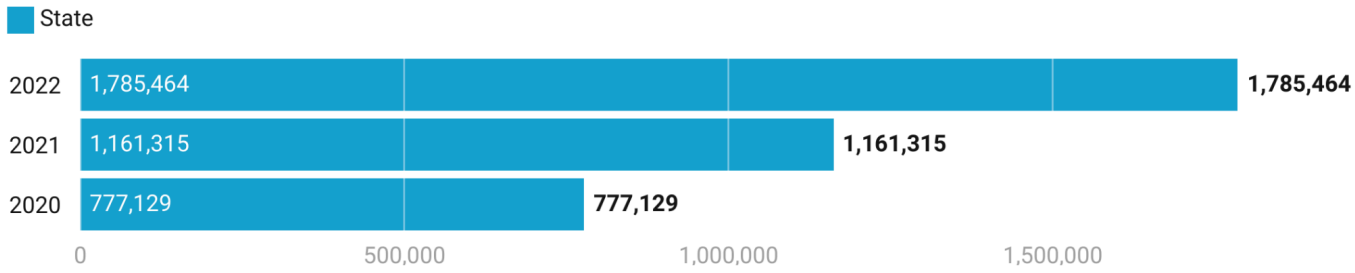
Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LXV: Transportation Funding - Select State Entities in Texas



Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.

Chart LXVI: Transportation Funding - Select State Entities in Washington



Source: The chart above was constructed using data from the annual audited financial statements of each state. The data presented for each state is derived from the "Statement of Net Position" that appears in the most recent annual audited financial statements available for FY 2022, FY 2021, and FY 2020 for all states. Calculations are based on actual audited revenue figures and are not adjusted for inflation. Amounts in thousands.