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Report: Federal Public Investment is the Most Efficient Way to Finance Infrastructure.

Sept. 11, 2017 - In a [new report](#), EPI budget analyst Hunter Blair finds that the state and local governments have taken a larger role in infrastructure spending, even though it is often more efficient for the federal government to lead the way. In 2015, 77 percent of public spending on transportation and water infrastructure came from state and local governments, and the Trump administration's proposed infrastructure plan implies states would cover 80 percent of increased investment. Meanwhile, Senate Democrats' proposal includes a \$1 trillion federally funded and financed infrastructure investment.

"When done well, infrastructure investment by the federal government could give the economy a boost by increasing aggregate demand and boosting productivity growth," said Blair. "The federal government is well suited to meet the needs of a large infrastructure investment."

One of the strongest reasons for the federal government to lead in infrastructure funding is its ability to help mitigate funding challenges during economic downturns. 22 states fund infrastructure on a pay-as-you-go basis. During economic downturns—when states' tax revenues decrease and social services spending increases—states' budgets become strained and state-funded infrastructure may suffer from neglect. Because the federal government can run deficits, it is well positioned to help states maintain stable or increased infrastructure investment over the course of a business cycle.

Additionally, infrastructure is often provided as part of a network, and to maintain economic efficiency that network needs consistent quality throughout. Consistent quality ensures that disruptions are not multiplied throughout the production chain. These networks benefit the nation's efficiency as a whole and so shouldn't be allowed to vary in quality because of particular state and local government funding decisions.

The federal government is also better equipped to provide equitable access to infrastructure. For services such as clean drinking water, state and local governments might not be able to provide consistent funding, which could have implications for health and safety. In this case, the federal government can reallocate resources to areas that need them.

Finally, a significant public investment in green energy by the federal government would help combat global climate change. Current consumption levels can be maintained by decreasing investment in the conventional infrastructure as we increase our investment in green energy. However, if this investment is left to the states, it could be inconsistent, and thus, less efficient.

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