Bond Case Briefs

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CBPP Policy Basics: State and Local Borrowing.

State and local investments in schools, roads, hospitals, and other infrastructure provide the foundation for a vibrant economy and high quality of life. Borrowing — by issuing bonds — is a tried-and-true way to finance the cost of building and maintaining this infrastructure. Projects financed with bonds can give a state's economy both a short- and long-term boost.

There are sound reasons that states and localities borrow to pay for infrastructure, rather than use annual tax collections and other revenues. Public buildings, roads, and bridges are used for decades but entail large upfront costs; borrowing enables the state to spread out those costs. As a result, taxpayers who will use the infrastructure in the future help pay for it, which promotes intergenerational equity. Borrowing also makes infrastructure projects more affordable by reducing the pressure on a state's budget in any given year.

Read the full report.