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States Are Leveraging Financing Institutions to Strengthen Infrastructure.

Independent authorities help communities plan, pay for, and manage long-term capital needs

As the historic federal funding provided under the 2021 Infrastructure Investment and Jobs Act begins to taper off, state and local governments—which own or operate most of the nation's public roads, bridges, and water systems—face growing pressure to sustain the investments that began with those federal dollars and manage ongoing maintenance costs. (See Figure 1.)

But this isn't just a funding problem. Infrastructure responsibilities are fragmented across thousands of local governments with varying levels of fiscal capacity and expertise. And in many cases, states bear the fiscal and economic consequences—through spending on emergency aid, regulatory compliance, or disaster recovery—when locally managed roadway and water assets fail. Infrastructure outcomes depend not only on how much money is available, but also on whether states and localities can coordinate effectively on planning, prioritizing investments, and managing assets across systems.

To help meet this challenge, states are turning to various centralized financing institutions that they have long relied on to assist local governments in accessing capital markets and federal funds for infrastructure: municipal bond banks, state infrastructure banks, and other independent entities. In recent years, several states have expanded these entities' roles to include helping local governments build planning, asset management, and data-sharing capacity; exercising oversight over struggling locally managed water systems; and filling gaps in resilience financing and disaster recovery for core transportation and water infrastructure.

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