

# Federal Support for Financing State/Local Transportation/Water Infrastructure: Congressional Budget Office Report (October 2018)



**Walter Wright, Jr.**  
wwright@mwlaw.com  
(501) 688.8839

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The United States Congressional Budget Office (“CBO”) issued an October 2018 report titled:

*Federal Support for Financing State and Local Transportation and Water Infrastructure (“Report”)*

The CBO Report outlines the various mechanisms the United States offers state and local governments to assist them in financing projects for transportation and water infrastructure. As the Report notes:

State and local governments are the main owners of highways, mass transit systems, airports, and water systems nationwide. In recent years, 60% of the investments in such infrastructure that state and local governments have made from their own funds (excluding federal grants) have been financed using mechanisms that impose costs on the federal government: tax-exempt bonds, state revolving funds and infrastructure banks (“state banks”), tax credit bonds, and direct federal credit programs.

By way of summary figures, the Report states that on average between 2007 and 2016, states and localities invested \$64 billion per year in transportation and water infrastructure using certain financial mechanisms:

- \$43 billion per year in tax-exempt bonds
- \$9 billion per year in loans by state banks
- \$8 billion per year in tax credit bonds
- \$4 billion per year from federal credit programs

Key questions addressed by the Report include:

- How has the federal government helped state and localities finance infrastructure?
- How much are the financing mechanisms likely to cost the federal government per dollar to finance?
- Costs of tax-exempt bonds and state bank loans?
- Costs of tax-credit bonds?
- Costs of direct credit federal programs?
- Costs of expanding the use of those finance mechanisms?
- How else do the financing mechanisms differ?

Appendices in the Report include:

- Bond Volumes
- Types of Revenues Affected

- Interest Rates on Taxable Bonds
- Average Tax Rate of Market-Clearing Investors
- An Illustrative Calculation of Federal Costs

A copy of the Report can be found [here](#).