

Architectural blueprints are shown in a top-down perspective, partially unrolled. The drawings include various technical specifications and dimensions, such as '2.03', '4000', '2075', '2050', '175', '250', '7', and '27.21 mt'.

# Infrastructure Finance

Does your state encourage innovation?

PART TWO OF A SERIES





# Infrastructure Finance Tools

Below are 11 infrastructure financing mechanisms available to local governments. To find out which tools are specifically authorized by statute in your state, check the matrix at right. Please note that in some cases a few of these tools are being used in the absence of an enabling statute.

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## Certificates of Participation

Certificates of participation are funded by incoming municipal payments. Those payments are subsequently sold as issues to raise revenue for financing infrastructure improvement projects.

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## Community Development Districts

Community development districts, also known as community development authorities or community facility districts are quasi-governmental entities with distinct boundaries. These districts provide financing for infrastructure projects, usually by charging homeowners within the district's boundaries an annual tax surcharge.

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## Design-Build

Design-build is an often-used privatization strategy that allows local governments to contract with a private party for the design and construction of infrastructure facilities. Design/build is commonly used in transportation and school improvements, but is also used in the construction of public buildings and parks.

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## Electronic Road/Toll

Electronic toll is a system that charges drivers for use of certain roadways without the presence of toll booths. This is usually done by the use of electronic transponders placed inside of a vehicle.

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## GARVEE Bonds

Grant Anticipation Revenue Vehicles, or GARVEEs, are bonds secured by anticipated federal funds. NCSL identified twenty-nine states that authorize the use of GARVEEs by statute.

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## Municipal Lease Finance

Municipal lease financing allows municipalities to “rent-to-own” buildings and facilities. The municipality does so by paying renewable obligations on a given project until the debt is retired. At that point, it becomes property of the municipal lessee.

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## Partnership Schools

Partnership schools allow public school districts to contract with private developers for the construction of school facilities.

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## Small-Scale Water and Wastewater Systems

Small-scale water and wastewater systems allow developers to provide water and wastewater facilities to their developments. The cost of installing these systems is usually added to the cost of the homes. This allows developers to establish new developments despite public sewer and water capacity restrictions.

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## Special Districts

Special districts are a form of local government that deliver public services—such as water, fire and police protection, and flood control—within specified boundaries. Special districts are typically authorized to enter into contracts, employ workers, and charge fees for services.

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## State Infrastructure Banks and State Revolving Loan Funds

State infrastructure banks (SIBs) and state revolving loan funds (SRFs) both make low-cost loans available to jurisdictions for infrastructure improvements. The money generated from loan repayment is then put back into the SRF or SIB to fund additional projects. SIBs typically are used for transportation improvements, while SRFs typically are used to fund drinking water and wastewater improvement facilities.

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## Tax Increment Financing

Tax increment financing uses the difference between a site's pre- and post-development tax revenues for a proposed development to finance that proposed development. Forty-eight states use tax increment financing, with Arizona and Wyoming the only states that do not participate.

# STATE-BY-STATE INFRASTRUCTURE ALTERNATIVES

	Certificates of Participation	Community Development Districts	Design-Build	Electronic Road/Toll	GARVEEs
Alabama					
Alaska					
Arizona					
Arkansas					
California					
Colorado					
Connecticut					
Delaware					
Florida					
Georgia					
Hawaii					
Idaho					
Illinois					
Indiana					
Iowa					
Kansas					
Kentucky					
Louisiana					
Maine					
Maryland					
Massachusetts					
Michigan					
Minnesota					
Mississippi					
Missouri					
Montana					
Nebraska					
Nevada					
New Hampshire					
New Jersey					
New Mexico					
New York					
North Carolina					
North Dakota					
Ohio					
Oklahoma					
Oregon					
Pennsylvania					
Rhode Island					
South Carolina					
South Dakota					
Tennessee					
Texas					
Utah					
Vermont					
Virginia					
Washington					
West Virginia					
Wisconsin					
Wyoming					





# Infrastructure Finance

## Does your state encourage innovation?

**THE NATIONAL ASSOCIATION OF HOME BUILDERS** (NAHB) published a report in 2003 entitled *Building for Tomorrow: Innovative Infrastructure Solutions*, which highlights a variety of strategies available to local governments to finance current and long-term infrastructure needs. Many of the strategies identified in the report require state legislation that authorizes local governments to use them.

To assist builders, developers, and policymakers with understanding where these tools can be used, NAHB identified 11 of the infrastructure finance strategies contained in *Building for Tomorrow* that appear to provide the greatest opportunities for local governments to meet their current and long-term infrastructure needs in the most cost-effective manner and retained the National Conference of State Legislatures (NCSL) to catalog the extent to which these tools were authorized across the states, along with links to the enabling statutes. NCSL's full research report was highlighted in NAHB's second publication in its infrastructure series, *Infrastructure Finance: Does Your State Encourage Innovation?*, first published in 2005 and updated in 2007.

NCSL also explored the best state-enabling legislation for those 11 key finance strategies, detailing which statutory language shows the most promise for helping local governments make effective use of these tools, in a third NAHB publication called *Infrastructure Solutions: Best Practices from Results-Oriented States*, also published in 2007.

NCSL has once again updated for NAHB their body of work on which states authorize these key tools. That new research is highlighted in this updated publication, which shows at a glance the financing options that are available in each state. Since the last report was compiled pre-recession, NAHB believes this new research will provide valuable current information for both the private and the public sector at a time when financing and revenues are more constrained and limited than ever before.

NCSL has altered its methodology for researching infrastructure finance tools. This alteration, combined with improved legal and state research tools, has allowed NCSL to capture significantly more statutes. The largest increase under this new methodology relates to state revolving loan funds and state infrastructure banks (SRLFs/SIBs), with 96 SRLFs/SIBs authorized in 48 states. Seventeen states offer both infrastructure banks and revolving loan funds, up from twelve in 2007.

Financing for small-scale water and wastewater systems are now reported in five states, whereas in 2007, no states were captured as using these finance tools. There was also growth in states that offer certificates of participation, electronic tolling, and special districts, and large gains seen in states that authorize the use of GARVEE bonds and municipal lease financing plans. GARVEEs are now used in 29 states, up from the fourteen states previously reported, and municipal lease financing jumped from eight states to twenty-three.

All three of NAHB's infrastructure publications and NCSL's full research report, with statutory citations and summary analysis, can be found online at [www.nahb.org/infrastructurefinance](http://www.nahb.org/infrastructurefinance).

In today's financial environment, the public and private sectors need all of these tools and more. The added capacity across the states that NCSL uncovered in their research is a good indication of that understanding. These innovative tools enable a local government to maximize limited community resources to improve and expand infrastructure in a timely and cost-efficient way.

How many of these tools are available to your community? Does your state encourage local governments to find innovative ways to finance, build, and manage infrastructure?

Check the list inside to find out.



**THE NATIONAL ASSOCIATION OF HOME BUILDERS** is a Washington-based trade association representing more than 140,000 members involved in remodeling, home building, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. NAHB is affiliated with 800 state and local home builders associations around the country. NAHB's builder members will construct about 80 percent of the new housing units projected for this year.

**For more information about these infrastructure tools, contact any of these NAHB staff members:**

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