Methodology for Estimating Amount of Private Capital Attracted to U.S. Infrastructure

Approximately $500 billion is spent on infrastructure annually in the United States by governments at all levels.[1] There is no single data source for how much private capital is invested in public infrastructure in the U.S. today. The House Transportation and Infrastructure Committee found that $61 billion was spent on highway public-private partnerships (P3s) from 1989 to 2013, or 1.5% of all highway projects completed during that same period.[2] The Congressional Budget Office cited another study that found there were 96 transportation P3s worth a total of $54.3 billion in the United States from 1989 through early 2011.[3] Anecdotal evidence suggests that P3s range from $1 billion to almost $7 billion per year in the U.S.[4]

Other developed countries that have embraced P3s have seen significant growth in private investments. While sources vary, P3s are generally estimated to be 10-20% of public infrastructure spending in the United Kingdom and Canada, and at least 5% in Australia.[5] The U.S. should be able to attract a similar amount of private investor interest by following the ***New American Model for Investing in Infrastructure***. Using a mid-range estimate based on what other advanced nations are achieving, BPC's model could increase P3s to 10% of what government spends on infrastructure, or $50 billion per year (based on current spending levels).

This estimate is conservative because the new and improved financial tools and innovative funding sources included in the *New Model* could leverage billions in additional private investment dollars.[6] When all elements of the *New Model* are in place, the U.S. should be positioned to attract at least $50 billion in private capital annually for financing infrastructure. This amount could increase in future years as the market develops further; note that the number of P3s has continued to grow even in the UK, Canada, and Australia.[7]

Note: There will be a significant ramp up period before U.S. infrastructure projects are able to attract and absorb $50 billion per year in private capital. Though we estimate that through the New American Model the U.S. should be positioned attract private financing for at least 10% of public infrastructure spending, this amount will be realized over time, not immediately.

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[1] Includes operations and maintenance for transportation and water, but not for other types of infrastructure. Transportation and water expenditures ($416 billion in 2014) from: https://www.cbo.gov/sites/default/files/114th-congress-2015-

2016/reports/49910-Infrastructure.pdf. Other infrastructure spending estimated from U.S. Census Construction Spending, January 2016, Seasonally Adjusted Annual Rate: https://www.census.gov/construction/c30/c30index.html. This includes $96.5 billion in state/local and $9 billion in federal spending on healthcare, educational, public safety, recreational, and power facilities.

[2] U.S. House of Representative Transportation and Infrastructure Committee, *Public Private Partnerships: Balancing the needs of the public and private sectors to finance the nation's infrastructure*, http://transportation.house.gov/uploadedfiles/p3_panel_report.pdf.

[3] Kirk, Robert S. and William J. Mallett, *Funding and Financing Highways and Public Transportation,* Congressional Budget Office, 2013, https://www.fas.org/sgp/crs/misc/R42877.pdf.

[4] See, e.g., http://www.aig.com/Chartis/internet/US/en/FINAL%20P3%20AIG%20Whitepaper_tcm3171-664767.pdf, citing Geoffrey Heekin, Aon's P3 Global Leader: "In the U.S., in 2004, there was $1.4 billion worth of work done. In 2009, private investments rose to $6.7 billion. In 2010 there were eight projects totaling $5.8 billion that went to commercial close. In 2011, private investment dropped to $1.2 billion. In 2012, we'll see $5 billion closing and next year closer to $7 billion. I believe by 2018 private investments in public projects will reach somewhere around $15 billion."

[5] See, e.g., OECD, Pension Funds Investment in Infrastructure: A Survey, 2011, http://www.oecd.org/futures/infrastructureto2030/48634596.pdf and Edwards, Chris, *Testimony before the Joint Economic Committee: Encouraging Private Infrastructure Investment*, Cato Institute, July 24, 2013, http://www.cato.org/publications/testimony/encouraging-private-infrastructure-investment.

[6] For instance, the Joint Committee on Taxation estimated that a reauthorized Build America Bonds program at a revenue-neutral subsidy rate would generate $3.3 billion in additional issuances, financed by private entities, in fiscal year 2012. Joint Committee on Taxation, *The Federal Revenue Effects of Tax-Exempt and Direct-Pay Tax Credit Bond Provisions* (JCX-60-12), July 16, 2012. https://www.jct.gov/publications.html?func=startdown&id=4470.

[7] Note that this is total private capital, not new private capital, as it includes the amount currently invested in U.S. P3s.