BIPARTISAN POLICY CENTER

Executive Council *on* Infrastructure

BUSINESS CAN HELP BRIDGE THE INFRASTRUCTURE GAP

America faces a $1 trillion infrastructure funding crisis. Government alone can't fully fund all of the roads, bridges, and other critical infrastructure our economy needs – let alone upgrade our airports, shipping hubs and water facilities to meet the challenges of the coming decades. Private investors, working together with government, will have to step up with additional resources in order to bridge the gap.

What's causing the infrastructure funding gap?

$2 Trillion[1]

In Infrastructure Investment Needs

$1.7 Trillion	$134 Billion	$126 Billion	$30 Billion
Surface Transportation	Drinking and Waste Water	Airports	Ports and Inland Waterways

$1 Trillion Funded[2]

At the current pace, there will be roughly **$1 trillion in government funding available.**

$1 Trillion Not Funded

That leaves a **$1 trillion infrastructure investment gap.**

What are the barriers to private sector investment?

Private investors like pension funds, insurance companies, hedge funds, and other investment firms have capital to put to work. However, several barriers stand in the way of investing in infrastructure.

1. **Difficult to Assess**
   It is difficult for investors to assess project quality, due to a lack of data standardization and transparency about projects' economic benefits.
2. **Limited Track Record**
   New financing mechanisms, such as land value capture and variable property taxes, do not have a recent track record in the US. This makes it difficult to benchmark and determine their value.
3. **No Project Pipeline**
   With no clear pipeline of projects, there is no certainty of a long-term diversified portfolio for interested investors.
4. **Demand Risk**
   Projects may not be used by consumers as much as projected. This creates the risk that future revenue collected from tolls or beneficiary fees will fall short.
5. **Complicated Regulatory Environment**
   States and cities have varying laws and regulations on private participation in infrastructure. This makes working in multiple jurisdictions costly.
6. **Political Uncertainty**
   Investors are concerned with unexpected risks, like a change of administration or neighborhood opposition, which could delay or stop a project before it's operational.

A Serious Return on Investment

The payoff from investing in infrastructure is significant. From the water we drink to the roads we take, infrastructure touches just about every part of our daily lives and every sector of our economy. That's why every dollar we invest in infrastructure has an outsized impact—**improving productivity, creating new jobs, and promoting economic growth.**

Increasing Infrastructure Investment by 1% of REAL GDP over 3 Years

WILL RESULT IN

$270 Billion in Economic Output

Source: Standard & Poor's Ratings Services, McGraw Hill Financial, Ratings Direct Economic Research: "Global Infrastructure Investment: Timing is Everything (And Now is the Time)," January 15, 2015.

[1] BPC Analysis of American Society of Civil Engineers data from "Failure to Act: Economic Impact Summary Report," 2013. Figures are in 2010 dollars and include surface transportation, drinking water/wastewater, airports, ports, and inland waterways.

[2] Available funding includes a small amount (less than 10%) from non-government sources, such as airport passenger facility charges.

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