



MONITORING SUBNATIONAL INVESTMENT

DISCUSSION OF PUBLIC INVESTMENT COMPASS AND SURVEY: US MARKET PERSPECTIVE

APRIL 2026

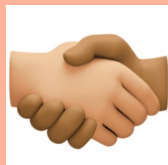


INFRASTRUCTURE INVESTMENT: SHARED NEEDS, DIFFERENT RESPONSES



EUROPEAN CHALLENGES

- Difficulty receiving grants, subsidies
- Limited local revenue powers
- Lack of vertical coordination
- Tailoring strategy to local needs
- Modest infrastructure debt issuance
- Lack of institutional capacity



COMMON CONCERNS

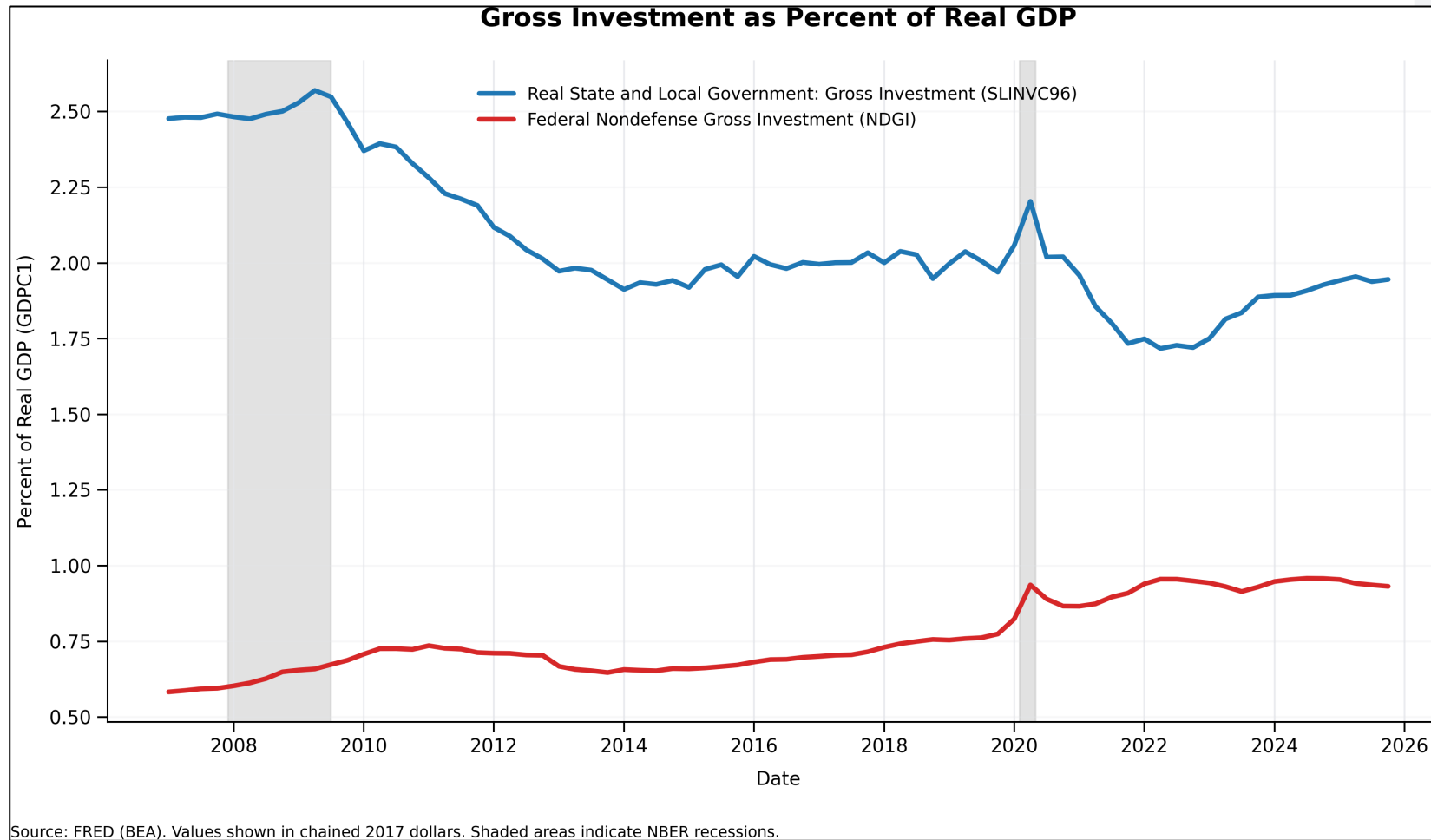
- Environment/Climate
- Deferred Maintenance
- Housing
- Transportation
- Health Facilities
- Materials inflation
- Labor Shortage
- Designer Shortage



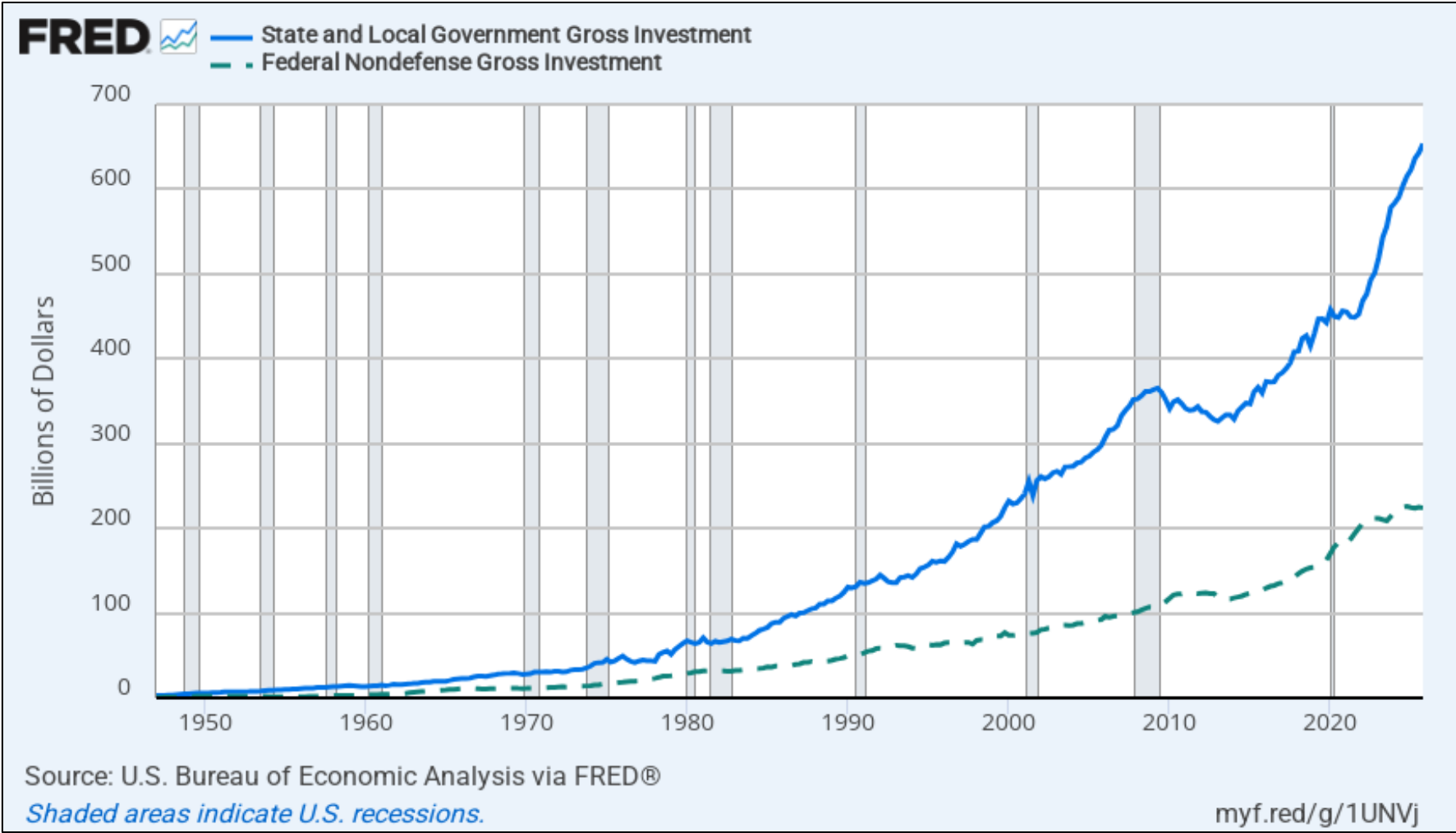
US POLICY RESPONSES

- \$5T state & local revenue
- Less dependence on national grants
- Federal incentives for local investment
- Tailored local projects
- Mature debt market structure
- Engaged fixed income investor base

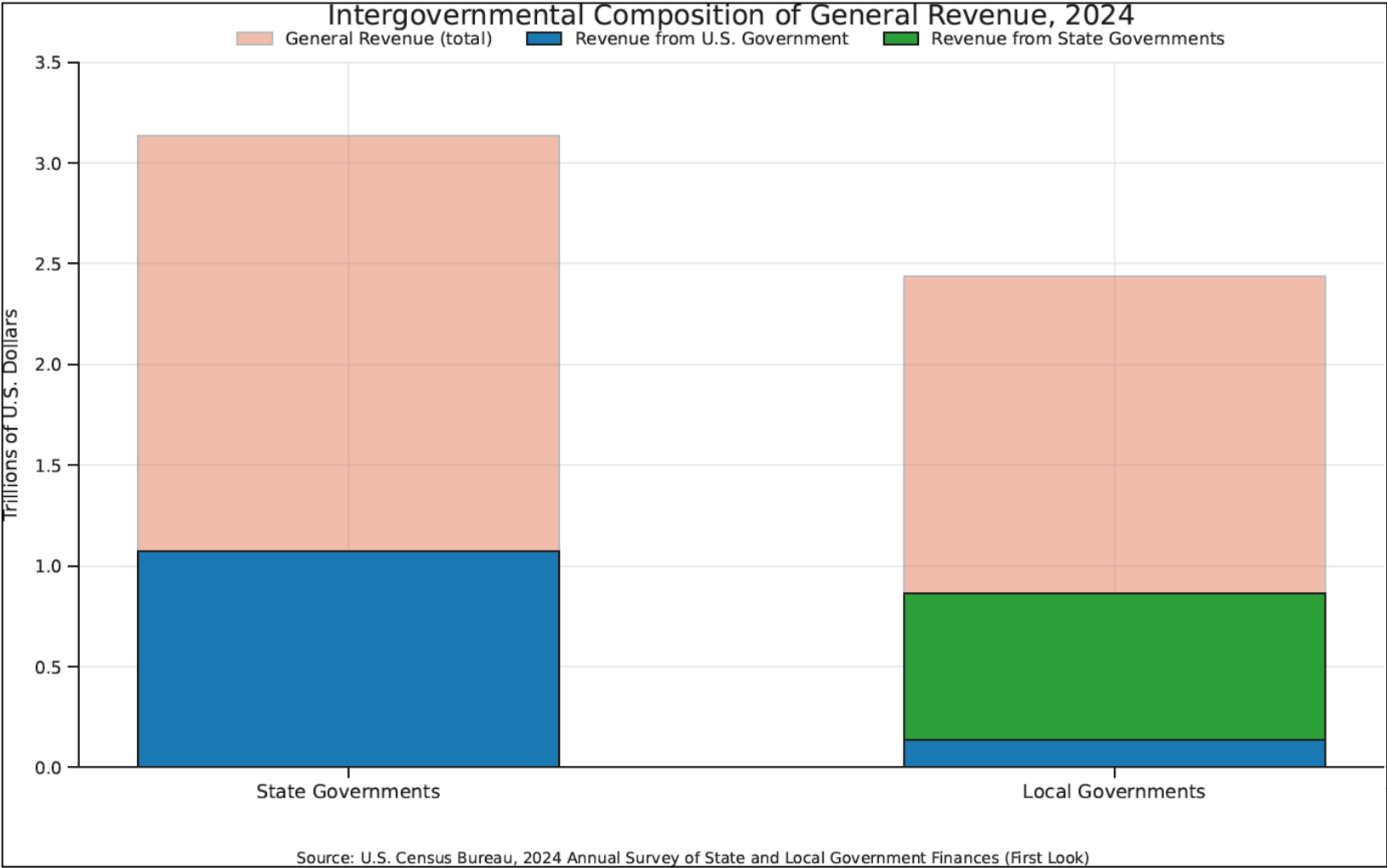
STATE & LOCAL INVESTMENT/GDP SIMILAR TO EU LEVELS...



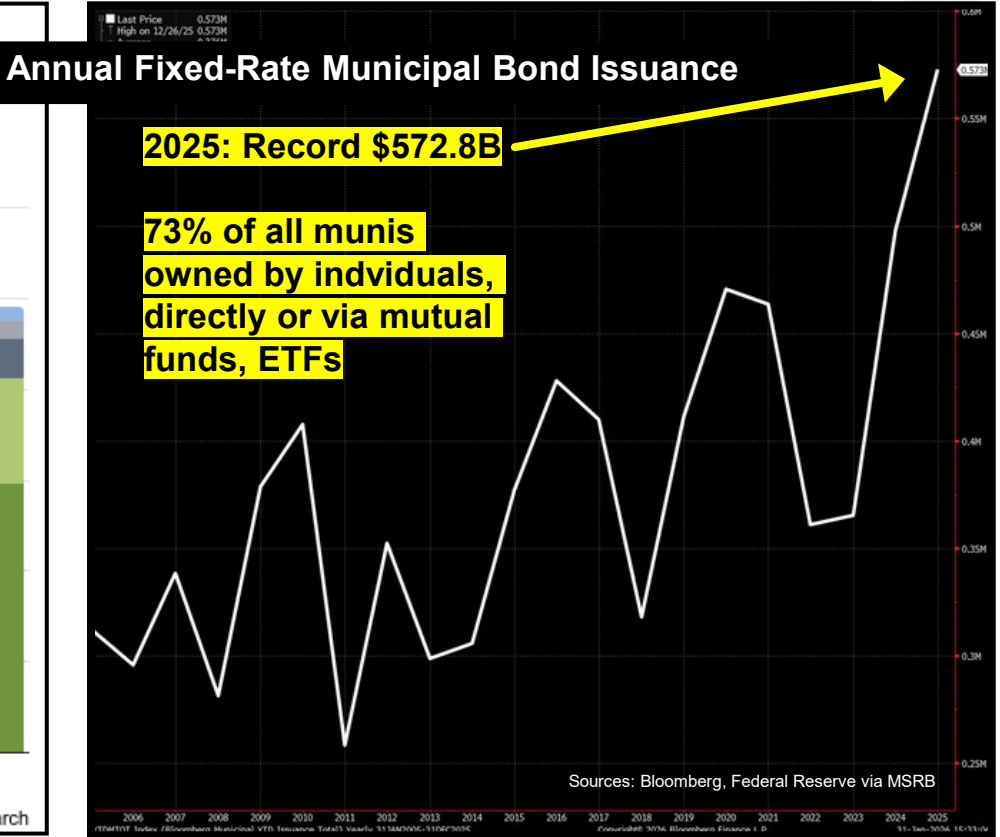
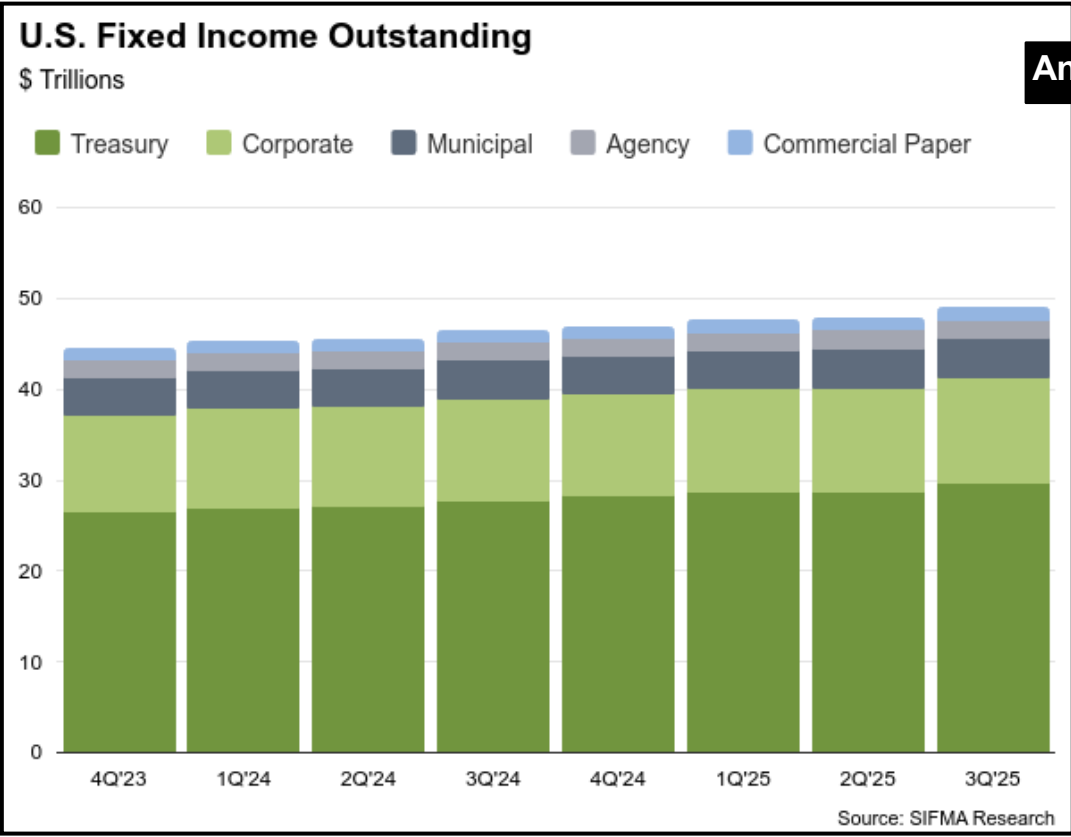
...BUT US RELIES ON STATE & LOCAL FUNDS FOR 75% OF PUBLIC INVESTMENT



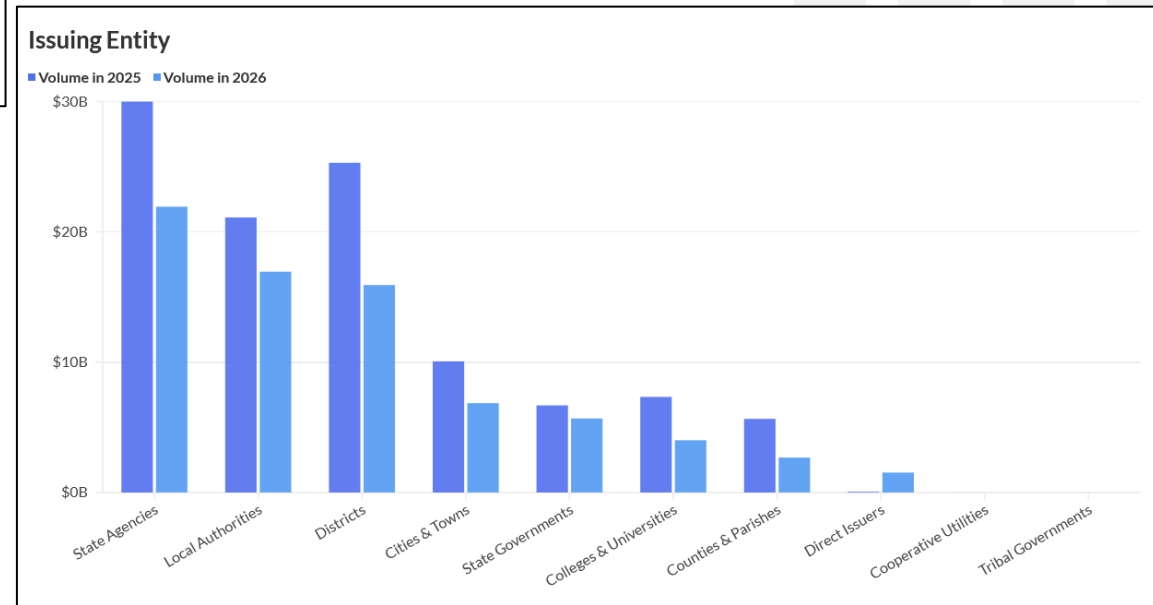
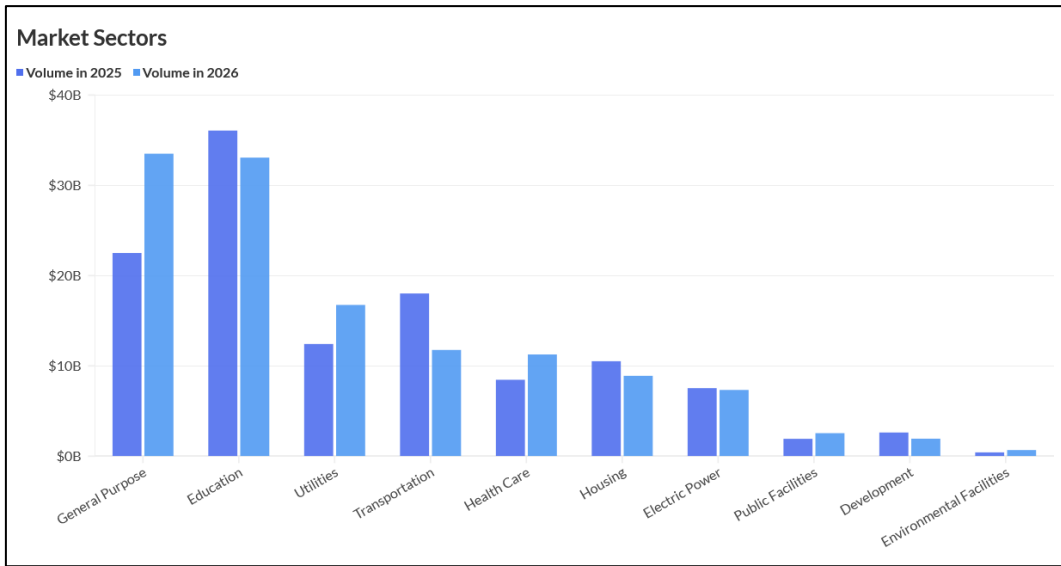
... BECAUSE US STATES & MUNIS GENERATE MAJORITY OF REVENUE LOCALLY



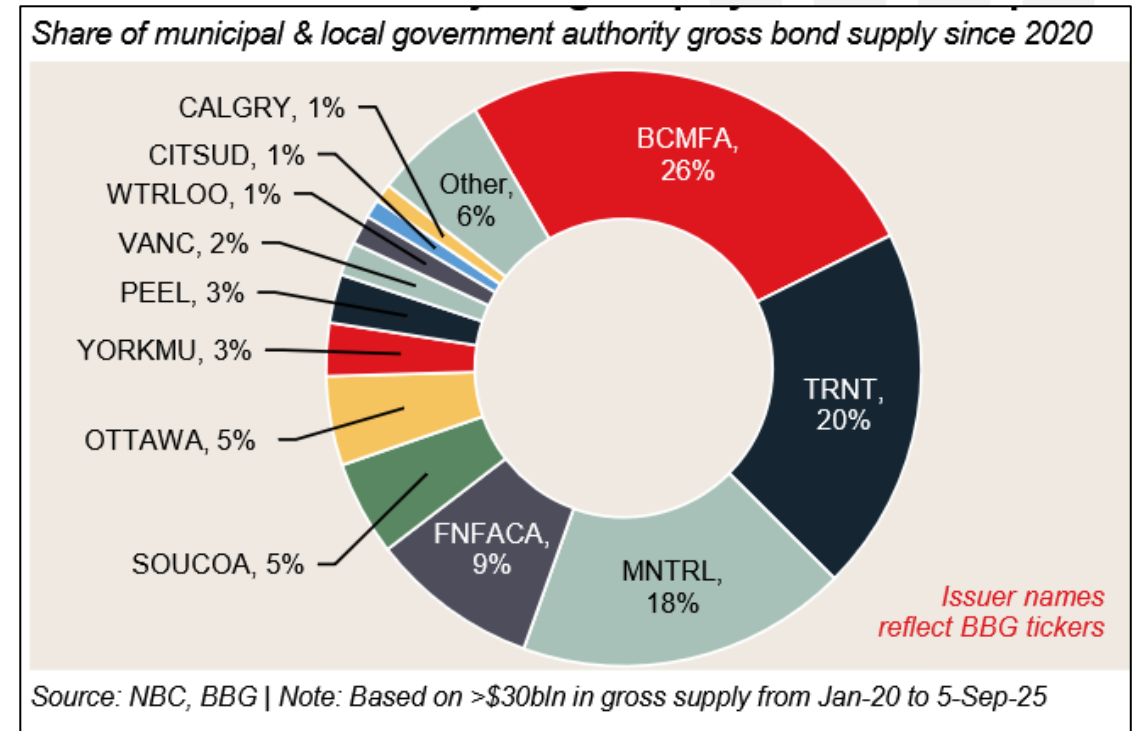
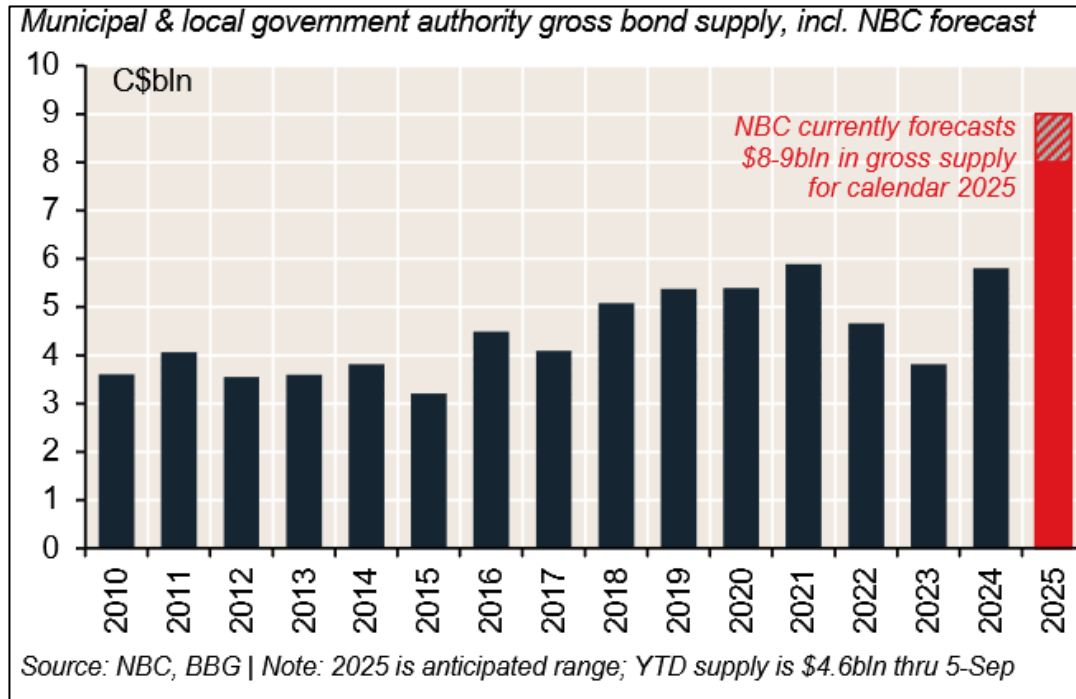
LOCAL REVENUE BASE SUPPORTS RECORD MUNI ISSUANCE



WHO'S BORROWING...AND FOR WHICH CAPITAL NEEDS

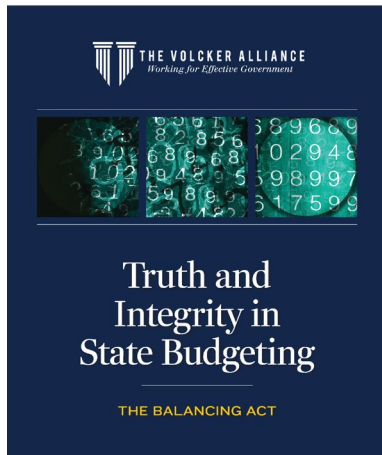


CANADIAN SUBNATIONAL 'MLGA' BOND SALES ARE ALSO ROBUST



Source: National Bank of Canada, Municipal Finance Authority of British Columbia

MAJOR US MUNI MARKET DRIVERS



- **Transparent Oversight & Monitoring of State & Local Budgets.** Volcker Alliance, Pew Trusts, Rating Agencies, Legislative Analysts, Comptrollers, Auditors, business & citizen groups publish actionable reports, advocate for reforms.
- **Broad Federal Support for State & Local Capital Investment.** Most state & local debt exempt from federal and local income taxes, costing federal budget \$40b/yr in foregone revenue. Other federal tax credits available. Federal government provides no guarantees but maintains highway, mass transit, hospital, environmental standards. Muni market largely deregulated but SEC can prosecute fraud and mandating digitized issuer financial reporting. MSRB & GASB promulgate common issuance, trading, accounting practices, with federal oversight.
- **Deleveraging since GFC leaves room to borrow.** In real terms, total muni par value -10% since 2017.
- **Deep Institutional Framework Supporting Unique USD \$4T Fixed-Income Market.** Hundreds of banks, asset managers, SMAs, ETFs, bond lawyers, etc. Transparent pricing/disclosure via MSRB's EMMA, Bloomberg PICK, etc.). Investment in market by thousands of individuals, corporations.
- **Sophisticated Revenue Structures to Support Bond Issuance.** State/Local government, authorities, districts have revenue raising powers (taxes, user charges). Many state bond banks. Education/Nonprofit access to market. Structure includes GOs, revenue bonds, reserves, lockboxes.
- **Federal Support for Default Resolution, State Support for Distressed Munis.** About half of states allow use of chapter 9 bankruptcy. Many states (NJ, PA, MA, CT, MI) can take over finances of troubled munis and provide aid to help nurse them back to health. Default rate well under 1%.

Source: Volcker Alliance research, MMA

SPOTLIGHT ON DEFERRED MAINTENANCE STRATEGIES



 **THE VOLCKER ALLIANCE**
Empowering and Inspiring Public Servants

OCTOBER 2025

CAPITAL BUDGETING AND STATE DEFERRED MAINTENANCE

CASE STUDIES

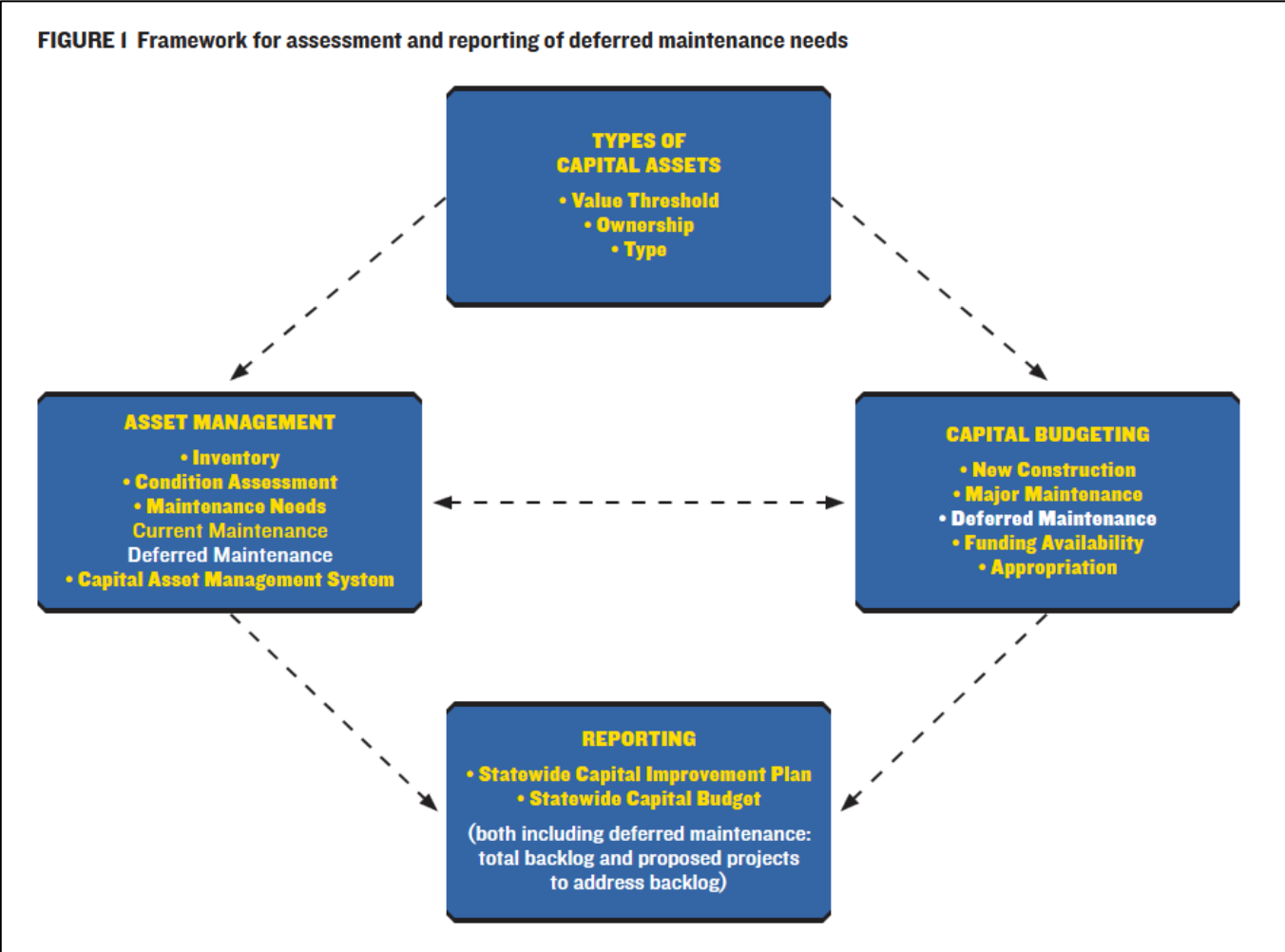
Meeting the Trillion-Dollar Challenge

DEFERRED INFRASTRUCTURE MAINTENANCE PRACTICES ACROSS TEN STATES

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US STATE CAPITAL INVESTMENT PLAYBOOK



STRATEGIES TO IDENTIFY, FUND DEFERRED MAINTENANCE DIFFER BY STATE

TABLE 1 Disclosure of total estimated amount of deferred maintenance

STATE AND FISCAL YEAR	TOTAL DEFERRED MAINTENANCE (2022 DOLLARS, IN BILLIONS)	TOTAL DEFERRED MAINTENANCE PER CAPITA (2022 DOLLARS, IN THOUSANDS)	MAJOR CONTRIBUTORS TO DEFERRED MAINTENANCE
CALIFORNIA (Fiscal 2022)	\$84.2	\$2.2	Transportation, water resources, and university
HAWAII (2023–25 biennium)	\$3.5	\$2.4	Education, university, and human services
ALASKA (2023)	\$2.2	\$2.9	University, transportation, corrections, and natural resources
IDAHO (2021)	\$0.9	\$0.5	Education and corrections
ILLINOIS (2025)	\$8.7	\$0.7	Corrections, human services
MONTANA (2024)	\$1.5	\$1.3	Not available

TABLE 2 Deferred maintenance funding sources

STATE	FUNDING AND FINANCING SOURCES TO ADDRESS DEFERRED MAINTENANCE NEEDS
CALIFORNIA	General fund, Proposition 98 general funds, funds from the Road Maintenance and Rehabilitation Account (in the State Transportation Fund); bond proceeds.
ALASKA	Before 2018: unrestricted general funds, Alaska Public Building Fund, federal funds, and agency-specific funds. After 2018: Alaska Capital Income Fund, Public Building Fund, fish and game receipts.
IDAHO	Permanent Building Fund, general fund.
ILLINOIS	Federal and state funds; general obligation and Build Illinois bond proceeds.
MASSACHUSETTS	Bond proceeds.
MONTANA	Long-Range Building Program funds, working rainy day fund, SMART deferred maintenance program funds.
OKLAHOMA	Maintenance of State Buildings Revolving Fund, Legacy Capital Financing Fund, Oklahoma Capital Assets Maintenance and Protection Fund; bond proceeds.

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