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VOLCKER ALLIANCE REVEALS ALARMING HIDDEN COSTS OF STATES’ DEFERRED INFRASTRUCTURE MAINTENANCE

New research estimates that the United States holds over one trillion dollars of liabilities for deferred infrastructure maintenance

NEW YORK, NY (November 20, 2019) – A new working paper published by the Volcker Alliance estimates that US states and the federal government face a bill of at least one trillion dollars to pay for infrastructure repairs that have been put off for years—a cost equivalent to about 5 percent of US gross domestic product. The paper, entitled “America’s Trillion-Dollar Infrastructure Bill: Capital Budgeting and the Disclosure of State Infrastructure Needs,” also reports that states and local governments do not fully disclose the costs of such deferred maintenance that is necessary to address America’s critical need to rebuild crumbling public assets.

“States say their budgets are balanced but too frequently, they fail to account properly for the immense cost of infrastructure maintenance that has been deferred,” said William Glasgall, Volcker Alliance senior vice president and director of state and local initiatives. “You cannot make a truly balanced budget if you do not know what your costs are. Taxpayers deserve to know how much it will cost to repair our deteriorating infrastructure.”

Since 2013, as part of its Truth and Integrity in Government Finance initiative, the Volcker Alliance has released a series of comprehensive reports on reforming state budgeting practices, providing states with concrete, best practice examples to follow to improve their long-term fiscal sustainability. The Volcker Alliance has amassed over 5,000 data points covering areas including budget forecasting, budget maneuvers, legacy costs, reserve funds, and transparency.

In its research on budget transparency, the Volcker Alliance noticed that states frequently failed to disclose the estimated costs of deferred infrastructure maintenance liabilities for all the state’s capital assets in budget and planning documents. These deferred costs cover infrastructure ranging from highways, to sewer systems, to school buildings, to parks.

“The lack of this disclosure has prevented all but a handful of states from receiving top A grades for budget transparency in the Volcker Alliance’s annual Truth and Integrity in State Budgeting reports. The absence of deferred maintenance cost information in most states is a critical shortcoming in a nation in which the word ‘infrastructure’ is frequently preceded by ‘crumbling,’” said Glasgall.
To address these shortcomings in infrastructure cost tracking and disclosure, the Volcker Alliance’s new working paper puts forth a Ten-Point Action Plan that states should follow to promote greater transparency. Some of the recommendations include designating a legislative committee to oversee the capital budget; describing asset coverage and displaying capital budget-related documents in one place online; and creating state agencies to address infrastructure needs.

“At the Volcker Alliance, we believe that government should be a responsible steward of financial resources,” said Thomas W. Ross, president of the Volcker Alliance. “America’s economic vitality and growth depends on all types of infrastructure, and it is alarming that our governments are not adequately tracking or disclosing the amount that repairs will cost taxpayers.”

The Volcker Alliance will share best state capital budgeting practices and insights from the working paper’s infrastructure plan during a webinar on November 20, 2019 at 11 a.m. EST. Presenters for the webinar will include two of the paper’s authors, Jerry Zhirong Zhao and Camila Fonseca-Sarmiento of the Institute for Urban and Regional Infrastructure Finance, Humphrey School of Public Affairs, University of Minnesota. Senator Bo Watson, chair of the Tennessee Senate Finance, Ways and Means Committee, will also present on Tennessee’s infrastructure reporting policies. These policies earned Tennessee a top A average grade for budget transparency for fiscal 2016 through 2018.

The Volcker Alliance advances effective management of government to achieve results that matter to citizens. We envision a public sector workforce with the experience, preparation, and commitment to ensure that government is accountable and delivers with excellence. Visit volckeralliance.org to learn more. Follow us on social media @VolckerAlliance and subscribe to the Volcker Alliance newsletter for the latest news and developments. The Volcker Alliance is a 501(c)(3) organization.

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