

A watercolor illustration of the Chicago skyline, featuring the Willis Tower and other skyscrapers. In the foreground, the 18th Street Bridge is shown in a dark, stylized manner, crossing a river. The overall color palette is muted, with blues, greys, and greens.

Civic Federation

Unlocking the Box: Best Practices for Financing Illinois' Infrastructure

Federal Reserve Bank of Chicago
5 April 2019

Michael A. Pagano
Director, Government Finance Research Center
Dean, College of Urban Planning and Public Affairs
University of Illinois at Chicago
MAPagano@uic.edu

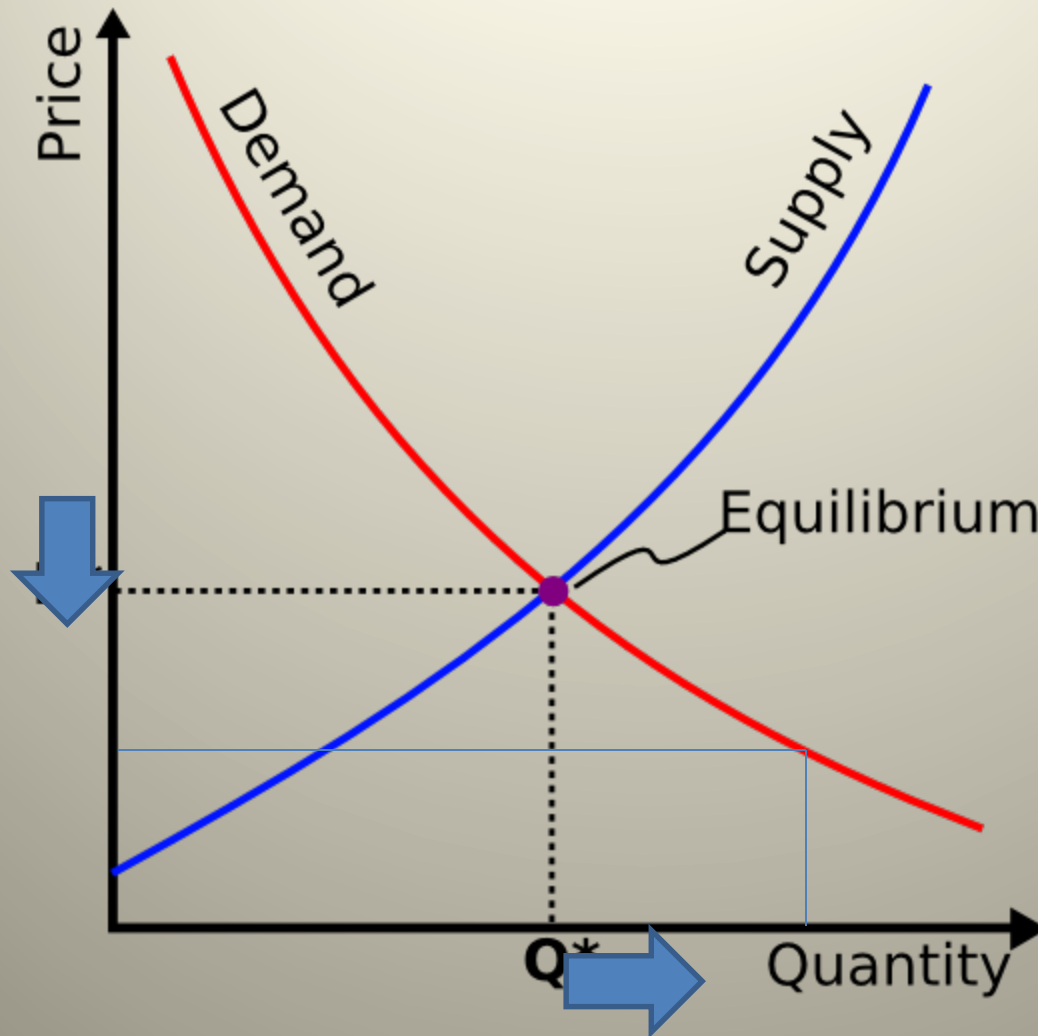
Crumbling Assets?

- First, maintenance is sacrificed in the face of a fiscal slowdown. Renewals and replacement are also postponed during difficult times, accelerated in good times.
- Second, the deferral decision is invisible or undetected in short term.
- Third, budget processes for operating and capital expenditures often are not linked effectively.

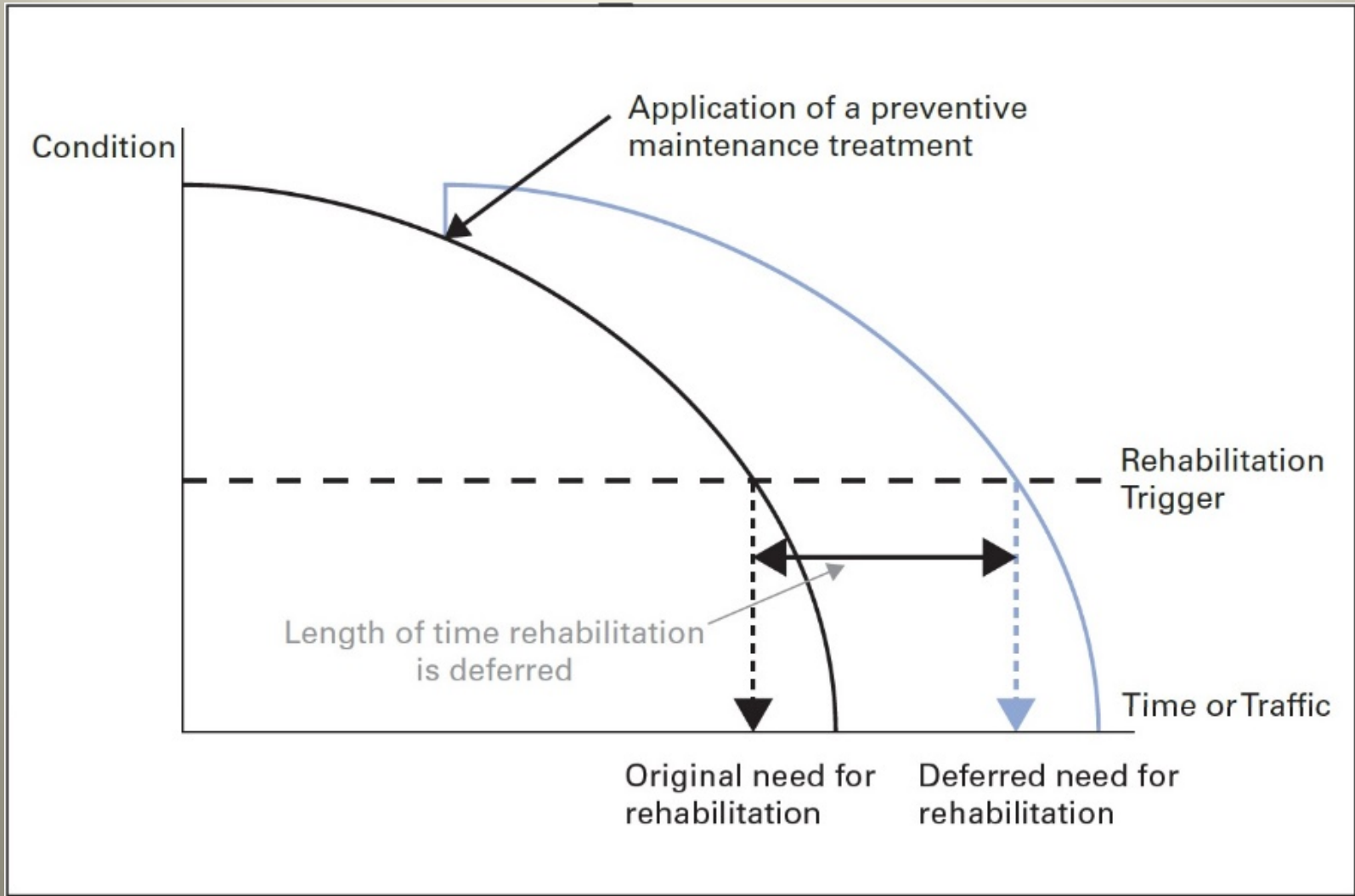
What to Consider?

1. Life-cycle costing
 - Supply/demand is ignored → excess infrastructure
2. Capital budgeting process
 - Establish a maintenance fund
3. A federal infrastructure bill or a state infrastructure bill
 - Incentivize repair/maintenance
 - Asset value favors older regions

Crumbling Assets are a Pricing Problem

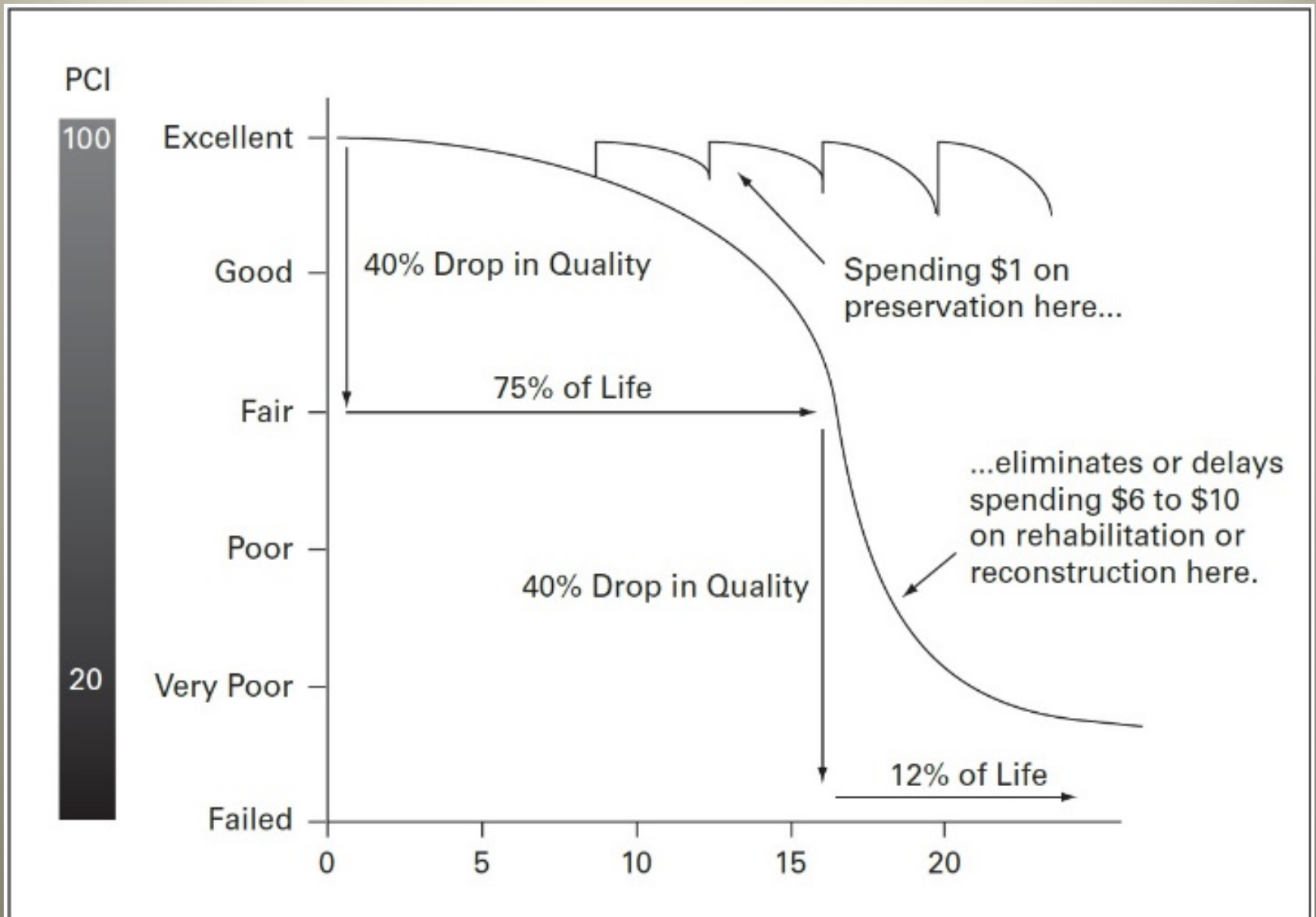


Use of preventive maintenance treatments to defer the need for rehabilitation



Source: Larry Galehouse, James S. Moulthrop, and R. Gary Hicks, "Principles of Pavement Preservation" TRS News, Sept-Oct 2003, pp. 4-15 reprinted in USDOT, FHWA Pavement Preservation Compendium II 2006

Pavement option curve (example). (PCI = Pavement Condition Index.)



Source: Larry Galehouse, James S. Moulthrop, and R. Gary Hicks, "Principles of Pavement Preservation" TRS News, Sept-Oct 2003, pp. 4-15 reprinted in USDOT, FHWA Pavement Preservation Compendium II 2006

Crumbling Assets are a 'budgeting' problem

- Maintenance is sacrificed because it competes with other functions and the activity is not in full view of users. And no high-profile ribbon-cutting ceremony.
- Budget processes for operating and capital expenditures often are not linked effectively.
- Establish a maintenance fund?

Source: Michael A. Pagano, "Notes on Capital Budgeting,"
Public Budgeting & Finance (Autumn 1984)

A Federal Infrastructure bill? A state capital budget?

Infrastructure programs designed to improve economic performance must include O&M.

Timing is everything. Countercyclical or procyclical?

The substitution effect of grants? Lessons learned

See, e.g., Michael A. Pagano, "Why This Is the Year to Begin Addressing the Infrastructure Deficit," *Governing* (January 16, 2019)

<https://www.governing.com/columns/smart-mgmt/col-why-this-is-year-begin-addressing-infrastructure-deficit.html>

A watercolor illustration of the Chicago skyline, featuring the Willis Tower and other skyscrapers, with the 18th Street Bridge in the foreground over a river. The scene is rendered in a soft, painterly style with a muted color palette.

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Thank you

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