

## **Leverage Every Advantage: The Case to Establish North Carolina's State Infrastructure Bank**

### **Executive Summary**

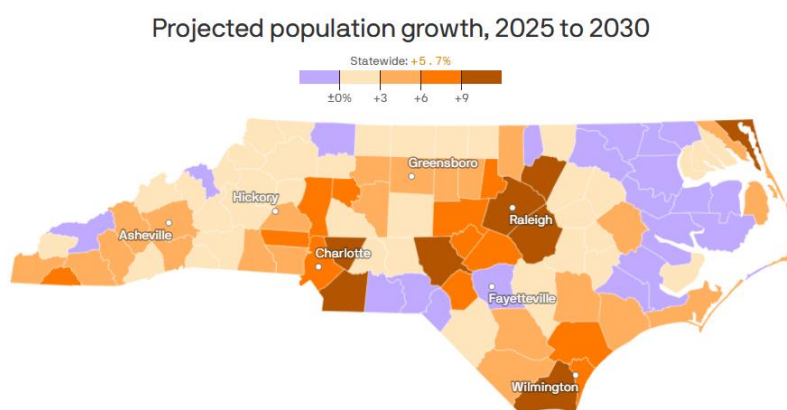
North Carolina's population and industrial growth are driving increased demand for infrastructure, with projections estimating a population of up to 11.7 million by 2030. This growth calls for innovative infrastructure funding strategies and mechanisms to keep pace and maintain the state's competitive position as a top state for business. Sustainable resources to support North Carolina's broad range of infrastructure are challenged by declining traditional revenue streams, inflation, and significant construction cost increases. These economic pressures have disrupted planned infrastructure projects and stymied economic growth due to infrastructure capacity limitations. Funding challenges have forced delays, halted prioritization cycles, and left communities dependent on ad-hoc local solutions. Moreover, legislative and financial constraints limit effective utilization of public-private partnerships (PPPs), making existing funding methods inadequate to support long-term infrastructure development.

A state infrastructure bank (SIB) presents a promising option. **A state infrastructure bank is a state-run financial institution or program that provides competitive, low-interest loans, grants, and other financial assistance to support the development and maintenance of public infrastructure.** These banks typically focus on funding projects in sectors like transportation, water, energy, broadband, and other critical infrastructure by offering favorable financing terms, helping state and local governments, administrative authorities, and private entities access capital for necessary infrastructure investments. By offering low-interest loans, credit enhancements, and a self-sustaining funding model for infrastructure projects in transportation, water, wastewater, solid waste, energy, and broadband, a state infrastructure bank can facilitate the accelerated delivery of critical infrastructure projects at the statewide, regional, or local community level. Such an institution would significantly benefit both rural and urban areas by enhancing affordability, flexibility, and accessibility of capital, thus improving infrastructure resiliency, boosting economic competitiveness, and promoting sustainable regional growth. Additionally, SIBs can attract private investment, enabling a broader range of public-private partnerships and leveraging private capital to meet the state's infrastructure needs.

With successful SIB models already in place in more than twenty states including Texas, California, South Carolina, Ohio, West Virginia, and Florida, North Carolina has an opportunity to position itself more competitively with a similar program. While the establishment of a SIB involves challenges, including long-term financial liabilities and regulatory complexity, its potential advantages strongly outweigh these obstacles. By adopting transparent project evaluation aligned with existing state prioritization criteria, North Carolina can effectively implement a SIB to ensure sustained investment in infrastructure. Establishing a North Carolina SIB would require legislative action, approval, initial capitalization, and strong governance. Over time, it may become self-sustaining through loan repayments and bond markets. Through a state infrastructure bank, North Carolina can reinforce the reliability and availability of infrastructure funding, foster sustainable long-term economic growth, and enhance public infrastructure for communities and industry statewide.

## Demand on the Rise: North Carolina's Economic and Population Growth

North Carolina's population is experiencing significant growth, positioning the state to become the seventh most populous in the U.S. by 2030, with an estimated 11.7 million residents.<sup>1</sup> This surge is largely driven by domestic migration, as people from other states relocate to North Carolina, attracted to the state by its favorable economic conditions, high quality of life, and employment and education opportunities. The state consistently ranks among the best in the nation for business; for instance, CNBC ranked North Carolina as the "Top State for Business" in 2022 and 2023, citing factors such as strong economic growth, skilled workforce availability, and attractive cost of living.



Data: [N.C. State Demographer](#); Map: [Axios Visuals](#)

Over the past few years, North Carolina has experienced substantial industrial and commercial growth, driving increased demand for infrastructure investment. In 2022, the state announced over 28,000 new jobs and more than \$19 billion in capital investments, including major projects like Wolfspeed's \$5 billion semiconductor plant, which require upgraded transportation networks, energy grids, and

water systems. This trajectory continued into 2024 with Toyota's \$13.9 billion battery plant in Greensboro, underscoring the urgent need for expanded roads, utilities, and workforce housing. In aviation, Boom Supersonic selected Greensboro's Piedmont Triad International Airport for its new manufacturing and assembly plant, an investment expected to generate approximately 1,750 new jobs by 2030.<sup>2</sup> The state's legacy biotechnology and pharmaceutical research and manufacturing sectors continue to contribute to its economic expansion. These are just a few examples of the many developments that reinforce North Carolina's prominence as a hub for advanced manufacturing, technology innovation, and industrial growth. With no sign of slowing momentum, the state faces the critical need for proactive and sustainable investments in infrastructure to accommodate the state's economic and population growth.

### Current Infrastructure Funding Landscape and Cost Increases

The landscape for funding public infrastructure projects includes a wide array of federal sources from the Highway Trust Fund, Federal Aviation Administration grants, Community Development Block Grants, to more recent initiatives such as the Infrastructure Investment and Jobs Act (IIJA) or the Water Infrastructure Finance and Innovation Act (WIFIA). Beyond federal funding, states may leverage tools such as municipal bonds, gas taxes and tolls, user-fees, congestion pricing, or public-private partnerships to fund, build, and operate infrastructure.

For roads, bridges, and multimodal infrastructure, the primary funding mechanism that directs both state and federal funds is managed through the North Carolina Department of Transportation

<sup>1</sup> Sherman, L. (2025, March 3). [North Carolina's population is booming, projected to hit 11.7M by 2030](#). Axios Raleigh.

<sup>2</sup> WRAL (2024, June 17). [Boom Supersonic jet facility opens in Greensboro, bringing 2,400 jobs to Region](#). WRAL.com.



(NCDOT) Strategic Prioritization Office of Transportation (SPOT) Program. The SPOT program is the process used to evaluate and prioritize transportation projects for inclusion in the State Transportation Improvement Program (STIP). Established under the Strategic Transportation Investments (STI) Law passed in 2013, SPOT ensures that limited transportation funds are allocated based on data-driven criteria rather than political influence.

NCDOT's State Transportation Improvement Program has faced significant challenges in delivering projects due to constrained and deteriorating funding sources. Traditional revenue streams, such as the state fuel tax, are becoming less reliable due to increased fuel efficiency and the rise of electric vehicles, while federal and state allocations struggle to keep pace with growing infrastructure demands. At the same time, rising construction costs, inflation, and supply chain disruptions have reduced the purchasing power of available funds, making it increasingly difficult to complete planned projects on time and within budget. For example, in the development of North Carolina's 2024-2033 State Transportation Improvement Program, rising project costs due to inflation significantly impacted project scheduling and funding allocations. As a result, the N.C. Board of Transportation decided to halt the current prioritization cycle, opting instead to utilize existing projects from the previously adopted 2020-2029 STIP for the new plan. Due to inflation and rising construction costs, previous estimates for project budgets were rendered brutally inaccurate. This was a major setback for communities across the state aiming to invest in infrastructure to meet growing demand and population growth. In Charlotte, inflation and escalating costs have stalled rail and transit projects like the Gateway Station, forcing local governments to turn to patchwork solutions like the City's proposed 2025 sales tax increase referendum.<sup>3</sup>

Yet, the effects of inflation extend beyond transportation infrastructure, impacting various other critical infrastructure sectors throughout the region. For example, the South Florida Water Management District cited sharp increases in construction and operational costs as the primary reason for delays in their crucial Everglades restoration projects.<sup>4</sup> Inflation has also significantly impacted the delivery of energy infrastructure projects in the U.S., causing cost overruns, delays, and financial uncertainty. Rising material prices for steel, copper, aluminum, concrete, and lithium have driven up construction costs. This has also impacted energy projects such as battery manufacturing and energy storage, both growth sectors for North Carolina.

Public-private partnerships, one of the most effective mechanisms to address infrastructure funding challenges, face limitations in North Carolina. PPPs are currently limited by legislative and financial constraints, making it difficult to expand their role in infrastructure investment. One major challenge is that state law restricts the use of PPPs primarily to toll road projects, limiting their application for broader infrastructure needs such as water systems, energy, transit, and broadband expansion. Additionally, private firms are hesitant to engage without substantial risk absorption and guaranteed revenue from the state, while political and financial uncertainties—such as federal funding freezes—create instability for long-term investments.

These limits, uncertainty about federal funding, and declining state revenues to fund infrastructure at both the state and national level leave North Carolina in a precarious position to maintain the vital infrastructure to meet today's demand, as well as sustain future strain on the ecosystem.

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<sup>3</sup> Sands, A. (2025, January 13). [What needs to happen in 2025 for transit sales tax to make it onto the ballot](#). Axios: Charlotte.

<sup>4</sup> Harris, A. (2023, January 26). [The Everglades needs more fresh water moving south. This new project will help](#). Miami Herald.



North Carolina must seek new and innovative solutions to continue investing in the infrastructure that the future of the state demands.

### **Introduction of the State Infrastructure Bank Concept**

At the confluence of public infrastructure investment and market efficiency is one of the most innovative tools in the toolbox: a state infrastructure bank (SIB). A state infrastructure bank is a state-run financial institution or program that provides low-interest loans, grants, and other financial assistance to support the development and maintenance of public infrastructure. These banks typically focus on funding projects in sectors like transportation, water, energy, broadband, and other critical infrastructure by offering favorable financing terms, helping state and local governments, administrative authorities, and private entities access capital for necessary infrastructure investments. Several states have developed and currently operate SIBs that help fund infrastructure projects across every infrastructure vertical from multimodal transportation infrastructure like roads, bridges, airports, or maritime ports, to water and wastewater systems, to data and broadband installations, to investments in energy infrastructure and the grid.

Establishing a state infrastructure bank to fund transportation and other critical infrastructure projects can offer states more flexibility and financial tools to meet growing infrastructure needs while providing a stable funding source through revolving loan programs. States including South Carolina, Florida, Texas, California, and Ohio have successfully implemented SIBs to expedite project delivery and more efficiently leverage public-private partnerships. According to the Federal Highway Administration (FHWA), as of 2022, there are 23 current and open Federally-capitalized SIBs with a total lending amount of over \$766 million. The most frequent SIB borrowers are local governments. Private or public-private partnerships, transit operators, utility relocation, and public use airports also engage SIBs to support investment.<sup>5</sup>

### **Benefits of a SIB**

Establishing a state infrastructure bank in North Carolina would provide significant financial benefits by creating a self-sustaining funding mechanism for critical infrastructure projects. A notable advantage of a SIB is its revolving loan structure, where repayments from funded projects are recycled into new investments. This reduces the need for new taxes, funding, or revenue streams since repaid funds continually support future infrastructure development. A SIB revolving loan program may increase the number of delivered infrastructure projects that would not have otherwise been considered due to lack of funding. Additionally, SIB capital could be leveraged as collateral for bond issuances or to establish reserve funds, further expanding the state's financial flexibility. Importantly, a SIB decreases reliance on unpredictable federal funding, providing North Carolina with a stable, independent source of infrastructure financing.

In tandem with other funding sources, a SIB allows a state to pool funds providing additional leverage for federal, local, and private investment. SIBs offer upfront loans or financing that state or local governments can use as their required match to access federal grants. This immediate availability of capital allows projects to qualify for federal funds more quickly, rather than waiting for annual budget appropriations.

Beyond financial advantages, a SIB would also enhance funding accessibility, affordability, and efficiency. By offering low-interest loans to state and local governments, the bank would make

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<sup>5</sup> Shelby, J., & Flaherty, K. (2022, August 3). [State Infrastructure Bank \(SIB\) summit](#). FHWA.



infrastructure financing more affordable, especially for communities prioritizing critical local or regional projects. Some SIBs may provide more competitive, below-market rates on loans or direct subsidies. For example, Arizona permits loan subsidies of up to 10% of the loan rate while both Minnesota and South Carolina offer loan subsidies. (Most SIBs offer below or at market rate loans while those that offer subsidies do so generally based on a project-by-project basis.<sup>6</sup>) Unlike traditional funding channels which often experience delays and bureaucratic hurdles, a SIB can streamline approval processes and expedite project delivery. Furthermore, the bank's ability to attract private capital through initial capitalization or ongoing public-private partnerships may accelerate essential infrastructure improvements, ensuring timely completion and bolstering North Carolina's capacity to meet its growing infrastructure demands.

### **Benefits for Rural and Urban Communities**

The benefits of an infrastructure bank are relevant to communities and projects in both urban and rural environments. An infrastructure bank can significantly benefit the delivery and acceleration of infrastructure projects in rural areas by addressing the unique challenges these regions face in securing financing, collateral, and investment risk mitigation. Rural areas often have limited access to capital, face lower population density, and may not generate the same level of revenue from tolls or user fees compared to urban centers, making it difficult to leverage these tools to fund necessary infrastructure improvements. An infrastructure bank can help overcome these challenges in several ways.

An infrastructure bank can provide low-interest loans or grants making it easier for local governments to access the funds they need for infrastructure projects. This is especially critical in rural areas, where funding for large projects, such as road maintenance, water systems, or broadband expansion, is often scarce. By offering more affordable financing, the bank can lower the financial burden on rural governments and make infrastructure development more feasible. Traditional funding mechanisms often involve lengthy and bureaucratic approval processes, especially for rural communities that may not have the same resources or expertise to navigate these systems.

Irrespective of the rural-urban divide, an infrastructure bank can accelerate project delivery by streamlining the approval process and providing more flexible financing structures. Many infrastructure banks work closely with applicant communities to better understand the intricacies and nuances of each project, as well as the financial position of the applicant. In urban communities where there is more potential to leverage revenue, the infrastructure bank is an efficient mechanism to channel revenues such as local match funding, sales or other tax revenue, or bond revenue to support infrastructure investment. This tailored approach does not cannibalize the funding systems in place such as the STIP or NC Clean Water State Revolving Fund but instead augments these funding streams to deliver projects more quickly and more efficiently which is essential in meeting the infrastructure needs of growing populations or in responding to emergencies such as natural disasters.

### **Scope of a SIB: Beyond Transportation**

While transportation infrastructure is a common focus of SIBs, some banks also finance critical sectors such as water systems, energy infrastructure, and public facilities. Eligible projects must meet specific criteria, often focusing on public benefit and long-term sustainability.

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<sup>6</sup> [State Infrastructure Bank Review](#). USDOT: Federal Highway Administration. (2022, February).



Michigan's Strategic Fund, part of the Michigan Economic Development Corporation, finances clean energy and water infrastructure projects, helping local governments and businesses access capital. West Virginia's Infrastructure and Jobs Development Council finances water systems, wastewater treatment, and broadband expansion, particularly in underserved areas.<sup>7</sup> Texas operates the Texas Water Development Board, which offers low-interest loans for water and wastewater projects, as well as flood control and drought mitigation. California's IBank traditionally focused on transportation but now funds projects in energy, water management, and broadband infrastructure. It provides loans and financing to both public agencies and private companies for initiatives like water treatment facilities and energy efficiency upgrades. In New York, the Environmental Facilities Corporation supports water and wastewater infrastructure projects through bonds and low-interest loans, leveraging both state and federal funds. Hawaii's Infrastructure Fund supports projects related to water, renewable energy, and broadband to enhance sustainability and resilience against natural disasters. South Dakota has utilized its financing programs to improve rural water and broadband access, while Ohio's Water Development Authority funds water and wastewater infrastructure projects with low-interest loans and grants.<sup>8</sup> These examples show that infrastructure banks can be applied across various sectors, with each state adapting its approach to meet specific regional needs and challenges.

### **The Potential Role of the SIB in Addressing Workforce Housing**

A state infrastructure bank may also play a role in addressing North Carolina's pressing workforce housing shortage by offering flexible, sustainable, and affordable financing solutions tailored specifically to housing infrastructure needs. North Carolina currently faces an anticipated housing inventory gap of more than 764,478 over the period 2024-2029. This represents a missed economic opportunity of more than \$489B if this housing demand gap was met during that same timeframe.<sup>9</sup> Similar to its investment in transportation, water, or other infrastructure sectors, by providing low-interest loans, revolving credit facilities, and targeted grants, a SIB could substantially reduce the financial burden for developers and local governments aiming to build or improve workforce housing. Additionally, a SIB's revolving loan structure ensures continuous investment in housing projects without relying heavily on new taxes or revenue streams, allowing communities to respond effectively to rising housing demand.

A state infrastructure bank may also accelerate project delivery and attract private investment through public-private partnerships, enabling larger-scale or higher-density housing developments that might otherwise be financially challenging or lack the apparent ROI in smaller urban or rural communities. By financing complementary infrastructure projects—such as roads, utilities, public transportation, broadband, and water systems—alongside workforce housing, a SIB helps reduce overall project costs and enhances feasibility. This integrated approach to infrastructure supports efficient community planning and encourages growth aligned with the demands of local industry, local employment opportunities, and may position North Carolina to better address workforce housing shortages and bolster economic competitiveness.

### **Alignment with Existing, Proven Prioritization Criteria**

A state infrastructure bank can be strategically aligned with existing infrastructure investment prioritization processes by adopting complementary criteria and funding frameworks.

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<sup>7</sup> [Policies & Procedures](#). West Virginia Infrastructure and Jobs Development Council. (2013, October).

<sup>8</sup> [Section 6121.01: Water Development Authority definitions](#). Section 6121.01 - Ohio Revised Code.

<sup>9</sup> Bowen, P. (2025, February 5). [Housing Supply Gap Analysis 2024 - State of North Carolina](#). NC Chamber Foundation



This ensures cohesion and consistency in infrastructure planning and development, as well as strengthens transparency and effectiveness. A SIB's funding application and approval process may directly align with existing frameworks by utilizing similar criteria when evaluating applications for loans or grants. In South Carolina, the state's SIB closely aligns funding decisions with established state goals and metrics for economic development potential, traffic congestion relief, safety improvements, and infrastructure condition. Projects receiving funding through the South Carolina Infrastructure Bank must demonstrate clear alignment, ensuring consistency between the bank's financial decisions and state infrastructure goals.<sup>10</sup> Beyond transportation, a state's infrastructure bank's evaluation criteria may include public health and environmental benefits, economic and community impact, affordability, resiliency, sustainability, project readiness, and local government capability. A North Carolina SIB could similarly align its loan criteria with existing non-transportation infrastructure prioritization efforts in the state such as the North Carolina Division of Water Infrastructure (DWI) assessment of the severity of water-quality problems, project readiness, affordability, and resiliency to flooding or climate variability impacts. By adopting existing evaluation criteria relevant to each infrastructure focus area, a North Carolina SIB could streamline decision-making processes, reduce redundancy, and ensure that funded projects address key statewide priorities for mobility, safety, public health, environmental protection, economic sustainability, and infrastructure resilience. A broad-scoped state infrastructure bank in North Carolina could also be leveraged to provide capital for redundancy investments, to provide capital towards water or solid waste infrastructure to remedy existing or emerging contaminants, or to nimbly fund resiliency and recovery projects involving infrastructure.

### **Establishing and Capitalizing a North Carolina SIB**

The federal framework governing state infrastructure banks (SIBs) is outlined under Title 23, U.S. Code, Section 610.1, which establishes the State Infrastructure Bank Program. Initially authorized under the Transportation Equity Act for the 21st Century (TEA-21, Section 1511) and later expanded by NHS Designation Act (Section 350), this framework permits states to create SIBs as permanent institutions providing loans, credit enhancements, and other financing instruments for infrastructure projects. New SIBs established today operate according to provisions of 23 USC 610 and the FAST Act.

Creating a SIB typically involves an initial infusion of capital from state and federal sources, and potentially private investments. Common state funding streams include general funds or dedicated transportation trust funds, while federal contributions frequently originate from programs such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) or the Infrastructure Investment and Jobs Act (IIJA). Initial capitalization for SIBs range from \$10 million to \$100 million, although some states like Texas and California have invested more substantial sums (\$200 million and \$500 million respectively). California financed its initial investment through bond offerings. Auxiliary costs such as administrative, staffing, and legal expenses are also relevant to consider ensuring regulatory compliance, program marketing, and effective management.

To establish and implement a state infrastructure bank in North Carolina, the state would need to establish a clear legal and policy framework through new or amended legislation aligned with 23 USC Section 610. This legislation would define the bank's governance structure, operational scope, eligible projects—clearly articulating applicable infrastructure verticals such as

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<sup>10</sup> [South Carolina Transportation Infrastructure Bank](#). South Carolina Transportation Infrastructure Bank.



transportation, water systems, energy infrastructure, and broadband networks—as well as loan parameters and terms. Establishing transparent project prioritization criteria and risk-sharing policies aligned with existing infrastructure project prioritization criteria and the state’s infrastructure goals is also strongly recommended as a best practice.

Initial capitalization can draw from various sources including state transportation trust funds, federal programs such as IIJA or TIFIA, existing revenue-generating infrastructure projects (e.g., toll collections or dedicated taxes), general obligation or revenue bond issuances, dedicated usage or registration fees, or private capital. Public-private partnerships represent a particularly promising mechanism allowing private investors to contribute funds in exchange for investment returns through loan interest payments, revenue-sharing agreements, or participation in project-generated income streams. The role of the private sector in enabling the success and sustainability of a state infrastructure bank should not be overlooked. Such partnerships may provide competitive returns for private investors, reduce overall infrastructure investment risk profiles, and help to finance public infrastructure projects efficiently. Ultimately, establishing a self-sustaining SIB would position North Carolina to address its growing infrastructure demands proactively, efficiently financing vital projects while attracting stable, long-term private investment.

### **The Role of Private Capital and Investment in the Infrastructure Bank Model**

Several examples illustrate how private investment can help capitalize state infrastructure banks, yielding returns that vary depending on project specifics and financing structures. The Texas State Infrastructure Bank (TxSIB), founded in 1997, uses low-interest loans and credit enhancements to encourage private sector participation in transportation infrastructure through public-private partnerships (PPPs). Private investors involved in large Texas toll road projects can achieve returns ranging from 6% to 10%, depending upon toll revenue and traffic demand. Virginia’s Transportation Infrastructure Bank (VTIB) also leverages PPPs and toll-backed bonds to attract private investment. Investors in projects such as the Dulles Greenway toll road typically see annual returns between 8% and 12%, contingent on traffic growth and toll revenue. California’s Infrastructure and Economic Development Bank (IBank), established in 1994, has attracted private investment primarily through project-specific loans and bonds, especially in transportation. Private investors participating in California’s toll-based infrastructure projects typically realize annual returns between 5% and 8%, influenced by traffic volume and project performance.

The rate of return for private investors in SIB-financed infrastructure varies widely, driven by factors including risk profile, financing structure, and contractual terms. Transportation projects that generate direct revenue streams, such as toll roads, typically offer returns of 5% to 12% annually. Lower-risk infrastructure investments, like utility systems, usually yield more modest returns, while higher-risk, growth-oriented projects can provide higher returns. According to capital investment analytics firm *Prequin Infrastructure Reports*, typical returns for private investors in water/wastewater infrastructure ranges from 7% to 12% annually depending on risk, location, the user-fee structure and contract terms.<sup>11</sup> In Bayonne, New Jersey investment firm KKR partnered with United Water to upgrade and operate municipal water and wastewater systems providing capital for system improvements and thereafter assuming operational responsibility while earning user fees. This example, although demonstrating a direct investment, supports the business case for private capital investment in infrastructure while the SIB model will further reduce risks, and offers more direct control over the regulatory framework applied.

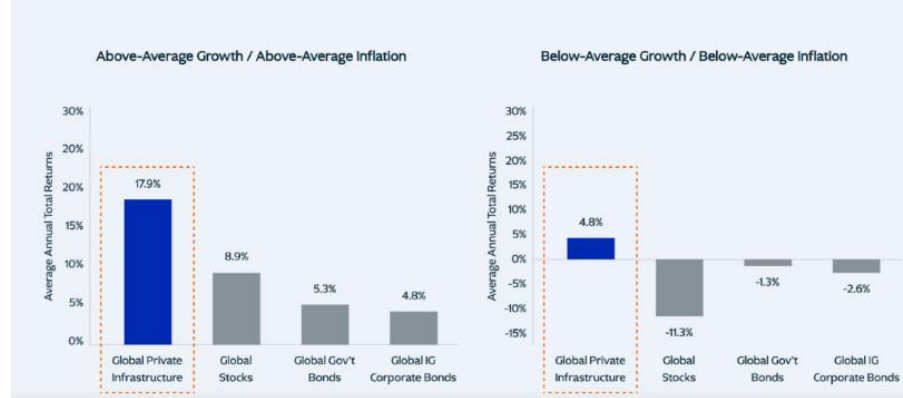
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<sup>11</sup> [Alternative assets data, solutions and insights](#). Prequin News. (2025, January 15).



The SIB model and PPPs also offer diversification away from traditional financial markets and may also yield predictable cash flows, providing investors and private capital with a hedge against market volatility.

Inflation-linked cash flows have allowed private infrastructure historically to outperform during periods of elevated inflation.



For private capital investors, the state infrastructure bank may serve as an effective hedge against inflation. According to KKR, “Private infrastructure provides a few layers of protection against inflation and volatility. First, like all real assets, infrastructure has a tangible underlying

asset. Physical assets typically retain their value or even appreciate during periods of high inflation. That’s particularly true of infrastructure because the assets supporting water to homes, power to stores, and internet service for families are essential for any economy to operate and tend to have extremely high barriers to entry, often in the form of government regulation.”<sup>12</sup> The firm’s significant investment in infrastructure funds, both domestic and global, highlights the potential of private capital in addressing this complex challenge for North Carolina. Infrastructure contracts usually include contractual protections against inflation or indexed adjustments. This is especially the case for regulated assets, too. Ultimately, returns depend on both project performance and contractual agreements with state entities, which often link financial outcomes to project milestones and long-term operational metrics.

For some institutional investors, the SIB model and broad infrastructure investments may offer direct social and economic benefits, aligning investors with projects that provide essential public services, stimulate local Gov economies, and enhance quality of life, thus meeting ESG (Environmental, Social, and Governance) investment objectives when relevant.

### Challenges to Establishing a SIB

While SIBs provide significant benefits—such as improved funding access, reducing the risk profile of infrastructure investments, and faster project completion, there are some challenges inherent to any funding mechanism including financial risks and regulatory hurdles. While SIBs can reduce the need for immediate funding, they may lead to long-term debt liabilities. States must manage this debt carefully to avoid overwhelming future budgets. Management and oversight of a SIB can also be challenging given the complexity and significant regulatory need profile. Establishing and operating a SIB requires dedicated administrative expertise. States need to navigate complex financial, legal, and regulatory frameworks to ensure the bank’s sustainability and accountability. Despite these potential issues, establishing a state infrastructure bank would be an important step towards securing North Carolina’s continued sustainable economic growth and meeting the infrastructure demands of the future.

<sup>12</sup> Agrawal, R., & Workman, P. (2024, March 18). [How to think about private infrastructure as inflation finds its resting point](#). KKR.



## Conclusion

North Carolina faces significant infrastructure challenges driven by rapid population growth, expanding industries, and rising demands on infrastructure including transportation, energy, and water systems. Current federal and state funding, while essential, often falls short or proves unreliable for meeting these needs. Traditional funding programs, such as the State Transportation Improvement Program and the NC Clean Water Revolving Fund, are increasingly constrained by declining revenue streams, increasing requests for support, inflation, escalating construction costs, and limitations on Public-Private Partnerships. Establishing a state infrastructure bank in North Carolina could effectively address these challenges and provide communities and local governments across the state with flexible, competitive, long-term financing, streamline project delivery, and leverage private investment to ensure the timely completion of critical infrastructure projects. By recycling funds through affordable loans and grants, a SIB reduces dependency on new taxes, funding revenue, or federal sources. Attracting private capital via PPPs or the through capitalization phase further accelerates infrastructure development across all relevant infrastructure sectors. A state infrastructure bank would significantly benefit both urban and rural areas by removing financial barriers, offering affordable financing options, and speeding up project approvals. This would enable underserved communities to overcome management limitations or project complexity and upgrade infrastructure, enhance quality of life, and contribute to statewide economic growth and competitiveness.

As North Carolina continues attracting investments in manufacturing, advanced technology, life sciences, and energy sectors, a SIB could expedite the infrastructure needed to support these industries directly. Accelerated development of industrial parks, logistics hubs, and transportation corridors would facilitate efficient business operations and growth. Infrastructure financed through a SIB would also strengthen supply chain connectivity, reduce transportation costs, improve network resiliency, and bolster North Carolina's competitive edge. Ultimately, robust infrastructure is critical for attracting investment and sustaining industry and commercial growth. Enhanced roads, bridges, energy networks, water and wastewater systems, solid waste, and broadband access would enable businesses to operate efficiently, attract skilled workers, and expand further to serve global markets. Adopting the SIB model positions North Carolina to ensure timely and efficient delivery of resilient infrastructure, foster continued economic growth, and ensure the state remains a top destination to live, work, and do business in the coming decades.

