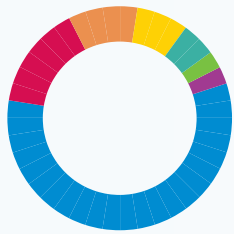
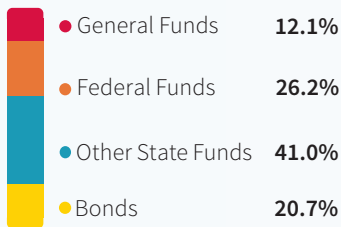


Capital Expenditures by
Function, FY 2024



● Transportation	63.5%
● All Other	14.8%
● Higher Education	9.4%
● Environmental	5.8%
● K-12	2.8%
● Housing	2.1%
● Corrections	1.6%

Capital Expenditures by
Fund Source, FY 2024



Capital Expenditure
Spending Changes

State Funds

2023	+22.3%	▲
2024	+21.6%	▲

Federal Funds

2023	+21.3%	▲
2024	+13.7%	▲

Total Funds

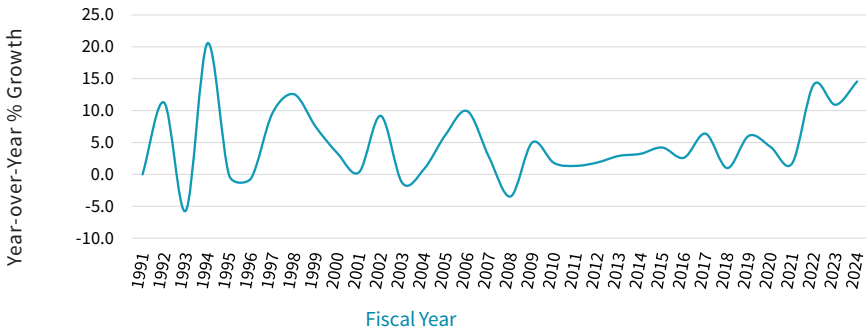
2023	+10.9%	▲
2024	+14.6%	▲

CAPITAL EXPENDITURES

Trends

States' capital spending increased 14.6 percent in fiscal 2024, following a 10.9 percent increase in fiscal 2023 and 14.1 percent growth in fiscal 2022. The fiscal 2024 growth rate is the highest annual figure since 1994. The strong growth in capital expenditures in recent years has been driven by gains in both state and federal funds. The increase in states' own spending on capital has resulted from an emphasis on meeting growing infrastructure demands, while at the same time being able to direct one-time spending resulting from recent revenue surpluses towards capital spending. Regarding federal funds, states have been able to allocate funding from both the *American Rescue Plan Act* (ARPA) and the *Infrastructure Investment and Jobs Act* (IIJA). Under ARPA, states and localities are permitted to use federal funding for investments in infrastructure, including water, sewer, and broadband services. IIJA includes significant new spending for roads, bridges, rail, transit, the electric grid, water systems, and broadband.

Capital Spending Grew at Fastest Rate in 30 Years



Facts About Spending

- Capital expenditures are made for new construction, infrastructure, major repairs and improvements, land purchases, and the acquisition of major equipment and existing structures. Minor repairs and routine maintenance are reported as operating expenses. The nature of capital spending often includes multi-year construction timetables and unforeseen or delayed project costs, which explains why state specific spending on capital projects can fluctuate from year-to-year.
- Nearly 80 percent of state spending on capital projects is on a pay-go, or cash basis, while the remainder is from debt financing. States primarily use dedicated sources like the transportation fund, higher education tuition and fees, set-aside funding for capital projects, federal funds, and fund surpluses to finance capital spending. State cash sources represent 53.1 percent of capital spending in fiscal 2024, federal funds are 26.2 percent, and bonds are 20.7 percent.
- The share of capital spending from debt financing, or bonds, has been on a downward trend since fiscal 2011.

CAPITAL EXPENDITURES

Facts About Spending

- **Transportation**, the largest category of state capital expenditures at 63.5 percent, increased 22.6 percent in fiscal 2024. Since 2010, transportation capital spending has increased by an annual average of 6.3 percent, reflecting states' efforts at addressing both the maintenance and expansion of its transportation systems with tax and revenue actions to raise funds.
- **Higher education** is the second largest category of state capital expenditures, representing 9.4 percent. Although capital spending on higher education increased 6.5 percent in fiscal 2024, the share of total capital spending from higher education has been trending downward from a peak of 15.2 percent in fiscal 2009.
- State spending for **environmental** purposes declined 10.0 percent in fiscal 2024. Environmental capital spending, representing 5.8 percent of state capital expenditures, may include projects for environmental cleanup, drinking water, clean water, air quality, hazardous waste management, and river revitalization.
- States vary greatly in the extent they provide capital funds for **elementary and secondary education**, with 24 states either fully or partially excluding capital expenditures from K–12 spending. In many states, funding provided for schools includes amounts eligible for local capital spending or debt service participation subsidies for local school bonds. In fiscal 2024, elementary and secondary education capital spending increased 15.0 percent, and represents 2.8 percent of overall capital spending.
- **Housing** capital expenditures account for just 2.1 percent of total fiscal 2024 capital spending. Housing capital spending increased by 30.5 percent in fiscal 2024, largely due to increases in a few states. About 25 percent of states report capital spending for housing.
- **Corrections** capital spending increased 2.4 percent in fiscal 2024, accounting for only 1.6 percent of total state capital expenditures. Capital spending for corrections often fluctuates from year-to-year due to major institutional construction and renovation projects.
- State spending for **“all other”** purposes increased 1.3 percent in fiscal 2024 and represents 14.8 percent of overall capital expenditures. Examples of capital expenditures in the “all other” category may include items such as behavioral health and hospital facilities, parks and tourism, large information technology systems, other state facilities, community and economic development projects, and other criminal justice facilities.

ⁱ American Association of State Highway and Transportation Officials (2022), *Transportation Governance and Finance*