AIAI

Association for the Improvement of American Infrastructure

*Together, we move P3s forward.*

# The difference between **Funding and Financing.**

**FACT:** P3s increase private capital investment in U.S. public infrastructure. P3s combine government funding with private capital and financing to deliver projects faster, on budget, and at less risk to taxpayers.

## WHAT IS FUNDING?

**Simply stated:** the public's money (your tax dollars, user fees, other charges).

Traditionally, elected leaders fund an infrastructure project's construction directly with public funds. Generally, the project's construction is dependent on the availability of the public funds in the public sector's capital plan, which often causes significant delays in the implementation of the project.

Examples: schools, courthouses, transit, airports, roads, bridges and waterworks.

## WHAT IS FINANCING?

P3s help infrastructure projects get built faster. This is because private investors fill in the gaps of public funding with private capital. This is known as financing. Private investors are repaid only if a project is built and operated as contractually required by the government, protecting taxpayers and ensuring long-term stewardship of the asset.

**Typical sources include:**

- Debt (bank financing, municipal bonds)
- Equity (private capital investments from institutional investors like life insurance companies and union pension funds)

**Private Sector Investment leads to:**

- Optimized life-cycle costs
- Appropriate allocation of risks
- Integrated, outcome-based, performance-driven planning

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