NCSL Energy, Transportation, and Agriculture - Standing Committee
NCSL Spring Forum (May 2-4, 2013) Report
Representative John Davis, Vice-Chair

Takeaway #1: the National and State Funding Needs are Great

- Infrastructure Report Card - http://www.infrastructurereportcard.org/
- Aviation - If current federal funding levels are maintained, the FAA anticipates that the cost of congestion and delays to the economy will rise from $34 billion in 2020 to $63 billion by 2040. Aviation again earned a D.
- Bridges - The challenge for federal, state, and local governments is to increase bridge investments by $8 billion annually to address the identified $76 billion in needs for deficient bridges across the United States. However, with the overall number of structurally deficient bridges continuing to trend downward, the grade improved to C+.
- Inland waterways received a D- grade once again as conditions remain poor and investment levels remain stagnant.
- Ports: This new category for 2013 debuted with a grade of C. The U.S. Army Corps of Engineers estimates that more than 95% (by volume) of overseas trade produced or consumed by the United States moves through our ports.
- Rail: Since 2009, capital investment from both freight and passenger railroads has exceeded $75 billion, actually increasing investment during the recession when materials prices were lower and trains ran less frequently. With high ridership and greater investment in the system, the grade for rail saw the largest improvement, moving up to a C+ in 2013.
Roads: Targeted efforts to improve conditions and significant reductions in highway fatalities resulted in a slight improvement in the roads grade to a D this year. However, forty-two percent of America's major urban highways remain congested, costing the economy an estimated $101 billion in wasted time and fuel annually. While the conditions have improved in the near term, and federal, state, and local capital investments increased to $91 billion annually, that level of investment is insufficient and still projected to result in a decline in conditions and performance in the long term. Currently, the Federal Highway Administration estimates that $170 billion in capital investment would be needed on an annual basis to significantly improve conditions and performance.
- Transit: The grade for transit remained at a D as transit agencies struggled to balance increasing ridership with declining funding.

Takeaway #2: Public Private Partnerships are the wave of the past, and the wave of the future.

http://www.ncppp.org

Public-Private Partnerships Defined

A Public-Private Partnership (PPP) is a contractual agreement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.

“If you’ve seen one PPP, you have seen one PPP” - each one is different!

- NOT privitazation

•Over 300 years of experience in the US - First ones for transportation and water

•More widely used in other countries - Europe, Asia, Latin America, etc.

Advantages of PPP

§Maximizes the use of each sector’s strength

§Reduces development risk

§Reduces public capital investment

§Mobilizes excess or underutilized assets

§Improves efficiencies/quicker completion

§Better environmental compliance

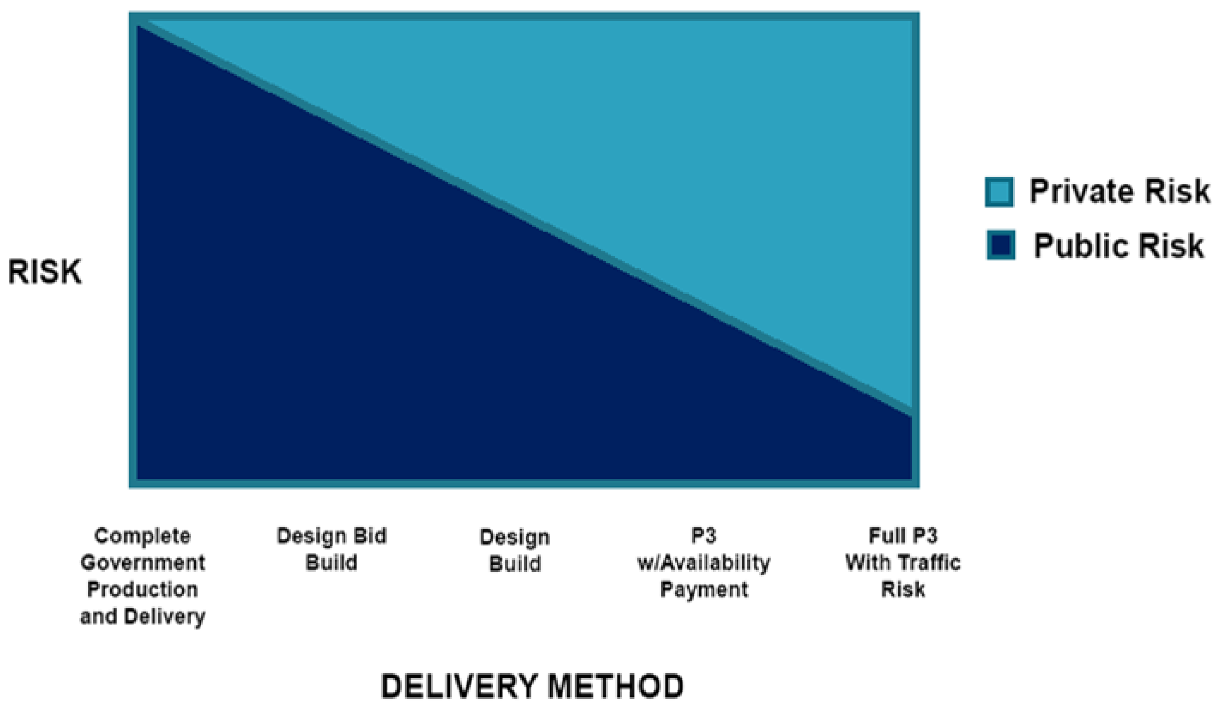
§Improves service to the community

§Improves cost effectiveness

§Shares resources

§Shares/allocates risks

§Mutual rewards



7 Keys to Successful PPPs

The following are to be considered "best practices" in the development of Public-Private Partnerships (PPPs). It is recognized that the methodology for implementation of PPPs can vary, depending on the nature of a given project and local concerns. Given this, it is the position of the NCPPP that these are "best practices":

1) PUBLIC SECTOR CHAMPION: Recognized public figures should serve as the spokespersons and advocates for the project and the use of a PPP. Well-informed champions can play a critical role in minimizing misperceptions about the value to the public of an effectively developed PPP.
2) STATUTORY ENVIRONMENT: There should be a statutory foundation for the implementation of each partnership. Transparency and a competitive proposal process should be delineated in this statute. However, unsolicited proposals can be a positive catalyst for initiating creative, innovative approaches to addressing specific public sector needs.
3) PUBLIC SECTOR'S ORGANIZED STRUCTURE: The public sector should have a dedicated team for PPP projects or programs. This unit should be involved from conceptualization to negotiation, through final monitoring of the execution of the partnership. This unit should develop Requests For Proposals (RFPs) that include performance goals, not design specifications. Consideration of proposals should be based on best value, not lowest prices. Thorough, inclusive Value for Money (VfM) calculations provide a powerful tool for evaluating overall economic value.
4) DETAILED CONTRACT (BUSINESS PLAN): A PPP is a contractual relationship between the public and private sectors for the execution of a project or service. This contract should include a detailed description of the responsibilities, risks and benefits of both the public and private partners. Such an agreement will increase the probability of success of the partnership. Realizing that all contingencies cannot be foreseen, a good contract will include a clearly defined method of dispute resolution.
5) CLEARLY DEFINED REVENUE STREAM: While the private partner may provide a portion or all of the funding for capital improvements, there must be an identifiable revenue stream sufficient to retire this investment and provide an acceptable rate of return over the term of the partnership. The income stream can be generated by a variety and combination of sources (fees, tolls, availability payments, shadow tolls, tax increment financing, commercial use of underutilized assets or a wide range of additional options), but must be reasonably assured for the length of the partnership's investment period.
6) STAKEHOLDER SUPPORT: More people will be affected by a partnership than just the public officials and the private sector partner. Affected employees, the portions of the public receiving the service, the

press, appropriate labor unions and relevant interest groups will all have opinions, and may have misconceptions about a partnership and its value to all the public. It is important to communicate openly and candidly with these stakeholders to minimize potential resistance to establishing a partnership.
7) PICK YOUR PARTNER CAREFULLY: The “best value” (not always lowest price) in a partnership is critical in maintaining the long-term relationship that is central to a successful partnership. A candidate’s experience in the specific area of partnerships being considered is an important factor in identifying the right partner. Equally, the financial capacity of the private partner should be considered in the final selection process.

Takeaway #: There Are No Magic Bullets for Transportation Funding

- No magic bullets - the dispute are loud, difficult, vicious, and often partisan.
- What should be tried first? A case study of Virginia

- **Public-Private Partnerships -** Virginia’s Public-Private Transportation Act had been utilized to develop more than $8.1 billion in transportation infrastructure over the past 5 years. Almost $3.0 billion in PPTA projects in 2012 alone.

- Tolls -Proposed both for new capacity, often as share of costs of PPTAs, and increasingly, for the maintenance of existing assets.

- **DOT Reform -** Governor McDonnell, as with preceding administrations, conducted a series of financial and performance audits of VDOT prior to seeking additional funding.

- **Use of Bonds/Debt**-Programs adopted to leverage state cash for bonds within existing debt capacity limits and to utilize federal bond programs (FRANs and GARVEEs).

What was done in Virginia?

Replace Cents Per Gallon at Pump (gasoline and diesel)
3.5% tax at rack on gasoline (wholesale price)
6% tax at rack on diesel (wholesale price)
$64 Registration Fee for Alt. Fuel Vehicles
Increase titling tax from 3.0% to 4.15%
Increase General Sales and Use Tax 0.3% (increase in general fund allocation to transportation)

What are funding options used in other states?

- Fuel taxes, sales taxes on gas/diesel, car sales taxes, car rental taxes, vehicle weight fees, traffic camera fees, tolls, general funds, interest income, lottery, right-of-way and logo signing, service concessions, impact fees, and fees, fees, fees!