

Public-Private Partnerships

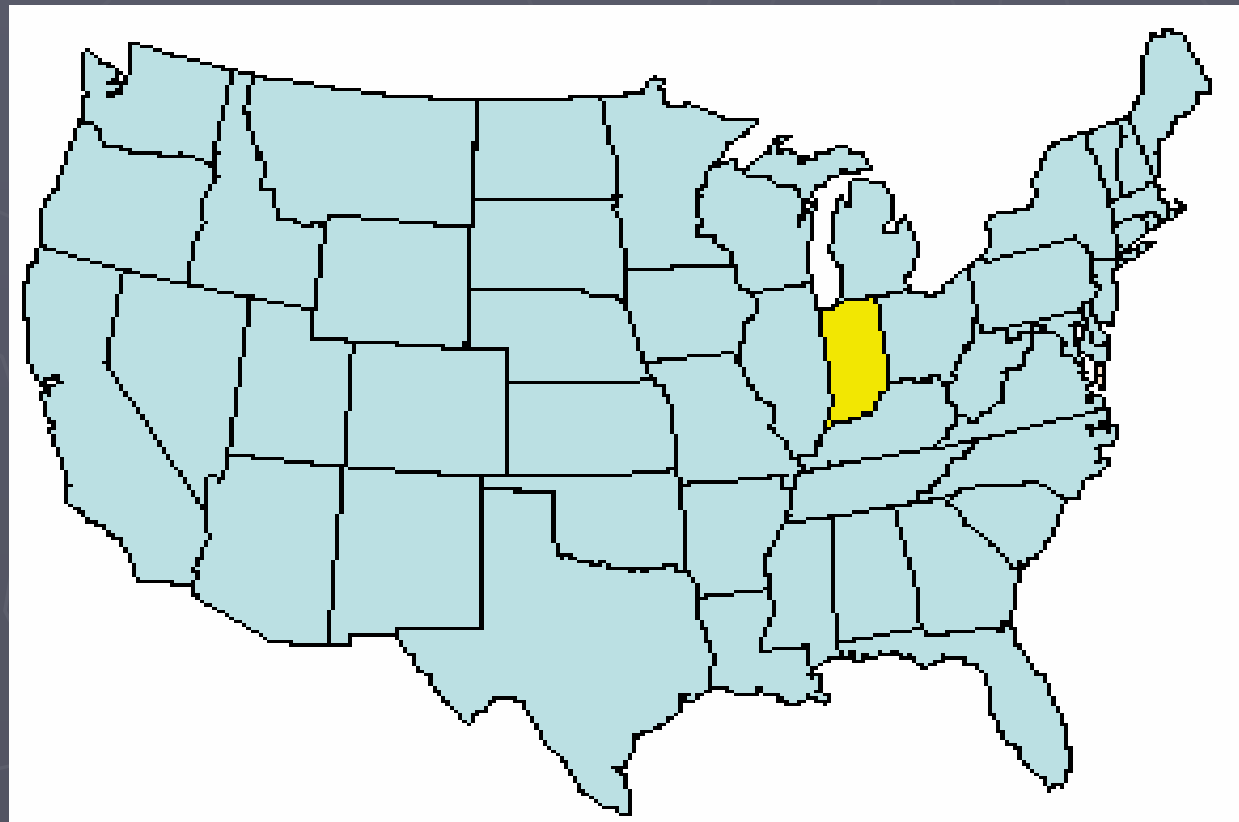


Indiana's P3 Program: Major Moves and a \$3.85 B Lease –
over \$166M earned in interest and counting...

Rep. Randy Borrer
Indiana General
Assembly

1-800-382-9841

randy.borrer@starfinancial.com



Why We Invest in Roads...



Transportation, Distribution, and Logistics



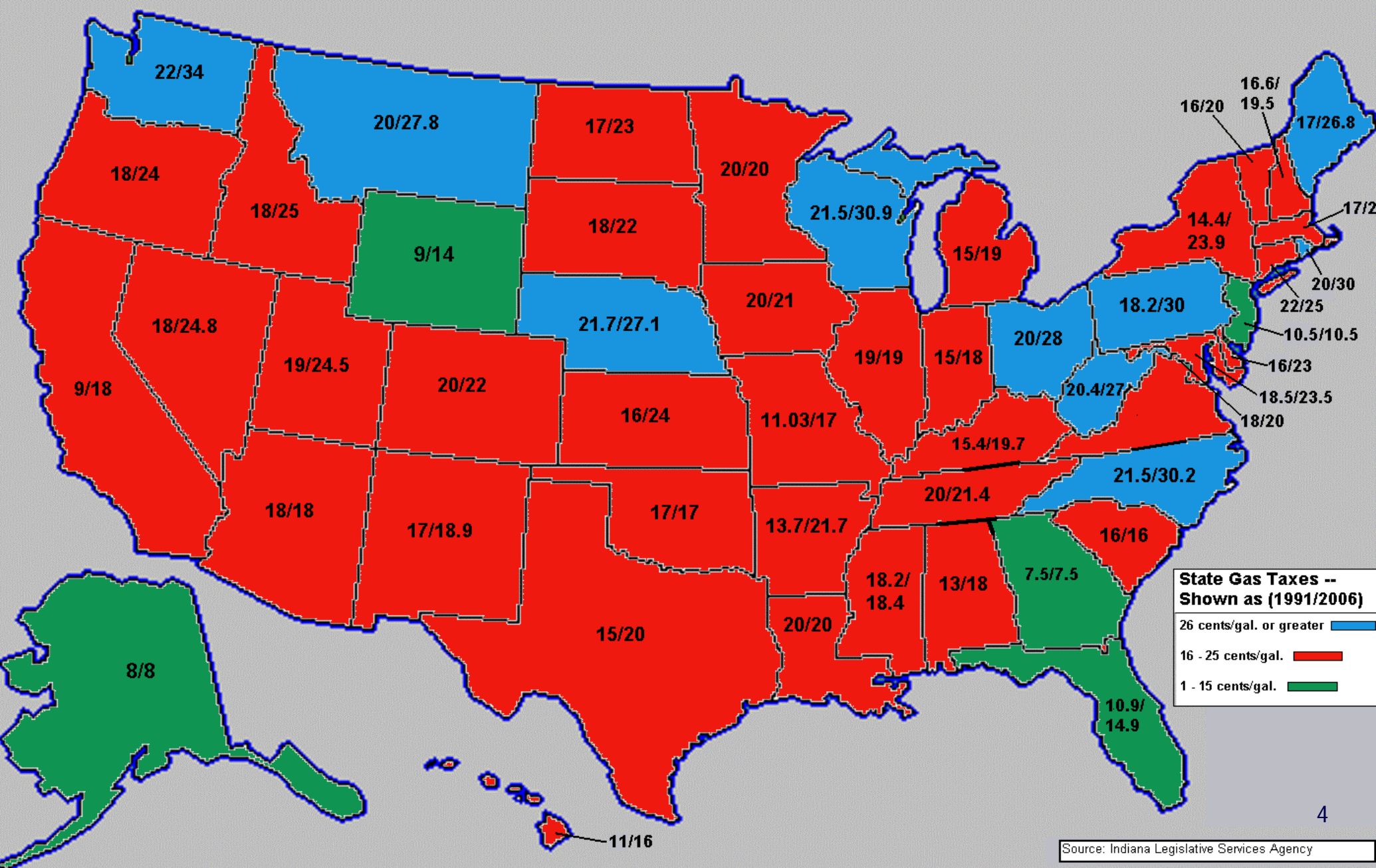
A Major Cause of Unfunded Transportation Budgets – Gas Taxes

Federal

- ▶ Since 1932, when the Federal gas tax was implemented, the gas tax has risen only 17.4 ¢/gallon (from 1¢ to the current 18.4¢).
 - Before 1983, 100% of these funds were dedicated to highways. Since then, it has ranged from 54% to 89%, with the rest being shared by the General Fund and Mass Transit Account.

State Gas Taxes

State Gas Taxes – Shown as 1991/2006 (cents/gal.)



State Gas Taxes -- Shown as (1991/2006)

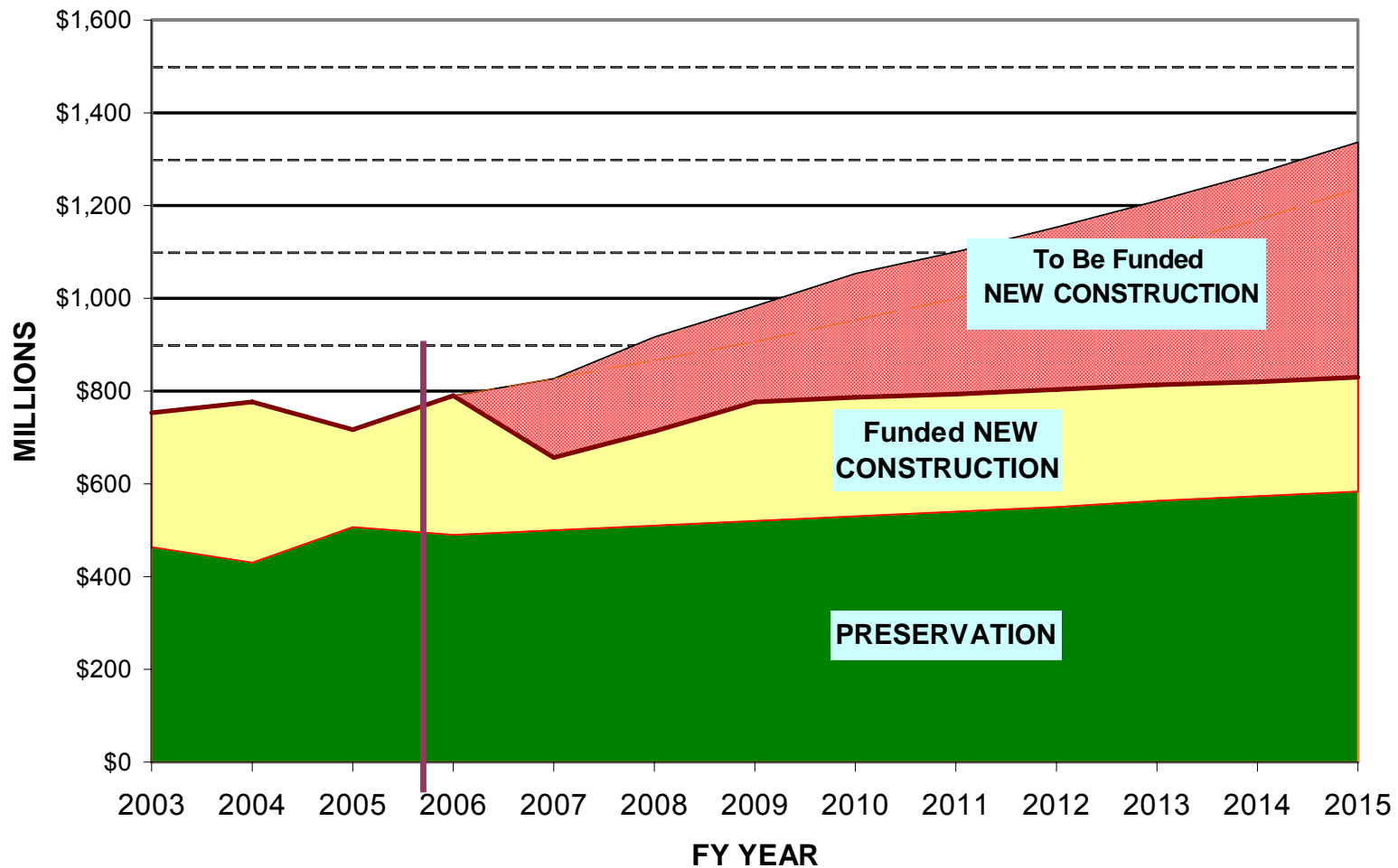
- 26 cents/gal. or greater █
- 16 - 25 cents/gal. █
- 1 - 15 cents/gal. █



The Budget Gap



MAJOR MOVES: 10-Year INDOT Highway Funding Plan 2006 to 2015

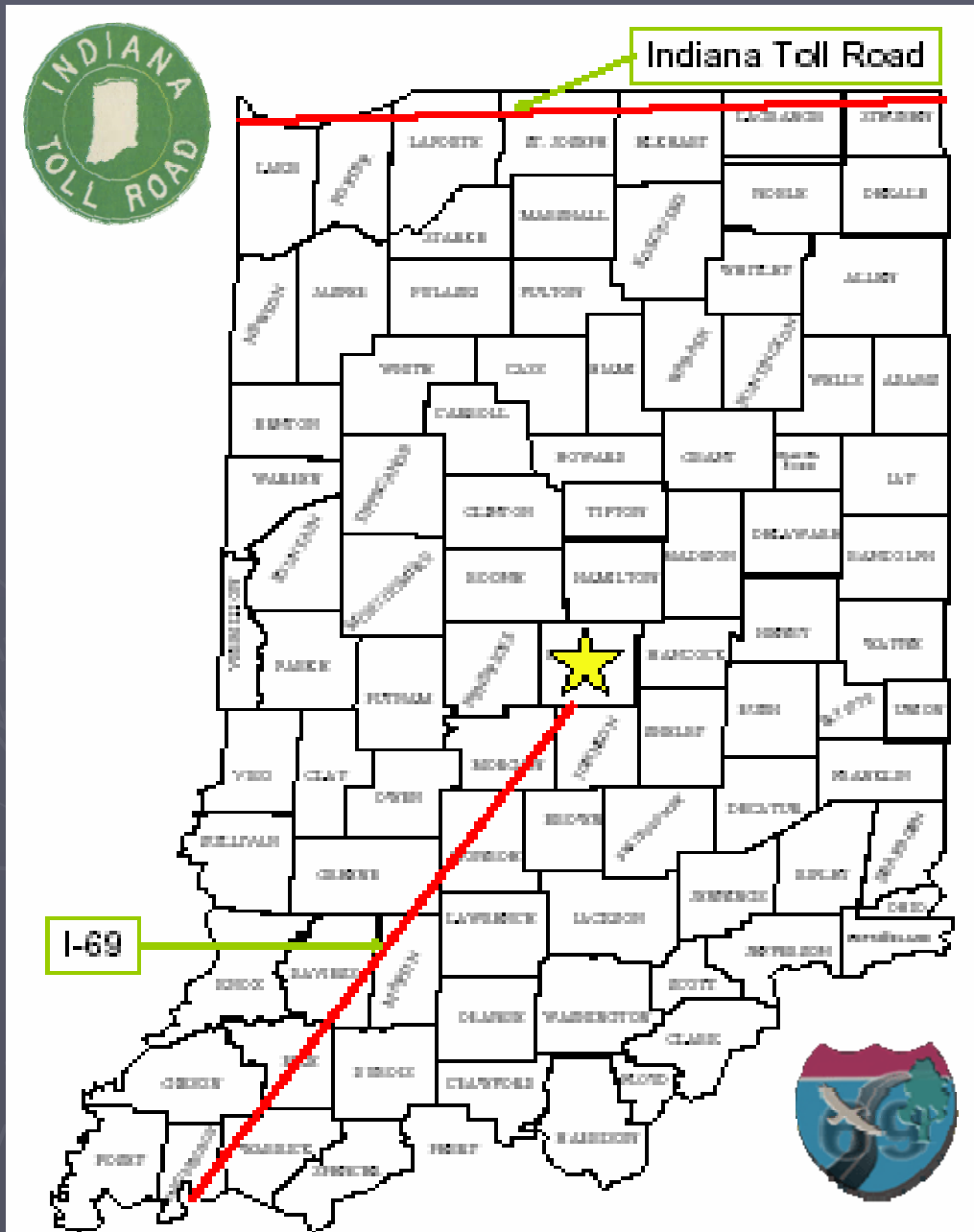


Options to Fund the Shortfall:



- ▶ Increase the gas tax
- ▶ Restructure existing debt
- ▶ Issue more bonds
- ▶ Implement other non-road taxes
- ▶ Use General Funds
- ▶ Implement development fees
- ▶ None of these were feasible nor desirable

The Law



Two components of the introduced bill:

- ▶ The lease of the Indiana Toll Road
 - The Indiana Toll Road was a liability to the state – it didn't break even for a number of years.
 - The Toll Road was run with many inefficiencies.
- ▶ The I-69 P3 Authority
 - The completion of I-69 has been discussed in Indiana since the 1940's.
 - The current \$2 B price tag is prohibitive to its completion.



The Issues

- ▶ “Sale” of Indiana highway
- ▶ Length of lease
- ▶ Value of bid
- ▶ Interest of “foreigners” in deal
- ▶ Tolling and route for the new I-69
- ▶ Why not just bond?
- ▶ Political

The emotional tenor of the debate on these issues cannot be captured in writing.



Potential P3s Across the US

► Texas:

- Needs \$80 B for highway funding over the next 20 years.
- The Legislature and the Administration are seeking major funding for two major highway projects: the Trans-Texas Corridor and State Highway 121.
- In April, the Legislature voted in favor of a 2-year moratorium on toll road P3s.

► Georgia:

- Needs \$74 B for highway funding over the next 30 years.
- Considering raising the state sales tax by 1% for 10 years for a Transportation Trust Fund, raising \$22 B.
- Considering several P3s in/around Atlanta to relieve traffic congestion.



Potential P3s Across the US

▶ New Jersey:

- Considering leasing part of the New Jersey Turnpike and the Garden State Expressway.
- Lease revenue would be used to fulfill the state's \$23.6 B unfunded pension liability.

▶ Chicago:

- Considering leasing the Midway Airport – estimated at \$3 B.

▶ Pennsylvania:

- Considering a lease of the 537 mile-long PA Turnpike estimated at \$30 B.