Public-Private Partnerships

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

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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.
The Budget Gap

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

FY YEAR

MILLIONS

To Be Funded
NEW CONSTRUCTION

Funded NEW
CONSTRUCTION

PRESERVATION

$0

$200

$400

$600

$800

$1,000

$1,200

$1,400

$1,600

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.