
Public-Private Investment Models for Roadway Infrastructure

Executive Summary, Final Report

Greater demands are being placed on the Texas transportation network to accommodate increases in population, personal travel, and shipping activity. Transportation investments, however, have not kept pace with those demands. This is especially the case in Texas' largest cities, where traffic delays have increased by more than 500 percent in the past 20 years. Given that Texas' population is expected to increase by some 18 million people by 2040, the challenge is clear: new and innovative approaches are needed to sustain the state's transportation network.

Public-private partnerships (P3s) offer a potential solution to funding certain transportation infrastructure development and maintenance needs. In this solution, public agencies contract with private companies to finance, construct, operate, and maintain a public facility or system (e.g., a public toll road). Ultimately, the goal of such partnerships is to serve the public interest while securing new funding or financing sources, and alternative delivery mechanisms.

For the past decade, Texas has used P3s to deliver highway improvements. The state has created an enabling legislative framework and pioneered P3s, even serving as a model for other states. This report examines recent Texas legislation related to P3s and looks at how other agencies around the nation and in Canada are using P3s to make observations for improving their application in Texas. The report also describes the characteristics of transportation P3s, outlines potential P3 benefits and concerns to consider, and describes conditions necessary for successful public-private transportation partnerships. The researchers found that effective P3 programs rely on these factors for their success:

- **Enabling Legislation:** Enabling legislation with clearly delineated authority for the managing agency and transparent processes send a signal to the private sector that the state is open to pursuing a P3.
 - **Project Selection and Institutional Capacity:** States with clearly established P3 project priorities and a clear mechanism for project selection can move forward with P3 projects more quickly and effectively than states without them.
 - **Transparency:** To garner and maintain public support of long-term concession agreements, transparency in the process is necessary.
 - **Economic Environment:** Favorable economic conditions conducive to investment—from economic viability to appropriate risk allocation—are necessary to attract investment and create public support for a given project.
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- **Administrative Practices:** A sponsoring agency's ability to pick and prioritize its projects facilitates effective implementation. Project champions can be key in moving a project forward by focusing on benefits and reducing confusion when it arises.

Researchers also identified three primary strategies for enhancing the benefits derived from P3s:

1. **Create an Information Exchange.** Improving access to information for all concerned promotes transparency and facilitates communication among partners. An information exchange can also promote awareness of P3s, assist in understanding their complexities, and help outline ways to both manage technically complex projects and mitigate risks.
2. **Create a Technological Toolbox.** Complementing the information exchange, the toolbox provides access to online resources used by a wide array of partners to implement, evaluate, and monitor projects. Building off work that the Texas Department of Transportation has already prepared, these resources can also promote greater awareness and transparency for important factors concerning public-private partnerships.
3. **Establish an Advanced Technical Support Team.** Establishing a team of P3 finance/contracting experts can facilitate P3 success. With its expertise, this team can identify and prioritize which projects can be successfully funded via P3 strategies. These experts could also make suggestions for making less-promising projects more appropriate for future P3 consideration.

As a model for other states, Texas already has the policy foundation in place to continue using P3s for transportation projects. A best practices review suggests that building on this solid foundation will require the implementation of timely and specific information, tools, and technical assistance.