San Joaquin Council of Governments

PUBLIC-PRIVATE PARTNERSHIPS

Innovative Financing: A National Priority

Innovative financing mechanisms, particularly public-private partnerships ("P3s"), are at the forefront of the national discussion on infrastructure advancements. P3 projects involve private financing and the sharing of a project's risks and rewards beyond the construction phase between public and private partners. The overarching premise supporting the development of projects under a P3 approach is that public infrastructure projects can benefit from the private sector's involvement in terms of innovation, efficiency, and best practices for design, construction, operation, and maintenance.

The White House has said that public-private partnerships will be the "cornerstone" of the President's infrastructure plan. President Trump has already convened various groups of industry executives to discuss their firsthand experiences working with the federal government as his administration develops its infrastructure plan. Transportation Secretary Elaine Chao and National Economic Council Director Gary Cohn led a working group on infrastructure in which some chief executives advocated for increasing the federal tax on gasoline to fund new investments in roads, railroads, bridges and other projects.

Congress, too, has expressed strong interest in prioritizing public-private partnerships as key components of a major infrastructure package. House Committee on Transportation and Infrastructure Chairman Bill Shuster (R-PA) has characterized public-private partnerships as an important "tool in the toolbox" when it comes to capitalizing on the current window of opportunity to restore and reinvest in the nation's infrastructure. Although the cancelled vote on the American Health Care Act may shift the schedule of legislative priorities, Chairman Shuster has said that Congress will "put together a big infrastructure package" in the "second 100 days" of the Trump Presidency.

How P3s and other Innovative Financing Tools May Work for San Joaquin County

As a small urbanized area, San Joaquin County has not been able to benefit from the TIFIA or RIFF programs nor have we been able to utilize public-private partnerships and other innovative financing mechanisms. However, with a greater focus on P3s, we believe the County will have an opportunity to offer guidance to the Administration and Congress on potential changes that could work for the County. Similar to some of the concerns we have raised in previous years, Senator John Thune (R-SD), Chairman of the Senate Committee on Commerce, Science, and Transportation has said, "Compared to rural areas, high population density urban areas may be conducive to a more diverse range of financing options, including public-private partnerships, so-called P3s."

Members of Congress from rural areas like Chairman of the Senate Environment and Public Works Committee John Barasso (R-WY) have expressed concern that P3s are not as viable in their communities as they are in higher-density areas. The primary concern is that P3s favor urban areas over rural ones because investors would only be attracted to projects that can recoup their own investment costs through some of sort of revenue stream like user fees or toll ways. Those types of projects tend to be concentrated in more populous areas with higher traffic.

The Administration is currently collecting data from local governments to determine barriers for use of innovative financing. Now is the time to share our concerns with the Administration and Congress and provide guidance on how the programs could be better structured in a potential infrastructure package.