

THE
PEW
CHARITABLE TRUSTS

Driven by Dollars:
*What States Should Know When
Considering Public-Private
Partnerships*

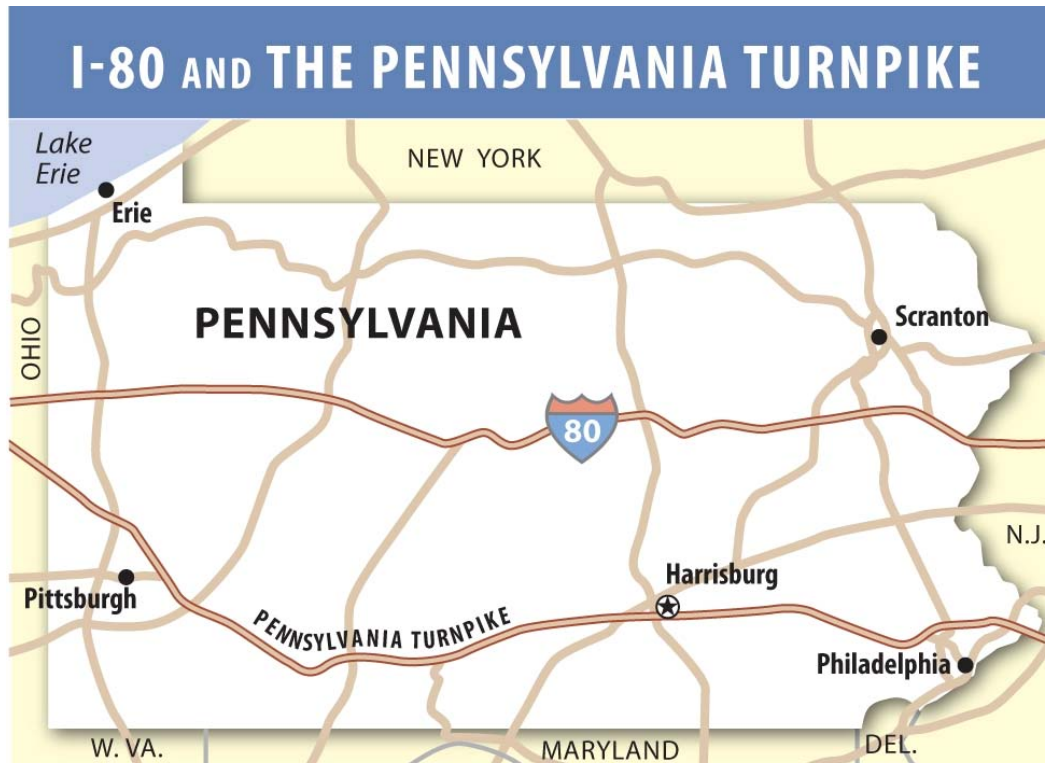
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April 23, 2009

Where We're Headed

- Infrastructure funding overview
- Why Pennsylvania?
- The Pennsylvania Story
- Our findings
- Takeaway lessons

Why Pennsylvania?

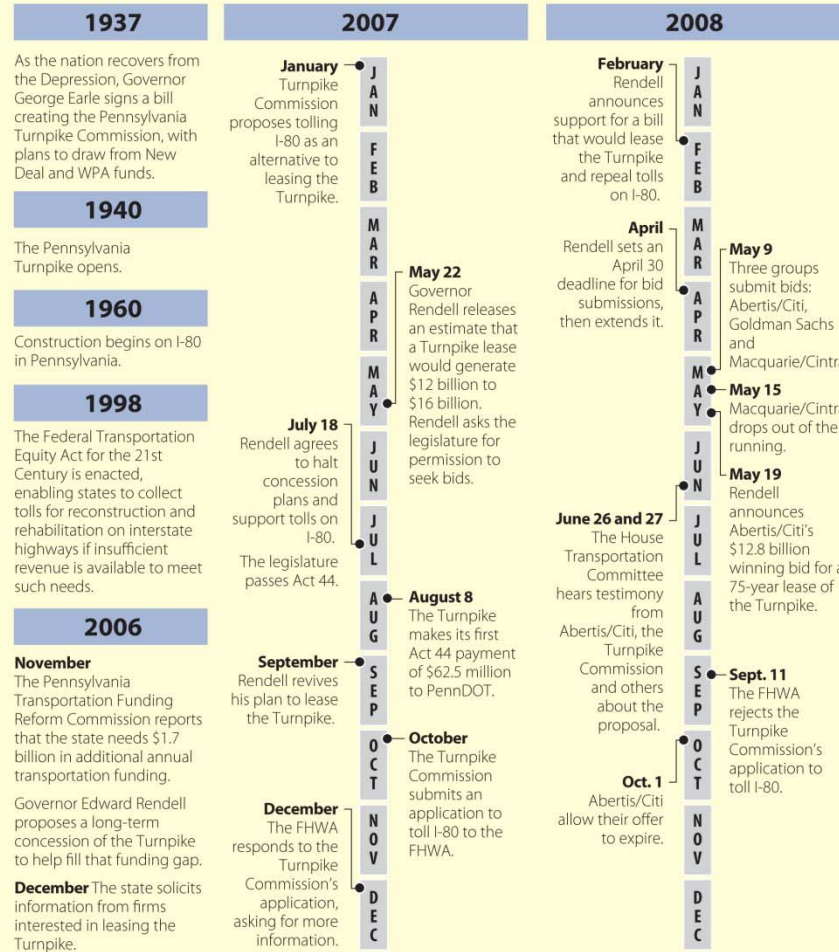


SOURCE: Pew Center on the States, 2009



A LONG AND WINDING ROAD

Pennsylvania policy makers have long sought sustainable sources of revenue to support the state's growing infrastructure needs. In recent years, two competing plans have generated contentious debate. One would lease the Pennsylvania Turnpike to a private consortium in exchange for a large, upfront payment, while the other would toll I-80, another key east-west route across the state, with permission from the Federal Highway Administration (FHWA).



SOURCE: Pew Center on the States, 2009

Research Questions

Proceed carefully in four main areas:

- The decision-making process
- The deal-making process
- The financial analysis
- Oversight and management of the partnership

What Went Right?

- Pennsylvania thoroughly identified its needs.
- The state conducted due diligence before negotiating with bidders.
- The bidding process was well run and produced the highest possible bid.
- Detailed performance standards were set for the life of the lease.

What Undermined the Deal?

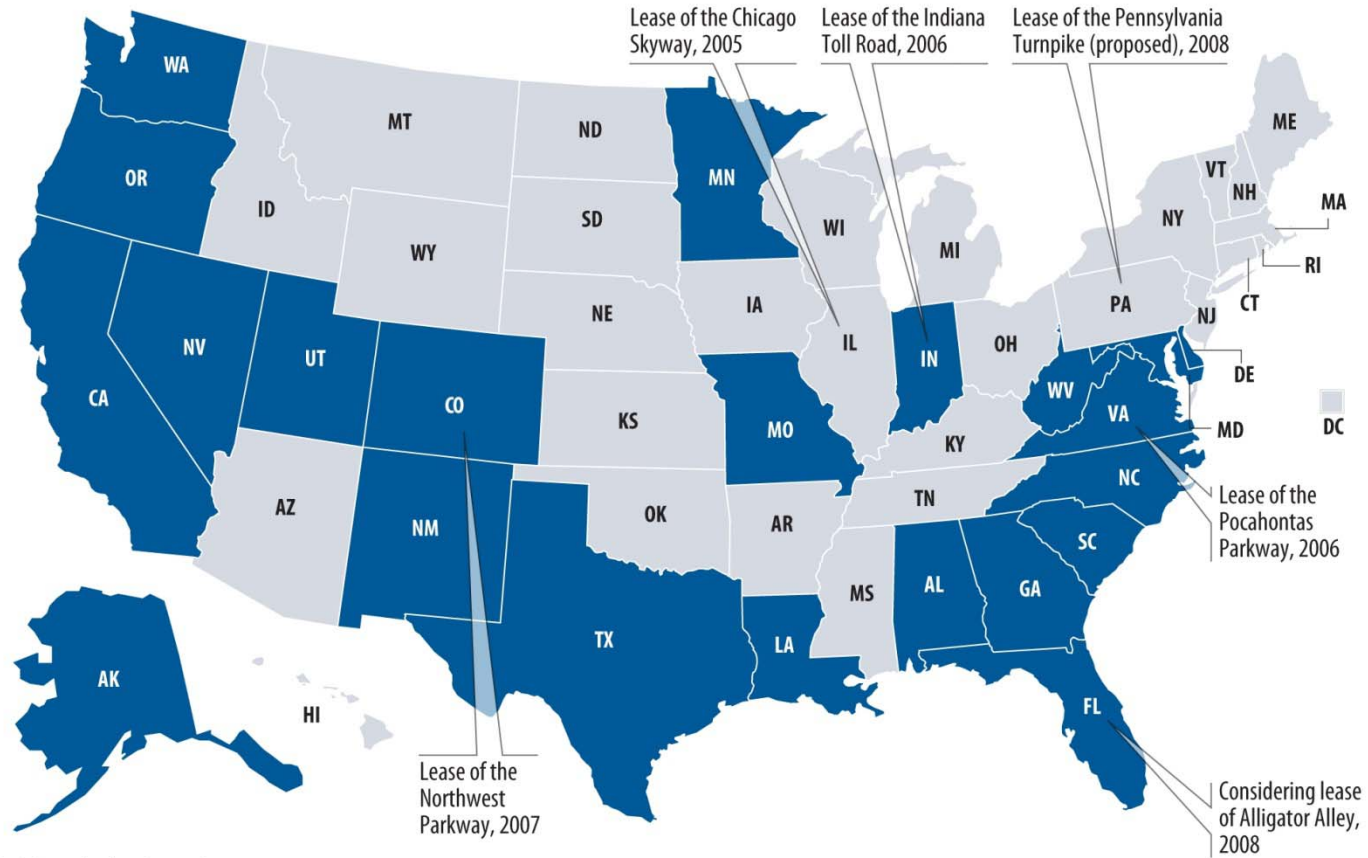
- The Rendell Administration and many members of the legislature were often at odds.
- Enabling legislation was not in place.
- The financial assumptions related to the deal were overly optimistic.
- The state failed to articulate a specific plan for how the proceeds would have been invested and spent.
- The oversight structure was perceived as insufficient.
- A short-term perspective was applied to a proposal with significant long-term implications.

Lessons Learned

- States should enact enabling legislation before considering specific proposals.
- Transparency and inclusion are crucial to achieving buy-in from policy makers, the public and other stakeholders.
- Decision makers need a clear understanding of the principal goals of a deal.
- A proposed deal must be based on realistic financial assumptions.
- A proposal should describe how the revenues a lease will generate will be invested and spent, and how the private operator's performance will be monitored.
- States should consider a long-term lease's effects on the economy, the environment and future generations of taxpayers.

PAVING THE WAY

23 states (shaded) have enacted some sort of legislation to allow public-private partnerships for transportation.



SOURCE: Federal Highway Administration

NOTE: Chicago has home-rule authority to lease its assets and as such did not need state legislation to lease the Chicago Skyway.

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Final Takeaways

- Public-private partnerships can't be generalized as all good or all bad.
- These partnerships can supplement—but not substitute—public investment in infrastructure.
- The complexity and implications of these deals require that state policy makers be as well informed as possible as they pursue them.
- The better informed policy makers are, the better they will be able to continue protecting the public interest.



Questions? For More Information

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