

Battle of the Acronyms

CBO vs. PPP



Steve Heminger, MTC

CFEE Roundtable

May 2014

“Where’s the Beef?”

– 1984 Democratic Primary Campaign Ad



Congressional Budget Office



Testimony

Public-Private Partnerships for Highway Projects

Joseph Kile
Assistant Director for Microeconomic Studies

Before the
Panel on Public-Private Partnerships
Committee on Transportation and Infrastructure
U.S. House of Representatives

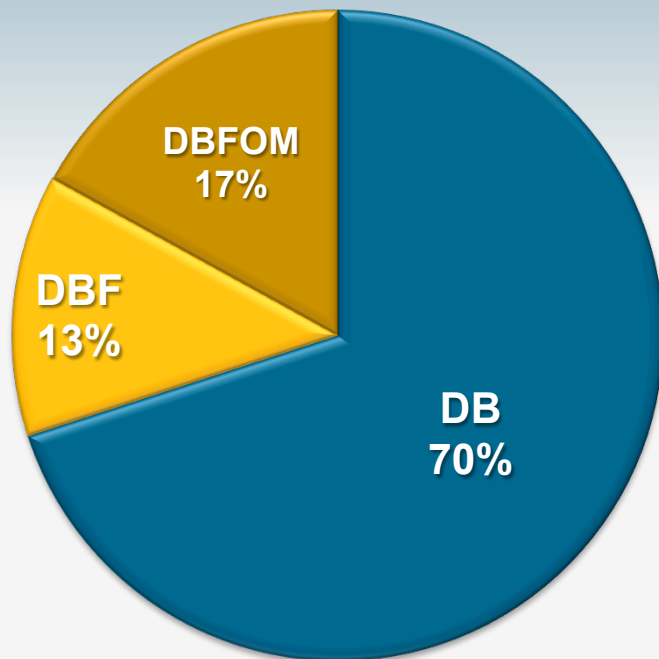
March 5, 2014

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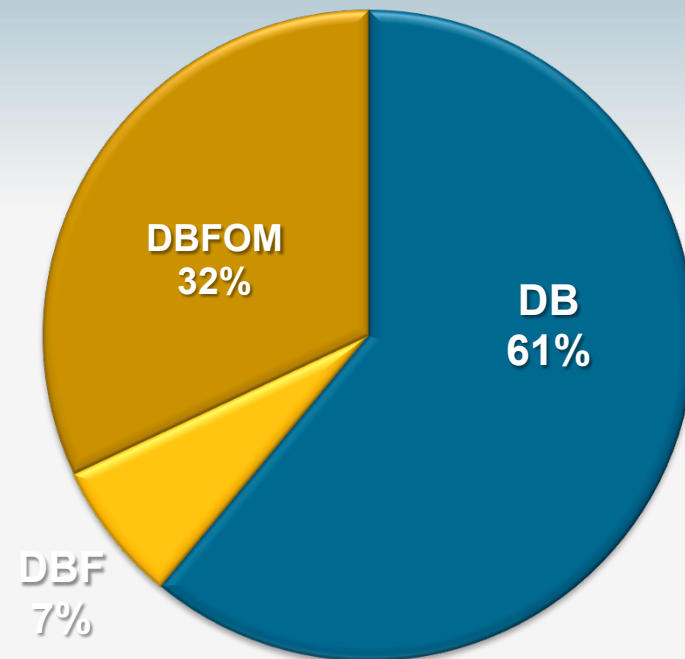
CONGRESS OF THE UNITED STATES

Number and Value of PPPs 1989 – 2013

Number of Projects

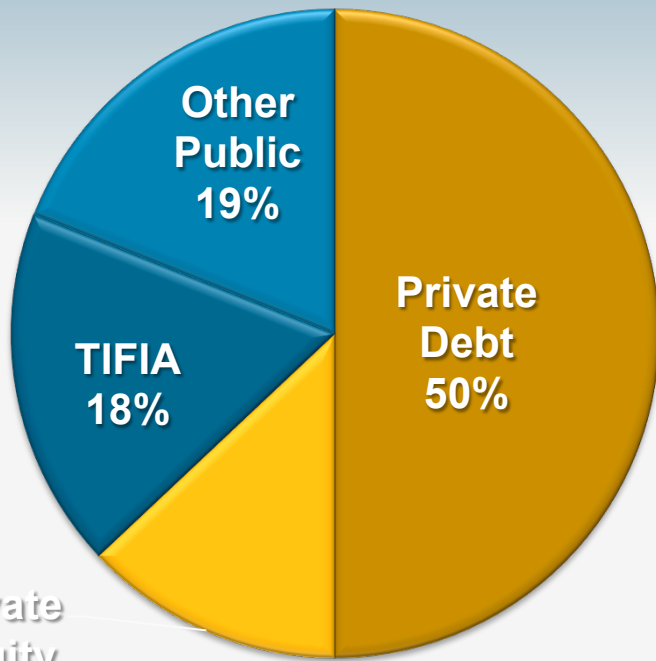


Value of Projects

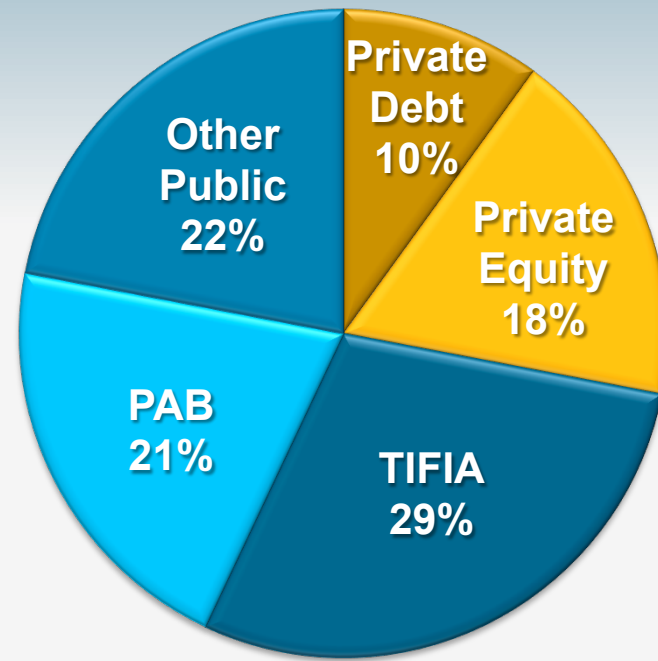


Financing Mix for PPPs

Completed Projects (\$7 B)



Ongoing Projects (\$14 B)



Private Equity
13%

CBO Major Findings

- 1. Private financing will increase the availability of funds for highway construction only in cases in which states or localities have chosen to restrict their spending by imposing legal constraints or budgetary limits on themselves.**

CBO Major Findings

- 2. The cost of financing a highway project privately is roughly equal to the cost of financing it publicly after factoring in the costs associated with the risk of losses from the project, which taxpayers ultimately bear, and the financial transfers made by the federal government to states and localities.**

CBO Major Findings

- 3. On the basis of evidence from a small number of studies, it appears that such partnerships have built highways slightly less expensively and slightly more quickly, compared with the traditional public-sector approach.**

Other Interesting CBO Tidbits

- **PPPs have contributed about 0.5% of the \$4 trillion that public sector has spent on highways during the past 25 years**
- **40% of completed PPPs either have declared bankruptcy or been purchased by public entities**
- **Are public agencies willing to surrender some control in order to shed some risk?**

Some Concluding Thoughts (My Own)

- PPPs are a **financing** tool, not a **funding** strategy
- PPPs also are a project delivery tool, whose value has been under-studied and under-appreciated
- The public-public partnership between Caltrans and regional transportation agencies needs systematic reform as well

- <http://www.cbo.gov/publication/45157>