

Bond Case Briefs

Municipal Finance Law Since 1971

Moody's Predicts Huge Potential for Public-Private Partnerships.

Public-private partnerships are still relatively new for most U.S. states, but analysts anticipate they will become more common.

The United States could soon become the biggest market for public-private partnerships in the world, analysts from Moody's Investors Service said in a [recent analysis](#) of trends around the globe.

Thirty-three states now permit the partnerships for transportation projects, the credit rating agency noted, and many of those states adopted those laws within the last five years.

The way those partnerships are structured is also shifting. Many high-profile partnerships, such as the Indiana Toll Road, allow investors to make money based on the how well their asset performs. If a lot of people use a toll road, the investors make a handsome profit. But if traffic doesn't meet expectations, the investors could lose money instead.

Increasingly, though, U.S. governments are using an arrangement that is more common in Britain and Canada, where P3s are more common than in the U.S. Under the arrangement, governments regularly pay operators fees, called availability payments. That makes the arrangement less risky for investors but more risky for the government.

Nine deals in the U.S. using that arrangement have been inked. Three of them — the Long Beach courthouse in California, Miami's port tunnel and the I-595 managed lanes in south Florida — are operational. Another nine projects are expected to close in the next 18 months, according to Moody's.

Moody's analysts predicted that public-private partnerships would become more common for "social infrastructure," like schools and courthouses and, eventually for water-related projects. The ratings agency also noted that private investors are developing more expertise on public-private partnerships, which they use when interacting with state finance and transportation agencies.

GOVERNING.COM

BY DANIEL C. VOCK | SEPTEMBER 9, 2014

dvock@governing.com | <https://twitter.com/danvock>