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The U.S. Army Corps of Engineers Explores the Use of P3s on Water Infrastructure Projects.

Earlier this year, the U.S. Army Corps of Engineers (the “Corps”) expressed an interest in utilizing public-private partnerships for improving the nation’s water infrastructure. This would be a new means to finance and manage projects for the Corps, which has not historically entered into these arrangements.

A public-private partnership, or “P3,” is a contract between the public sector and private entities that results in greater private sector participation in the delivery and/or funding of a public project. In effect, P3s allow for more private investment and involvement in public contracts.

This arrangement is favorable to the public sector, as the private partner will often bear the burden of financing the project. The private partner is then repaid, over time, through a specified mechanism. Often, the project itself creates a new revenue source. For example, a highway project may involve the addition of new tolls. The revenue from the tolls would be used to pay the private partner over many years (sometimes decades) after project completion.

States and municipalities have found success in implementing P3s for various project types, including facilities and transportation work. Recognizing the need for additional funding to support an overhaul of the nation’s waterways and ports, the Corps is now interested in exploring the use of P3s as well. Private investment in public infrastructure would allow the Corps to address funding gaps and deliver projects at a faster rate.

To this end, the Water Resources Reform & Development Act of 2014 establishes a P3 pilot program – allowing private entities to participate in the financing, design, and/or construction of the Corps’ water infrastructure projects. The Corps is now examining how to best attract private partners to participate in these projects, and what delivery models would yield the most effective and efficient results.

Over the years, the Corps will be required to report on its progress in utilizing the P3 pilot program. The Corps’ success may encourage the use of P3s on other large federal projects, revolutionizing the way that these projects are financed and managed.

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The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.