Bond Case Briefs

Municipal Finance Law Since 1971

Public-Private Infrastructure Investment Can Spur Economy, Says Treasury Department.

Private capital has a critical can play role in supplementing public spending on the nation's infrastructure, according to a new white paper released Thursday by the Treasury Department.

"Years of underinvestment in our public infrastructure have imposed massive costs on our economy," said Elaine Buckberg, the department's deputy assistant secretary for policy coordination, said in a blog post. "We can more easily meet our nation's infrastructure needs by expanding sources of investment and using those dollars as effectively as possible to advance the public's interest."

Advanced economies from around the world have come to rely on private sector financing for infrastructure investment, according to Buckberg.

"Executed well, PPPs harness private sector capital and management expertise to address the challenges of modernizing and more efficiently operating infrastructure assets," Buckberg said.

The white paper, "Expanding the Market for Infrastructure Public-Private Partnerships: Alternative Risk and Profit Sharing Approaches to Align Sponsor and Investor Interests," explains new ways to share risk and profit between state and local governments and potential investors in P3s.

"For example, the private partner may transfer a portion of its earnings directly to the government, creating opportunities for more infrastructure investment, or the private partner's cost savings may lower the price of using the infrastructure, thus sharing those savings with consumers," Buckberg said. "Profit-sharing on a toll bridge operated as a PPP could translate into lower tolls for drivers. Or, in a PPP-operated water system, it could mean more investment to replace aging pipes."

The white paper is part of the Build America Investment Initiative launched by the Obama administration in July 2014. The initiative is aimed at increasing public-private collaboration in infrastructure investment and spuring economic growth.