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Public-Private Partnerships Have Limited Impact on Government Debt - Moody's.

Public-private partnerships have had a limited impact on government debt profiles around the globe, including in the U.S. states of California, Florida and Indiana, Moody's Investors Service said in a report published on Monday.

The market for leveraging private dollars to build public projects is far more mature in the U.K., Canada and Australia than it is in the United States. Construction firms have been eyeing the United States as the largest untapped market for such projects globally.

Obligations from such so-called PPP, or P3, projects make up only about 0.5 percent of the total net tax-supported debt in California, for example.

In Florida, that number is 11.4 percent, and for triple-A rated Indiana, it is 24.2 percent, Moody's said.

"Funding for PPP projects is often spread over a long period of time," Moody's analyst Kathrin Heitmann said in a statement. "Fiscal commitments are often small in scale relative to the size of a government's balance sheet and revenue sources."

The U.S. market has been slow to develop, largely because state and local governments can use low-interest municipal bonds to build bridges, schools, water treatment facilities and other infrastructure.

Even so, several massive U.S. transportation projects underway have P3 components, including California's $68 billion high-speed rail and Illinois' $14 billion South Suburban Airport near Chicago. P3s are also being used and considered more often for universities and public buildings like courthouses.

The contracts can also be long, complicated and sometimes risky. Kentucky's $324 million P3 for statewide high-speed internet access faces a 39 percent shortfall in the annual revenue it needs to make bond payments, state officials said in January, according to WDRB News in Louisville.

P3 payment obligation risks can also stress the credit profile of procuring governments, especially in economic downturns or for governments with poor creditworthiness, Moody's said.

So far around the world, however, "the credit strength of most public sector entities has proved resilient to contractual and contingent PPP risks," it said.

Moody's report was constrained by its ability to capture some P3 obligations in its review of debt because not all contractual payment obligations are disclosed, it said.

The report was released in conjunction with the 2016 Institute of International Finance's G20 summit in Shanghai.

Reuters

(Reporting by Hilary Russ; Editing by Dan Grebler)

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