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Moody's Predicts Bright Future for U.S. P3 Market.

Although the U.S. public-private partnership market has been marked by slow growth and fragmentation, it is poised to become one of the world's largest, predicted Moody's Investors Service.

"New state and federal P3 resources and political and legislative support, combined with a strong underlying legal framework for contractual enforceability and a deep capital market ready to finance projects," will help to drive this projected surge in P3s, the credit ratings agency said March 10.

The creation of the Build America Transportation Investment Center (BATIC), which serves as an information and coordination clearinghouse for state and local governments and project sponsors that wish to pursue P3s, is improving the outlook for this market, said Moody's.

On the other hand, the FAST Act also cuts Transportation Infrastructure Finance and Innovation Act (TIFIA) funding by about 70 percent from 2015 levels although negative effects of this may be blunted by the fact that the law also allows TIFIA to keep uncommitted funds, Moody's added.

A record number of availability-payment P3 agreements were finalized in 2015, including several that were negotiated by states that had never undertaken such projects, the credit ratings agency noted. Examples include the KentuckyWired broadband P3, the Ohio Portsmouth bypass, Pennsylvania's Rapid Bridge Replacement Project, and Michigan's Freeway Lighting Project.

"State-level P3 activity has risen over the last three years and nearly all P3 projects have been completed early or on time," noted Moody's Vice President and Senior Analyst John Medina.

However, many government agencies have much to learn about how to negotiate and conduct P3s, he warned.

"The need for more inter- and intra-government P3 best practice sharing remains key for the U.S. P3 market's long-term development compared to other markets where infrastructure development and funding may be more centrally aligned," Medina explained.

NCPPP

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