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Infrastructure Lessons From One of the Nation's First P3s.

A 75-year-old highway project offers clues to solving a critical present-day problem.

When I was young, family fun usually involved a trip on the Pennsylvania Turnpike. Everyone — my mother and father and the four kids — would pack into our station wagon with the faux-wood paneling on the side and drive through the turnpike's tunnels. Our favorite was always Ray's Hill. My dad's name was Ray, and the family rule was that we had to clap all the way through the tunnel (which was as annoying to the driver as you might imagine). If we were really lucky, the trip would include a stop at a Howard Johnson's restaurant, best known for its orange roof and, most important, its 28 flavors of ice cream.

Bizarre as it may seem, those memories got me thinking about the future of federalism. The turnpike was one of the country's first great public-private infrastructure projects, built by private contractors, financed with revenue bonds and repaid through drivers' tolls. As for HoJo's: It won the first private franchise to provide food (and, of course, ice cream) on public roads, paying for the privilege by dishing out money that the whole turnpike enterprise could put to use.

We're going to have to do something as innovative as that if we're going to deal with the infrastructure problems we're facing right now. When President Trump announced his \$1 trillion plan to fix the nation's infrastructure, National Public Radio's Ailsa Chang tried to figure out just how far the first yearly tranche of \$100 billion would go. She started counting New York City's needs and couldn't even get across the Hudson River before the money ran out.

Of course, Trump isn't really proposing that the federal government spend \$1 trillion in federal tax money. Rather, he wants the feds to put up \$250 billion in the next decade and leverage the rest through public-private partnerships, with the states and cities carrying a big share of the load. In his most recent budget, Trump asks for \$5 billion to get started, which works out to about one-seventh of what it might take just to get our school buildings into fair condition. That leads us to confront three truths: No state or local government has much money to spare right now. Everyone knows the feds aren't going to go deeper into debt to provide a cash windfall for construction. And every state has a vast — and growing — collection of must-do infrastructure projects.

If government doesn't have the cash, the inescapable solution may indeed be a new generation of public-private partnerships. One tempting plan is to raise money for domestic infrastructure by encouraging private companies to bring back profits generated abroad. With the right tax plan, advocates think, they can repatriate profits and redirect them to American needs. Estimates of the potential for repatriated profits, in fact, range as high as \$3 trillion. Infrastructure planners see that as an enormous source of untapped funds.

The idea has attracted support from Trump and from leaders across the political spectrum, including House Speaker Paul Ryan and Senate Minority Leader Charles Schumer. But anything with support that broad in principle has got to be super-complicated in action, and that's just the case here. It's very hard to bring overseas money back without lowering corporate tax rates. It's similarly difficult to lower tax rates on foreign profits without doing so for all corporate profits. Finally, channeling

overseas money into infrastructure projects will likely require special tax breaks.

This all gets very expensive very fast, and it collides with the goal of simplifying the tax code. Moreover, it wouldn't necessarily channel the money to the biggest infrastructure needs. Investors are going to put their cash where they can be most sure of getting the biggest profits. That might work for new airports and toll bridges, but it won't work for small-town street projects or bridge repairs in the inner city.

Then there's the plan to sell off airports and water companies, or at least license them to private operators who could keep whatever profits they generate. St. Louis is exploring that approach for its half-empty airport, which lost business when American Airlines bought TWA, which was once based there.

Chicago tried to do this with its Midway Airport, but the deal collapsed along with the credit markets during the 2009 economic crisis. Later on, Chicago Mayor Rahm Emanuel wrote that the city had learned an important lesson: "A true public-private partnership requires that taxpayers maintain control of the asset and share in management decisions and financial profit." Having to share control and profits, however, might shrink the enthusiasm of private operators.

There just isn't an easy way to solve the infrastructure problem we've allowed to grow and fester for a generation. To get the money it needs, government is going to have to attract substantial private investment. That, in turn, means figuring out new incentives to lure investors. It also means that state and local governments must develop new ways of managing such complex partnerships — and of figuring out how to share the proceeds with private partners.

It means, in one sense, reaching back to the Pennsylvania Turnpike and HoJo's to find clues about the future of federalism.

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