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Reducing Taxpayers' Costs and Risks in Interstate Reconstruction Projects.

Indiana policymakers will decide if taxpayers or private companies should bear the financial risks of repairing and modernizing major highways.

Indiana legislators made history in June when they agreed to finance the long-needed reconstruction and modernization of their aging Interstate highways, using a reliable funding source: 21st-century electronic tolling. Rebuilding these vital corridors for personal travel and interstate commerce will be the largest set of public works improvements in Indiana's history.

Each Interstate reconstruction is likely to be a mega-project, costing at least $1 billion. Megaprojects, alas, have a long history of cost overruns and late completions. A key question for Indiana policymakers is: Who should bear the financial risks of these megaprojects? Taxpayers or investors?

Since these highway projects will make use of toll financing, there are two alternatives.

Continue reading.

by Robert Poole
Director of Transportation Policy

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