



POLICY BRIEF

Using transportation public-private partnerships to improve mobility and increase value to taxpayers

How state leaders can use private investment to serve the public

Bob Pishue
Director, Coles Center for Transportation

November 2014

Key Findings

1. *Public officials in states across the country are solving problems on public roads by tapping private investment.*
2. *Many existing highway projects would not have been completed without up-front capital provided by private partners.*
3. *Public-private partnerships are not right for all highway projects, but policymakers should recognize the positive role private finance can play in building public infrastructure.*
4. *State officials can maximize taxpayer value in public-private partnerships by using clear, enforceable contract language and practicing good oversight. Most importantly, private investors take on much of the risk when projects run over budget, protecting people from higher taxes.*
5. *Because private financing on the project was banned, taxpayers may end up paying more for the new Tacoma Narrows Bridge than was promised. Under a well-written public-private partnership, private investors, not the state, would bear the risk of paying off debt.*
6. *State lawmakers should amend the restrictive 2005 Washington state law that blocks public projects from benefitting from private financing, while creating strong protections for taxpayers.*



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Introduction

Officials in Washington state say they have a large financial gap in funding transportation infrastructure. They say traditional funding methods like state and federal gas taxes are stagnating and unable to keep up with the rising cost of managing Washington's transportation program, resulting in growing problems in meeting the state's transportation expansion, maintenance and safety needs.

Former state Transportation Secretary Paula Hammond, referring to the 2013-15 transportation budget, said "there are not additional revenues to build new projects. In fact, there aren't revenues available to maintain, operate, or preserve the facilities that were just built."¹ State transportation officials estimate the state's highways require an additional \$9.1 billion in unfunded maintenance and preservation.²

In addition, the cost of managing the state transportation program continues to increase. Artificial cost increases, like prevailing wage rules, excessive planning, permitting mandates, and the practice of state officials taxing their own construction projects continue to put pressure on budgets to maintain and expand infrastructure. It costs more to build a public road today than at any time in state history. As a result, congestion has worsened as the growth of automobile traffic outpaces expansion of the highway system.

In 1982, drivers traveled about 14.5 million miles per day on highways in the Seattle region. By 2011, the amount of driving more than doubled to about 33 million miles per day. Yet, while travel demand on regional highways has more than doubled in 30 years, the amount of new highway capacity to serve the public has not.

The Seattle region had 1,345 lane-miles of highway in 1982. In 2011, the region had 2,316 lane-miles. This means that since 1982, highway demand in the Seattle region increased by 128 percent while the supply of lane-miles only increased by 72 percent over the same time period.

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- 1 "WSDOT 2013-2015 Biennial Budget Request," Washington State Department of Transportation, September 2012, Paula J. Hammond P.E., at wsdot.wa.gov/NR/rdonlyres/76EA6C26-F318-4637-BB5E-3E031B230761/0/201315WSDOTBudgetReqExecSumm.pdf.
 - 2 "Washington Transportation Plan 2035, Public Review Draft," Washington State Transportation Commission, July 2014, at wtp2035.files.wordpress.com/2014/02/wtp-2035-full-report-2014-0731.pdf.

As demand for highway travel outpaces the supply of highway travel lanes, drivers experience increased traffic congestion.³

The situation is not likely to improve soon.

The new \$4.5 billion SR-520 Floating Bridge replacement project and the \$3.1 billion Alaskan Way Viaduct Tunnel project, when complete, will reduce the number of general purpose lanes available to the public and do little to provide congestion relief. Statewide, lawmakers have yet to secure funding for the completion of critical freight mobility projects, like State Route 167 and Spokane's North-South Freeway.

A workable solution

In many states across the country, officials have found a workable solution by tapping the private sector to maintain and expand roads to increase mobility. In Pennsylvania, for example, over 4,000 bridges are at risk for weight restrictions or closure. Instead of slowly funding repairs over two decades, Pennsylvania lawmakers recently passed legislation that will rebuild 500 bridges within five years by forging a partnership between the state and the private sector.⁴ In cases like Pennsylvania's, partnerships can provide up-front capital at a time when increased public borrowing is unfavorable or unavailable.

In Washington, however, state officials have been reluctant to use private financing to build public infrastructure. Factors like public oversight, asset ownership, long-term maintenance and liability have been treated as obstacles and have prevented useful partnerships from forming.

Yet other states have solved these problems and have adopted several types of partnerships. Many skeptics view public-private partnerships as putting profit over people and surrendering public right of way to private industry. Yet public-private partnerships are true partnerships that, when executed correctly, benefit taxpayers, while ownership of the highway remains with the state. In every case the government, not private commercial interests, is the senior partner.

This study seeks to inform state policymakers and the general public of the advantages and disadvantages of public-private partnerships by comparing traditional tax-funded highway finance with private financing. This paper will examine how public-private partnerships can serve the public by creating new roads, bridges and highways. The separate concept of leasing existing public roadways will not be examined here.

3 "Texas Transportation Institute, Performance Measure Summary Seattle, WA," December 2012, Texas A&M Transportation Institute, at tti.tamu.edu/documents/ums/congestion-data/seatt.pdf.

4 "A Cost-Effective Way to Rebuild 500 Bridges," by Charles Chieppo, *Governing.com*, January 28, 2014, at www.governing.com/blogs/bfc/col-pennsylvania-public-private-partnerships-bridge-rebuilding.html.

What is a public-private partnership?

Public-private partnerships are a popular way to build public projects both in other countries and in states like Virginia, Texas, Florida and California. A public-private partnership is a legal contract between government officials and private companies to design, build, operate, maintain and finance needed public infrastructure. There are dozens of public-private partnership models available, from design-build agreements to a mostly privately-run but publicly-owned, design-build-finance-operate-maintain contract. In short, public-private partnerships allow the public sector to shift project risks from taxpayers to private investors.

The type of public-private partnership varies depending on the amount of risk taken on by the private sector. A design-build public-private partnership shifts design and construction risks to the private sector, while public officials keep operations, maintenance and financial costs as their responsibility. A public-private partnership involving design, construction, financing, operation and maintenance shifts most project risk to private companies, while the government sets performance standards, enforces contract provisions and retains ownership of the roadway.

Types of Public-Private Partnerships

Project and financial risk shift to the private sector with increasing private investment

Responsibilities by project type	Design-bid-build	Design-Build	Design-Build-Operate-Maintain	Design-Build-Finance-Operate-Maintain
Design & construction	Public or private	Mostly private	Mostly private	Mostly private
Operations & maintenance	Public	Public	Private	Private
Ownership	Public	Public	Public	Public
Finance	Public	Public	Public	Public & private (or only private)
Who bears risk?	Mostly public	Public & private	Public & private	Mostly private

Source: Federal Highway Administration

In a public-private partnership, responsibilities are distributed between the public and private sector partners based on each party's ability to manage different types of risk. For example, the public sector is usually better equipped to comply with the National Environmental Policy Act (NEPA) which can be costly and time consuming. Prior to public-private partnership solicitation, public officials can complete most of these processes in advance and increase the viability of the project. In this case, the public sector shares responsibility for NEPA requirements because it is usually better equipped to handle the regulatory risk.⁵

In many cases, however, a private company may assume a larger risk in the operation and maintenance of a public roadway. A private company may be

⁵ "P3 Toolkit, Risk Assessment for Public-Private Partnerships: A Primer," Federal Highway Administration, January 2014, at www.fhwa.dot.gov/ipd/p3/toolkit/publications/primers/risk_assessment/ch_3.aspx.

able to control costs through greater innovation and flexibility in construction and labor, in contrast to a public agency which may not have public support to increase tolls or taxes. Innovation is necessary in the private sector because company managers know they will be responsible for maintaining the roadway for decades to come, in contrast to minimizing construction costs to secure a winning bid under the traditional approach.⁶ Better quality construction, lower maintenance costs, and long-range financial planning allow public-private partnerships to bring certainty and value to the traveling public.

Washington state's public-private partnership experience

Washington state was one of the first states to adopt a public-private partnership law. In 1993, state lawmakers passed the Public Private Initiatives in Transportation Act, establishing pilot projects to secure private financing. The program allowed six projects to be built using public-private partnerships, but only one went forward due to political opposition and legal and financial considerations. Ultimately, the law was deemed a failure when lawmakers changed the Tacoma Narrows Bridge Project from an innovative design-build-finance-operate-maintain agreement to a merely design-build project with public financing backed entirely by road tolls.

State lawmakers repealed the 1993 law and passed the Transportation Innovations Partnerships Act of 2005. The supposed intent of the new law was to attract private capital for transportation projects, but it has had the opposite result by effectively discouraging private investment in building public infrastructure in Washington.

The 2005 law restricts the use of private capital by requiring that debt must be issued by the state treasurer, even when better financing options are available.⁷ The law also prevents toll revenue from being used to pay a return on private investment.⁸ According to a Washington State Joint Transportation Committee study, the 2005 law also imposes cumbersome approval and authorization processes, making public-private partnerships “much less attractive, if not impossible to be attractive, to the private sector.”⁹ Contrary to its title, the 2005 law is not innovative, and it has led to few, if any, constructive partnerships between the state and private companies.

Additionally, the Washington State Transportation Commission reports that six different entities can stop a project at any time, which is “a risk that potential

6 “Public Private Partnerships in California, Phase II Report,” University of Southern California, School of Policy, Planning and Development, January 2012, at metrans.org/sites/default/files/research-project/Section_II_Criteria_for_Evaluating_P3_Projects.pdf.

7 “Public/Private Partnerships in Washington State,” by Jeff Doyle, Director of Public-Private Partnerships, Washington State Department of Transportation, Testimony before the House Transportation Committee, January 24, 2011, at apps.leg.wa.gov/CMD/showdoc.ashx?u=A2iGB9PMbwyP2X1C%2Bw7qdVoo636n00r%2FAh888keMqQ3P61PmDZnpkDCLeYLwGFijkq0rdGt4xRdLnsLGS6ZYBfkTKCzwSbHV&y=2011.

8 “Evaluation of Public Private Partnerships,” prepared by AECOM for the Washington State Joint Transportation Committee, January 19, 2012, at leg.wa.gov/JTC/Documents/Studies/P3/P3FinalReport_Jan2012Web.pdf.

9 Ibid.

partners are unlikely to accept.”¹⁰ As a result, transportation-related public-private partnerships in the state have yet to move beyond limited design-build contracts financed by the public.

Public finance

States across the nation typically use public money to build, operate and maintain public highways. In Washington state, over 20,000 lane-miles of state highway and over 3,600 bridges and other structures were built using the traditional approach to finance projects. Most highway funding in Washington state comes from the 37.5 cents-per-gallon state gas tax, an 18.4 cents-per-gallon federal gas tax and vehicle license fees.

For large projects, the state usually finances construction by issuing bonds backed by future gas tax revenue or toll revenue. Because the state has the power to tax, investor risk is low and state officials can issue debt at a relatively low interest rate. Buyers of state bonds receive tax-free interest payments, meaning traditional public financing has a strong built-in advantage over normal private financing.

While the ability to issue low-interest debt is always attractive to state officials, the Congressional Budget Office notes that “interest rates on those bonds typically do not incorporate the cost of the risks inherent in the project.”¹¹ In other words, municipal bond holders accept lower profits on their investments because the majority of risk is shouldered by taxpayers. This forces taxpayers to play the role of equity investors, responsible for paying debts if toll or gas tax revenues are below expectations or if costs exceed budgeted estimates.

The Tacoma Narrows Bridge project is a good example of how state taxpayers are forced to assume increased financial risk. The project was publicly financed under the assumption that road tolls, not state tax dollars, would be enough maintain the bridge and pay off the construction debt plus interest.

The new bridge was completed in 2007. Projections now show future toll revenues will be insufficient to pay debt service alone. As a result, lawmakers may divert money from the dedicated Motor Vehicle Account or continue collecting tolls for years beyond the original plan. Regardless of what accounting device state officials use, the public may end up paying millions of dollars more than was originally promised.

If the Narrows Bridge project had been privately financed under a well-written public-private partnership, private investors, not the state, would shoulder the risk of paying off debt. Investors may take on additional partners, restructure the debt or increase their equity contributions. Under any of these

10 “Report on the Transportation Innovative Partnership Program,” Washington State Transportation Commission, January 2007, at wstc.wa.gov/StudiesSurveys/TIP/TranspInnovPartnership.pdf.

11 “Using Public-Private Partnerships to Carry Out Highway Projects,” Congressional Budget Office, January 2012, pg. 10, at www.cbo.gov/sites/default/files/cbofiles/attachments/01-09-PublicPrivatePartnerships.pdf.

strategies taxpayers would be protected against further costs, while travelers would receive all the public benefits of the new bridge.

Additionally, high levels of public debt tied to future gas tax revenues can negatively affect the state's ability to borrow money. State Treasurer Jim McIntire recently sounded the alarm about Washington's public finances when he said, "continued growth in the issuance of fuel tax bonds has the potential to negatively affect Washington's strong credit rating," which "could significantly increase borrowing costs for the state across the board."¹²

The combination of static gas tax revenues and increased borrowing has strained the ability of the state to build and maintain highways. Still, traditional public financing is considered by many lawmakers to be the best way to pay for the vast majority of highway projects.

Private financing is not meant to replace traditional financing completely, but it would be a good fit for projects that:

- are over \$500 million in cost;
- have a reliable revenue source;
- are highly complex;
- have strong public support;
- have completed or nearly-completed the environmental review process.¹³

Private financing

Private equity is the cornerstone of private financing. Private capital is often leveraged with private, state and federal low interest loans, like TIFIA loans and tax-exempt Private Activity Bonds, to finance major infrastructure projects. Typically, private financing requires a higher interest rate than public debt because equity investors demand a higher return on their money than when taxpayers assume the financial risk.

Private financing can replace public financing when the public is unwilling to either raise taxes or issue more debt. For example, private financing was able to fill a \$425 million funding gap in Texas' SH 130 Highway public-private partnership. Without the private sector's involvement, the project likely would not have been built. A similar outcome occurred in Virginia. Up-front capital, plus innovative design strategies, changed an unfunded \$3 billion, four-lane High Occupancy Vehicle (HOV) project on Interstate 495 to a \$1 billion, four-lane High Occupancy Toll (HOT) public-private partnership. Virginia officials then

12 "2014 Debt Affordability Study," James L. McIntire, State Treasurer.

13 "Public-Private Partnership Concessions for Highway Projects: A Primer," Federal Highway Administration, Oct. 2010 at fhwa.dot.gov/ipd/pdfs/p3/p3_concession_primer.pdf.

sought additional upgrades in the project, so in the end a \$1.9 billion public-private partnership was created based on an initial \$357 million in private investment.

If a partnership includes private financing, the state transfers financial risk to the private partner through toll concessions. Toll concessions can last from 30 to 99 years. They allow private partners to collect a reasonable financial return on the new highway through tolls. Private partners use this steady revenue to pay down debt, maintain and operate the roadway and pay out a return on investment.

Instead of a private company collecting tolls, some public-private partnerships provide for “availability payments.” Under these agreements, the state collects tolls and makes payments to private companies based on the achievement of defined project milestones. Such arrangements can also include annual payments tied to meeting safety and maintenance standards. Alternatively, the state can pay the private partner by collecting tolls and giving the private partner a set amount for each driver that uses the roadway.

Availability payments and shared tolls are often more politically acceptable and less risky to private investors, because the state ultimately bears the risk of lower-than-expected toll revenues. These arrangements also alleviate the concern of many lawmakers about allowing a private company to collect tolls on a public bridge or highway.

Privately-financed partnerships do carry risk. In any toll-funded highway project, optimistic traffic projections may not materialize, resulting in less-than-anticipated revenues. In that situation, the Congressional Budget Office says, “private investors who make equity investments receive payments only after all other claimants to the project’s revenues (such as holders of debt, suppliers and workers) have received what is owed them.”¹⁴ Debt holders, on the other hand, are fairly insulated from default risk.¹⁵

The South Bay Expressway in Southern California is one of just two toll concession public-private partnership projects in the United States that have gone bankrupt.¹⁶ The bankruptcy involved no taxpayer bailouts. Instead, public agencies purchased the assets at a fraction of their construction cost. As a result, drivers currently pay a lower toll rate under state ownership and the travel lanes are still in operation. The private investors that assumed financing risks “lost heavily” according to transportation expert Robert Poole.¹⁷ This case provides a real-world illustration of how public-private partnerships serve the public interest. The people of California were not forced to pay for the mistakes and mismanagement that led to the failure of the project. The cost of failure fell entirely on the private investors who had voluntarily taken on a financial risk.

14 “Using Public-Private Partnerships to Carry Out Highway Projects,” by Alan van der Hilst, Joseph Kile, and David Moore, Congressional Budget Office, Washington D.C., January 2012, at www.cbo.gov/sites/default/files/cbofiles/attachments/01-09-PublicPrivatePartnerships.pdf.

15 Ibid.

16 “Conservatives Shouldn’t Be Bothered By HOT Lanes,” by Robert Poole, Reason Foundation, May 28, 2014, at reason.org/news/show/conservatives-toll-lanes-us-highway.

17 Ibid.

Public-private partnerships are true partnerships

No two projects are the same and every state and local community has different infrastructure needs. Two examples of recent public-private partnership projects follow. Originally, both projects lacked up-front capital and faced strong public opposition. Restructured as a public-private partnership, these projects received strong official and public support because they brought increased value and innovative solutions to taxpayers and to travelers.

Virginia's I-495 HOT Lanes public-private partnership

Financing the I-495 HOT Lanes		Over the course of a decade, the Virginia Department of Transportation (VDOT) planned a \$3 billion highway project to relieve chronic congestion on the Capitol Beltway in Washington, D.C.
Private Financing		
Debt	\$0	
Equity	\$357,000,000	
Public Financing		
TIFIA	\$601,000,000	
PABs	\$601,000,000	
Other	\$417,000,000	
Total (2010 Dollars)	\$1,976,000,000	

Source: Congressional Budget Office

VDOT's plan would have added two HOV lanes in each direction and required state take-over and destruction of over 300 homes and businesses.

However, a proposal submitted by private partners would build two HOT lanes in each direction at a total project cost of \$1 billion. The new proposal largely avoided using eminent domain laws to take away private land. Toll revenues were expected to cover the cost. Virginia wanted to add substantial changes to the design, raising the total cost to \$1.9 billion. Virginia officials agreed to pay about \$400 million for the upgrade of interchanges and other design elements. The private partners agreed to pay \$357 million immediately as a “down payment” to get the work started, then secured a further \$1.2 billion in the form of bonds and federal loans.

Various other agreements were made: VDOT officials had insisted that drivers using the 3+ person carpools lanes be exempt from tolls. However, this would have reduced toll revenues and made the project less attractive. VDOT officials and the private partners reached an agreement that 3+ person carpools could use the facility for free unless carpools exceeded 24 percent of users. If carpools exceeded 24%, VDOT would pay their toll.

The roadway failed to meet toll projections, and equity investors recently restructured their debt and ownership along with additional equity contributions.¹⁸ However, toll revenues are growing, and VDOT officials are considering another public-private partnership to extend the lanes by two miles.¹⁹ Much of the risk of estimating future toll revenues was shouldered by the private investor group, while the public received the full benefit of better highways, expanded carpool lanes and faster travel times.

18 "Transurban to Restructure I-495 Toll Lanes Financing," Dan Cohen, Managing Editor, The National Council for Public Private Partnerships, February 24, 2014, at ncppp.org/transurban-to-restructure-i-495-toll-lanes-financing/.

19 "I-495 HOT Lanes Extension, High-Level Project Screening Report," Virginia Office of Transportation Public-Private Partnerships, May 26, 2014, at vappta.org/resources/I495_High-Level%20Project%20Screening%20Report_with_Cover_FINAL_SIGNED%20BY%20COMMISSIONER.pdf.

Port of Miami Tunnel

Financing the Port of Miami Tunnel

<i>Private Financing</i>	
Debt	\$344,000,000
Equity	\$81,000,000
<i>Public Financing</i>	
TIFIA	\$344,000,000
PABs	\$0
Other	\$312,000,000
Total (2010 Dollars)	\$1,081,000,000

The \$1.1 billion Port of Miami Tunnel project is a design-build-finance-operate-maintain public-private partnership that opened August 4, 2014 in Miami, Florida. The completed project helped relieve congestion in the Miami area and improve freight

Source: Congressional Budget Office

mobility. It is a 35-year availability payment concession between the Florida Department of Transportation (FDOT) and private investors. Without private up-front capital and TIFIA loans, it is likely the project would not have been built at all. FDOT officials and the private group shared many risks, including the potential cost of running into unworkable soil conditions, a large risk in any tunneling project.

The project faced many problems. The original plan included a toll on tunnel users, but this policy was opposed by the cruise ship industry, a significant part of the local economy. The project involved five different state and local government entities that often compete against each other instead of cooperating. In the aftermath of a sharp economic downturn, construction workers lacked jobs, while union leaders were skeptical of securing more union jobs.²⁰ Even a Miami city commissioner warned years earlier that the project could become the next “Big Dig,” referring to the expensive tunnel in Boston that experienced years of delay and billions in cost overruns.²¹ In the end, the private company received public and union support, jobs were created and the project opened as the first non-tolled, availability payment public-private partnership in the United States.

Applying private financing to projects in Washington state

Many state officials and numerous state-commissioned studies have recommended that Washington officials expand the use of public-private partnerships in transportation, as lawmakers intended before passage of the restrictive 2005 law. In 2012, the Joint Transportation Committee commissioned a study to assess why and how public-private partnerships benefit the people of Washington state. The study analyzed five transportation projects to determine what financing methods would provide the most value to the public and the least risk to taxpayers.

In one example, the study compared traditional public financing with using private-sector money to build express toll lanes extending from Interstate 405 in Lynnwood to State Route 167. The Transportation Committee found the state would save 15 percent in major maintenance and construction costs by joining with the private sector. Cost savings over the life of the project were found to be 10 percent

20 “Infrastructure Partnerships: Labor’s Evolving Experience,” by Bill Barnhart, Center for American Progress, at cdn.americanprogress.org/wp-content/uploads/2013/03/BarnhartReport-41.pdf.

21 “Port of Miami Tunnel Project Could Be South Florida’s Big Dig,” by Erik Maza, *Miami New Times*, June 2, 2010, at http://blogs.miaminewtimes.com/riptide/2010/06/port_of_miami_tunnel_project_c.php.

lower under public-private partnership delivery. The study concluded public-private partnership savings, coupled with better risk allocation, finance costs and operations and maintenance costs, would produce the most value to the taxpayers and the traveling public.²²

The WSDOT's 2013 Mega Project Assessment also calls for increased use of public-private partnerships. The WSDOT study found that public-private partnerships "represent an opportunity to deliver projects the state might otherwise be unable to currently deliver."²³ Additionally, a public-private partnership "allows the facility to be built without the agency incurring debt, the risk of cost overruns, or an obligation to pay off bonds that may be issued to finance the project."²⁴ The agency recommends a return to use of public-private pilot projects, as the state did before 2005.

A Joint Transportation Committee study also cited the benefits of public-private partnerships in Washington state, saying the public benefits from "transferring construction and performance risk away from government, providing more efficient operation and superior service, and introducing new technologies."²⁵

Conclusion

Most transportation experts predict the level of traffic congestion in the Puget Sound region will continue to rise. Worsening congestion increases costs on commuters and freight movers, and stifles economic development around the state. Congestion also harms the environment, as cars, trucks and buses idle in traffic, leading to lower air quality and increased health risk to the public.

Internationally and in states across the country, lawmakers and public officials are finding ways to solve these problems with money from the private sector. Many existing congestion-relief projects would simply not have been built without using the up-front capital private partners devote to a project.

Public-private partnerships are not right for all highway projects, but policymakers should recognize the positive role private finance can play in building public infrastructure. While public debt appears cheaper on paper and therefore more attractive to lawmakers, low interest rates fail to reflect the risk to taxpayers when projects run over budget or toll revenues fail to meet estimates.

22 "Evaluation of Public Private Partnerships," prepared by AECOM for the Washington State Joint Transportation Committee, January 19, 2012, at leg.wa.gov/JTC/Documents/Studies/P3/P3FinalReport_Jan2012Web.pdf.

23 "Mega Project Assessment," prepared by CH2M Hill and Tom Warne and Associates for the Washington State Department of Transportation, October 2013, at wsdot.wa.gov/NR/rdonlyres/BDDA8B28-F751-42F2-A843-8F50A145B880/0/Mega_Project_Assessment.pdf.

24 Ibid.

25 "Long-Term Transportation Financing Study," prepared by Cambridge Systematics, Inc. for the Washington State Joint Transportation Committee, January 2007, at leg.wa.gov/JTC/Documents/TransportationFinancingStudyJan07.pdf.

Only when evaluating financial risk and other costs over a project's lifecycle can a fair comparison be made to determine project delivery value.

States around the country are proving public-private partnerships are not sweetheart deals with favored interests, as some critics claim. Public and private goals are not mutually exclusive, and the public interest can be served by taking advantage of private investment. Any profits to the private sector depend on the function, safety and time-savings of a new road to attract drivers. State officials can reinforce public protections and maximize taxpayer value in public-private partnerships by applying lessons learned, using clear and enforceable contract language and practicing good oversight. Most importantly, private investors agree to take on much of the financial risk when a construction project runs into costly delays and unforeseen problems, protecting public budgets from higher costs and protecting people from higher taxes.

Public-private partnerships are one of many options state leaders should consider to serve the public interest by moving the most people at the least cost. Washington state officials should embrace private financing by changing the restrictive 2005 law and make projects more attractive to private equity groups, while at the same time creating strong protections for taxpayers and motorists.

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