Public-Private Partnerships

Office for Public-Private Partnership
Department of Treasury
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April 22, 2010

Michigan Office for PPP

Why we are here today

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- Introduce Office for PPP
- Summarize Michigan's transportation and funding challenges
- Discuss key aspects of HB 4961
- Address Committee's questions

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OPPP overview

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The Office for Public-Private Partnership was established in July 2008 within the Department of Treasury to promote the successful development of public-private partnership (PPP) opportunities in Michigan. The Office for PPP, through a competitive bidding process, retained the services of a strategic and financial advisor with global PPP experience. The Office's key roles include:

- **Coordination** – coordinates, facilitates, and provides standardization across departments and projects
- **Innovation** – identifies new and innovative ways to partner with the private sector to deliver needed infrastructure and services to the State
- **Objectivity** – provides an objective assessment and recommendation for potential PPP opportunities
- **Leading practices** – helps promote Michigan's public policy priorities through successful project development and good practices.

Michigan's transportation needs and funding challenges

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Michigan has significant transportation needs.

- Michigan's roads and bridges received a grade of "D" and "C", respectively
- 38% of roads are in poor or mediocre condition
- 25% of bridges are structurally deficient or functionally obsolete

There are very limited state and Federal funds to meet these needs.

- 15% projected decline in funding between 2008 and 2011
- Between 2010 and 2015, MDOT will lose an average of $750 million per year due to Michigan's inability to match available Federal road funds
- Expected funding will only pay for 4% of lane miles needed for repair/replacement by 2015

Source: ASCEMI available at http://sections.asce.org/michigan/michiganreportcard/michiganreportcard.html

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PPP activity in other states

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Other states are attracting private investment for infrastructure and are successfully developing projects and creating jobs.

- Approximately **$17 billion** of PPP projects have been developed by **7 states** in the last four years – this investment has the potential to create almost **716,000 jobs**
- Over **$18 billion** of PPP projects are currently being procured by **9 states** – this potential investment has the potential to create over **758,000 jobs**
- Over **$125 billion** of PPP projects across **22 states** are currently in the pre-procurement phase – this potential investment has the potential to create over **52,000,000 jobs**
- Many other states have this tool available – approximately **26 other states have passed PPP enabling legislation**
- PPP programs and a pipeline of PPP projects are currently being considered in neighboring states, such as Ohio, Illinois, Minnesota, and Indiana

Source: Project data found at Infra-Americas – available at www.infra-americas.com
Job creation data found at Federal Highway Administration – available http://www.fhwa.dot.gov/innovativeFinance/evalch3.htm.
PPP enabling legislation data found at Federal Highway Administration – available at http://www.fhwa.dot.gov/ipd/p3/state_legislation/index.htm

Impacts of PPPs

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Based on experiences around the globe and in the US, impacts of PPPs potentially include:

- **Leveraged private investment** – Allowing the public sector the opportunity to leverage resources in order to accelerate the delivery of projects
- **Enhanced economic activity** – Private investment generating economic activity both in the construction sector as well as the overall economy
- **Job creation** – Providing both directly and indirectly for the creation of new jobs
- **Economic competitiveness** – Helping to provide the infrastructure needed to attract new industries and help diversify the economy
- **Innovative design –** Providing the private sector the flexibility to introduce innovative design and create efficiencies
- **Cost and time savings** – Innovative delivery methods have been shown to result in cost and time savings both in project development and operations
- **Whole-life costing** – Requiring that the same investors are responsible for both the construction and operations of the project – this incentivizes them to minimize total, whole-life, costs by constructing an efficient asset
- **Retained government oversight and ownership** – Government retains ultimate ownership and control over all assets and associated service delivery

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HB 4961

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HB 4961, which authorizes MDOT to undertake PPPs, is structured to:

- **Build on lessons learned** – utilizes lessons learned from other states and jurisdictions
- **Maintain a balanced approach** – addresses Michigan's needs while instituting leading practices
- **Protect Michigan's interests** – addresses key commercial consideration to protect Michigan's long-term position and balance private sector interest
- **Provide strong oversight** – provides a framework for ensuring that Michigan retains ultimate control over the quality of services provided and ownership of the underlying asset
- **Be flexible and innovative** – allows for a variety of PPP business models to be procured thereby optimizing value to Michigan
- **Create a competitive advantage** – ensures Michigan remains competitive in comparison with other states by facilitating access to private sector capital and leveraging additional sources of federal funds

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Potential Impacts of HB 4961

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If HB 4961 is passed in its current form, Michigan would likely:

- **Spur economic development and enhance competitiveness**
- **Maintain and create jobs**
- **Gain access to private sector capital and investment**
- **Attract the leading developers throughout the world bringing cutting-edge technology to project development**
- **Deliver projects Michigan otherwise would be unable to deliver**
- **Protect the long term interests of Michigan and the travelling public**
- **Deliver more projects faster and cheaper**