State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

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Subject: **PUBLIC PRIVATE PARTNERSHIPS (PPP) WORKSHOP**

SUMMARY:

While Public-Private Partnerships (PPPs) are not a panacea for California's transportation finance problems, they can be an important tool. California was at the leading edge of PPPs in the 1980s, with the implementation of AB 680 which led to the construction of SR-91 in Orange County and SR-125 in San Diego County. Now, other states (such as Florida, Texas, Indiana, Washington and Oregon) are partnering with private entities worldwide to provide new or enhanced transportation facilities. Their experiences demonstrate that PPPs can be an effective method to accelerate the delivery of transportation services when structured to protect the public interest.

BACKGROUND:

California's transportation infrastructure has traditionally been financed with a combination of federal and state motor vehicle fuel taxes, sales tax measures and general fund revenues. However, these revenues have not kept pace with the significant and sustained levels of investment required to maintain, operate, upgrade and expand California's transportation infrastructure.

Recognizing the funding gap faced by many states, the federal government has taken steps to encourage the use of new and innovative funding models that could help to meet the state's transportation infrastructure needs. PPPs are one such model, bringing private sector financing, management, innovation and expertise to accelerate the delivery of infrastructure projects which would otherwise be delayed because of the unavailability of funding. Coupled with advances in tolling technology, these PPPs can also demonstrate the value of peak period pricing and other incentives to address traffic congestion.

California's experience with PPPs started in the late 1980s. AB 680 authorized pilot PPP projects. The first AB 680 demonstration project was the SR 91 Express Lanes in Orange County, which opened in 1995. The other PPP demonstration project is SR 125 in San Diego County, which is expected to open later this year. California has learned valuable lessons from its experiences on these projects.

With the passage of AB 1467, California is poised to build on these lessons learned. AB 1467 provides authority for the Department and regional agencies (including a joint powers entity) to implement up to four projects, two in the north and two in the south, "primarily designed to improve goods movement." The Commission would select the projects from nominations submitted by the department or regional agency. The authorization expires on January 1, 2012, and requires final approval of the Legislature of all negotiated agreements.

AB 1467 also authorizes up to four high-occupancy toll (HOT) lane projects, including the administration and operation of a value-pricing program (variable tolls) and exclusive or preferential lane facilities for public transit. Regional agencies, in cooperation with Caltrans, must apply to the Commission to develop and operate the HOT lane projects.

This workshop will be a forum for discussion of the features of PPPs, implementation strategies, and the provisions of AB 1467.