Putting Private Capital to Work in Rural Infrastructure

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Introduction

Infrastructure, or a lack thereof, can be a fundamental determinant of economic growth or decline. Rural infrastructure—such as roads, water systems, and broadband—is in dire need of upgrades and repair, which adversely impacts rural communities’ efforts to create jobs and stimulate economic growth. Fifteen percent of major rural roads are in poor condition, and one-fifth of rural bridges are either structurally deficient or functionally obsolete. Only three-fifths of counties nationwide have public transportation service, and in many of those counties, service is very limited. Small water systems (those serving populations of less than 3,300) are in need of capital investment totaling $64.5 billion over the next 20 years.

While crumbling infrastructure is not limited to rural areas, such areas face unique challenges in addressing infrastructure needs. Many projects are relatively small and therefore unable to attract regional support or investment from the private sector. The usual means of paying for infrastructure—either taxes or user fees—are severely limited in many rural areas due to small and, in some cases, declining populations. It can be a struggle to recruit and retain staff with the necessary expertise, presenting a fundamental challenge to rural communities’ efforts to utilize their infrastructure efficiently and effectively.

While robust public funding is essential to meeting these urgent needs, rural areas, like their urban counterparts, should be empowered to tap into the financial and technical expertise of the private sector to help deliver infrastructure projects more quickly and at less cost. This paper will highlight examples of rural areas that have successfully overcome issues of size, resources, and experience to create successful partnerships with the private sector. It will also make a suite of recommendations to enable more rural communities to utilize private capital to help address infrastructure needs.

What Is Rural?

Rural America is not homogeneous. Some rural areas are on the outskirts of major cities, while others are far removed from population centers. Some towns provide shopping and services for surrounding agricultural areas, while others are anchored by a tourist destination, hospital, or college. Federal agencies use a variety of definitions when determining eligibility for “rural” programs. The U.S. Department of Agriculture’s (USDA) Community Facilities grant program targets communities under 20,000 people, while the Rural Utilities Service’s Water and Environmental Program is available to communities under 10,000. The Environmental Protection Agency (EPA) defines communities under 10,000 as “small” for purposes of the state revolving funds, but for purposes of the new Water Infrastructure Finance and Innovation Act program, small communities are 25,000 or below. The Federal Transit Administration’s rural program is available for communities located outside Census-defined Urbanized Areas of 50,000 people or more, and the same definition is used to identify rural projects in the Department of Transportation’s Transportation Investment Generating Economic Recovery (TIGER) program. The Department of Housing and Urban Development’s Community Development Block Grant program sets aside 30 percent of funding for cities under 50,000 and counties under 200,000 people.

This paper does not attempt to set a population threshold or establish a strict definition for what constitutes a rural area. Instead, it provides examples and strategies that are intended to be broadly applicable to low-population, fiscally challenged areas.
**Types of Private Capital**

Private investment in infrastructure can take a variety of forms.

- Loans from financial institutions or other private entities
- Contributions or exchanges from private companies
- Public-private partnerships (P3s)

In a sense, all of these arrangements represent a partnership between the public and private sector, but only in a P3 does the private sector take on long-term project risks and responsibilities. Unlike a loan or in-kind contribution, P3s create a contractual relationship between a government agency and the private sector (either one company or a group of companies) in which risks and responsibilities related to an infrastructure project are shared over the long term. The types and extent of risks shared can range widely, from just the initial design and construction of a project all the way through to the full transfer of ownership and management responsibilities (see Figure 1).

**Figure 1. Types of Public-Private Partnerships**

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>Individual contracts for design and construction; public operate and maintain (O&amp;M); public financing</td>
</tr>
<tr>
<td>Design-Build</td>
<td>Single contract for design and construction; public O&amp;M; public financing</td>
</tr>
<tr>
<td>Design-Build Operate-Maintain (DBOM)</td>
<td>Single contract for design, construction, and O&amp;M; public financing</td>
</tr>
<tr>
<td>Design-Build-Finance Operate-Maintain (DBFOM)</td>
<td>Single contract for design, construction, and O&amp;M</td>
</tr>
<tr>
<td>Private Ownership</td>
<td>Sells asset to private owner/operator</td>
</tr>
</tbody>
</table>

**Source:** Bipartisan Policy Center, *Bridging the Gap Together*, 2016, 22. Available at: https://bipartisanpolicy.org/library/modernize-infrastructure/
While some rural places have successfully used private capital to help address infrastructure needs (see examples below), rural areas face particular challenges in developing effective partnerships with the private sector. Three main issues set many rural communities apart from their larger urban counterparts when it comes to infrastructure delivery:

1. **Project size.** Many rural projects are of a smaller scale than urban ones because they are designed to serve fewer people. Small projects will typically have a harder time attracting private-sector interest than larger ones.

2. **Institutional capacity.** Developing a financing package or negotiating a P3 is a complex endeavor that requires specialized expertise most rural communities lack. When public-agency staff in rural communities are already straining to maintain existing infrastructure, devoting resources to evaluate a potential P3 may not even be an option. Many small communities lack the capacity to conduct the economic analyses needed to qualify for federal and state loan and grant programs, which limits available resources even further.

3. **Limited funding and financing options.** Many rural communities struggle to pay for infrastructure due to their smaller populations and tax base. Despite their smaller size, rural projects will often be more expensive on a per-capita basis than urban projects, as rough terrain, long distances, and lack of supportive infrastructure can outweigh the lower cost of land. Moreover, rural areas may lack access to financing from capital markets, something that is readily available to larger cities.
**Private Capital Already at Work in Rural Areas**

Despite the challenges noted above, private capital has already been used to deliver projects in some rural communities without large populations and without using tolls. There are rural examples in many infrastructure sectors, including transportation, water, broadband, and community facilities (see Figure 2).

**Figure 2. Examples of Rural Projects Involving Private Capital**

<table>
<thead>
<tr>
<th>Project</th>
<th>State</th>
<th>Locality</th>
<th>Type of Private Capital</th>
<th>Project Lead</th>
<th>Infrastructure Type</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Infrastructure Opportunity Fund</td>
<td>National</td>
<td>Multiple</td>
<td>Loan fund</td>
<td>USDA-CoBank</td>
<td>Community Facilities</td>
<td>Multiple</td>
</tr>
<tr>
<td>TRAX Transit</td>
<td>TX</td>
<td>Paris</td>
<td>Contribution/exchange</td>
<td>Tex-Ark Regional Commission</td>
<td>Bus system</td>
<td>Public funds; private contributions</td>
</tr>
<tr>
<td>Coalfields Expressway</td>
<td>VA</td>
<td>Multiple</td>
<td>Contribution/exchange</td>
<td>Virginia DOT</td>
<td>Rural highway</td>
<td>TBD</td>
</tr>
<tr>
<td>Prichard Intermodal Gateway</td>
<td>WV</td>
<td>Prichard</td>
<td>Contribution/exchange</td>
<td>WV DOT</td>
<td>Intermodal freight facility</td>
<td>State and private funds</td>
</tr>
<tr>
<td>Rapid Bridge Replacement Program</td>
<td>PA</td>
<td>Multiple</td>
<td>P3</td>
<td>Pennsylvania DOT</td>
<td>Small bridges</td>
<td>State transportation funds</td>
</tr>
<tr>
<td>Portsmouth Bypass</td>
<td>OH</td>
<td>Portsmouth</td>
<td>P3</td>
<td>Ohio DOT</td>
<td>Rural highway</td>
<td>ADHS and state transportation funds</td>
</tr>
<tr>
<td>CNG Fueling Project</td>
<td>PA</td>
<td>Multiple</td>
<td>P3</td>
<td>Pennsylvania DOT</td>
<td>Natural gas fueling stations</td>
<td>State transportation funds, CNG sales</td>
</tr>
<tr>
<td>Ransom Water System</td>
<td>IL</td>
<td>Ransom</td>
<td>P3</td>
<td>Village of Ransom</td>
<td>Water system</td>
<td>Water rates</td>
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<tr>
<td>Keystone Wastewater Treatment Plant</td>
<td>SD</td>
<td>Keystone</td>
<td>P3</td>
<td>Town of Keystone</td>
<td>Wastewater treatment plant</td>
<td>Water rates</td>
</tr>
<tr>
<td>Holyoke Wastewater Treatment Plant</td>
<td>MA</td>
<td>Holyoke</td>
<td>P3</td>
<td>City of Holyoke</td>
<td>Wastewater treatment plant</td>
<td>Water rates, general funds</td>
</tr>
<tr>
<td>Fargo-Moorhead Area Diversion Project</td>
<td>ND, MN</td>
<td>Fargo</td>
<td>P3</td>
<td>Army Corps of Engineers; Diversion Authority Board</td>
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<td>Federal and state funds, local sales taxes</td>
</tr>
<tr>
<td>Grand Prairie Irrigation Project</td>
<td>AR</td>
<td>Multiple</td>
<td>P3</td>
<td>Army Corps of Engineers</td>
<td>Irrigation system</td>
<td>Water rates (expected)</td>
</tr>
<tr>
<td>Kentucky Wired</td>
<td>KY</td>
<td>Multiple</td>
<td>P3</td>
<td>KY Communications Network Authority</td>
<td>Broadband</td>
<td>Service fees</td>
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<tr>
<td>Blinn College Residence Hall</td>
<td>TX</td>
<td>Brenham</td>
<td>P3</td>
<td>Blinn College</td>
<td>Student housing</td>
<td>Housing fees</td>
</tr>
</tbody>
</table>
**Loans**

Loans or other financing support from the private sector can expand financial capacity for rural communities that would otherwise lack the ability to affordably finance infrastructure projects. Many small communities do not regularly issue bonds into the capital markets and therefore lack a credit history that can help them access affordable financing. In other cases, repayment sources—such as revenues from water bills—are too low to repay loans within the usual term. These factors can limit the ability of rural areas to access private financing.

**Rural Infrastructure Opportunity Fund**

**Key strategies:** Pooling private capital  
**Primary benefits:** Lower financing costs

One effort to address this challenge was launched by the U.S. Department of Agriculture (USDA), with CoBank as the anchor investor, in 2014. The Rural Infrastructure Opportunity Fund pools capital from private investors to be made available to rural infrastructure projects. CoBank pledged a $10 billion commitment, followed by another Farm Credit System member, AgStar Financial Services, and the fund is actively seeking additional investors. The fund is managed by a private asset-management firm, and no government funding is involved, although USDA will help identify projects that could benefit from the fund. Financing from the fund is available for improvements to community facilities (such as health care facilities and child care centers), water systems, and energy projects in rural areas.

The Rural Infrastructure Opportunity Fund allows rural communities to access private financing through a single entity, rather than having to approach numerous banks, which may be located far outside the community, and try to negotiate terms with each one. The fund adds capacity for rural communities by serving as a kind of matchmaker between infrastructure projects and private financing. It is intended to fill the gap for projects that have trouble accessing traditional financing and to make it easier for private investors, such as pension funds and endowments, to invest in rural areas.⁴

**Contributions/Exchanges**

Some rural communities have successfully worked with local businesses to develop arrangements in which the business will contribute to the project, financially or in-kind. The private contributions may be made in exchange for a specific benefit, or because the business expects to benefit from the existence of the project and wants to ensure that it gets done.
In rural northeast Texas, the Ark-Tex Regional Commission, which runs an on-call transit service through a nine-county region, partnered with local businesses to introduce fixed-route, regularly scheduled bus service to local destinations. The Paris Regional Medical Center, which had many patients and employees who would use the bus system, agreed to provide an annual cash contribution for three years plus space for a transit center, in exchange for advertising on buses and at bus stops. Other local businesses followed as sponsors of the system, and together these private contributions filled the gap between the project’s costs and available public funding, allowing the system to launch in July 2016.

The Development Authority of the North Country (DANC), which includes three rural counties in upstate New York (Jefferson, Lewis, and St. Lawrence, which together have a population of 255,600), partnered with a private company to convert methane from the region’s landfill into electricity to be sold to the power grid. The private company, Aria Energy (formerly Innovative Energy Solutions, Inc.) built, owns, and operates the power plant that converts the methane and sells the electricity to the grid. The DANC delivers methane from its landfill to the power plant and receives a share of the revenue when it is sold. Construction of the landfill gas-to-energy project was completed in October 2008 and is now producing enough electricity to power more than a thousand homes. Through this partnership, the DANC was able to monetize an asset they were not using—in this case, trash—into a source of revenue.
U.S. Route 121, known as the Coalfields Expressway, is a proposed highway through an area of southwestern Virginia now served primarily by narrow rural roads. The expressway will facilitate access to interstates in West Virginia, Kentucky, and Tennessee and provide greatly improved connectivity for the small communities along the route. While public funding to cover the full costs of construction has yet to be identified, the Virginia Department of Transportation has partnered with several coal companies to reduce the project’s costs. The coal companies will use their equipment to prepare the roadbed for construction in exchange for the ability to recover any coal located there. As a result of the work done by the coal companies, the projected cost of the expressway fell from $5.1 billion to $2.8 billion, a 45 percent reduction.\(^7\)

Source: [http://www.virginiadot.org/Projects/Bristol/asset_upload_file758_62733.pdf](http://www.virginiadot.org/Projects/Bristol/asset_upload_file758_62733.pdf)
Prichard Intermodal Gateway (West Virginia)

**Key strategies:** Land donation

**Primary benefits:** Lower project cost

The state of West Virginia partnered with Norfolk Southern to construct an intermodal freight facility adjacent to its tracks in rural Wayne County. Norfolk Southern had an interest in seeing the facility completed as it would improve freight shippers’ access to its tracks. Norfolk Southern and several other private-property owners supported construction by donating the land for the facility, while the West Virginia Public Port Authority oversaw construction. The new Prichard Intermodal Gateway improves freight movement in areas of Ohio, West Virginia, and Kentucky by allowing trucks access to the Heartland Corridor, a freight line running from the Port of Virginia to Chicago.  

Public-Private Partnerships (P3s)

In conventional project delivery, the government contracts with separate companies for the design, construction, and sometimes operation and maintenance of projects. In contrast, with a P3, a single private consortium is responsible for multiple phases and often brings its own capital to the table as well. The private partner may be repaid either from revenues generated by the project (such as fees or tolls) or from periodic payments by the government (known as milestone or availability payments). While the initial cost of private financing is typically higher than public (tax-exempt) financing, those costs can in some cases be offset through savings derived from the other benefits of P3s, which include:

- **Aligning incentives to deliver projects faster and more efficiently.** As government payments are typically set at a fixed amount, and fees or tolls cannot be collected until a project is open, the private partner has an incentive to deliver the project on schedule and on budget. When the private partner will also operate and maintain the project, designers are more likely to build in efficiencies to reduce costs down the road.

- **Sharing or transferring risks.** P3s shift project risks from the government to the private sector. For example, in a traditional procurement, the public agency has little recourse if costs exceed projections. In a P3, the risk of cost overruns can be transferred to the private partner, as can the responsibility for ensuring reliable performance and for maintaining the asset in a state of good repair.

- **Reducing pressure on public budgets.** Private partners may bring equity or financing to the project, allowing state and local governments to use their debt capacity for other priorities. Keeping outstanding debt low can raise municipalities’ credit ratings and lower their cost of capital for other projects.

While not a substitute for continued public funding, P3s can provide much needed assistance in small communities with limited resources. They are, however, complex to negotiate and implement as they require careful decision-making about risk allocation and project oversight, and their use has been limited in the United States. Still, some states, cities, and towns have successfully used P3s to deliver rural infrastructure, as the examples below demonstrate.
Rapid Bridge Replacement Program (Pennsylvania)

Key strategies: Bundling, availability payments
Primary benefits: Faster delivery of safer bridges, lower project cost

Pennsylvania urgently needed to replace hundreds of small, structurally deficient bridges around the state. Many were in rural areas and were not good candidates for tolling. The Pennsylvania Department of Transportation (PennDOT) projected that it could fund the bridge replacement out of its annual transportation budget, thanks in large part to passage of a 2013 law increasing transportation funding throughout the state, but that it would take up to 15 years to replace that number of bridges.

Instead, the state is contracting with a private partner that will finance and rebuild 558 bridges within four years, allowing PennDOT to pay for the project over 28 years. The total project cost is $1.1 billion, or an average of about $60 million per year, paid for from the state's annual transportation budget. PennDOT is saving about 30 percent in bridge-replacement costs through the P3 approach, which will deliver new bridges to rural areas years faster than the state could have done alone. The savings result primarily from the economies of scale that come from repairing multiple bridges simultaneously as well as the fact that accelerating construction allows for completion of the project at current prices, a significant benefit considering that the cost of construction has been rising faster than inflation.

Another advantage to this approach is that its costs are fixed throughout the term of the project. It is the responsibility of the private partner to ensure that the bridges pass required inspections, and any increases in construction or maintenance costs needed to meet that standard must be borne by the private partner.
Bundling so many small bridges into a single project required PennDOT to devote more staff time and resources to the project-development phase than would have been required for a conventional project. Thousands of bridges were screened to identify those that were similar structures with similar needs. Most of the selected bridges required limited environmental review, a process that was handled by the private partner under a special waiver from the Federal Highway Administration. (Even in a P3, the government partner typically runs the process of getting environmental approvals.)

The project is now well underway, and Pennsylvania will soon be reaping the benefits of newly reconstructed bridges in exchange for a quicker time line and the certainty of a fixed payment over the term of the partnership.

Portsmouth Bypass (Ohio)

Key strategies: Availability payments
Primary benefits: Faster delivery

The Portsmouth Bypass (now known as the Southern Ohio Veterans Memorial Highway) is a 16-mile, four-lane divided highway that travels east around the city of Portsmouth, allowing travelers to avoid 26 miles of existing state roads that run through the city. With a population of 20,000, Portsmouth is located in Ohio’s Appalachian region, and the bypass is the final link in Ohio’s section of the Appalachian Development Highway System.13

The goals of the bypass are to significantly reduce trip times for cars and trucks traveling to Columbus from the south, which would otherwise be delayed by the numerous traffic lights and intersections in the city of Portsmouth, as well as to facilitate economic development on the eastern side of the city. The overall goal of the Appalachian Development Highway System is “to generate economic development in previously isolated areas, connect Appalachia to the interstate system, and provide access to areas within the Region as well as to markets in the rest of the nation.”14
Using a traditional delivery model, the Ohio Department of Transportation (ODOT) projected that the project would need to be undertaken in three phases and would take 13 years to complete. Desiring a faster delivery but with a limited ability to pay for it, ODOT partnered with a private consortium to design, build, finance, operate, and maintain the highway. The upfront financing costs will be borne by the private partner, and ODOT will pay for the project in installments over the construction period plus 35 years of operations and maintenance by the private partner. With the P3, the project will be completed in four years, shaving nine years off the original estimate.

There was no shortage of interest in the project from private companies; ODOT received four statements of qualifications from interested firms, comparable to proposed P3s in urban areas. Overall, including construction and long-term operations and maintenance, the project is expected to cost $1.2 billion over the 35 years of the contract. The P3 contract specifies that payments may be reduced should the private consortium not ensure that lanes are made available to a specified standard.

Source: [https://www.transportation.gov/tifia/financed-projects/portsmouth-bypass](https://www.transportation.gov/tifia/financed-projects/portsmouth-bypass)
Natural Gas Fueling Stations (Pennsylvania)

Key strategies: Bundling
Primary benefits: Faster delivery, reduced fuel costs

In 2014, the Pennsylvania Department of Transportation (PennDOT) developed an innovative idea to save money for dozens of rural transit agencies around the state. By converting their bus fleets from diesel fuel to compressed natural gas (CNG)—Pennsylvania has become one of the largest natural-gas-producing states in the country—the transit agencies could save millions of dollars a year. Because converting to CNG requires a significant upfront investment in fueling infrastructure, PennDOT decided to use a P3 approach to share the costs and risks with a private partner.

Under the 20-year P3 agreement, a private consortium is designing, building, financing, operating, and maintaining 29 CNG fueling stations across the state, serving primarily rural transit agencies (see map below). Several of the stations will also be available to the public for fueling CNG vehicles such as commercial trucks and vans. The state will make milestone payments during construction to pay for the capital costs of the project; transit agencies (and any public users) will pay for the CNG they consume. The private partner will be responsible for ensuring that the fueling stations operate at a specified standard.

Source: [http://gannettfleming.com/~/media/Images/Projects/Oil%20and%20Gas/56410-1-FuelingStation.ashx](http://gannettfleming.com/~/media/Images/Projects/Oil%20and%20Gas/56410-1-FuelingStation.ashx)
The state estimates that bundling these projects together has saved $46 million in capital costs compared with taking them on one by one. Moreover, with access to cheaper fuel, transit agencies are expected to save a total of $10 million per year.\textsuperscript{17} As part of the agreement, PennDOT has committed to a minimum CNG purchase each year. With a total project cost of $84.5 million, the savings on fuel will more than pay for the project over the course of the agreement. Moreover, PennDOT will receive 15 percent of the revenue from CNG sold to the public, which can be used to help pay for the project as well as other capital needs at transit agencies around the state.

The first of the 29 fueling stations opened on April 20, 2017.\textsuperscript{18} Construction of all CNG fueling stations is expected to be completed by 2021.

\textbf{Figure 3:}

CNG Fueling Project Locations

\textbf{Source:} PennDOT, CNG Fueling Project Locations. Available at: \url{http://www.penndot.gov/ProjectAndPrograms/p3forpa/Documents/CNG%20Transit%20Facilities/CNG%20Station%20Map.pdf}
The village of Ransom (population 371) is located in central Illinois, 70 miles west of Chicago. In 2015, the village’s drinking water showed high levels of radium, leading the village government to begin providing bottled water to residents. Lacking the resources to address the radium problem on its own, the village transferred its water system to a private company, Illinois American Water, in 2016 for $175,000. Illinois American Water operates water systems in over 100 towns statewide.

Illinois American Water invested approximately $2 million to install 10 miles of water main to connect the village’s customers to its existing water-distribution system that was already serving nearby areas. As a result, Ransom’s residents and businesses again had access to safe drinking water, in compliance with Environmental Protection Agency requirements, and the village was able to cease distribution of bottled water. Despite the additional investment, operational efficiencies in connecting to the larger system mean that customer bills declined by approximately 15 percent on average (from $53 to $45 per month).
The town of Keystone, with a year-round population of 370, is the gateway to Mount Rushmore. During tourist season, the town’s population can surge to as many as 8,000 people. In 1994, a new state law rendered Keystone’s wastewater treatment plant out of compliance. A separate law limited the amount the town could borrow. Instead of using its entire debt capacity for this single project, Keystone chose to contract with a private partner to design, build, finance, and operate for 20 years a new facility, in exchange for annual payments from the town. The private company would finance the project with privately issued bonds, saving Keystone’s debt capacity for other town priorities.

The contract was structured so that any cost savings during construction compared with the original project estimate would be shared between the company and the town. At the conclusion of construction, the town received a $30,000 rebate. Under the contract, the town paid operational costs plus a reasonable return for the private company. As a result of the P3, Keystone was able to build a wastewater treatment facility that would be in compliance with state and federal standards. The P3 remained in place for more than 10 years, until the company that was operating the plant was acquired by another firm whose focus was not on wastewater and the town chose to take over operations on its own.

Holyoke Wastewater Treatment Plant (Massachusetts)

Key strategies: Combining a loan from the State Revolving Fund with private equity
Primary benefits: Improved water quality, faster delivery

A small city (population 40,000) located in western Massachusetts, Holyoke previously utilized a wastewater system with 15 combined sewer overflow (CSO) discharge points that sent an estimated 700 to 850 million gallons of untreated water into the Connecticut River. State and federal assessments in 1995 and 1997 found that this system made the river unsafe to swim or fish in, and was increasing the average pathogen count in the river by 12,678 percent. In March 1997, the Environmental Protection Agency issued an administrative order to the city of Holyoke and six other Massachusetts towns to abate the CSOs along the Connecticut River. Faced with an estimated $45 to $78 million cost to fix the CSO problem, the city of Holyoke sought a public-private partnership that would include the treatment plant, collection system, CSOs, and CSO treatment facility.
In 2005, Aquarion Operating Systems was selected as the private partner and was contracted for a 20-year agreement to design, build, operate, and maintain the wastewater treatment system. Aquarion Operating Systems was subsequently purchased in 2007 by United Water, a subsidiary of Suez Environment. In addition to the $24 million treatment facility, as a part of this public-private partnership Aquarion/United Water agreed to upgrade and operate the current wastewater infrastructure, which included $6 million for 14 capital improvements. The city financed the project by combining a low-interest loan from the state’s revolving fund with capital from the private partner. The city is making regular payments to the private partner from user fees supplemented by general funds, as water rates are short of what is required to make the payments (and would have needed to be even higher without the public-private partnership). This demonstrates the difficulty utilities, particularly in small or disadvantaged communities, have charging rates that reflect the actual cost of service.

Through this public-private partnership, the city has reportedly saved $10 million in capital, operation, and maintenance costs. As ensured by the partnership, the facility has kept the city in compliance since the first year of operation and has met the EPA mandate to reduce the total number of discharge points by 60 percent. Between 2007 and 2010 the CSO abatement facility reduced overflow into the Connecticut River by 92 percent. It was also completed a year ahead of schedule.
**Fargo-Moorhead Area Diversion Project (North Dakota and Minnesota)**

Key strategies: Split delivery, availability payments through sales taxes  
Primary benefits: Faster delivery, long-term performance guarantees

The Fargo-Moorhead metropolitan area sits on the border of North Dakota and Minnesota along the Red River. With the river cutting through the heart of downtown, the area is significantly prone to flooding. Over the past century, the river has flooded nearly every other year, with a recent streak of flooding 20 of the past 21 years. For each year that the river floods, an estimated $194.8 million in damage is done. A catastrophic, 500-year flood would submerge the entire city of Fargo, large portions of Moorhead, and the surrounding small communities, resulting in $10 billion in damages.

To remove this risk and mitigate the yearly damages, the Fargo-Moorhead (FM) Area Diversion project began in 2008 with a feasibility study by the Army Corps of Engineers. In 2009, a cooperative working group between officials from North Dakota and Minnesota was formed, which grew into a Flood Diversion Board of Authority in 2011. The board is the acting governing body for the project, and it currently includes the mayor of Fargo, the mayor of Moorhead, and 11 officials from the surrounding cities and counties. The final project is expected to be operational in 2024 and will include in-town levees, an embankment, and a 30-mile diversion channel around the metropolitan area.
The latest cost estimate is $2.2 billion, with $450 million in federal funding, $570 million in state funding from North Dakota, $43 million in state funding from Minnesota, and $1.1 billion in local funding (derived from local sales taxes that will go toward short-term and long-term financing). The Army Corps of Engineers selected this project to demonstrate a split-delivery design, with two stages being built simultaneously. The embankment will be constructed by the Army Corps of Engineers and the diversion portions will be delivered through a Design-Build-Finance-Operate-Maintain P3. By using the P3 approach for the second portion, 30 miles of channel, two aqueducts, two river inlets, various local drainage inlets, the channel outfall, four railroad bridges, four interstate highway bridges, and 10 county road bridges will be constructed at a faster rate, in conjunction with the embankment project and without waiting for congressional appropriations. This agreement will also transfer long-term performance risks onto a private partner, including the associated environmental mitigation.

The Flood Diversion Board of Authority has submitted requests for proposals to four potential private partners and will move forward with the procurement process in the fall of 2017. The selected partner will operate and maintain the infrastructure for 30 years and will receive payments that are collected through the local sales taxes.

**Figure 4: Flood Diversion Board of Authority**

**Paying for the Project**

**Existing Sales Taxes**

**City of Fargo Sales Taxes**
- 1/2¢ Passed in 2009 Dedicated to Flood Protection (Currently expires in 2029)
- 1/2¢ Passed in 2012 Dedicated to Flood Control (Currently expires in 2032)
- 1¢ Passed in 2006 on Fargo Infrastructure Tax (1/4 for flood protection, 1/4 for wastewater, 1/4 for water) (Currently expires in 2028)

**Cass County Sales Tax**
- 1/2¢ Passed in 2010 Dedicated to the Diversion and other county projects (Currently expires in 2031)

**Financial Plan**

- FM Metro Flood Protection Projects
- Peak Construction Payments Begin in 2025

**Extending Current Sales Taxes = No Direct Special Assessments**

- Sales tax revenues assume a 3% growth rate, (Historical Growth Rate = 4%)

**Extending Current Sales Taxes = No Direct Special Assessments**

- Expected Sales Tax Revenue
- Future Sales Tax Revenue

**Source:** FM Diversion, Flood Diversion Board of Authority.
The Arkansas Grand Prairie has 250,000 acres of irrigated rice and soybean farms, drawing water from the Mississippi River Valley alluvial aquifer. In 1982, the Arkansas Natural Resources Commission reported that the rate of water consumption was depleting the aquifer. With the aquifer at an insufficient level for commercial use, farms instead began using the primary drinking-water source, the Sparta Aquifer, which is now also in danger of depletion. Without a source for irrigation, the loss in crop production could have severe economic and social impacts. To avoid this, a plan was proposed to pump water from the nearby White River to individual farms through a series of new canals and pipelines, as well as to establish on-farm retention and conservation features. In 1991, the Army Corps of Engineers began development of the Grand Prairie Area Demonstration Project, in collaboration with USDA’s Natural Resources Conservation Service, Arkansas Natural Resources Commission, and the White River Irrigation District.\textsuperscript{34}

Today, $212 million has been invested in the project with $137 million coming from federal appropriations and $75 million from non-federal sponsors. The project has completed permitting, as well as construction of the inlet canal, the pump station, and the pipelines from the pump station to the reservoir. However, the project still requires an electrical substation, two new highway bridges, a water-conveyance system to reach the farms (50 miles of canals and 290 miles of pipelines), a gate and pump control system, and metering and data-management systems before it is complete. At the current appropriated funding levels, these final elements are not expected to be finished for decades.

Faced with the immediate need to secure a new irrigation source, the project sponsors are currently pursuing a public-private partnership to complete the final stages of the project and assume the operation and maintenance responsibilities of the entire system. Under a P3 approach, the private partner would build the remaining portions of the project, allowing the new irrigation system to begin operations while the public partner pays for it over time. Payment for the project is envisioned to come from the farmers using the water. Various payment structures are under consideration in order to make the costs affordable to the farmers, such as making the repayment period longer than would be typical in order to keep rates down.

Grand Prairie Irrigation Project (Arkansas)

**Key strategies:** Extended repayment period  
**Primary benefits:** Faster delivery
The Commonwealth of Kentucky currently ranks 47th in the country in broadband speeds and capacity. During peak-usage periods, Kentucky has the nation’s slowest connection speed, maxing out at only 38.2 megabits per second (mbps). Thirty-four percent of Kentucky’s residents do not have access to suitable broadband services (25mbps), and 16 percent have zero access.35 Recognizing these inadequacies and the shifting economic pressures from a decline in the coal industry, Kentucky’s policymakers sought a solution.

KentuckyWired is a statewide broadband project to build the infrastructure for high-speed internet access. It has two main objectives: to significantly improve bandwidth speeds and service reliability to government sites throughout Kentucky, and to promote economic growth by making the network’s excess capacity available to commercial users. This capacity commercialization will be on an open-access basis, making it far easier for internet service providers to service customers in rural and remote areas of the commonwealth.
In 2015, Kentucky entered into a 30-year P3 with Macquarie Capital along with five other private-sector partners to design, build, finance, operate, and maintain the broadband network. Along with $30 million allocated from the state budget and $23.5 million in federal grants, the Kentucky Economic Development Finance Authority issued $232 million in senior tax-exempt revenue bonds and $58 million in senior taxable revenue bonds on behalf of KentuckyWired. Kentucky’s public technology authority, the Kentucky Communications Network Authority, will manage the contract on behalf of the commonwealth and oversee the private partner’s delivery of the KentuckyWired network.

To generate revenue, the existing service fees will move from the carriers that currently hold service contracts to KentuckyWired. Kentucky will also pay the consortium a $23.5 million milestone payment upon completing construction, in addition to a series of availability payments that are based on the system’s performance. As of mid-2017, the project has seen some schedule delays; any additional costs resulting from the changes in schedule will be allocated between the state and the private consortium according to the risk-sharing provisions of the P3 agreement.

When completed, this network will include over 3,200 miles of fiber-optic cable across the state and will connect directly to approximately 1,100 government facilities (including K-12 schools, community colleges, and public universities). The envisioned service-rate platform will extend from 100 megabits per second to 100 gigabits per second with multiple tiers within that range, far surpassing the Federal Communications Commission’s recommended minimum of 25 mbps.
Located in central Texas, the Brenham campus of Blinn College (a public two-year college) has about 2,500 students and 1,300 on-campus beds. Eight hundred students are on the waiting list for on-campus housing. With few other housing options in the town of Brenham (population 16,000), the lack of on-campus housing was beginning to deter prospective students from attending Blinn. A new residence hall was needed, but the college was also in the process of expanding its academic buildings and wanted to avoid taking on debt to deliver the residence hall.

So, the college partnered with a private company to build, finance, and maintain a new 464-bed student housing complex under a 40-year ground lease on land owned by the college. The building will be paid for through student housing fees and will not require the college to take on additional debt. To keep the cost of financing down, the private company is working with the USDA to secure financing from its Rural Development program. With that low-cost financing in place, the company will be able to charge rates for the new residence hall comparable to other on-campus housing.

The P3 is structured as a guaranteed maximum price contract, which means that Blinn will pay a fixed price for construction and maintenance of the building. Under the contract, Blinn will have responsibility for leasing, collecting rents, and marketing the new building, which allows it to retain control over the operational elements most visible to students. The private partner will maintain the building to a specified standard. Pending final agreement on financing, the building is expected to be completed by the fall of 2018.
**Strategies to Increase Use of Private Capital in Rural Areas**

While it is clearly possible to effectively utilize private capital for rural infrastructure, it is not a simple matter; new strategies are needed to encourage more rural communities to utilize this option. The recommendations below are intended primarily to position rural communities to attract private capital, but at the same time taking these steps will also increase their capacity to successfully apply for traditional sources of funding and financing, such as federal grants.

The Bipartisan Policy Center’s Executive Council on Infrastructure has previously recommended a suite of strategies to increase the use of P3s in U.S. infrastructure projects, including an analysis to help determine when a P3 will deliver better value for the public as well as legislative and procedural changes to allow P3s and to streamline approval processes. While the council continues to believe these strategies would help most communities identify and pursue opportunities to partner with the private sector, it is also important to recognize that rural areas face unique challenges in this regard and additional support will be needed. The council recommends focusing on the following five strategies to help position rural communities to attract private capital and effectively utilize P3s to help address their infrastructure needs.

1. **Targeted funding.**

   With limited revenue streams and small tax bases, rural areas generally rely more heavily on federal and state grants than urban areas. *Continued federal and state support for rural infrastructure is essential, even with efforts to increase the use of P3s, private loans, and other private contributions.*

   In addition to continuing federal grant programs that help pay for capital costs such as construction and repair, targeted grants can be useful in addressing the capacity issues facing rural agencies. BPC’s prior recommendations for communities of all sizes include creating an inventory of public infrastructure assets, prioritizing projects, and screening projects as potential P3s, as well as incorporating life-cycle accounting into project development. These recommendations, while important to improving infrastructure projects and attracting private capital, come with a cost, making it unlikely that rural counties, towns, and cities will be readily able to undertake them. Federal and state support for these activities could go a long way toward helping rural communities adopt these best practices and potentially reduce the amount of long-term financial assistance they require.

   Moreover, negotiating a P3 requires upfront expenditures greater than those for conventional projects. Although the higher upfront costs should be more than recovered over time through cost savings, they can be prohibitive for a resource-strapped community. State or federal funding for predevelopment expenses would assist rural communities interested in undertaking a P3 project.
2. Project bundling.

Bundling small projects together has multiple advantages. A bundled suite of projects can bring the necessary scale to attract private-sector interest, and bundling takes advantage of economies of scale to deliver cost savings. A report from S&P Global Ratings concluded that the capital-intensive nature of infrastructure makes scale an important consideration in achieving more cost-efficient financing of construction and/or operations. Bundling can be accomplished at the state level (as Pennsylvania did for its bridges and Kentucky did for broadband) or at the local level, as Northampton County, Pennsylvania, is doing for its bridges.

**Five steps to creating a bundled project:**

1. Ensure that laws and regulations allow P3s and also allow bundling projects into a single procurement.
2. Inventory infrastructure assets to determine whether there are projects that allow for a systematic approach. This step will require a more in-depth review than typically done at the predevelopment stage to weed out projects that may require specialized techniques or have other complexities that would require an individual approach.
3. Assess the required permitting to establish a reasonable schedule; consider grouping projects so that construction may begin on some projects while permits are still being acquired on others.
4. If projects span jurisdictional boundaries, identify a single public sponsor, such as a council of governments or regional development organization, that can manage the procurement.
5. Commit sufficient staff resources to oversight and management, recognizing that bundling will mean more projects underway at one time.

Bundling does require a sufficient number of projects to deliver the scale of savings that make it worthwhile to take on a more complicated project-management plan. Ideally, the projects to be bundled would be suited to a systematic approach to construction, operations, or analysis, such as bridges, water mains, sewer lines, arterial roads, schools, public parking lots, broadband, and cargo facilities. Below are some asset characteristics that support a bundled approach:

- The assets can be grouped into a small number of similar risk profiles.
- Construction or operational needs can be addressed with proven technology, with no unusual design or construction technical challenges.
- Project designers and engineers have access to site-specific, detailed information about any risks involved in the individual projects.
Projects suitable for bundling might all be within the jurisdiction of a single entity, such as a state or county, or could potentially cross jurisdictional lines. In the latter case, a single agency should be empowered to oversee the entire project, including any interactions with private partners. This could be a state-level office or joint powers authority, for example, or a lead agency could be established through a memorandum of understanding signed by all of the jurisdictions involved.

A bundled project is more likely to achieve the scale that would justify procurement as a P3. To use this option, projects do not necessarily have to include their own revenue source (i.e., tolls or fees). As long as the public sponsor(s) is willing to commit funds through availability payments, even non-fee-based projects can be suitable for bundling into a P3.

Bundling does include certain costs not associated with single projects, such as additional upfront development work to identify and prepare suitable projects, and more intensive oversight during the construction phase. Therefore, careful analysis must be done at the outset to ensure that the benefits of the arrangement will outweigh those costs.

3. Regional coordination.
Rural communities can also address issues of scale and lack of capacity by coordinating and collaborating on a regional basis. Rural infrastructure is inherently tied to economic development, which is typically planned and managed regionally. For example, the Economic Development Administration within the Department of Commerce certifies Economic Development Districts across the country (shown in Figure 5) that bring together multiple counties, cities, and towns within a region to develop comprehensive economic development strategies. Regional councils can also serve as a focal point for multi-jurisdictional coordination. Regional coordination can help to leverage technical capacity and resources that may not be available in an individual town or county government. It can also help to ensure efficient allocation of resources and avoid duplication of effort.

Figure 5:

For example, a regionwide process for identifying and prioritizing projects can help communities allocate limited funding to those projects that will produce the best value for the public. Virginia’s Smart Scale process scores transportation projects based on objective criteria, which differ for rural and urban areas, reflecting the differing needs of those areas. This process provides decision-makers with information to ensure that funds are directed to the most critical needs. A comprehensive regional assessment and prioritization of needs, across infrastructure sectors, can help rural areas develop a coordinated program of investment designed to meet the region’s future goals. This broader look at priorities can also identify opportunities for project bundling or other cost-saving opportunities.

Regional approaches can yield particular benefits for small water systems, as discussed in a recent paper by BPC’s Water Task Force. As noted in that paper, one study found that the unit cost of water produced can be reduced by 10 to 30 percent as production is doubled. Rural water systems may be physically merged to achieve these benefits or can adopt other strategies for partnering with similarly situated systems, such as using joint-purchasing agreements, contracting payroll services, and sharing staff.

When approached on a regional basis, an infrastructure project may be able to draw upon a larger revenue base, more financing options, and expertise from regional entities. These factors make it more likely that the private sector would be interested in participating in the project.

Capacity-building programs that encourage regional cooperation and provide assistance with alternative procurement and financing are essential components of any effort to encourage more use of P3s and private capital in rural areas. While financial and legal consultants will likely be involved in any P3 discussion, it is ultimately the public officials who are responsible for making the key decisions. To negotiate effectively on behalf of their constituents, rural officials need to understand the pros and cons of using private capital or P3s, what other alternatives are available, and what the long-term implications of their choices will be.

In many communities, a P3 will be a once-in-a-generation undertaking, making it unlikely that any in-house staff will have the required expertise. Some places (particularly when the P3 is being sponsored by the state or a regional entity) may be able to bring on staff or consultants, but others do not have the resources to pay for external support. In such cases, free or low-cost options will be needed. These could take the form of government-provided technical assistance or advisors, or intermediaries such as nonprofit organizations.

It is important in the rural context for technical assistance programs to be customized to rural needs. Although this is changing, much of the P3 literature and available training is still primarily targeted toward large cities, with examples that seem out of reach for rural communities. Technical assistance should help rural communities identify models that reflect their residents’ ability to pay, such as availability payments, appropriate rate-setting, corporate or philanthropic contributions, or asset monetization (such as the upstate New York landfill example), which will help to counteract the misperception that all P3s require tolls.
5. Accessible financing.

There are a wide variety of public financing programs available for rural infrastructure today, although steps could be taken to make them more easily accessible and more useful in the rural context. Low-cost loans for water infrastructure projects are available to small communities from the Clean Water and Drinking Water State Revolving Funds, as well as from the USDA’s Rural Utilities Service. The USDA’s Communities Facilities and Rural Development programs also provide infrastructure loans for rural projects. These programs are valuable to rural communities because their repayment terms are designed to allow for loan forgiveness, below-market rates, and other terms that make it easier for rural communities to afford them. The utility of these programs is undermined, however, by the fact that each has differing eligibility rules and application requirements, which can prove challenging for rural communities to navigate.

Other federal financing programs include the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Water Infrastructure Finance and Innovation Act (WIFIA), which are credit-assistance programs that are technically available to rural projects, but application requirements and size thresholds limit their utility. TIFIA requires a minimum size for rural projects of $10 million (reduced from its general threshold of $50 million), but even that amount may be too high for some rural projects. In addition, TIFIA and WIFIA loans can only be used to finance up to 49 percent of total project costs, and the borrower is responsible for paying fees that can total more than $500,000.45

P3s often involve public financing, at least to some extent. Making these programs easier for rural communities to access could help them bring financing to the table, which for some projects could be the difference between attracting private-sector interest and not getting a project done at all.

Federal Recommendations

While there have been successful projects in rural areas that have utilized private capital, lessons learned from those projects and others suggest that the federal government can play a significant role in helping rural areas develop more partnerships with the private sector. Such efforts will be particularly important given the increasing focus in federal infrastructure policy on leveraging private-sector investment.

Should a federal infrastructure package include new programs designed to increase the use of P3s, taking these steps will help to ensure that rural communities can participate along with urban areas. These recommendations are also consistent with the goals of President Donald Trump’s April 2017 Executive Order creating an Interagency Task Force on Agriculture and Rural Prosperity, which is intended to promote, among other items, economic development, job growth, infrastructure improvements, and technological innovation in rural areas.46

Federal actions to assist rural communities in negotiating more partnerships with the private sector include the following:

1. Establish a “rural partnerships office” at the federal level. For the office to be able to span multiple infrastructure modes, it could be located either in the White House (e.g., within the Domestic Policy Council or the National Economic
Council), or alternatively, at the USDA or the Department of Commerce’s Economic Development Administration, both of which have rural expertise, field staff around the country, and existing programs that fund or finance a variety of types of infrastructure. Responsibilities of the office would include:

a. House or contract with technical assistance teams who can work directly with communities to help them identify, prepare, and negotiate P3s, project financing packages, and the economic analyses necessary for grant and loan applications. Staff/consultants should be available to help on a long-term basis, spanning months or even years. There are existing programs that utilize this model, such as the USDA’s small system technical assistance, which contracts with outside experts to provide onsite technical assistance to rural water systems experiencing operational, management, or financial difficulties. The Department of Housing and Urban Development provides technical assistance through grants to nonprofit organizations that work directly with distressed communities (both urban and rural). These models have successfully addressed specific needs in rural communities, and an office modeled on this approach would likely greatly increase interest in and capacity to undertake rural P3s and other projects involving private capital.

b. Serve as a clearinghouse for tools, templates, and best practices for rural P3s. These types of best practices, skills, and procedures would improve project development generally in addition to making them more attractive to private investors. There are a number of federal agencies working to develop resources related to P3s, most notably the U.S. Department of Transportation’s Build America Bureau and the Federal Highway Administration’s Center for Innovative Finance Support. The rural partnerships office need not reinvent the wheel; it can simply compile those resources most directly relevant to rural projects so that rural communities can easily find comparable examples and tools suited to their unique needs.

c. Encourage greater coordination at the regional or state level—for example, by facilitating discussions among similarly situated communities to share strategies and bundle projects. Not only would this make them more attractive to private investors but it could also increase the likelihood of receiving federal and state loans and grants. The U.S. Department of Transportation’s Transportation Investment Generating Economic Recovery (TIGER) program, which requires multiple entities within a region to agree on a single application, has spurred a new level of coordination between counties, cities, and towns and even among different agencies within a single jurisdiction. In some cases, these new relationships have lasted well beyond the application period, even if the application itself was not successful. The rural partnerships office could similarly incentivize a regional approach by incorporating regional criteria into its technical assistance programs.

d. Provide predevelopment funding in order to support communities conducting the necessary evaluation to determine when a P3 approach would deliver best value. While some federal infrastructure programs include predevelopment costs as eligible expenses, many do not. Yet the costs of planning, scoping, and negotiating a P3 can be prohibitive for a small community. Ultimately, the cost of this program will be recouped as project delivery becomes faster and more efficient.
2. Designate a rural liaison in infrastructure agencies (including the U.S. Department of Transportation, the EPA, the Department of the Interior, the Department of Housing and Urban Development, and the Department of Health and Human Services) to help rural communities compete for funding or financing. While not universal, many rural communities have reported difficulties working with program staff at federal agencies, who can readily identify problems in communities’ applications but who are not able to suggest solutions. In recent years, Congress has created several new competitive funding programs, such as the popular TIGER program as well as the FASTLANE program for freight-related projects. While there have been successful rural applicants—TIGER specifically requires a certain percentage of funds go to rural areas—in general the application processes are challenging and can be expensive. Moreover, even long-standing rural grant programs at different agencies can be time-consuming and confusing in their application processes. An individual or office dedicated to helping rural communities navigate the landscape of federal funding opportunities could help generate more successful applications from these areas, which would in turn, help to position those areas to attract additional private-sector investment. In addition, the liaison in each agency could coordinate to streamline application processes and eliminate duplicative requirements.

3. Create a “Rural Bundling Pilot Program.” Many rural areas have similar infrastructure needs, such as road or bridge repair, replacement of water pipes, etc. In other places, it may make sense to combine different types of projects into a single procurement, such as combining road work with broadband expansion in a “Dig Once” approach. Combining multiple projects into a single procurement can save costs and increase efficiencies through economies of scale, as well as make such projects more attractive for private investors. A pilot program to encourage bundling need not last indefinitely; it could be a short-term effort to identify best practices and any pitfalls of bundling projects. As noted earlier, bundling requires additional upfront expenditures of time and money, which could prevent rural communities from adopting this approach without assistance. Elements of the program could include:

   a. Grants to support project development and ongoing project management, costs that are difficult for rural communities to bear.

   b. Technical assistance for the development of bundled projects and to help find appropriate financing.

   c. Exemption from federal programs’ cost thresholds so that bundling does not make projects ineligible for rural set-asides; for example, projects that are being bundled should be considered separately for purposes of determining whether they meet cost thresholds for categorical exclusions under the National Environmental Policy Act or rural provisions under TIFIA and TIGER.

   d. Exemption from existing volume caps for private activity bonds issued to finance projects under the pilot program.
e. Allow TIFIA and WIFIA loans to cover a greater share of costs for bundled projects. Today TIFIA and WIFIA loans are limited to 49 percent of project costs, and total federal assistance cannot exceed 80 percent, which can limit their utility in rural areas. In addition, application fees for these programs can run in the hundreds of thousands of dollars, with thousands of dollars in loan-servicing fees required annually. For bundled projects under the pilot program, such fees could be lowered or waived altogether.

f. Bundled projects could be added to the federal Permitting Dashboard to expedite required reviews.

4. Ensure that any new federal financing tools are accessible to rural communities. While many financing programs are technically available to rural borrowers, the time and cost of applying can be a barrier. Federal agencies have begun reconciling conflicting requirements and creating standard templates for applications, and these efforts should continue. Should a federal infrastructure package create new financing tools, every effort should be made to ensure that flexible terms—for example, long-term loans or loan forgiveness—are made available to communities that have a limited ability to repay or that need longer than the usual repayment period. Moreover, should any new financing programs be developed for rural areas outside an infrastructure package, such as a rural investment tax credit, infrastructure projects should be explicitly recognized as eligible investments. If new programs are created, they should make use of standard application forms being developed for existing programs.
Conclusion

Communities around the country, both urban and rural, are struggling to address their aging infrastructure while preparing for future demands. P3s and private capital offer the promise of modern infrastructure, delivered more quickly and at less cost. In this time of fiscal constraint, government at all levels must increase efficiency and be willing to move beyond business as usual when alternative approaches can yield greater value for their constituents. This is as true in rural areas as in urban ones. In fact, as they tend to have less staff capacity and experience, rural areas can likely benefit even more from private-sector expertise.

This paper has recommended action at the federal level to ensure that rural communities are equipped to reap the benefits of P3s, as well as strategies for state and local governments to deploy. The private sector, too, must be engaged in these efforts and not simply assume that there are no opportunities for partnership in rural areas. While private capital and P3s will not be the answer in every instance, failure to consider them where they may make sense is equivalent to leaving money on the table—something no community, urban or rural, can afford to do.
Endnotes


9. BPC has previously recommended policy changes to increase the use of P3s in the United States. See: Bipartisan Policy Center, *Bridging the Gap Together: A New Model to Modernize America’s Infrastructure*, 2016. Available at: https://bipartisanpolicy.org/library/modernize-infrastructure/. Recommendations include states adopting broad enabling legislation for P3s, establishing expert offices at the state or regional level to assist with the development of P3s, developing an inventory of infrastructure assets and screening them to identify potential P3s, and accelerating regulatory approvals to deliver infrastructure projects, including P3s, faster.


15. Ohio Department of Transportation, Southern Ohio Veterans Memorial Highway. Available at: http://www.dot.state.oh.us/Divisions/InnovativeDelivery/Pages/PortsmouthDBFOM.aspx.


27 For more information, see Bipartisan Policy Center, Safeguarding Water Affordability, September 2017. Available at: https://bipartisanpolicy.org/library/safeguarding-water-affordability/.


Interview with Matthew Myllykangas, senior vice president, pre-construction and development, Servitas LLC, on July 25, 2017.


Described at: Virginia Smart Scale. Available at: http://vasmartscale.org/.


TIFIA requirements are available at: U.S. Department of Transportation, TIFIA Program Overview. Available at: https://www.transportation.gov/tifia/tifia-credit-program-overview.


U.S. Department of Housing and Urban Development, Section 4 Capacity Building for Community Development and Affordable Housing Program, HUD Exchange. Available at: https://www.hudexchange.info/programs/section-4-capacity-building/.

“Dig Once” refers to the process of planning and conducting work on more than one type of infrastructure at the same time and in the same place; for example, if work is being done on water pipes beneath a road, it may make sense to also lay cables or underground electric lines as well as to add bike lanes or express lanes to the roadway at the same time.
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