

Private money might patch Minnesota's roads budget

Article by: , Star Tribune

Updated: May 15, 2011 - 10:26 PM

In a new twist on the traditional charity bake sale, along comes a proposal for selling vanity license plates to pay for delayed upgrades to dangerous stretches of Minnesota Hwy. 14.

Partly a protest of a shortage in conventional highway funding, the idea also seizes on a desire to find creative ways to pay for projects the state won't buy on its own.

"We need to be very innovative and creative ... and think of new ways to provide these services," said Minnesota Department of Transportation Commissioner Tom Sorel, whose agency finds itself \$50 billion short on funding for highway projects over the next two decades.

While the license plate idea hasn't won legislative approval, other ideas have gained traction, like financing projects with "mini-bonds" sold to individuals as investments, or having more employers help to pay for intersections that benefit their businesses.

But even some supporters of the new methods have misgivings about private bankrolling of public highways and long for a time when the state placed

a higher priority on such projects.

"The state highway system and the roads and bridges of Minnesota are a public asset and a public need," said Rep. Terry Morrow, DFL-St. Peter, sponsor of the Hwy. 14 license plate proposal. "The costs should be borne by the state and the local units of government."

Those prospects are dim, though, with a GOP Legislature and a DFL governor unwilling to hike gas and other highway taxes. That leaves lawmakers and transportation officials looking for new ways to build fewer projects.

Eyes are now on Texas, where investors are helping finance the rebuilding and maintenance of the LBJ expressway in Dallas in exchange for a portion of future tolls. The \$2.7 billion overhaul is nearly 10 times the cost of Minnesota's Crosstown Commons project.

"It was really the only option, other than taking all of the available funding for our entire region for construction projects for years and years and devoting it to one project, which no one wanted to do," said Tony Hartzel, a spokesman for the Texas DOT.

Texas still will own the expressway, but the private firms will pay half the reconstruction cost and keep toll revenue for 52 years after paying for maintenance.

"They're going to be the ones on the hook for



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operating and maintaining that facility for a long period of time," said Brad Larsen, who directs innovative financing for MnDOT.

Not everyone here embraces the idea.

"I'm very skeptical about privates getting into the business of building, maintaining and tolling roads," said former Minnesota State Sen. Steve Murphy, a DFLer who chaired the transportation committee in 2008, when the Legislature last increased the gas tax. "Privates are in it to make money."

A U.S. Government Accountability Office report in 2008 also saw downsides to privatization. It noted that Indiana's deal to compensate the private operator of the Indiana Toll Road (Interstate 80/90) if the state built another major highway nearby could hamper state efforts to relieve traffic congestion.

Company partners

MnDOT wants to expand a pilot program where private firms share some of the burden of projects that benefit them and the broader public.

The state has spent \$43 million in the past two years on a dozen highway projects in which local government and business kicked in an additional \$29 million. The biggest project is reconstruction of an interchange at Hwy. 169 and Bren Road in Minnetonka near UnitedHealth Group Inc. The company wanted the improvement for an expansion and "kicked in about a quarter of the overall project

cost," Larsen said. The city of Minnetonka and the state picked up other costs.

Larsen said MnDOT selects ventures that wouldn't have made the cut if they had to compete with better projects for limited state funds. He said the projects must have "a high level of statewide economic benefit," but acknowledged that this is hard to measure. MnDOT is seeking more money to expand the program to include transit.

Yet another plan involves private firms loaning the state money to accelerate projects on MnDOT's long to-do list.

The state would pay back businesses for the ultimate cost of the improvement, but it would be completed years ahead of schedule. Legislation is advancing on the arrangement.

The loans and the company subsidies have some bipartisan support, though some DFLers have expressed concerns.

"There is a higher threshold of scrutiny that must be placed on alternative financing projects," said Sen. Katie Sieben, DFL-Newport. Rep. Frank Hornstein, DFL-Minneapolis, said the projects could end up leapfrogging others having more merit. "It's like cutting in line," he said. "And that's unfair."

The agency says the private financing arrangements won't delay other projects.

Agency officials also are exploring ways to tax the

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miles driven by motorists in anticipation of shrinking gas tax revenue as vehicles become more fuel efficient. Some GOP legislators oppose even studying the idea.

Investment strategy?

In rural areas with few large employers, Morrow says the state should encourage average investors to get involved.

He has proposed offering Minnesota First bonds with denominations as low as \$1,000 to people who want to make a conservative investment and contribute to highway improvements.

"Unions, construction companies and others had come to me and said, 'We'd like to be able to invest,'" Morrow said.

Minnesota Management and Budget made similar "mini-bond" sales available in 2009 and 2010. Besides selling large denominations to financial institutions, the agency sold \$5,000 bonds to individuals for projects.

"I would like to see it made permanent," said Kathy Kardell, the agency's former assistant commissioner and now a top finance official at Hennepin County. "There were clearly individuals buying one \$5,000 bond. They did make a difference."

Morrow says his Hwy. 14 license plate idea is more a protest over lack of funding for expanding more of the road across south-central Minnesota to four

lanes than a plan for raising large sums of money for it.

"We've actually kicked around that idea since the late 1990s," Larsen said. "Nobody thought the revenue potential was very significant."

But J.D. Burton, a spokesman for a coalition seeking funding for the highway, offers another view. "Any money is better than nothing," Burton said. "It comes from the community as a way to demonstrate their support. That's a pretty strong statement."

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