

**Lieutenant Governor's Commission
on Public-Private Partnership Projects**



Submitted by
Chairman – Sen. Roger Bedford

The Honorable Marcel Black
Mr. Pierce Boyd
Mr. Randy Delchamps
Mr. Ernest A. Fite
The Honorable Thomas Jackson
The Honorable Fuller Kimbrell

Mr. Lamar McDavid
Mr. G. Mack Roberts
The Honorable Hank Sanders
Mr. Charlie Snyder
The Honorable William Thigpen
The Honorable Ken Tucker

Introduction

On May 18, 2008, the Legislature of the Great State of Alabama with both houses thereof in agreement, established the Lieutenant Governor's Commission on Public-Private Partnerships Projects, SJR 119; Act No. 2008-478.

In the resolution establishing the Commission, the Legislature found that Alabama's population growth and commercial development has followed the development of north-south highway transportation corridors through central and east Alabama and that these corridors have prompted tremendous development through Mobile, Montgomery, Birmingham, Huntsville, and the adjacent areas. Furthermore, the Legislature found that east-west corridors such as I-59/20, I-10, and U.S. 72, have contributed somewhat to both residential and commercial growth, but without a north-south expressway, the western-side of Alabama will remain primarily a rural, agricultural area with pockets of extreme poverty unable to escape the bondage of economic stagnation.

The Legislature also found that such a north-south expressway has become even more paramount due to the development by Mississippi of a north-south corridor parallel to the Tennessee-Tombigbee Waterway, leading to serious concerns that without a comparable parallel expressway east of the waterway, West Alabama will not have the ability to capitalize on the economic and commercial benefits of future development for the Tennessee-Tombigbee Waterway.

The Legislature recognized that a major expressway from Mobile to Florence is essential for the economic development of West Alabama. It found that because states around the country are engaging in innovative financing of highway projects through the combination of different funding sources-including state funds, federal funds, and revenues from private funds or tolls to build high cost projects through innovative arrangements that are known in various jurisdictions around the country as Public-Private Partnerships Projects or Build-Operate-Transfer Projects – it would be beneficial to study such methods for funding the development of the north-south corridor.

Realizing that such innovative methods could lead to a means of financing and constructing this much needed north-south expressway through West Alabama, Lieutenant Governor Jim Folsom, Jr. with the approval of the legislature offers the following report with recommendations to the Alabama Legislature, Governor Riley, and the Alabama Congressional Delegation.

Respectfully submitted,

Senator Roger Bedford, Chairman

Commission Directive

The directive of the Commission was to “study public-private partnership projects in other jurisdictions and their potential applications within Alabama.” Additionally, the Commission must report “its findings conclusions, and recommendations for proposed legislation to the legislature no later than the fifth legislative day of the 2009 Regular Session, whereupon the Commission shall stand dissolved and discharged of any further duties and liabilities.”

Regional Meetings Held

In order to help ensure public awareness, focus, and involvement in the proposed 320 mile long north-south West Alabama Expressway project, the Commission scheduled a series of three regional public involvement meetings. The meetings were held as follows: 1) August 19th, 2008 on the Hamilton campus of Beville State Community College; 2) October 28th, 2008 on the Demopolis Campus of Alabama Southern Community College; and 3) December 1st, 2008 at Bishop State Community College in Mobile.

Presentations at these meetings were made by Lt. Governor Folsom, Chairman Bedford, Commission member and former ALDOT Director, Mack Roberts, ALDOT Design Bureau Chief, William Adams, as well as other Commission members, elected officials, and members of the public who chose to participate in these briefings. The briefings included, proposed corridor routes, preliminary and on going traffic assessments by corridor segmentation, requirements for further study including an Environment Impact Statement (EIS), as well as projected costs by corridor segment. Following these presentations, attendees were invited to ask questions and provide input. Approximately 200 persons in aggregate attended the regional meetings. All that attended agreed that there is a need for a north-south corridor because of the expected economic benefits to West Alabama and to the entire State.

General Findings

The Commission found that public-private partnerships are not a new concept to transportation infrastructure development. For highways, the private sector historically had an important role in both construction and financing until the Federal-Aid Highway Act of 1916. This landmark legislation authorized \$75 million for use on highways primarily in rural areas and required each state to have a highway agency with engineering professionals to carry out the mandates of the federal legislation. In 1921, a new Federal-Aid Highway Act was passed, which created the State/Federal partnership still in existence. During the intervening years, with the rapid growth of automobiles and economic reliance on highway borne freight, the government funded the vast majority of highway transportation infrastructure through fuel tax revenues and other federal revenues. However, over the past several years, as surface infrastructure demands have outpaced governmental revenue sources, interest in pursuing public-private partnerships has reemerged. The Federal Highway Authority (FHWA) and the Federal Transit Administration (FTA) have

undertaken a number of initiatives to explore the efficacy of public-private partnerships for surface transportation projects, which has resulted in a wide range of financing and contracting methods.

Beginning in 1993, under the leadership of then Governor Jim Folsom, Jr., the State of Alabama gained international prominence with the announcement that Mercedes-Benz would locate its SUV manufacturing facility in Vance, Alabama. The spotlight that project alone cast on Alabama has resulted in Honda, Hyundai, ThyssenKrupp, and other major industries following locating in Alabama. We need only look at a map of these facilities' locations to see the importance of adequate surface infrastructure in attracting high quality investment to our State.

Alabama is blessed with abundant natural resources, topographical diversity, and most importantly a citizenry with a strong work ethic adaptable to the demands of the 21st century. Regrettably, many of our citizens in West Alabama have not had the opportunity to realize the economic benefits of a post agrarian era. In reality, most West Alabamians have been forced to choose between leaving their homes or resigning themselves to a life of financial burden with little hope of economic prosperity, in large measure, due to the lack of adequate surface transportation infrastructure in that region of our State.

Since the establishment of the Lt. Governor's Commission on Public Private Partnerships less than one year ago, our nation has witnessed the most massive economic meltdown in almost eight decades. The new Administration has committed to a major economic policy initiative that includes a commitment to rebuilding our infrastructure. President Obama's proposal includes funding for "state of the art" surface transportation expressways with an emphasis on regions of our country that are economically underserved. In light of this commitment from the federal government, the Commission's charge to study the application of Public Private Partnership funding could not have come at a more opportune time. With that in mind, the Commission submits the following recommendations.

Recommendations

- 1) The Commission respectfully requests that it be extended until the fifth legislative day of the 2010 Regular Session of the Alabama Legislature. This recommendation for extension is based in large part on the President's commitment to infrastructure development contained in the Administration's "Economic Stimulus Package" expected to pass Congress in February 2009. Additionally, the sheer magnitude of the project requires further practical analysis relating to corridor options, toll vs. non-toll segmentation of the project, as well as other engineering considerations. That additional review and study of both financing and contracting methodologies is required to ensure that ultimate implementation is consistent with maximizing costs, quality, and other efficiencies for future generations.
- 2) In accordance with the directives outlined in Alabama SJR 119; Act No. 2008-478, the Commission has reviewed what other states are doing and have done

regarding P-3 legislation including financing, contracting, and project implementation (see summary Attachment A). This attachment does not reflect an exhaustive review of the “Commission’s” study as considerably more research of the specifics of these plans and programs have been undertaken. The Commission believes the most prudent course for Alabama is to use as its template for any P-3 legislation a combination of the best provisions that have proven successful in other states, notably Virginia, Oregon and Mississippi.

- 3) Should the Legislature approve the continuation of the Commission, we highly recommend that the Commission or its designee(s) meet with persons deemed by the Commission to have expertise and experience in constructing P-3 initiatives and legislation resulting in successful completion of surface transportation infrastructure and that findings are reported to the Commission in its entirety.

See Attachments:

Attachment A – What Other States Are Doing

Attachment B – Major Features P-3 Financing and Contracting Methodologies

Attachment C – West Alabama Expressway Project Status with corridor map