

Lege funding an abundance of capital projects

Texas developers, contractors and architecture and engineering firms interested in infrastructure and construction projects received a big boost from the Texas Legislature this past session. Several bills signed by the governor provide funding and funding mechanisms that pave the way for much-needed capital projects throughout Texas.

The legislature approved \$3 billion in bonds for Texas Department of Transportation (TxDOT) projects, comprehensive development agreements (CDAs) for toll road projects and the use of public-private partnerships (P3s). Upcoming contract-



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ing opportunities will be worth billions of dollars.

TxDOT bonds

In November 2007, Texas voters ap-

proved Proposition 12, which allows legislators to authorize up to \$5 billion in general obligation bond funding for highway improvement projects. Another \$3 billion is available to TxDOT over the next two years for projects to relieve congestion, enhance bridge and roadway safety and connect regional population centers.

Important to note:

- \$300 million is allocated for acquiring right-of-way, conducting feasibility studies and project planning and outsourcing engineering work for the state's most congested roadway segments.

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- \$500 million can be spent on bridge projects in Dallas, Beaumont, Houston, Paris, San Angelo and Childress;
- \$600 million is allocated for urban and metropolitan mobility projects statewide;
- \$200 million is available for statewide connectivity projects; and
- \$1.4 billion can be used for rehabilitation and safety projects statewide.

Toll Roads

Four years ago, legislators placed a moratorium on the use of CDAs to fund toll road projects. CDAs are a form of public-private partnership in which a private contractor builds and manages a toll road. The private developer is paid back through toll revenue collected. This session, the Legislature authorized TxDOT to use CDAs to fund a limited number of projects in Houston, North Texas, Central Texas and South Texas, including:

- The Grand Parkway project in Houston (State Highway 99);
- Interstate 35 East managed lanes project in Dallas and Denton counties;
- Three segments of the North Tarrant Expressway project, which includes portions of State Highway 183, Interstate 35 West and Interstate Highway 820;
- State Highway 183 managed lanes project in Dallas County;
- State Highway 249 project in Harris and Montgomery counties;
- State Highway 288 project in Brazoria County; and
- U.S. Highway 290 Hempstead managed lanes project in Harris County.

TxDOT is already engaged on two of the projects, The Grand Parkway in Houston and the Interstate 35 East managed lane project in Dallas. In June, TxDOT issued solicitations for interested parties to assist in developing a strategy for project development and implementation of the procurement process. For The Grand Parkway Project, the request for qualifications (RFQ) will likely be issued in mid-August. The RFQ for the Interstate 35 East project is scheduled to be issued on Aug. 31.

Public-Private Partnerships

The use of P3s to fund large infrastructure and building projects is not new. However, interest in public-private partnerships has grown, and that growth is expected to continue as government struggles to finance large projects without increasing debt.

To address the increased interest in P3s, the legislature passed a bill that expands the use beyond transportation projects. The new statute provides structure and clear authority in the delivery of public projects with private investment. Qualifying projects include items such as hospitals, medical facilities, schools, recreational facilities, water treatment plants, oil and gas pipelines, public works, parking structures and power generation facilities. The law does not apply to transportation authorities, telecommunication infrastructure projects and state highways.

Higher education is more receptive to P3s than in the past. Since legislators did not approve tuition revenue bonds, universities need alternative financing methods.

Community colleges that have struggled to pass bond elections over the last few years are also great prospects for P3s. There is no way to project how many projects will be completed by using private investment, but there will definitely be a significant increase in the months to come.

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