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Innovative Infrastructure and Law in California (Current Issues and Perspectives)

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Project Finance Matrix

First Principle: All projects that can sustain themselves should be allowed to.

Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	***Not* Self Supporting, Easily Monetized** E.g., regional highway funded in part by tolls
Self-Supporting, *Not* Easily Monetized E.g., school in wealthy district funded by property tax	***Not* Self-Supporting, *Not* Easily Monetized,** E.g., school in poorer district subsidized by state

Project Finance Matrix, Take Two

First Principle: All projects that can sustain themselves should be allowed to.

Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	***Not*** **Self Supporting, Easily Monetized** E.g., regional highway funded in part by tolls
Self-Supporting, *Not* Easily Monetized E.g., school in wealthy district funded by property tax	***Not*** **Self-Supporting, *Not* Easily Monetized,** E.g., school in poorer district subsidized by state

Second Principle: Self-supporting, non-easily monetizable benefits are often spatially distinct and are best paid for using benefit assessments.

Project Finance Matrix, Take Three

First Principle: All projects that can sustain themselves should be allowed to.

Third Principle: Whenever possible, at any level of government, usage should be priced to lessen demand of scarce resources.

Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	***Not* Self Supporting, Easily Monetized** E.g., regional highway funded in part by tolls
Self-Supporting, *Not* Easily Monetized E.g., school in wealthy district funded by property tax	***Not* Self-Supporting, *Not* Easily Monetized,** E.g., school in poorer district subsidized by state

Second Principle: Self-supporting, non-easily monetizable benefits are often spatially distinct and are best paid for using benefit assessments.

Project Finance Matrix, Take Four

First Principle: All projects that can sustain themselves should be allowed to.

Third Principle: Whenever possible, at any level of government, usage should be priced to lessen demand of scarce resources.

Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	***Not* Self Supporting, Easily Monetized** E.g., regional highway funded in part by tolls
Self-Supporting, *Not* Easily Monetized E.g., school in wealthy district funded by property tax	***Not* Self-Supporting, *Not* Easily Monetized,** E.g., school in poorer district subsidized by state

Second Principle: Self-supporting, non-easily monetizable benefits are often spatially distinct and are best paid for using benefit assessments.

Fourth Principle: Higher levels of government pay for regional projects and all projects that cannot sustain themselves (after demand pricing).

A Few Words on Two Hot Topics

- Design-Build
- Private-Public Partnerships ("P3")

Project Finance Matrix

Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	***Not* Self Supporting, Easily Monetized** E.g., regional highway funded in part by tolls
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Self-Supporting, Easily Monetized Projects

- California has generally done well in allowing these kinds of projects to support themselves.
  - Major Obstacle: Proposition 218

Self-Supporting, Not Easily Monetized Projects

- In almost all cases, local infrastructure bonds require a 2/3 majority.
- The only exception has been since Proposition 39 passed in 2000 - school bonds in certain cases have required only a 55% majority.
- Super-majority requirements prevent local communities from funding projects they are willing to pay for.

Self-Supporting, Not Easily Monetized Projects

- California has a long history of local assessment district financing.
  - Major Obstacle: Proposition 218

Eliminate Perverse Incentives

- The “ideal” model incentivizes smarter, denser growth primarily through more accurate pricing.
  - (Additional positive incentives are still desirable)
- This would go a long way towards better development patterns except that there are so many incentives for sprawl.
  - E.g., fiscalization of land use decisions
- The State should seek to eliminate perverse incentives.
  - E.g., regionalization of sales tax receipts