



Obama Administration Announces New Steps to Spur Private Investment in Infrastructure Projects

Last July, President Obama introduced the “Build America Investment Initiative,” an initiative designed to facilitate the use of innovative financing and private capital to help state and local governments deliver needed infrastructure projects. On Jan. 16, 2015, the Obama administration announced additional new steps that it is taking to support the Initiative. This *Alert* provides an overview of these steps and the ongoing implications for public-private partnerships (P3s).

First, the administration has established a new Water Finance Center in the Environmental Protection Agency (EPA) that is dedicated to helping state and local governments use innovative financing, such as P3s, to replace aging drinking water, storm water, and wastewater infrastructure, which the administration estimates needs more than \$600 billion in investments over the next 20 years for maintenance and improvement. Similar to the Department of Transportation’s Transportation Investment Center that the [administration announced in July 2014](#), EPA’s Water Finance Center will match investors with infrastructure projects and provide state and local governments with information and resources to guide governments on using innovative financing for water projects. The administration has also launched the Rural Opportunity Investment (ROI) Initiative within the U.S. Department of Agriculture that will work to attract greater private investment in water, energy, and broadband infrastructure projects in rural communities.

Second, President Obama issued a memorandum to the heads of executive departments and agencies directing them to provide predevelopment assistance to facilitate construction of state and local infrastructure projects. Specifically, the memorandum directs federal agencies to actively support predevelopment activities, such as planning, feasibility studies, design, engineering, financial planning, permitting, environmental review, and community outreach, with grants, technical assistance, and regulatory changes. This new federal policy covers roads, bridges, and other forms of surface

transportation; drinking water, wastewater, and storm water infrastructure; landside ports; schools; and other community facilities.

Third, as part of his fiscal 2016 budget request to Congress, President Obama is also proposing the creation of Qualified Public Infrastructure Bonds (QPIBs), which would allow P3s to take advantage of tax-exempt financing. QPIBs would expand the scope of Private Activity Bonds (PABs) that are currently available to support P3s for the financing of highway and surface freight transfer facilities to also include financing for airports, ports, mass transit, solid waste disposal, wastewater, and drinking water projects. QPIBs would also enjoy certain advantages over PABs: the QPIB program would not expire, there would be no caps on the number of QPIBs that may be issued, and bonds would not be subject to the alternative minimum tax (AMT). If enacted into law, these bonds would represent a new financing option for project sponsors wishing to enter into P3 agreements.

Finally, in keeping with the administration's efforts to serve as a matchmaker between the public and private sectors, the Obama administration announced that it will use the SelectUSA Investment Summit, scheduled for March 2015, as a platform to showcase the nation's P3 market to global companies and connect global investors with U.S. infrastructure projects.

The administration's initiative to facilitate partnerships between federal, state and local governments and private sector investors, as well as its focus on innovative financing mechanisms, continues as Congress faces the challenges of developing a new, long-term transportation funding bill and addressing infrastructure investment and the Highway Trust Fund. We can expect to see further discussion of P3 tools and innovative financing mechanisms, such as the QPIB program, as Congress tackles these issues.

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