



Plan to lease toll road drives Indiana's 2006 legislative session

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Called part of the “biggest jobs bill in a generation” by supporters and a “shortsighted, bum deal” by detractors, a plan to lease the Indiana Toll Road became the state’s most talked-about, contentious legislative proposal in 2006.

Lawmakers on both sides of the debate agree the issue deserved the attention.

For Rep. Randy Borrer, who sponsored the Major Moves legislation in the House, the proposal represents a historic opportunity to grow Indiana’s economy.

Under the 75-year lease deal with the Australian-Spanish consortium Macquarie-Cintra, the state would receive \$3.85 billion. That money would be used over the next decade to invest in more than 200 Indiana road projects.

“Projections are that this could create over 130,000 jobs,” says Borrer, a Republican from Fort Wayne.

“The plan completes, for the first time in history, a fully funded, 10-year highway plan for Indiana — something that most other states cannot say.”

As an economic development strategy, he adds, building new and better roads particularly makes sense for a state that promotes itself as “The Crossroads of America.”

“Indiana is in the center of the Midwest, and one-third of the population is within an eight-hour drive of our state,” Borrer says.

“That makes it incredibly important for us to have a world-class infrastructure as we look at logistics distribution and transportation businesses to recruit or expand to our state.”

House Democratic Leader Patrick Bauer and other opponents of the lease deal agree that road investments are important. But they say Major Moves steers the state in the wrong direction.

“People are dazzled by the upfront money that comes with the plan,” the South Bend Democrat says.

“But in 10 years, the money will all be gone.

What happens then over the next 65 years? The whole thing is very shortsighted.”

Pros and cons of lease deal

As of early March, the GOP-led Indiana House and Senate had passed separate versions of the Major Moves legislation.

For the bill to get to the desk of Republican Gov. Mitch Daniels, who proposed the plan last fall, legislative leaders first had to work out differences between the two bills.

Under both proposals, toll road operations, maintenance and revenues would be turned over to Macquarie-Cintra. The consortium already manages the Chicago Skyway as the result of an agreement reached in 2004 with the city.

“Even though this kind of deal is new to Indiana, it’s not new internationally or in this country,” Borrer notes. “Eighteen other states have authorized public-private partnerships in transportation.”

The \$3.85 billion bid for the toll road was more than many people, including Borrer, had expected. But he says the investment makes sense for both sides.

Macquarie-Cintra will collect toll and concession revenues.

It can bring in additional money by taking advantage of the road’s depreciation, which offers the private firm federal tax benefits not available to the state.

For Indiana, Borrer says, the upfront money means key highway projects can move forward.

Those projects include the extension of I-69 between Evansville and Indianapolis as well as construction of a new highway between Fort Wayne and Toledo, Ohio.

Local governments also will receive \$150

million to fund transportation projects over the next three years.

Democratic legislative leaders say there are better ways to pay for those infrastructure improvements.

By issuing bonds based on revenue from future toll increases and federal highway dollars, Bauer

says, the state could keep the toll road while also investing immediately in other roads.

He cites several concerns with the lease agreement, including the potential for much higher tolls and future eminent-domain abuses, insufficient requirements for road maintenance, and the loss of a state asset for future generations of Hoosiers.

“Seventy-five years is such a long time,” Bauer adds. “There are too many unknowns with that kind of time period.”

But according to Borrer, the deal includes the necessary safeguards.

Under the agreement, annual toll increases would be limited to 2 percent or the rate of inflation, and road maintenance would have to meet Indiana Department of Transportation standards.

“More important than that, from a business perspective, the private operator must have traffic on that road to recoup its investment,” Borrer says. “That toll road will be maintained better than it ever has been.”

As of early March, leaders in the House and Senate still had to resolve their varying approaches aimed at protecting local Toll Road commuters.

Under the House proposal, tolls for these motorists would be frozen for 10 years. The Senate version would allow them to apply for a state income-tax credit.

Plan looked at in Illinois


Illinois Sen. Jeff Schoenberg has been keeping a close eye on the progress of Major Moves, and the Democrat from Evanston says the time is ripe for his state to consider privatizing all or part of its 274-mile tollway.

“Private investment in public infrastructure is a growing phenomenon,” Schoenberg says, “and it’s important that Illinois put itself in front of that wave.”

He says proceeds from a privatization deal could be used to fund additional transportation projects and reduce Illinois’ unfunded pension liabilities.

Schoenberg has asked the bipartisan Commission on Government Forecasting and Accountability to examine how much money such a deal might yield for the state.

“The Illinois Tollway is now more attractive than ever to investors,” Schoenberg says.

“What was once the poster child for waste and decline in state government today is a highly efficient roadway well positioned to bring Illinois billions [of dollars] in new resources to address some of its most critical needs.” 



The Major Moves initiative includes a plan to lease the Indiana Toll Road for 75 years to a private company, which would take over road maintenance and operations. The state would receive \$3.85 billion under the deal and use the money to build or fix other Indiana roads.