

# Use of Public-Private and Intergovernmental Partnerships To Fund Transportation Improvements

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In Minnesota public-private partnerships have been used to fund transportation improvements for highways, transit, and rail. The current upturn in the Minnesota economy and the state emphasis on attracting new and expanding development have generated increased growth. This growth has in turn placed more demands on existing highways and has increased the demand for new transportation facilities. Local jurisdictions are using private funds for the highway improvements needed to support economic expansion in their communities. Among the most successful techniques for soliciting public-private partnerships are negotiated agreements, often called joint power agreements, between the Minnesota Department of Transportation (Mn/DOT) and city and county governments. Another partnership technique is administered through Mn/DOT's Special Agreements program. Mn/DOT encourages local communities to improve their public works system by submittal of projects adjacent to needed trunk highway improvements. Local jurisdictions are responsible for contracts and construction, with help from Mn/DOT.

Backlogged needs and escalated costs continue to limit Minnesota's ability to finance and expedite the infrastructure improvements necessary to support new and expanded development. In response to this situation, many developers, local governments, and state public service providers in Minnesota are actively pursuing cooperative public-private partnerships to finance needed infrastructure improvements and new facilities.

Most Minnesota Department of Transportation (Mn/DOT) partnerships involve agreements between city and county governments. The local units are usually responsible for obtaining private-sector participation and funding assistance because local government is often closest to developers and business leaders.

Funding transportation improvements by private or partnership methods is growing in acceptance as a financing tool for transportation project development. In recent years, as needs have increased beyond revenue capacities, it has become necessary to examine alternative funding techniques.

The public sector is not able to assume the enormous financial burden by itself. Thus, many innovative methods have been tried to involve private enterprise in highway and other modal transportation improvements. As a result, public and private groups, local businesses, citizens groups, and city, county, and state governments are forming partnerships to make needed transportation improvements.

The business community has been an important factor in transportation decision making for many years. Industry leaders and business interests have often been the major impetus for transportation improvements. They have also played a leading role in developing strong coalitions to support legislative programs for transportation funding.

On a national level, highways, bridges, and rail and transit systems are deteriorating. More and more repair, reconstruction, and replacement are necessary to prevent further erosion of the infrastructure. It is estimated that highways and streets on the federal-aid highway system require more than \$20 billion a year for improvements. Many state governments lack sufficient funds to make needed improvements. Thus, the future needs for transportation improvements require consideration of different approaches to funding.

In Minnesota, as in the nation, the use of public-private partnerships to finance transportation is becoming more commonplace. With a strong economy and a large transportation infrastructure (about 130,000 mi of roadways, 5,000 mi of railroad track, and 83 million annual transit system passengers), alternative funding methods are essential to maintain and expand transportation facilities.

Economic growth is not being shared equally throughout the state. The Twin Cities metropolitan area is growing more rapidly than other regions. Fears that private participation in economically healthy areas could attract state dollars away from needs in the rest of Minnesota have tempered the development of explicit policy on public-private partnerships. Instead, interested private groups and local governments are being asked to participate in environmental and preliminary design activities rather than in the costs for actual construction. This situation is fostering participation and encouraging better local understanding of the relationship between transportation problems and land use decisions.

## MODAL OVERVIEW

### Highways

Private funding for highways has evolved from intermittent funding for minor site improvements to the use of private funds to help finance major highway improvements. Public and private funding agreements range from joint ventures and development agreements to tax increment financing.

## Transit

Public transit usually operates on revenues from fares and public subsidies from federal, state, and local governments. In recent years, the federal government has reduced its contribution to funding partnerships, thus transferring more of the burden to state and local governments. This change has led to an exploration of the potential for increased involvement by the private sector as a means to reduce public subsidies.

The trend in transit is for government to contract with private firms to operate transit systems. Government is also encouraging the private sector to participate in new capital investments.

## Rail

Since the 1960s, railroads have generally realized a small return on investment. They were unable or unwilling to invest needed capital in low-volume, low-profit branch lines. Low-interest loans or grants from the public sector combined with private investment from the railroads and rail users made the rehabilitation of some lines viable. Of the 5,000 mi of rail line remaining in Minnesota, 700 mi are a potential candidate for this type of public-private investment. Mn/DOT has established a rail service improvement program designed to provide state-funded loans for rail line rehabilitation to partnerships made up of shippers, governmental units, and railroad companies.

## HIGHWAY IMPROVEMENT PROJECTS

Following are 17 examples of recent Mn/DOT highway improvement projects. Figure 1 shows the location of each project. (The circled numbers on the map correspond to the numbers in the text headings.)

### 1. Southwest Corridor—TH-212 from East of Cologne to I-494

TH-212 serves the area from Cologne to Eden Prairie, Minnesota. In a larger context, it is designated as the Yellowstone Trail and extends from Stillwater to Montana. The project is located in the southwest portion of the Twin Cities metropolitan area. The area gradually changes from rural at the western end to urban development at the eastern end and is experiencing rapid growth.

The improvement of existing TH-212 has been under consideration for almost 40 years. Lack of adequate or sufficient construction funds and consensus on the best location for the roadway has slowed the planning and design process. State, city, and county officials have identified the TH-212 southwest corridor as an important link for grain and other commodity movements between the southwest section of the state and the Twin Cities area.

The following are highlights of major activities in the southwest corridor:

- 1970—A study funded by the Minnesota Highway Department recommended a corridor for TH-212. It was supported by all affected units of government and many private organizations.

- 1974—A draft Environmental Impact Statement (EIS) was circulated for comment.

- 1979—Mn/DOT formed a citizens advisory committee. Public meetings were held with citizens' groups and agencies.

- 1980—A scoping report satisfied the preliminary federal environmental process, and work began on a new EIS.

- 1981—Mn/DOT stopped all work on new construction projects due to funding reductions. This action temporarily halted further progress on southwest corridor studies. (The TH-212 project has been recently reinstated.)

- 1986—A Mn/DOT scoping document and draft study outline were issued.

- 1987—The State of Minnesota, Mn/DOT, the Metropolitan Council, Carver County, Hennepin County, the city of Chanhassen, the city of Eden Prairie, and the city of Chaska entered into an agreement that would benefit all agencies and improve transportation in the southwest corridor.

This multiagency agreement, known as the Joint Powers Agreement, was worked out because Mn/DOT has consistently experienced a shortage in funding for either staffing or performance of environmental and design work. According to the agreement, a TH-212 task force will be formed and will include at least one staff member from each agency. In addition, the agreement calls for selection of a consulting firm to prepare an EIS and design study report. The total estimated cost of these activities is \$320,000. Carver County has been selected as the project administrator and will retain the data collected with the study, together with summaries, maps, charts, and reports.

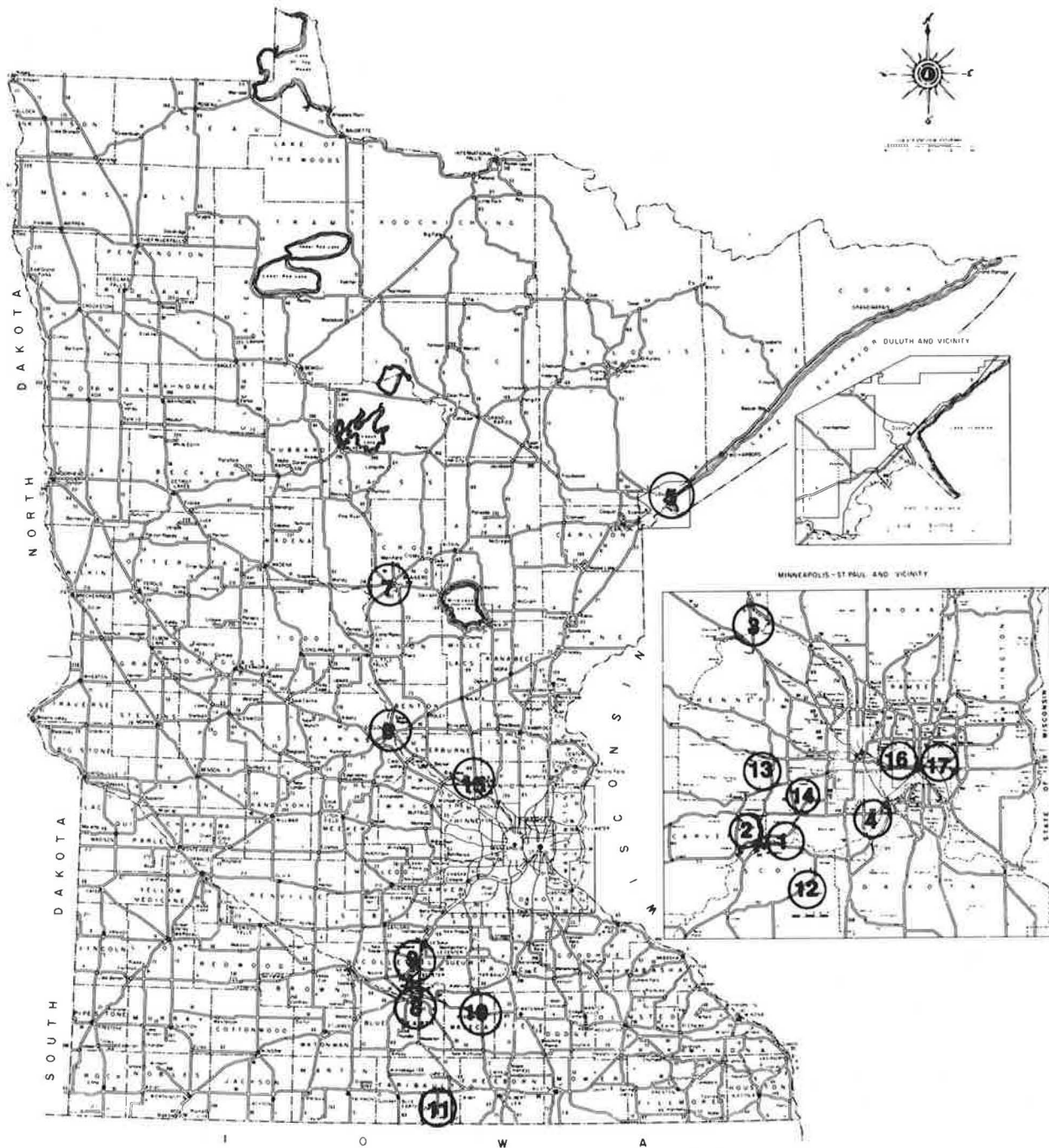
The cities of Chanhassen, Chaska, and Eden Prairie, as well as Carver and Hennepin counties, will contribute \$30,000 each. The regional planning authority will contribute \$50,000, and Mn/DOT's share will be \$120,000. Total construction costs will be about \$113 million. For BY 1993–1995, \$56 million is programmed for half of the project.

The Joint Powers Agreement is a commitment by each participant to reduce highway congestion and provide safe transportation in the southwest metropolitan area. The participants are united in their belief that the TH-212 project is consistent with the long-term goals of their constituents. The creation of the agreement played a significant role in the timeliness of the project.

### 2. TH-5 from I-494 to TH-41

TH-5 in Eden Prairie and Chanhassen is an important link in the economic development of the southwest Twin Cities metropolitan area. Each day, more than 300 five-axle trucks use TH-5. Various segments of this roadway have been completed, parts are under construction, and parts are unscheduled.

A coalition of business leaders and developers located along the TH-5 route, adjacent cities, and Mn/DOT has agreed to share the costs of preliminary design activities.



**FIGURE 1 Minnesota highway improvement projects.**

Two 1.5-mi segments of TH-5 in Hennepin and Carver counties are programmed with a total estimated cost of \$6.1 million. The remaining 2.5 mi of major construction will cost about \$4 million; this segment has not yet been programmed. It is anticipated that completion of the project will coincide with the 1991 U.S. Open golf tournament.

Eden Prairie is administering the private consulting contract. The following will be applied toward detail design costs:

- Eden Prairie—\$50,000,
- Chanhassen—\$50,000,
- Chaska—\$20,000,

- Waconia—\$10,000,
- Local business—\$200,000, and
- Mn/DOT—\$50,000.

In this instance, local business took an active role in cooperation with local and state officials to help defray the costs.

**3. TH-101 from Rogers to Elk River**

TH-101 was constructed on new right-of-way in the late 1960s. Enough right-of-way was acquired to construct a four-lane

expressway. However, building more than two lanes was not justifiable at that time. There have been several requests for improvements to TH-101 since the early 1980s. These requests were generally initiated as a reaction to serious accidents or fatalities on the highway.

In 1987, a committee was formed comprising the cities of Rogers, Elk River, and Dayton, as well as Otsego and Hassan townships and Wright County. Meetings with Mn/DOT resulted in an agreement to monitor traffic on TH-101 and analyze the feasibility of signaling intersections as an interim solution. In 1988, the committee decided to raise funds to investigate the possibility of hiring a consultant to do the environmental and preliminary design work, thus ensuring that the project will be programmed by Mn/DOT if construction funds become available.

The committee is currently negotiating a contract with an engineering consultant firm for design of a second roadway between Rogers and Elk River. Mn/DOT has added this project to FY 1994–1995 major construction work program. The total estimated project cost is \$10.3 million. Elk River is acting as the contracting agency and will pay the consultant. Mn/DOT is the lead agency for the environmental and preliminary engineering design work. Mn/DOT is providing a project manager to supervise the consultant's work along with support services to minimize the committee's cost.

As of January 1, 1989, the committee had raised about \$70,000 in donations and pledges, primarily from the private sector, for environmental and preliminary engineering. Other private-sector fundraising efforts include the sale of parchment certificates for inches of TH-101, a golf tournament, and various efforts by local special-interest groups. This project is a good example of cooperation between local governments, local businesses, and Mn/DOT.

#### 4. I-494 from Minnesota River to I-394

Interstate 494 is in the southwest portion of the Twin Cities and circles the Twin Cities metropolitan area. Substantial development has occurred in the I-494 corridor since it was opened to traffic in 1960. This growth has produced an increasing volume of automobile and truck traffic and a recurring need for Interstate maintenance, preservation, and interchange modifications. Congestion and capacity problems on I-494 have brought selected cities, counties, regional government authorities, and private developers together to help finance environmental documentation and preliminary design on the roadway from the Minnesota River to I-394.

In 1987 an I-494 corridor study provided a planning framework for further work in the corridor. The study recommended that alternative sources of financing be considered for I-494 improvements. A consultant was hired for environmental and preliminary design work. The total cost is estimated at \$1.3 million, with Mn/DOT contributing half and the other groups contributing the remaining half. Eleven miles of this capacity improvement project (between TH-212 and the Minnesota River) will cost about \$270 million. This work has been suggested for 1997 construction.

A Joint Powers Agreement was implemented to effect land use policy to help sustain the corridor and keep financing moving. The five adjacent cities of Richfield, Bloomington,

Edina, Eden Prairie, and Minnetonka, along with the Metropolitan Airports Commission (MAC) and Hennepin County, will help finance the environmental and design work. A group of businesses, called Improve I-494, is raising the private-sector share. It is anticipated that the environmental work will take at least 3 years to complete.

Bloomington is managing the private sector's share of the environmental and predesign funding. The I-494 Corridor Commission, comprising the five adjacent cities and tied together by the Joint Powers Agreement, will coordinate planning efforts. The cost allocations for the environmental and design work were based on socioeconomic forecasts on I-494.

The various groups contributed the following amounts:

- Richfield—5 percent,
- Bloomington—5 percent,
- Edina—5 percent,
- Eden Prairie—5 percent,
- Minnetonka—5 percent,
- Hennepin County—7.5 percent,
- MAC—7.5 percent,
- Private sector—10 percent, and
- Mn/DOT—50 percent.

In addition, the Regional Transit Board is donating \$10,000, and a nonprofit organization called Funding Transportation Management is donating an unspecified amount. The recommended roadway improvements to the I-494 corridor are costly. The addition of private-sector funds will assist the traditional funding mechanisms for a project of this magnitude.

#### 5. Duluth, Minnesota

The city of Duluth is located in northeastern Minnesota on Lake Superior. With a population of nearly 93,000, Duluth is a major regional and economic center. Mn/DOT, the city of Duluth, and a local electrical utility company participated in a joint development project in downtown Duluth. The public-private partnership was responsible for a parking lot and plaza development at the intersection of Lake Avenue and Superior Street.

Mn/DOT built a new Lake Avenue bridge structure and an interchange with I-35, and the utility company built a parking lot adjacent to and beneath a portion of the bridge on Mn/DOT and city of Duluth right-of-way. Public plazas were provided on top of the deck structures. Duluth gave the utility company title to the land and reserved an easement for the public plaza. In return, the utility company reimbursed the city for construction costs and will maintain the public plaza area and the parking facilities.

#### 6. St. Cloud, Minnesota

With a population of about 43,000, St. Cloud is a major regional center located approximately 70 mi north of the Twin Cities metropolitan area. The city of St. Cloud and Mn/DOT are considering a partnership to help finance the TH-15 project through the city.

The new alignment of TH-15 through St. Cloud has been a staged project. A \$10 million river crossing and a \$1.5 mil-

lion improvement for the CSAH-29/TH-15 intersection are programmed in FY 1994.

The St. Cloud Area Planning Organization (APO) has developed a \$1.3 million proposal to help finance the TH-15 projects. The proposal calls for earmarking \$500,000 in federal-aid urban allocations for FY 1990–1991 to help in completion of TH-15. The St. Cloud Housing and Redevelopment Authority (HRA) will provide \$500,000 worth of services by marketing and selling the excess right-of-way along TH-15. The added benefit of HRA involvement will be to pursue development compatible with the project. In addition, the APO believes that surrounding local communities will be willing to contribute about \$300,000 in local funds.

### **7. Brainerd, Minnesota**

Brainerd is a regional center located approximately 130 mi north of the Twin Cities. Because it is located near major lakes and recreational areas, Brainerd receives large volumes of pass-through tourist traffic during the summer months.

Development of a partnership agreement has cleared the way for corridor studies of a Brainerd bypass on TH-371. An agreement has been reached between Mn/DOT, the cities of Brainerd and Baxter, and Crow Wing County. The bypass would allow the large volumes of summer automobiles, recreational vehicles, and automobile and boat trailers to bypass downtown retail areas.

Mn/DOT will begin selecting alternative bypass corridors and subjecting them to the EIS process (which will lead to selection of the corridor in about 20 months). Local governments will assume responsibility for protecting the corridor from encroachment once it is established. In addition, a major land owner will donate a portion of the right-of-way to the project. It is hoped that other land owners will be persuaded to do the same.

At present, Mn/DOT will proceed through the corridor and EIS selection process only, because the project is not yet programmed for construction. Right-of-way donation and further local investment will be factors in favor of the project if it becomes authorized for construction.

### **8. Mankato, Minnesota**

The city of Mankato is located approximately 128 mi southwest of the Twin Cities. A Mankato bypass project along TH-22 was initiated by Mn/DOT, Blue Earth County, and the city of Mankato because of economic development implications. Blue Earth County and the city of Mankato each gave \$1 million toward the project, and Mn/DOT contributed the remainder of the cost, which totaled \$3.2 million. This reconstruction project was let in July 1988 and opened in October 1989.

In another Mankato project, the construction of right- and left-turn lanes on TH-14 near the east edge of town was jointly funded by Mn/DOT and Mankato. An agreement between Mn/DOT and Mankato was reached whereby each unit contributed half of the total cost of the project (\$27,500 each). A private lumber company located at the intersection paid for a portion of the project.

### **9. St. Peter, Minnesota**

The city of St. Peter is located in south central Minnesota about 11 mi north of Mankato. The city expressed interest in realigning TH-22 in the downtown area. Mn/DOT is sharing intersection costs through its Special Agreements Program. This \$4-million-per-year program is funneled through state aid engineers who act as liaisons with municipalities and counties. Mn/DOT assumes a share of the financial responsibility, but the local government agencies are responsible for contracts and construction. For the St. Peter project, the city's cost is \$832,000, and Mn/DOT will contribute about \$400,000.

### **10. Waseca, Minnesota**

Waseca is a regional center in southern Minnesota about 75 mi from the Twin Cities. A potential bypass of Waseca by TH-14 is in the proposal stage. A bypass study may be undertaken for which the city of Waseca, Waseca County, and Mn/DOT will contribute \$20,000 each. This project is currently in the planning stages.

### **11. Bricelyn, Minnesota**

Bricelyn is a small community with a population of 487 located about 5 mi from the Iowa border in Faribault County. Mn/DOT and Faribault County negotiated a cost-sharing project to upgrade TH-253 so it could carry 80,000-lb gross vehicle loads all year. The county paid one-third of the upgrading costs. In addition, the county assumed responsibility for another 6-mi section of two-lane road previously under state jurisdiction.

### **12. TH-101/Shakopee Bypass Area**

Completion of the Shakopee bypass to four lanes between Shakopee and Savage (TH-169 to TH-13) is estimated at \$35 million. Construction began in FY 1990.

The city of Shakopee hired a consultant to prepare a portion of the final design plans. At present, Shakopee has raised \$1 million using tax increment financing, in which the city sells bonds and repays them with property taxes generated from the development.

In addition, a new bridge over the Minnesota River and a bypass of downtown Shakopee is estimated to cost \$7.6 million. The city of Shakopee has contributed \$1.9 million toward the project using tax increment financing. The Shakopee money will be used to fund preliminary and final design.

### **13. I-494/CR-6 in Plymouth**

The city of Plymouth, a northern suburb in the Twin Cities metropolitan area, plans to develop land in the I-494/CR-6 intersection area. Current plans call for additional access to local businesses. The city has requested construction of a new interchange on CR-6 at I-494 and hired a consultant to perform design work.

Mn/DOT and Plymouth will share the cost of the project. The city will do most of the intersection work and will pay \$5 million to widen the bridge. Mn/DOT will reconstruct about 2 mi of Interstate and add a third lane. Reconstructing the main line, adding the auxiliary lanes, and constructing the CSAH-6 ramp is estimated at \$7 million.

#### 14. Eden Prairie

Eden Prairie is a fast-growing suburb in the southern portion of the Twin Cities metropolitan area. A new \$350,000 pedestrian bridge that would span an improved TH-5 at CR-4 was recently approved by the city. The city will pay for the entire construction cost of the bridge. Mn/DOT will pay for design and engineering costs.

#### 15. Elk River

Elk River is a rapidly growing city approximately 25 mi north of the city of Minneapolis. Land owners in Elk River entered into a partnership with Mn/DOT and contributed all right-of-way required for improvements to the intersection of TH-101 and CSAH-42. A cooperative agreement has also been established whereby the affected county and township will contribute \$25,000 each toward total construction costs. The project is in Mn/DOT's Special Agreements program and began in FY 1990.

#### 16. St. Paul, Minnesota (I-94)

An agreement between Mn/DOT and the city of St. Paul provides that the city contribute about \$600,000 toward an extension of an I-94 bridge over an abandoned Burlington Northern Railroad right-of-way to accommodate a proposed pedestrian-bicycle trail.

Mn/DOT's reconstruction plan includes an opening under the bridge that could accommodate a future trail. The St. Paul Parks and Recreation staff proposed an additional 76-ft span to provide for a wider opening. Mn/DOT began design of the bridge extension and advised the St. Paul city council that they would incorporate the extra spans in the design at a later date. St. Paul agreed to reimburse the state.

#### 17. St. Paul, Minnesota (Capitol Complex)

The Minnesota Historical Society has agreed to contribute \$1 million for a cover over the 6th Street ramps from I-94 into the St. Paul central business district.

A study selected the site for the Minnesota History Center on the location of the former Miller Hospital. In choosing the site, the need for a deck over the I-94 connector ramp was deemed critical. A series of meetings between Mn/DOT, the Minnesota Historical Society, and the Capitol Area Architectural and Planning Board resulted in an agreement to construct the History Center deck.

### PUBLIC-PRIVATE AND INTERGOVERNMENTAL PARTNERSHIPS FOR TRANSIT

The Mn/DOT Office of Transit provides the expertise needed to maintain the state's role in the delivery of transit service in partnership with the federal government and local communities. The transit activity is involved with intergovernmental partnerships in its development of policies and programs that assist local transit systems.

A significant part of transit's role in public-private and intergovernmental partnerships is providing technical and financial assistance to local transit systems. In addition, evaluating and improving local transit systems is a fundamental part of transit's role within Mn/DOT. The goal of the Office of Transit is to use state and federal investment in public transportation effectively.

A new federally funded position was established in the Office of Transit to identify new opportunities for private-sector involvement in the delivery of transit service to Greater Minnesota. Approximately 30 percent of the small urban and rural transit systems in the area are now contracted to the private sector.

The following public-private and intergovernmental partnerships have recently been formed in the city of Duluth.

#### Duluth Transit Authority

The Duluth Transit Authority (DTA) is a publicly funded transit program managed by a private company. DTA employees are considered to be employed by this private company for workers' compensation purposes. Some major maintenance work, such as engine overhauls, is also contracted out to private companies.

#### Trolley Service

DTA provides a rubber-tired trolley service that operates in the downtown Duluth and waterfront areas from May to October. Local businesses subsidize approximately 75 percent of the trolley's operating costs to keep fares at a minimum. The trolley makes 16 runs a day with stops near major hotels, restaurants, and tourist attractions.

#### Streetscape

DTA's downtown Duluth Streetscape project included the construction of two Superior Street transit centers in conjunction with private developments. DTA leases space for the West Transit Center from the Holiday Inn. The East Transit Center is owned by DTA, which leases a portion of the commercial and retail space to private companies. Maintenance and cleaning of the centers are provided by the private developers. DTA has also received a portion of local share funding for a variety of capital improvement projects (such as transit centers and transit shelters) from the Duluth Downtown Benefit Assessment program (tax increment district).

## STRIDE

STRIDE is a specialized transportation program for those mobility handicapped individuals who are unable to use the regular DTA system. DTA contracts the dial-a-ride services provided by STRIDE to a private company in Duluth. DTA owns the vehicles used in the program and is responsible for major vehicle maintenance, scheduling, and dispatching; the contractor pays for all other expenses. The private contractor is chosen by a competitive bid process.

## PUBLIC-PRIVATE AND INTERGOVERNMENTAL PARTNERSHIPS FOR RAIL

The purpose of the rail activity within Mn/DOT is to provide effective rail service in the state. This objective is accomplished by planning, regulating, and providing improvements for rail systems in Minnesota.

One method of meeting rail needs in Minnesota is through the Minnesota Rail Service Improvement Program. In this program, rail projects are selected and eligible lines are screened for possible rehabilitation. The program offers opportunities for public-private and intergovernmental cooperation.

### Southern Minnesota

A \$6.3 million rail service improvement project was implemented in southern Minnesota. Assisted by funds from shippers in seven southern Minnesota counties, the railroad and Mn/DOT began upgrading 165 mi of main-line track between Owatonna and the South Dakota state line and between Waseca and Hartland.

The line serves 50 shippers in Minnesota. Extensive rehabilitation is needed to safely handle unit trains of 100-ton hopper cars. The 2-year project includes installing 130,000 new crossties, adding 116,000 tons of rock ballast to strengthen rail roadbeds, and relaying 5 mi of track.

Mn/DOT is providing \$4.5 million, the railroads are providing \$1.3 million, and the remaining \$0.7 million will be raised by local shippers. In addition, seven southern counties have agreed to provide \$30,000 each in interest-free loans to assist the shippers. These funds will be repaid by a surcharge on rail freight.

### Freight Access Improvement Projects

Two successful freight access improvement projects were negotiated with local governmental units and private businesses to finance county road improvements. Recent rail abandonments had placed the entire shipping burden on public highways, which lacked sufficient pavement strength to carry heavy trucks. These freight access improvement projects were designed to finance county road improvements and were initiated to test the feasibility of using public-private partnerships for local road strengthening projects.

### Gary, Minnesota

The city of Gary, with a population of 241, is located in Norman County about 25 mi from the North Dakota border. Gary, the county, and its businesses funded about \$5,000 for the surfacing of CSAH-19 from TH-32 into Gary to provide

access for trucks carrying 80,000-lb gross vehicle weight. The total project cost was \$52,000. A federal grant administered by the state paid for half (\$26,000) and Norman County paid the remainder (\$21,000).

### Two Harbors, Minnesota

Two Harbors is located along the shore of Lake Superior in northern Minnesota. Local business participation in Two Harbors provided about 15 percent of the total costs to upgrade CSAH-2 and CR-200 into Walter H. Norlen Industrial Park and the Louisiana Pacific Corporation siding plant. Louisiana Pacific contributed about \$8,500, and several other businesses provided \$800 each.

## CONCLUSIONS

Public-private and intergovernmental funding partnerships will continue to grow. As long as transportation needs are greater than current funding, there will be a need for alternative financing of the transportation infrastructure.

U.S. highways are deteriorating, and traffic is increasing faster than needed improvements. Transit and rail systems require increased private involvement to continue to improve their levels of service. Because Mn/DOT cannot keep pace with the overwhelming costs of needed new construction and continue to provide an adequate level of highway preservation and maintenance, an alternative revenue source is necessary. To fill this void, local governments and private businesses have offered the use of private funds to help with transportation improvements. This action will benefit local communities by encouraging economic expansion.

The private sector is encouraged to take the initiative in proposing funding for various transportation projects. Mn/DOT can thus participate in public-private partnerships for funding preliminary engineering, design, right-of-way, and highway construction.

Greater private participation in transportation is being explored in both the public and private sectors of the economy. Because there are few systematic and organized ways to facilitate public-private partnerships, further experience is needed to define the nature of such partnerships. Their value lies in the increased transportation benefits to the participating communities. The turnaround time from project inception to completion is faster when the predesign and environmental work is financed by sources other than Mn/DOT. More projects can be completed in a timely manner with economic benefits for everyone, including increased safety and less congestion.

Projects stimulated through the use of private funds are recognized as important by community officials. This in turn makes Mn/DOT responsive to the public. The primary objective of Mn/DOT is to provide transportation systems, services, and facilities that will allow safe, efficient movement of people and goods throughout the state. A well-integrated transportation system is a key element in achieving statewide social, economic, and energy-related goals. The use of more public-private partnerships will help Minnesota realize these goals.