

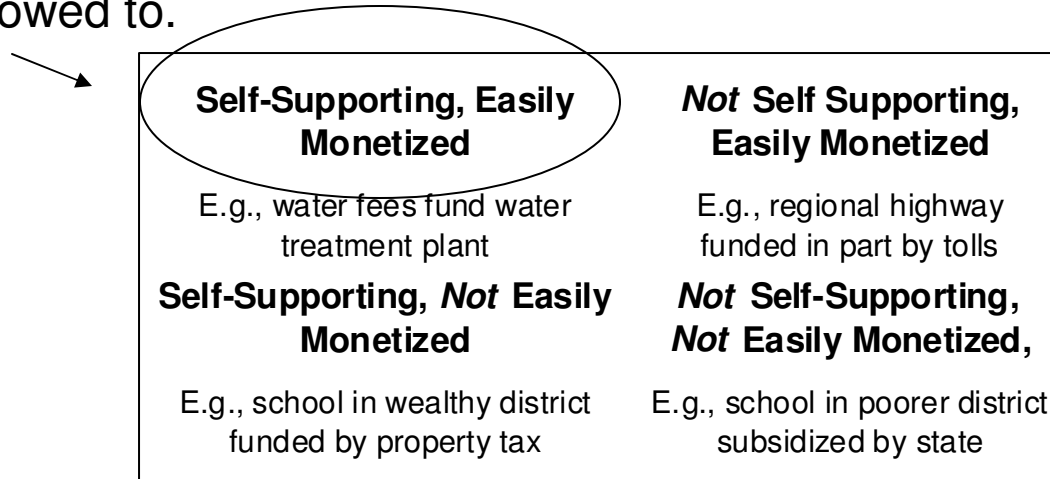
2008 Capital Campus California Winter Retreat

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

Darien Shanske
Associate Professor
University of California, Hastings College of the Law
shansked@uchastings.edu

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.

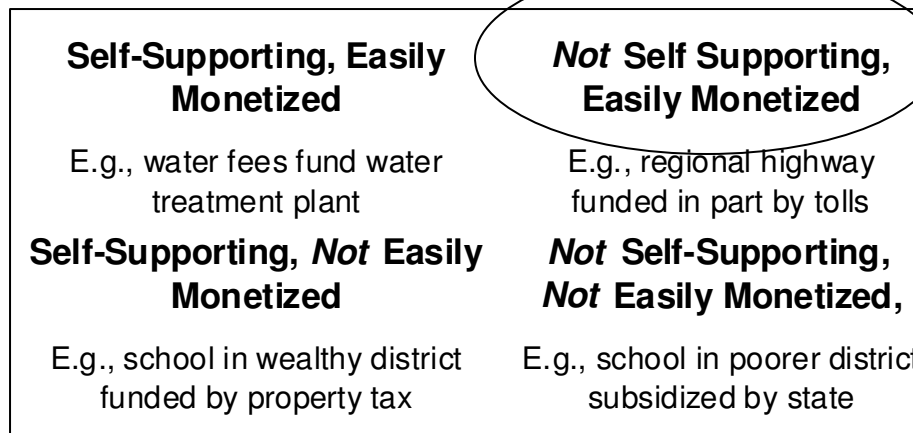
Self-Supporting, Easily Monetized E.g., water fees fund water treatment plant	Not Self Supporting, Easily Monetized E.g., regional highway funded in part by tolls
Self-Supporting, <i>Not</i> Easily Monetized E.g., school in wealthy district funded by property tax	Not Self-Supporting, <i>Not</i> Easily 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.



The diagram is a 2x2 matrix with a black border. The top-right cell is circled in black. An arrow points from the top-right towards the center of the matrix. The text in the cells is as follows:

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.

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

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	<i>Not Self Supporting, Easily Monetized</i> E.g., regional highway funded in part by tolls
Self-Supporting, <i>Not</i> Easily Monetized E.g., school in wealthy district funded by property tax	<i>Not Self-Supporting, Not Easily Monetized,</i> E.g., school in poorer district subsidized by state

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