

**Testimony by Citizens Against Beltway Expansion
In Support of HB 1201, Regarding Public-Private Partnerships
Before the Environment and Transportation Committee
March 7, 2023
Barbara Coufal, Co-Chair
P.O. Box 3593, Silver Spring, MD 20918**

Citizens Against Beltway Expansion appreciates the opportunity to share our strong support for House Bill 1201, filed by Delegate Jared Solomon.

The experience with the Purple Line and the proposed I-495/I-270 toll lanes has revealed the substantial risks of public-private partnerships. House Bill 1201 would strengthen the law by increasing oversight and adding protections to reduce financial risk to taxpayers and Maryland's credit rating.

According to a 2020 report by the Congressional Budget Office, transportation concessionaires are accepting less and less risk in P3 deals. This is because they cannot control the underlying risks, such as demographic trends and economic conditions, which impact toll revenues. This lack of predictability causes concessionaires to impose a premium for assuming risk, raising costs for the State, its taxpayers and transportation users.

P3 contracts are complex financial arrangements and global transportation corporations are specialists in negotiating them in order to shift as much risk as possible to public agencies. The experience with the Purple Line demonstrates that the expertise of these corporations exceeds that of State negotiators. Similarly, when the State Treasurer's Office reviewed the pre-development agreement for the I-495/I-270 toll lanes, the Treasurer stated that her office did not have the capacity to evaluate the financial risks. Yet, she was unable to secure funding to engage the assistance of the State's financial advisors in order to protect the State and its taxpayers.

House Bill 1201 would add safeguards to reduce the risks of transportation P3s, including:

- Greater oversight of P3 transportation projects and a requirement that projects valued at more than \$1 billion be approved by the General Assembly;
- A requirement that P3 proposals be reviewed by the State's financial advisors to assess risks of contracts with a value in excess of \$500,000,000;
- A prohibition on P3 operators demanding compensation from taxpayers for transit or road maintenance projects that could lead to reduced toll revenues; and
- A requirement to disclose any guaranteed financial rate of return for the operator.

The reforms included in HB 1201 are critical needs and we urge the Committee to act quickly and report this bill favorably.