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Abstract

In recent years cities ar 3s) to the sale and lease of existing infrastructure and facilities for large sums of up-front cash. Proponents have viewed these practices as effective and innovative ways to raise sorely needed funds and address pressing fiscal problems. If P3 revenues are used to finance operating expenditures, these practices represent a fundamental departure from the traditional principles of balanced budgets for state and local governments. In financing capital project they are an expensive alternative to traditional tax-exempt financing and productive efficiencies in the private sector are unlikely to offset higher costs of capital. Furthermore, these practices are unlikely to improve infrastructure pricing and use and entail significant policy/economic risks as governments lose control of infrastructure for significant periods of time. The adoption of these sales or leases can be traced to political and institutional failures and inappropriate analysis.

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