Statewide Transportation Needs Assessment Revenue Report--TIFIA

Innovative Finance: Transportation Infrastructure Finance and Innovation Act (TIFIA)

Introduction

Although not a funding source, the TIFIA program provides direct federal loans, loan guarantees, and standby lines of credit to finance transportation projects of national and regional significance. Demand for this program has grown in recent years given flexible repayment terms at often competitive interest rates. Today's interest rate, for example, is 2.62 percent for a 35-year loan (as of August 3, 2012). In general, the TIFIA interest rate is equal to the Treasury Rate on the date of execution of the TIFIA credit. Moving Ahead for Progress in the 21st Century (MAP-21) allows 10 percent of the TIFIA program's budget authority to be provided to rural infrastructure projects at a reduced interest rate (one-half of the Treasury Rate).

A wide range of transportation projects are eligible, including highway, transit, railroad, intermodal freight, and port access projects. Projects seeking TIFIA assistance must meet certain statutory threshold requirements for project costs. Generally, eligible project costs must total at least $50 million or $15 million in the case of intelligent transportation system (ITS) projects. MAP-21 requires a minimum of $25 million in total eligible project costs for rural infrastructure projects.

MAP-21 also provides for a greatly expanded TIFIA program--authorizing $750 million of budget authority for FY2013 and $1 billion for FY2014. The maximum share of project costs that can be financed through TIFIA increases from 33 percent to 49 percent. For a line of credit, the maximum amount remains at 33 percent of eligible project costs.

In addition to authorizing more funding, MAP-21 made some significant statutory changes to the TIFIA program, including but not limited to, enabling related project grouping secured by a common pledge to meet project cost threshold requirements; confirmation of use for availability payment public private partnerships; and early contingent commitments with "master credit agreements" for single projects or a program of projects secured by a common revenue pledge. These and other structural reforms are anticipated to further foster partnerships that attract private investment as may be appropriate and/or enable projects to proceed at an earlier date at potentially reduced lifecycle costs (including debt service costs).

Yield Potential

Nationally, MAP-21 authorizes $750 million of budget authority for FY2013 and $1 billion for FY2014. This translates into approximately $6.9 billion and $9.2 billion of lending capacity in each of these fiscal years respectively, compared with approximately $1.2 billion of annual lending capacity under prior law. Additionally, the increase in the maximum share of project costs that can be financed through TIFIA (up to 49 percent of eligible costs) effectively provides for greater leveraging potential.

Use/Restrictions

Any type of project that is eligible for federal assistance through existing surface transportation programs (highway projects and transit capital projects) is eligible for TIFIA credit assistance, including ITS projects. Additionally, the following types of projects are eligible: international bridges and tunnels; intercity passenger bus and rail facilities and vehicles; publicly owned freight rail facilities; private facilities providing public benefit for highway users; intermodal freight transfer facilities; projects that provide access to such facilities; service improvements on or adjacent to the National Highway System;

and projects located within the boundary of a port terminal under certain conditions. MAP-21 expands eligibility to include related projects grouped together, providing individual components are eligible and are secured by a common pledge. In total, project capital cost must be at least $50 million or $15 million in the case of ITS. MAP-21 requires a minimum of $25 million in total eligible project costs for rural infrastructure projects.

Project sponsors seeking TIFIA assistance must submit an application acceptable to the Office of the Secretary of Transportation and must satisfy applicable state and local transportation planning requirements. Each project must have a dedicated revenue source to repay the TIFIA loan (e.g., tolls, user-fees, sales tax revenues, availability payments, etc.) and must be determined as creditworthy by USDOT.

Conclusion

Demand for TIFIA credit assistance between FY2010 and FY2012 has been oversubscribed by a ratio of more than 10 to 1. Letters of interest for FY2012 were submitted by 26 applicants nationally, representing funding demand that greatly exceeds available contract authority.

To date, the use of TIFIA credit assistance in California, has involved a handful of projects (e.g., Southbay Expressway also known as the SR125 toll road, Transbay Transit Center, and Presidio Parkway using availability payments). Since the implementation of the American Recovery and Reinvestment Act in 2009 (ARRA), USDOT has received appropriations for discretionary grants called, "Transportation Investment Generating Economic Recovery" or TIGER Grants. Under TIGER II, Los Angeles Metro's Crenshaw/LAX Transit Corridor received a TIFIA Payment of $20 million. Under TIGER III, Riverside County Transportation Commission's (RCTC's) SR 91 extension project received a TIFIA payment of $20 million as well.

With recent MAP-21 reforms and expansion of the TIFIA program, California project sponsors will likely increase the use of TIFIA financing. Leveraging opportunities are even greater with the use of "master credit agreements" secured by a common revenue pledge such as local sales tax revenues. Consistent with the America Fast Forward initiative, TIFIA has been part of the strategy that Los Angeles Metro, for example, plans to use to accelerate projects using a pledge of Measure R (half-cent sales tax revenue) upon approval of its extension. In conjunction with local sales tax initiatives and/or other transportation revenues including tolls/user-fees currently being contemplated throughout the State, generally low-interest costs and flexible repayment terms of TIFIA federal credit assistance should prove to be valuable in the financing and delivery of transportation projects.

Reference Materials

- Moving Ahead for Progress in the 21st Century (MAP-21)
- Federal Register, Vol. 77, No. 147, July 31, 2012
  http://www.fhwa.dot.gov/ipd/pdfs/tifia/fy2013_tifia_nofa_073112.pdf
- FHWA Office of Innovative Program Delivery
  http://www.fhwa.dot.gov/ipd/tifia/index.htm