State Department of Transportation
Funding Alternatives
May 18, 2016

Background and Current Considerations

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U.S. Transportation Funding Overview

- Total annual spending on transportation averaged $213 billion between 2008 - 2012
  - State and local funding has increased to offset stagnant federal funding
- Spending on highways exceeds that for transit at each level of government

### Annual Spending on Transportation
(Average of 2008-2012; $Billions)

- **Local**: 35%
- **State**: 40%
- **Federal**: 25%

### Annual Share of Transportation Spending
(Average of 2008-2012)

- **Federal**: 25%
- **State**: 40%
- **Local**: 35%

Source: U.S. Census Bureau’s Annual Survey of State and Local Government Finances
Federal Funding

- The federal government provides roughly 1/4 of public spending on transportation, mostly in the form of grants to states
  - The Highway Trust Fund collects and distributes money dedicated to federal highway and transit projects
  - Fuel taxes generate the majority of revenues in the Highway Trust Fund
    - 18.4 cents per gallon of gasoline since 1993

Source: Congressional Budget Office, revenue breakdown as of 2014
Federal Funding – FAST Act

- Fixing America's Surface Transportation ("FAST") Act was signed by President Obama on December 4, 2015
  - Provides 5 years of funding authorization for infrastructure planning and investment
  - Authorizes $305 billion (all modes) over FY2016-2020, including $226.3 billion for highways

**FAST Act Highway Authorizations**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td>$42.7</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$43.6</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$44.6</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$45.6</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$46.7</td>
</tr>
</tbody>
</table>

*Note: U.S. DOT; Federal Highway Administration*
State Level Transportation Funding

- State DOTs rely on allocated federal funds to complement a variety of state-level funding sources

Sample State Highway Fund Annual Revenue Composition

**Oregon ($1.7B)**
*Population: 4.0M*

- Federal 26%
- Fuel Tax 30%
- Vehicle Tax 18%
- Weight-Mile Tax 17%
- Other 7%
- Charges For Services 2%

**Virginia ($4.2B)**
*Population: 8.4M*

- Federal 20%
- Sales Tax on Fuels 18%
- Vehicle and Driver Registration Fees 22%
- Vehicle Sales and Use Tax 18%
- Local 11%
- Retail Sales Tax 17%
- Other 11%
- Vehicle License Tax 5%

**Texas ($7.8B)**
*Population: 27.5M*

- Federal 40%
- Vehicle and Driver Registration Fees 22%
- Fuel Tax 33%

Note: Revenue breakdown excludes bond proceeds; as of FY2015 or Budget FY2016
State Excise Taxes + “Other” State Taxes – (No Federal)


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## Transportation Financing and Funding Tools Available

States are undertaking a comprehensive review of a wide variety of transportation funding sources, across both the public and private spectrum.

### Federal
- Highway Trust Fund
- GARVEE / GANs
  - Direct / Indirect
- TIFIA
  - Direct Loan, Line of Credit, Loan Guarantee Highway Trust Fund

### State
- Dedicated Highway Trust Fund
  - Motor Fuel / Sales Tax
  - Sales and Use Taxes on Motor Vehicles
  - Licensing Fees
  - Leveraged through Highway Revenue Bond Programs
- Tolls
- Grants/Capital Contributions
- Back-up Appropriations for Toll Roads, Highways
  - O&M, CapEx, DSRF Guarantee

### Local
- Right of Way
- Tolls
- Capital Investment
- Special Tax Districts
- Transportation Corporations
- Local Option Taxes
- Sales Taxes

### Private
- Toll Concession
  - Debt
  - Equity
- Leverage Availability Payments
- Provide Design/Build Contract
  - Subordinate loan/up-front equity as consideration for contract
State Highway Revenue Bond Programs Overview

Highway Revenue Bond programs are widely used by states to accelerate transportation funding and better connect user fees to public benefits

- 27 states, plus Puerto Rico, have unsupported Highway Revenue Bond (“HRB”) programs with four states (Louisiana, Michigan, Pennsylvania and Wisconsin) having two separate programs
- 26 of the 32 programs leverage state motor fuel taxes
  - Louisiana, Rhode Island, Vermont and Wisconsin are the only states that issue HRBs backed only by state motor fuel taxes
  - In addition to motor fuel taxes, many states pledge a combination of:
    - Vehicle registration fees
    - Drivers License fees
    - Miscellaneous taxes and other fees
- In addition to the 32 revenue programs, 11 states pledge their full faith and credit towards repayment of transportation bonds

Source: Various publicly available documents from emma.msrb.org.
Rating Agency Criteria for Transportation Revenue Bonds

- Diversity and stability of the pledged revenue stream
  - State’s economy
  - Qualitative and quantitative characteristics of the pledged revenues
- Legal and practical restrictions to additional debt issuance
  - Additional bonds test should ensure that coverage will not be diluted to threshold level
- Coverage of debt service
  - Vulnerability to declines in revenue
  - Historic coverage sufficient to meet dips
- Governmental support
  - Importance of highways and roads in overall spectrum of infrastructure needs
- Program management
- Quality of planning, construction management, maintenance and inspection
- Fuel efficiency / hybrid vehicles
## Revenues for Financing Transportation Improvements

### Selected State Highway Revenue Bonds

#### Program and Credit Profile

<table>
<thead>
<tr>
<th>Pledged Revenue*</th>
<th>State Level Transportation Bonding Program &amp; Lien</th>
<th>Current Ratings</th>
<th>Current ABT</th>
<th>Current MADS Coverage</th>
<th>Current Debt Outstanding (approx.)</th>
<th>Anticipated Near-Term NM Borrowings</th>
<th>Rating Agency Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>M,R,L</td>
<td>Arizona (DOT)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Senior Lien</td>
<td>Aa1 AAA -</td>
<td>4.00 x</td>
<td>9.48 x</td>
<td>$460M</td>
<td></td>
<td>✓ Most HWY revenues can only be used for transportation</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td>Aa2 AA+ -</td>
<td>3.00 x</td>
<td>3.71 x</td>
<td>$1,200M</td>
<td></td>
<td>✓ Statutory provisions require HURF revenues pay DS if pledged SHF revenues are insufficient</td>
</tr>
<tr>
<td>M,R,S</td>
<td>Missouri (Trans Commission)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Senior Lien (Closed)</td>
<td>Aaa AAA AAA</td>
<td>Closed</td>
<td>7.79 x</td>
<td>$430M</td>
<td>Closed Lien</td>
<td>✓ No future new money bonds anticipated</td>
</tr>
<tr>
<td></td>
<td>First Lien</td>
<td>Aaa AAA AAA</td>
<td>4.00 x</td>
<td>6.62 x</td>
<td>$730M</td>
<td>None</td>
<td>✓ Centralized revenue collection and careful oversight by the state (GO bonds 'AAA' rated)</td>
</tr>
<tr>
<td></td>
<td>Second Lien</td>
<td>Aa1 AAA AA+</td>
<td>3.00 x</td>
<td>5.02 x</td>
<td>$480M</td>
<td>None</td>
<td>✓ One-year senior reserve by SBF revenue</td>
</tr>
<tr>
<td></td>
<td>Third Lien</td>
<td>Aa2 AA+ AA</td>
<td>2.00 x</td>
<td>4.19 x</td>
<td>$310M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M,R,L,F</td>
<td>Kansas (DOT)</td>
<td>Aa2 AAA AA+</td>
<td>3.00 x</td>
<td>(Include F* and General Fund transfers)</td>
<td>690x</td>
<td>$2,100M</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Excludes F*) 500x</td>
<td></td>
<td>✓ Diverse revenue source, with certain revenues constitutionally dedicated to transportation</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>✓ Targets coverage (excluding federal) &gt; 4.0x</td>
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<td></td>
<td></td>
<td></td>
<td>✓ Downgraded by Moody's in 2014 from Aa1 due to insufficient insulation from state general operation</td>
</tr>
<tr>
<td>M,F</td>
<td>Nevada (DOT)</td>
<td></td>
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<tr>
<td></td>
<td>Senior Lien</td>
<td>Aa2 AAA AA+</td>
<td>3.00 x</td>
<td>(Excludes F*)</td>
<td>3.30 x</td>
<td>$587M</td>
<td>✓ Constitutionally protected MVFT revenue</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td></td>
<td></td>
<td></td>
<td>(Excludes F*) 4.56 x</td>
<td></td>
<td>✓ Minimally leveraged program</td>
</tr>
<tr>
<td>M,R,L,F</td>
<td>New Mexico (DOT)</td>
<td></td>
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<tr>
<td></td>
<td>Senior Lien</td>
<td>Aa1 AAA -</td>
<td>3.50 x</td>
<td>(Includes F*)</td>
<td>6.45 x</td>
<td>$850M</td>
<td>✓ Ample coverage by total pledged revenues and by state revenue alone</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td>Aa2 AA -</td>
<td>3.00 x</td>
<td>(Includes F*)</td>
<td>3.26 x</td>
<td>$590M</td>
<td>✓ Rapid repayment of debt</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Includes F*) 4.29 x</td>
<td></td>
<td>✓ No additional borrowing plans</td>
</tr>
<tr>
<td>M,R,L</td>
<td>Oregon (DOT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Senior Lien</td>
<td>Aa1 AAA AA+</td>
<td>3.00 x</td>
<td>4.30 x</td>
<td>$1,530M</td>
<td>$195M thru 2017</td>
<td>✓ Strong cash position provides a cushion against unexpected liquidity needs</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td>Aa2 AA+ AA</td>
<td>2.00 x</td>
<td>3.40 x</td>
<td>$560M</td>
<td>$195M thru 2017</td>
<td>✓ Strong economic fundamentals (Aaa rated state)</td>
</tr>
<tr>
<td>M,R,S,F</td>
<td>Texas (DOT)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>First Tier</td>
<td>Aaa AAA -</td>
<td>4.00 x</td>
<td>Resolution (Includes F*)</td>
<td>19.26x</td>
<td>$4,200M</td>
<td>Not mentioned</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Statute (Includes F*)</td>
<td>10.00x</td>
<td></td>
<td>✓ Statutory ABT can change</td>
</tr>
<tr>
<td>R, L</td>
<td>Wisconsin</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>First Tier</td>
<td>Aa2 AA+ AA+</td>
<td>2.25x</td>
<td>2.8 x</td>
<td>$1,990M</td>
<td>Not mentioned</td>
<td>✓ Long stable trend of pledged revenues</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>✓ Proven track record of active program management</td>
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<td></td>
<td></td>
<td>✓ Strong additional bonds test</td>
</tr>
</tbody>
</table>

*Pledged to Bondholders; F-Federal revenues; L-License permit fees; M-Motor vehicle fuel tax; R-Registration taxes; S-Sales taxes

Source: Various publicly available documents from emma.msrb.org and rating reports published by Moody’s, Standard & Poor’s and Fitch Ratings.
GARVEE Bonds Overview

GARVEEs allow States to accelerate portions of a capital construction program through leveraging of future federal highway reimbursements.

Overview

- GARVEES securitize future FHWA revenues
- Generate project cost savings since borrowing costs are ordinarily less than annual inflationary increases in construction
- Ability to avoid establishing additional liens on other scarce revenue
- GARVEE financing option for roads created under Section 308 of National Highway System Designation Act of 1995 (NHSDA)
- Logical evolution of traditional FHWA "Advanced Construction" Program

Requirements

- Eligible for Federal-aid highway funding under one or more program funding categories (Section 115 of Title 23)
  - Projects must also appear on the STIP
- State match is required, either up-front or payment-by-payment match
- GARVEE programs have two forms
  - Direct GARVEEs utilize direct payment of debt service from USDOT to fund federal-aid eligible projects
  - Indirect GARVEEs are secured by future federal reimbursements from USDOT to fund federal-aid eligible and/or non federal-aid eligible projects
Direct GARVEEs

Direct GARVEEs are backed by future federal transportation funds.

- Bond Proceeds must be spent on specified federal-aid projects
- Secured by MOU with FHWA which commits future federal funds to pay debt service
- State submits bill for principal/interest payment and FHWA sends debt service to the State DOT for payment
  - Under some MOUs, the FHWA sends the debt service payments directly to the trustee
  - FHWA normally provides the debt service payment 3-6 days in advance of the payment date
Indirect GARVEEs

Indirect GARVEEs are backed by future federal reimbursements of federally eligible expenditures.

- No restrictions on the usage of bond proceeds - treated as any other State funds - can spend on either Federal or State projects
- Issued without FHWA approval
- State continues its federal aid program, seeking annual reimbursements for eligible expenses
- Reimbursements used to amortize the GARVEE bonds
Toll Revenue Bonds Overview

• Typically backed by user fees
• Fees are typically levied through two means “Standard Tolling” and “Congestion Pricing”
  – Standard Tolling imposes per-use fees on motorists. These fees are generally flat tolls that can vary by number of axles and distance driven, but not by time of day
  – Congestion Pricing or market-based pricing entails fees or tolls that vary by vehicle demand on the facility. The costs to use the road increases with demand.
• Toll revenue bonds may offer a “Gross Pledge” or “Net pledge” of revenues:
  – Gross Revenue Pledge – All revenues received will be used for debt service prior to deductions for any other costs or expenses. This requires a secure source of funding to cover O&M / R&R costs if toll revenues are inadequate.
  – Net Revenue Pledge – Bonds are paid from net revenues after deductions to cover specified costs and expenses.
• Toll facilities may be financed as stand-alone facilities or as a system of multiple facilities
  – Stand alone facilities service debt from revenue collected from a single enterprise (i.e., one bridge/tunnel crossing, a certain number of miles). Single facility project financing is credit challenged and BBB rated at best. Additional non-toll funding sources are almost always needed.
  – A System financing approach combines the revenue generated from multiple facilities to repay bonds (i.e., multiple bridges/tunnel crossings in a region)
Major Toll Issuers

- Illinois State Toll Highway Authority
- New Jersey Turnpike Authority
- South Jersey Transportation Authority
- Capital Beltway Funding Corp of Virginia
- Chesapeake Bay Bridge Toll District
- City of Chesapeake VA
- North Carolina Turnpike Authority
- North Carolina Department of Transportation
- New York State Bridge Authority
- Triborough Bridge & Tunnel Authority
- Metropolitan Washington Airports Authority
- Central Texas Turnpike System
- County of Harris
- Fort Bend Grand Parkway Toll Road Authority
- Grand Parkway Transportation Corporation
- North Texas Tollway Authority
- Texas Private Activity Bond Surface Transportation Corporation
- Bay Area Toll Authority
- Foothill-Eastern Transportation Corridor Agency
- Orange County Transportation Authority

Source: IPREO Market Data.
Typical Start-Up Toll Debt Structure

- Financing is costly and inefficient for start-up toll facilities with project toll revenues as the only source to repay debt.
- The most difficult period for toll facilities are the beginning “ramp-up” stages

Debt structure often incorporates:
- Capitalized Interest
- Capital Appreciation Bonds
- Senior and Subordinate Lien Debt Structure
- Ascending Debt Service
- R&R and O&M Reserve Funding After Debt Service
- Extensive Construction Insurance
- Weak Credit Ratings
- High Cost of Capital

- For Illustrative Purposes Only
Most new “greenfield” toll roads do not pay for 100% of capital, O&M, and R&R costs solely from project toll revenues. Three proven enhancements are:

- Supplemental Non-Toll Revenues from and stable source
- O&M Support (with Gross Revenue Pledge)
- Subordinate Loans

In order to counter the normal deficits during ramp-up stages, a start-up toll facility can incorporate other non-toll revenue sources to provide “front-end” revenues to improve creditworthiness.

“Front-end” revenue can also serve to:

- Reduce construction costs financed with debt – applying existing sources to pay-go construction requirements
- Increase bonding and loan capacity – adding existing revenue sources to the projected revenue stream increases debt service coverage
- Reduce requirement for accrual of interest and capitalized interest – applying existing revenues to pay debt service while construction occurs reduces capitalized interest and the need to utilize costly capital appreciation bonds
Federal Guidelines for Tolling

• Generally, federal law prohibits the collection of tolls on Interstate highways with the following exceptions:

  – General Toll Program (Section 129): New highways, bridges, tunnels, lanes on existing Interstate highways, non-Interstate highways, non-Interstate Highways as part of reconstruction can be constructed as tolled facilities

  – High Occupancy Vehicle (HOV)/High Occupancy Toll Lanes (Section 166): Allows states to charge tolls to vehicles that do not meet the established High Occupancy requirement to use HOV lanes

  – Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP): Allows the conversion of up to 3 existing and currently free Interstate Highways to tolled facilities, in order to fund needed reconstruction

  – Value Pricing Pilot Program (VPPP): Allows toll to be imposed on existing toll-free highways, bridges, and tunnels, so long as variable pricing is used to manage facility demand
TIFIA Program Overview

Creative use of the TIFIA program could enhance the financing flexibility and reduce debt service costs for significant expansions or replacements of existing projects

- TIFIA allows transportation entities to borrow directly from or use the credit of the U.S. Treasury to finance up to 49% on exceptional cases, 33% most likely, of the total development costs of major transportation projects (including debt costs and reserves)
  - Federal line of credit
  - Loan guarantee
  - Direct loan
  - Rail Projects
  - Transit Projects
  - ITS Projects
  - Road Projects
  - Ports Projects
  - Inter-modal Freight Projects

- TIFIA essentially represents a different form of debt and is not a new grant or revenue source
  - Flexible and patient financing tool
  - Attractive borrowing costs

- Can be utilized in conjunction with a taxable and/or tax-exempt financing

- Can be utilized in conjunction with a public and/or private financing

- TIFIA interest rate is fixed on the date the TIFIA credit agreement is executed

- TIFIA interest rate is based on 30-Year U.S. Treasury

- The interest rate of a TIFIA loan for a “rural” infrastructure project is only ½ of the U.S. Treasury Rate in effect on the date of the execution of the loan agreement (1.54% of 11/13/2014) (defined by the Federal Highway Administration as any project not located in a city with a population of more than 250,000 within the city limits)
TIFIA Financing Terms

TIFIA can offer highly attractive and flexible financing terms for new or replacement surface transportation projects

- TIFIA’s claim on project revenues can be junior to claims of senior lenders
  - On parity to senior lenders in the event of bankruptcy, insolvency or liquidation of the obligor
- By statute, all liens senior to TIFIA must be rated investment grade
- Maximum final maturity is 35 years after the date of substantial completion of the Project
- Interest rate is fixed on the date the TIFIA credit agreement is executed
  - Single interest rate for loan is based on U.S. Treasury securities with a comparable maturity (TIFIA interest rate is 2.91% as of 12/1/2014)
- Both principal and interest may be deferred for up to five years after the date of substantial completion of the Project
- Level debt repayment not required
- TIFIA loan is pre-payable at any time without penalty
- For private or PPP borrowers, equity distributions must be deferred until interest is being paid on the TIFIA loan
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What are P3s?

- According to the World Bank,\(^1\) public-private partnerships ("P3s") are "a long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility"
- Includes new assets or services and those for existing assets and services
- The private party can be compensated by service users or by government making some or all of the payments

<table>
<thead>
<tr>
<th>Less</th>
<th>Extent of private sector involvement</th>
<th>Greater</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector</strong></td>
<td><strong>Public Private Partnerships</strong></td>
<td><strong>Private Sector</strong></td>
</tr>
</tbody>
</table>
| Civil works  
DBB  
DB | Management and operating contracts  
Leases | Concessions  
BOT  
DBO  
DBOF  
DBOFM | Joint ventures  
Partial sales  
Sales/divestitures |
| DB | | |
| Service contracts | | |
| Public ownership and finance | Mix of public and private ownership and finance | Private ownership and finance |
| Public operations | Mix of public and private operations | Private operations |

Key: DBB = design-bid-build, DB = design-build, BOT = build-operate-transfer, DBO = design-build-operate, DBOF = design-build-operate-finance, DBOFM = design-build-operate-finance-maintain

\(^1\)Source: World Bank PPP Resource Center
Types of Project Delivery Approaches

- **Public**
  - Traditional public operations
    - Design-Bid-Build
    - PM/CM at Risk
    - Design-Build

- **Contracts**
  - Design-Build-Finance
  - Design-Build-Operate-Maintain
  - Design-Build-Finance-Operate
  - Asset sales

- **Private**
  - Privatized

- **Concessions**
P3 parties and contractual structure

- Each project will involve some variation of this contractual structure depending on its particular elements

1 A concession agreement or ground lease conveys use of a capital asset for a specified period of time
2 An off taker or customer buys the service or product the project produces at a given price and volume
Private investors recoup their initial investment in a P3 project via rights to the income produced over a defined period of time. There are two high-level ways for a project to generate income:

- **User fees**: Money paid directly by the consumers of a service, such as highway tolls, utility bills, transit fares or student housing rent.
- **Availability payments**: Periodic money that the government commits to pay to support an asset that does not generate fee revenue, such as a courthouse, academic building or non-tolled highway. Payment is based on a specified performance level.

Hybrid models with a mix of both approaches also exist.
Transportation Funding Options

National Association of State Treasurers Webinar
18 May 2016
USDOT–BATIC

The Build America Transportation Investment Center serves as the single point of contact and coordination for states, municipalities and project sponsors looking to:

- **Utilize** federal transportation expertise,
- **Apply** for federal transportation credit programs
- **Explore** ways to access private capital and expertise in public private partnerships.
USDOT-BATIC: Mission

BATIC’s mission is to:

- **EXPAND** the use of federal transportation credit programs such as TIFIA and RRIF
- **INNOVATE** new approaches to project development processes and funding challenges and institutionalize technology and best practices across credit programs and modal teams
- **DELIVER** streamlined technical and financial assistance to accelerate project delivery
TIFIA Credit Program Overview

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a Federal credit program under the U.S. Department of Transportation (DOT) for eligible transportation projects of national or regional significance.
TIFIA Program Objectives

- Leverage limited Federal resources and stimulate capital market investment
- Facilitate projects with significant public benefits
- Encourage new revenue streams and private participation
- Fill capital market gaps for secondary/subordinate capital
- Be a flexible, “patient” investor willing to take on investor concerns about investment horizon, liquidity, predictability and risk
- Limit Federal exposure by relying on market discipline
Types of Credit Assistance

- **Secured (Direct) Loan**
  - Maximum term of 35 years from substantial completion
  - Repayments must start within 5 years after substantial completion

- **Loan Guarantee**
  - Guarantees a project sponsor’s repayments to non-Federal lender
  - Loan repayments to lender must commence within 5 years after substantial completion

- **Line of Credit**
  - Contingent loan available for draws as needed up to 10 years after substantial completion of project
Since program inception, TIFIA has approved 62 loans totaling over $23 billion to stimulate over $83 billion of transportation infrastructure investments throughout the United States.
Eligible Sponsors and Projects

**ELIGIBLE SPONSORS**
- State Governments
- State Infrastructure Banks
- Private Firms
- Special Authorities
- Local Governments
- Transportation Improvement Districts

**ELIGIBLE PROJECTS**
- Highways and Bridges
- Intelligent Transportation Systems
- Intermodal Connectors
- Transit Vehicles and Facilities
- Intercity Buses and Facilities
- Freight Transfer Facilities
- Pedestrian and Bicycle Infrastructure Networks
- Transit-Oriented Development
- Rural Infrastructure Projects
- Passenger Rail Vehicles and Facilities
- Surface Transportation Elements of Port Projects
TIFIA Benefits

- Long term, fixed cost, permanent, up-front financing
- Borrower/Revenue source may be minimum investment grade
- Non recourse financing—project cash flow supported
- Funds drawn as needed
- Senior or Subordinate lien
- Flexible amortization
- No pre-payment penalty
- Low interest rates

Low Interest Rate - Interest rate on 4/22/2016 was 2.70% for a 35-year loan
TIFIA Major Requirements

- **Minimum Anticipated Project Costs** – At least $10 million for Transit-Oriented Development, Local, and Rural Projects
- **TIFIA Credit Assistance Limit** – Credit assistance limited to 33 percent of reasonably anticipated eligible project costs (unless the sponsor provides a compelling justification for up to 49 percent)
- **Investment Grade Rating** – Senior debt must receive at least one investment grade rating from a nationally recognized credit rating agency (Two ratings required over $75 million)
- **Dedicated Repayment Source** – The project must have a dedicated revenue source pledged to secure debt service payments for both the TIFIA and senior debt financing
- **State Transportation Improvement Program (STIP)** – The project must be included in the relevant State’s transportation planning and programming cycle
TIFIA Funding Under the FAST Act

- The Fixing America’s Surface Transportation (FAST) Act authorizes $1.435 billion over five years to cover the subsidy cost of providing credit assistance.
- TIFIA sets aside a portion of these funds for each project based on its level of risk.
- The remainder of the loan amount is borrowed from Treasury.
- TIFIA loan payments go to Treasury.
- As a rule of thumb, $1 in budget authority can be leveraged to provide $14 in credit assistance.
- DOT estimates that under the FAST Act, TIFIA could extend $20 billion in credit assistance.
With a rolling application process, DOT encourages projects to submit a LOI when the project is able to provide sufficient information to satisfy statutory eligibility requirements such as creditworthiness and readiness to proceed.
FAST Act Changes: Streamlined Application Process

- Development of Streamlined Application Process
  The FAST Act requires that DOT develop a streamlined application process for certain projects

- FAST Act Guidance for Streamlined Process Eligibility
  - Use of terms commonly included in prior credit agreements;
  - Secured loan is an amount not greater than $100 million;
  - Secured loan is secured and payable from pledged revenues not affected by project performance, such as a tax-backed revenue pledge, tax increment financing, or a system-backed pledge of project revenues; and,
  - Repayment of the loan commences not later than five years after disbursement
FAST Act Changes: Streamlined Application Process (continued)

- Eligibility for Streamlined Application Process
  - Tiered approach
  - Highly-rated entities with a stable revenue pledge
  - Available for all TIFIA-eligible project types

- Benefits to Potential Applicants
  - Significant decrease in processing fees
  - Faster lending decisions
  - Reduced monitoring and oversight
FAST Act Changes: Small Projects

- **Relief from Fees for Small Projects**
  - Small projects are those with less than $75 million in reasonably anticipated eligible project costs
  - TIFIA will reserve at least $2 million each year to be used in lieu of the fees it charges to potential applicants as part of the TIFIA application process
  - Potential applicants interested in such fee relief must indicate such in their Letter of Interest
  - TIFIA cannot guarantee that funding will be available for all potential applicants requesting fee relief
FAST Act Changes: TOD Projects

- **Transit-Oriented Development (TOD)** – The FAST Act expands the TIFIA program by allowing TOD Projects to be eligible to apply for TIFIA credit assistance.

- **Eligibility** – TIFIA must ascertain the TOD Project’s relationship to a transportation facility, including:
  - The TOD Project’s distance from the transportation facility
  - The nexus between the TOD Project and the transportation facility

- **Eligible Project Elements** – Subject to TOD project-specific review, a variety of elements could be eligible including the following, among others:
  - Property acquisition
  - Site preparation
  - Walkways
  - Pedestrian and bicycle access to a public transportation facility
  - Demolition of existing structures
FAST Act Changes: SIB Program

- Under the FAST Act, a SIB may now establish a **Rural Projects Fund**
  - The Rural Projects Fund may lend to a public or private entity to carry out an eligible **rural infrastructure project**
  - The fund can be capitalized by a TIFIA secured loan
  - TIFIA proceeds must be on-lended within two years – SIB may seek a necessary term extension by the Secretary
  - The fund may make loans to rural infrastructure projects at up to 80% of a project’s cost
  - Loans offered to rural infrastructure projects may be at a reduced interest rate of ½ the Treasury Rate in effect on the date of execution of the loan documents
FAST Act Changes: SIB Program

- The FAST Act amended the Rural Infrastructure Project definition and respective cost threshold
  - Rural Infrastructure Projects now mean projects located outside an urbanized area with a population greater than 150 thousand
  - Cost threshold for rural infrastructure projects has been lowered to $10 million (previously $25 million) and is capped at $100 million
TIFIA and BATIC Resources

TIFIA Website:
http://www.transportation.gov/tifia

TIFIA Mailbox:
TIFIACredit@dot.gov

BATIC Website:
https://www.transportation.gov/buildamerica