



TIFIA Credit
Program

Credit Assistance Overview

May 24, 2016

**TIFIA Risk Management and Financial Operations Team
TIFIA Joint Program Office**



Agenda

- ❑ **Background on the TIFIA program and how it can benefit Sponsors**
- ❑ **Overview of SIBs:**
 - **History of SIBs**
 - **How SIBs function**
 - **Advantages of SIBs**
 - **State/Federal role in SIBs**
 - **SIB eligibility requirements**
- ❑ **FAST Act Changes to the TIFIA and SIB programs**

TIFIA Program Objectives

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.

- ❑ 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



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 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 nationally recognized credit rating agencies (two ratings required over \$75 million)
- ❑ **State Transportation Improvement Program (STIP)** – The project must be included in the relevant State’s transportation planning and programming cycle
- ❑ **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

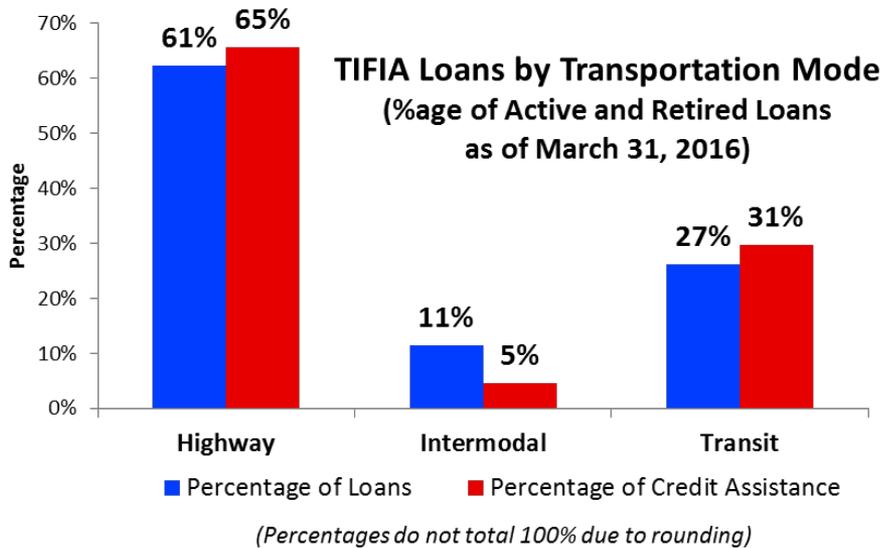
TIFIA Benefits

- ❑ 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

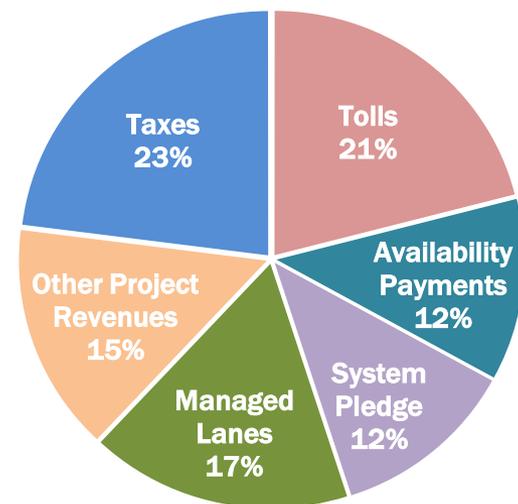
**Low Interest Rate -
Interest rate on 4/13/2016
was 2.60% for
a 35-year loan**

TIFIA Portfolio Statistics

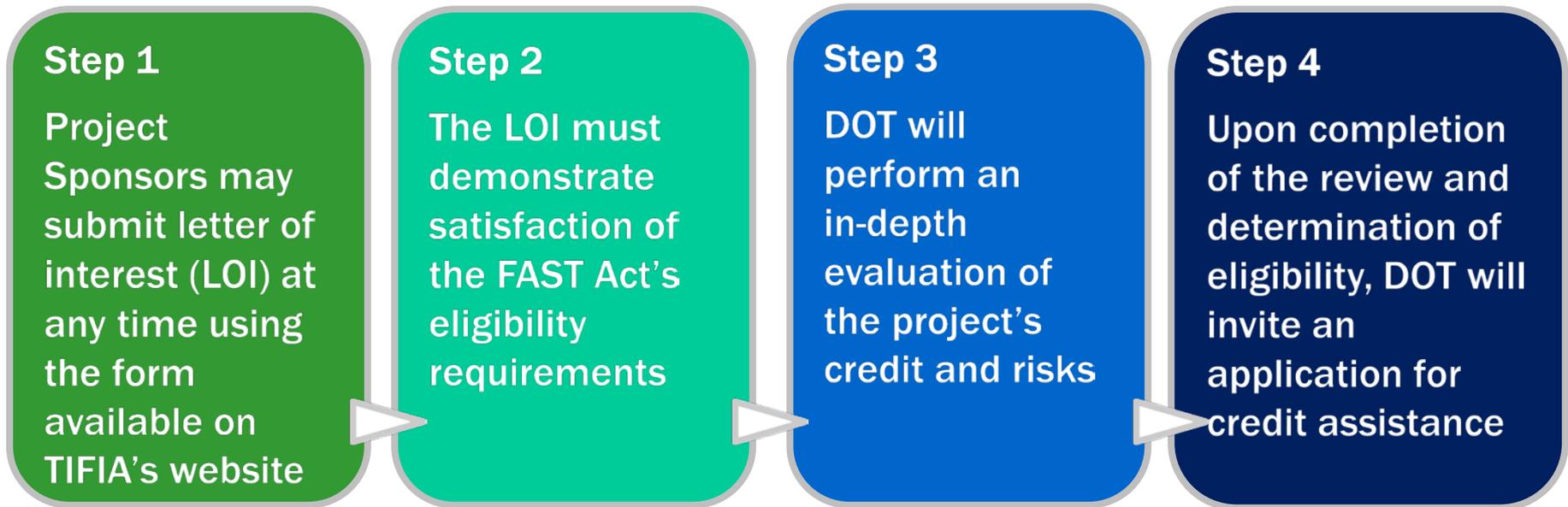
- Since program inception, TIFIA has approved 62 loans totaling nearly \$23 billion to stimulate over \$83 billion of transportation infrastructure investments throughout the United States



Proportion of TIFIA Loans by Revenue Pledge
(as of March 31, 2016)



TIFIA Application Process Under the FAST Act



- **With a rolling application process, DOT encourages project sponsors 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**

Streamlined Application Process (FAST Act Requirement)

- ❑ **Eligibility for Streamlined Application Process**
 - Highly-rated entities with a stable, proven revenue pledge
 - Available for all TIFIA-eligible project types
- ❑ **Benefits to Potential Applicants**
 - Decrease in processing fees
 - Faster lending decisions
 - Reduced TIFIA requirements

State Infrastructure Bank Overview

Frederick Werner

Project Finance Manager
Office of Innovative Program Delivery



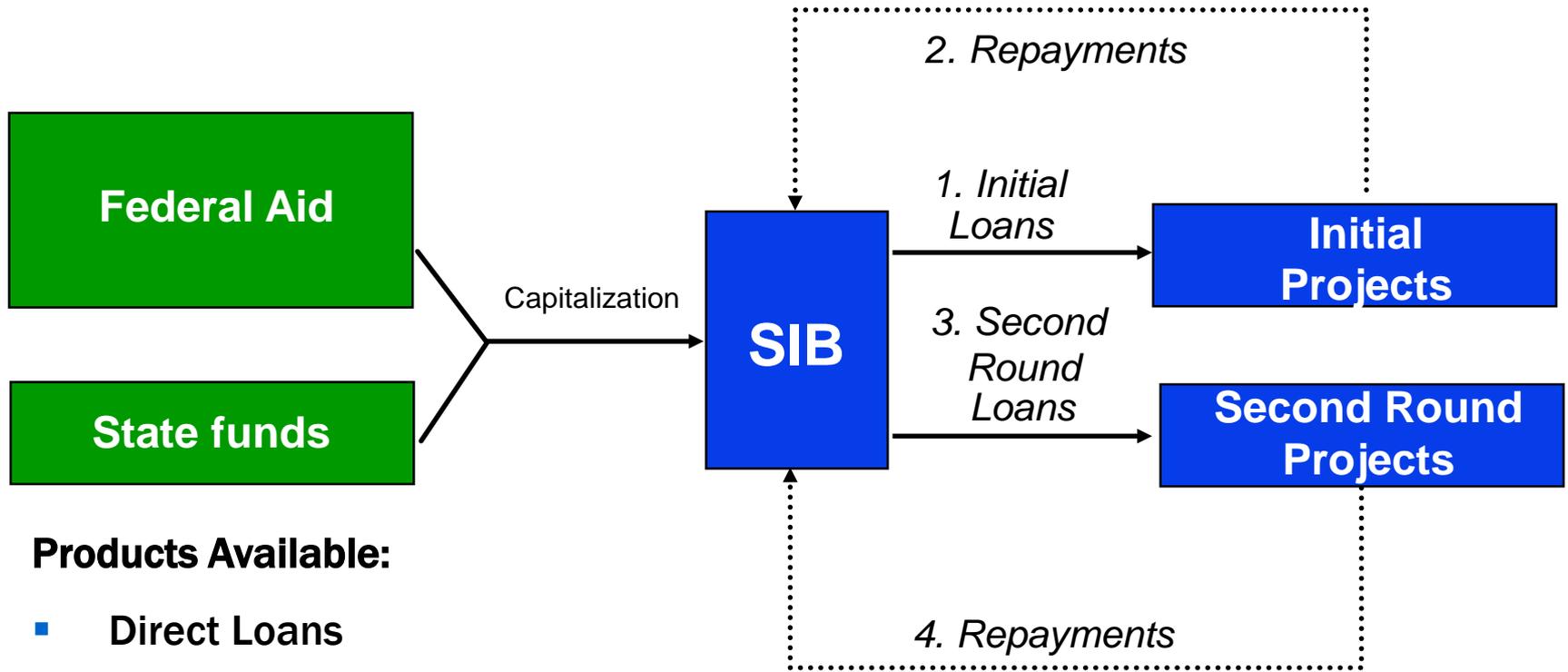
State Infrastructure Bank (SIB)

- ❑ **SIBs are revolving funds created by a State using Federal transportation dollars**
 - **FHWA, FTA and FRA grant funds, as well as State matching funds, can be used for deposit capital**
- ❑ **The revolving fund is used to provide credit assistance (loans, loan guarantees, lines of credit, etc.) to public and private entities for local transportation projects:**
 - **Since the funds are revolving, repaid loans go back into the SIB for further lending**
- ❑ **Revolving funds are a familiar concept in the water and sewer, and clean energy fields**

How SIBs Work

- A State would take Federal-aid funds (e.g. \$40 million) from any of a set of funding categories (NHFP, NHPP, STP, etc.)
 - State provides local match (e.g. \$10 million) and thereby “capitalizes” the SIB with \$50 million
- Initial credit assistance must be used for projects eligible to be funded under the funding categories used to provide deposit capital
- Subsequent rounds of credit assistance can be used for ANY Title 23 project, giving state greatly enhanced flexibility

Virtuous Cycle of SIB Lending



Products Available:

- Direct Loans
- Loan Guarantees
- Lines of Credit
- Interest Rate Buy-downs
- Other

Advantages for a State Creating a SIB

- ❑ **SIB can be used as a supplement to the State’s grant program**
 - As a supplement, the SIB can stimulate “new” revenue sources, such as local option taxes and fees, that borrowers accept in order to repay loans and other credit assistance

- ❑ **SIB can also be used as a replacement to the State’s grant program for selected projects**
 - Project sponsors may prefer a large loan at low interest rates to a small grant

Why States Provide Credit

- ❑ Help projects which are not of high enough priority for grant assistance (e.g., second tier projects)
- ❑ Accelerate projects slated for grants in later years of a STIP
- ❑ Provide “gap” funding or initial “seed” funding for difficult-to-finance projects, needing some kind of assistance (e.g., tolling projects)
- ❑ Assistance, short of grants, to private sector projects:
 - Truck stop electrification/truck parking
 - Electric vehicle charging stations
 - New interchanges only partly funded by the State

Why Local Governments Request Credit

- Advance a project that may not be high on State grant agenda, but is important to local congestion relief or economic development
 - City of Chandler, AZ borrowed SIB money to advance a segment of freeway, not eligible to receive grants for another three years
- Borrow funds to enable a Public Private Partnership (P3) or tolling project
 - For example, a State loan may be the only realistic way of starting a toll project, whether built by State forces or through a P3
- Obtain cheaper, easier borrowing than going to bond markets

SIBs Across the States

- **33 States have created SIBs since they were first allowed in 1995**
 - **Although only about a dozen States have very active SIB programs**
- **There have been over \$8.7 billion in total loans, of which \$4.8 billion has already been disbursed and the rest committed**
- **This was enabled by only \$678 million in Federal funds and \$716 million in state funds since 1995**
- **438 loans have been fully repaid; 532 loans are still outstanding**

SIBs in Federal Legislation

- ❑ **Four different Reauthorization Acts have allowed the creation of SIBs:**
 - **The NHS Act of 1995 (Pilot program)**
 - **TEA-21 in 1998 (Pilot program)**
 - **SAFETEA-LU in 2005 (Permanent Title 23 program)**
 - **FAST Act (Permanent program)**

- ❑ **The NHS Designation Act of 1995 authorized 10 pilot SIB states, with additional states included in the pilot by the FY 1996 DOT Appropriations Act**

- ❑ **Each Act has somewhat different rules**
 - **An SIB operates under the rules of its authorizing Act and uses funds from that authorization**

SIBs in Federal Legislation

- ❑ Any new SIB created today would follow the provisions of 23 USC 610 and the FAST Act, and would be considered a Permanent SIB
- ❑ In addition, when States with existing SIBs utilize FAST Act apportionments to (re)capitalize their SIB, they are converting their ‘Pilot’ SIB to a ‘Permanent’ SIB
- ❑ Permanent SIBs are subject to all Federal requirements for new second and subsequent generation lending

Federal Role in SIBs

- ❑ **Federal and State roles are distinct: while the Federal government provides for initial set-up and oversight, State manages SIBs on a day-to-day basis**

- ❑ **Federal role:**
 - **Execute “Cooperative Agreement” with State**
 - **Perform general oversight, monitoring and reporting on:**
 - **Eligibility of projects**
 - **Eligibility of funds used to capitalize SIB**
 - **Obtain and review annual reports**
 - **Review SIB periodically to see if legislative requirements are being met**

State Role in SIBs

- ❑ **Establish State legislation allowing SIBs**
- ❑ **Execute Cooperative Agreement with FHWA**
- ❑ **Submit request for funds needed for deposit capital**
- ❑ **Request funds to be obligated**
- ❑ **Submit payment request to capitalize SIB**
- ❑ **Provide matching funds prior to deposit of Federal funds into SIB**
- ❑ **Set policy, write operating rules and procedures**
- ❑ **Establish application evaluation criteria and review process**
- ❑ **Review and approve loan applications**

Project Eligibility

- ❑ **Only Title 23 and Title 49 projects are eligible**
- ❑ **SIB can be used to provide loans or credit assistance for ANY Title 23 project, giving State greatly enhanced flexibility**
- ❑ **First round SIB projects must go through a Federal review process and meet Federal requirements (e.g., NEPA, Davis-Bacon, DBE, Buy-America, etc.)**
 - **For second and subsequent rounds of lending, more complex rules (depending on Act used to establish SIB); all Federal requirements apply to any SIB assisted by FAST Act**
- ❑ **Eligibility determined by consultation between FHWA Division Offices, State DOTs & HQ offices**



TIFIA Credit
Program

FAST Act changes to the SIB Program and TIFIA's Implementation Plan



FAST Act Changes to the SIB Program

- ❑ **FAST Act reinstates provision that allows new Federal-aid apportionments (FYs 2016 through 2020) to be used to capitalize SIBs. Authority was not present under MAP-21**
- ❑ **Allows capitalization of formula funds apportioned under:**
 - **National Highway Performance Program (\$116.4B over five years)**
 - **Surface Transportation Block Grant Program (formerly Surface Transportation Program; \$58.3B over five years)**
 - **National Highway Freight Program (new program providing \$6.3B over five years)**
- ❑ **Capitalization may not exceed 10 percent of funds apportioned to State under each of the above individual formula programs**

FAST Act Changes to the SIB Program

- Under the FAST Act, a State Infrastructure Bank (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 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 150,000
 - Cost threshold for rural infrastructure projects has been lowered to \$10 million (previously \$25 million) and is capped at \$100 million

FAST Act Changes to the SIB Program

- **FAST Act requirements for the Rural Projects Fund**
 - The fund is capitalized by a TIFIA secured loan
 - Once funded, the project loan must be executed within two years – SIB may seek a necessary term extension by the Secretary
 - The fund may make loans to rural infrastructure projects up to 80% of a project's cost
 - Loans offered to rural infrastructure projects may be at a reduced interest rate of $\frac{1}{2}$ the Treasury Rate in effect on the date of execution of the loan documents

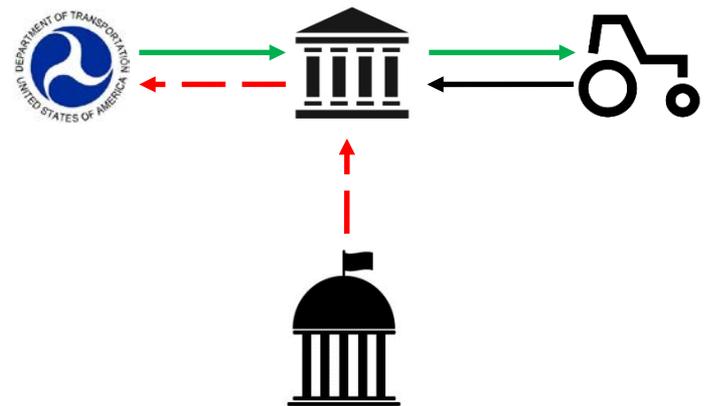
Rollout of Amended SIB Program

- TIFIA will plan for a phased rollout of the SIB program. This allows more time for TIFIA to work alongside SIBs to best understand their monitoring and lending practices
- SIBs will be placed into three categories based on the revenues pledged to repay the TIFIA loan
 - **Phase 1:** Focus on rural projects funds in SIBs defined as Category 1
 - **Phase 2:** Begin to capitalize rural projects funds in SIBs defined as Categories 2 and 3.

SIB Risk Categories and Respective Requirements (Category 1)

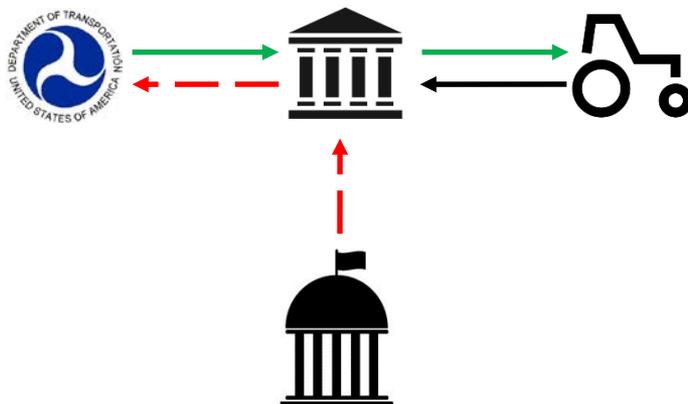
Category 1- Underwriting similar to that of TIFIA's standard underwriting practices

- Reqs. for TIFIA Capitalization: TIFIA would offer a high degree of flexibility to this category of SIBs and would likely not seek additional security
- Reqs. for SIB Lending: In addition to Federal requirements under sec. 610, TIFIA would impose minimum or no monitoring and reporting requirements



Example: Category 1

SIB A seeks a TIFIA loan to capitalize a rural projects fund. The TIFIA loan is backed by a subordinate lien on State gas tax receipts and receives a rating of A+. This underwriting is substantially similar to ones done for the I-93, US 301, ICC, and Riverwalk projects.



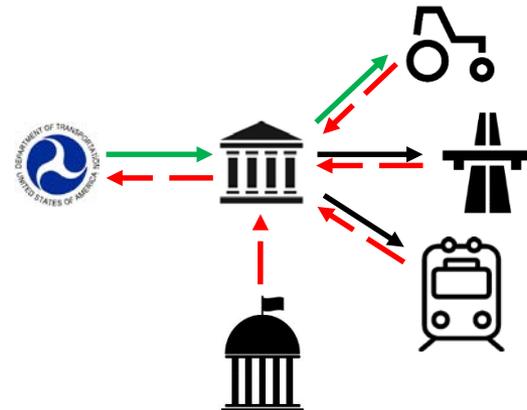
Rollout of Amended SIB Program

- ❑ TIFIA will plan for a phased rollout of the SIB program. This allows more time for TIFIA to work alongside SIBs to best understand their lending and monitoring and lending
- ❑ SIBs will be placed into three categories based on the revenues pledged to repay the TIFIA loan
 - **Phase 1:** Focus on rural projects funds in SIBs defined as Category 1
 - **Phase 2:** Begin to capitalize rural projects funds in SIBs defined as Categories 2 and 3.

SIB Risk Categories and Respective Requirements (Category 2)

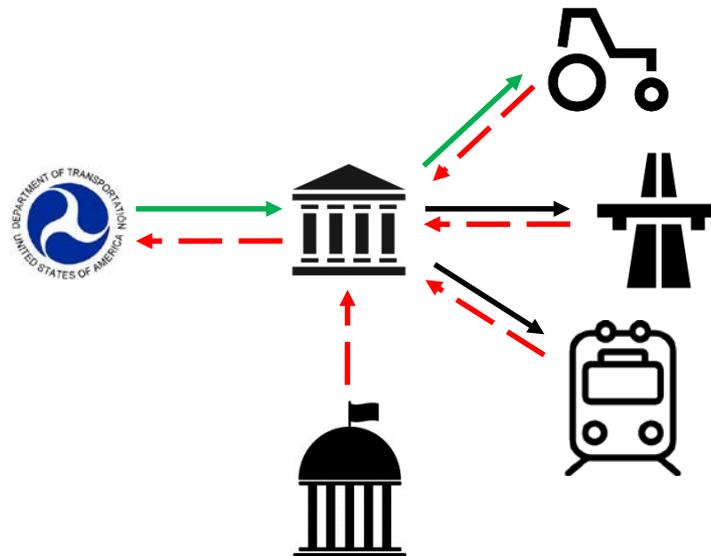
Category 2– The SIB may pledge revenues pooled from a variety of sources – both current and expected. A satisfactory performance record and/or State credit enhancements may help reduce underwriting requirements

- **Reqs. for TIFIA Capitalization:** TIFIA would offer a high degree of flexibility to this category of SIBs and may seek additional security on a case-by-case basis
- **Reqs. for SIB On-Lending:** In addition to Federal requirements under sec. 610, TIFIA would impose minimum monitoring and reporting requirements



Example: Category 2

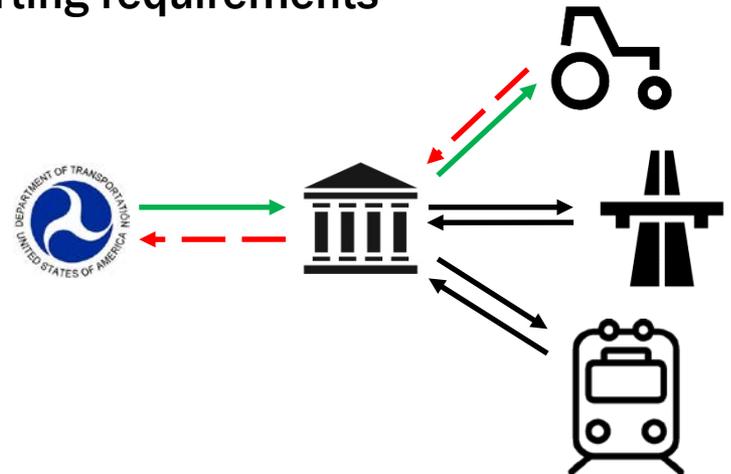
The SIB B seeks a TIFIA loan to capitalize a rural projects fund. In the past, the Transportation Commission approved 100 loans totaling more than \$500 million to be issued by the SIB to various projects. The TIFIA loan will be backed by these loan assets and all other assets on the balance sheet of the SIB. This pledge of all SIB receivables diversifies TIFIA risk and ensures that TIFIA repayment is not dependent on the specific performance of any one project.



SIB Risk Categories and Respective Requirements (Category 3)

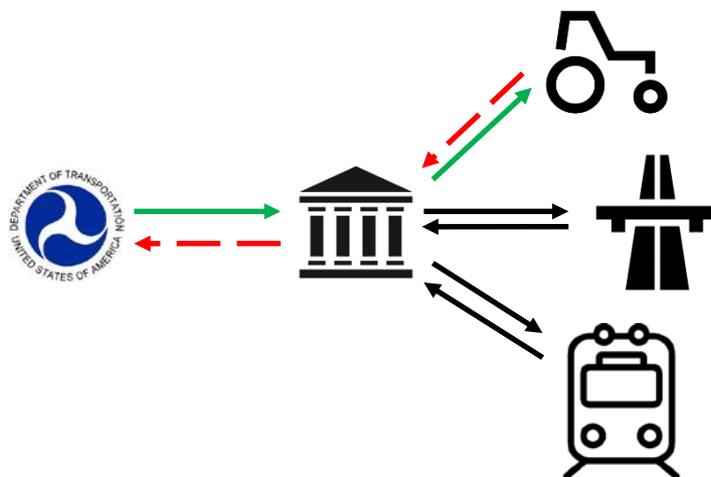
Category 3– The SIB would pledge revenues from solely on-lended projects. A SIB placed in this category may demonstrate certain loan-to-value ratios, have a limited performance history, or lack of an investment grade rating

- Reqs. for TIFIA Capitalization: TIFIA would offer less flexibility to this category of SIBs and would seek additional security on a case-by-case basis
- Reqs. for SIB Lending: In addition to federal requirements under sec. 610, TIFIA would impose monitoring and reporting requirements



Example: Category 3

SIB C seeks a TIFIA loan to capitalize a rural projects fund. TIFIA is only secured by revenues generated from projects benefitting from the direct on-lending of TIFIA proceeds. Since TIFIA repayment is directly dependent on the quality of the loans the SIB makes using TIFIA proceeds, TIFIA will require that the State shares in the risk of default on loans issued by the SIB.



Thank You

Q&A



TIFIA Resources



TIFIA Credit Program

TIFIA Office Website:

<http://www.transportation.gov/tifia>

TIFIA Office Mailbox:

TIFIAcredit@dot.gov



TIFIA/OIPD Resources

Jorianne Jernberg

Team Leader

Risk Management & Financial Operations

TIFIA Joint Program Office

Federal Highway Administration

(202) 366-0459

Jorianne.jernberg@dot.gov

Frederick Werner

Project Finance Manager

Office of Innovative Program Delivery

Federal Highway Administration

(404) 562-3680

Frederick.Werner@dot.gov

Amit Srivastava

Financial Analyst

Risk Management & Financial Operations

TIFIA Joint Program Office

Federal Highway Administration

(202) 366-4816

Amit.srivastava@dot.gov



Appendix:

- ❑ **Slide 1: Types of TIFIA credit assistance**
- ❑ **Slide 2: Slide 3: Common SIB requirements**
- ❑ **Slide 2b: Common SIB requirements cont.**

1. Types of TIFIA 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

2. Common SIB Requirements

- ❑ **Maximum Loan Terms – 35 years**
- ❑ **Interest Rates – At or below market rates; SIBs have flexibility to set appropriate rates**
- ❑ **Investment Grade Ratings – Any bonds issued by SIBs must achieve BBB- or higher ratings**
- ❑ **Allowed Investments – Temporarily unneeded funds can be invested in investment-grade securities; interest and other earnings must be used for SIB purposes**

2b. Common SIB Requirements

- ❑ **Local match** – Can be provided by State funds or repaid loans
- ❑ **Grants** – Not allowed in first round use of SIB capital; more flexibility in subsequent rounds of lending
- ❑ **Administrative Expenses** – Up to 2% limit of Federal-aid funds capitalized
- ❑ **Use of Repaid Funds** – For any lending from Federal-aid fund capitalized under FAST Act, Federal generally apply to all rounds of lending