Insight

Primer: What is the TIFIA Credit Program?

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The following is one of two primers on Federal credit assistance programs available to infrastructure projects. This primer is on the TIFIA credit program, a program available for eligible transportation projects.

Summary

- The TIFIA credit program provides credit assistance – in the form of secured loans, loan guarantees, and standby lines of credit – to qualified surface transportation projects of regional and national significance.
- The latest available data indicates TIFIA has provided credit assistance to 56 projects, financing $82.6 billion in total project costs.
- TIFIA's structure is such that every $1 of federal funds appropriated under the TIFIA program can provide an estimated $14 in federal credit assistance and be leveraged to generate $42 in total investment.

What is the TIFIA Credit Program?

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program was established in 1998 as a section of the Transportation Equity Act for the 21st Century. It enables the United States Department of Transportation to provide credit assistance to state and local government transit agencies and other eligible applicants for transportation projects. The creation of the program was a response to the difficulty state and local governments faced financing significant transportation projects, such as highway, transit, railroad, intermodal freight, and port access initiatives. Although these types of transportation projects often have dedicated revenue streams in the form of tolls or user fees, the uncertainty in projects' revenue streams can make the private sector apprehensive to invest. TIFIA uses federal appropriations to provide credit assistance to just these capital-intensive projects, which would likely go unfinanced without the assistance of TIFIA.

Using its allotted budgetary authority, TIFIA provides three types of credit assistance: secured loans, loan guarantees, and standby lines of credit. Secured loans are direct federal loans that provide long-term financing of capital costs with flexible repayment terms. Loan guarantees promise a borrower's repayment to the lender, backed by the full faith and credit of the federal government. Standby lines of credit provide contingent federal loans that can supplement project revenues during the first 10 years of project operations. Assistance is limited to 33 percent of the anticipated eligible project costs (unless the sponsor provided compelling justification for up to 49 percent).

The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted in 2012, substantially raised TIFIA's budgetary authority from when it was established. Under MAP-21 TIFIA's authorized funding increased from $122 million annually to $750 million in FY2013 and $1 billion in both FY2014 and FY2015. However, the Fixing America's Surface Transportation Act (FAST Act), enacted in 2015, decreased the amount available to support TIFIA credit assistance. The FAST Act authorized $275 million in each FY2016 and FY2017, $285 million in FY2018, and $300 million in each FY2019 and FY2020. Funds appropriated under

TIFIA only cover subsidy costs of the assistance provided by the TIFIA program, therefore, the amount of credit assistance can be larger than the amount appropriated by Congress to TIFIA. Appropriations for TIFIA are set to expire after FY2020.

Eligible Projects and Requirements

Only certain types of projects can receive TIFIA credit assistance. Projects already eligible for federal assistance through preexisting surface transportation programs are eligible for the TIFIA credit program, including intelligent transportation systems (ITS). Eligibility is also extended to international bridges and tunnels, intercity passenger bus and rail facilities and vehicles, freight facilities, and rural surface transportation infrastructure projects. To demonstrate public support, these projects must be included in both the state's long-range transportation plan and the State Transportation Improvement Program (STIP).

There are several other additional requirements that projects must meet to receive assistance under TIFIA. Projects must meet certain capital cost requirements specific to the type of project: surface transportation projects must have costs that total at least $50 million (or 33.3 percent of a state's annual apportionment of federal-aid funds, whichever is less); ITS projects must have costs that total at least $15 million; and transit-oriented development, local, and rural projects must have costs that total at least $10 million. Projects must have a dedicated revenue source – tolls, user fees, or others – pledged to secure both the TIFIA and senior debt (debt of the highest priority) financing. Senior debt and TIFIA loans must receive investment grade ratings from at least two nationally recognized credit rating agencies. Furthermore, all projects receiving financial assistance must adhere to federal requirements including Titles 23 and 49 of the U.S. Code, NEPA, Buy America provisions, and the Civil Rights and Uniform Relocation Acts.

Success of TIFIA

TIFIA has played a significant role in infrastructure project delivery. According to the 2016 TIFIA Report to Congress, since its existence TIFIA has financed 56 projects, including five intermodal projects, 37 highway projects, and 14 transit projects. TIFIA's credit assistance has leveraged $82.6 billion in infrastructure investment. These projects have helped to reduce congestion on U.S. roads, valued at an annual average of approximately $1 billion, and lower greenhouse gas emissions by an average of 120,300 metric tons annually. Moreover, the TIFIA program stimulates an average of $6 billion in economic benefits and creates an average 24,300 jobs per project.

TIFIA's success is attributed to the amount of credit assistance it can provide and the amount of total investment it can leverage compared to its federal appropriations. Historically, TIFIA loans have an average subsidy cost of 7 percent of the TIFIA credit assistance amount. This suggests every dollar of TIFIA's budget authority generates $14 in TIFIA credit assistance. Since TIFIA can cover up to 33 percent of project costs, $14 in assistance can leverage up to $42 in total infrastructure investment (1:42 total investment leverage ratio). Therefore, under TIFIA, considerably smaller appropriations are required to generate significant infrastructure investment than would be required if the government simply paid for these projects outright.

Conclusion

With diminishing Highway Trust Fund revenue and increasingly tight state budgets, infrastructure projects will face growing difficulties to secure financing. TIFIA helps to fill gaps in the market by providing state and local governments with flexible credit assistance. Like similar credit assistance programs, TIFIA provides a substantial amount of assistance with minimal federal appropriations. The program has proven to be a critical tool for supporting vital transportation projects, and expanding the program and its eligibility requirements could be an efficient way to increase infrastructure investment.