



Memorandum

Subject: **ACTION**: Use of August Redistribution
to Capitalize State Infrastructure Banks

Date: July 7, 2023

From: Brian R. Bezio
Chief Financial Officer

In Reply Refer To:
HCFB-40

To: Division Administrators

State Infrastructure Banks (SIB) are a valuable financing resource for States and communities looking to meet their transportation program needs. In anticipation of the upcoming August Redistribution Notice, this memorandum reminds Federal-aid Divisions that capitalization, or re-capitalization, of a SIB is a way States could utilize additional obligation limitation this fiscal year. In addition, States may apply toll credits toward the non-Federal match requirements for SIB capitalization.

SIB PROGRAM BACKGROUND

The SIB program was initially authorized under the National Highway System (NHS) Designation Act of 1995 and Transportation Equity Act for the 21st Century as a pilot giving States the authority to use part of their Federal-aid apportionments for capitalization.¹ A total of 31 States created pilot SIBs. Congress authorized a permanent SIB program that is codified at 23 United State Code (U.S.C.) 610 and permits the States to use a portion of annual Federal-aid apportionments for SIB capitalization.²

Key considerations for new capitalization of SIB accounts include:

- Eligible Projects - Subject to 23 U.S.C. 610(e), funds in an infrastructure bank may be used only to provide assistance for projects eligible for assistance under Title 23 and capital projects defined in section 5302 of Title 49, and any other projects relating to surface transportation that the Secretary determines to be appropriate.³
- Both the initial credit assistance funded with Federal capitalization grants and any subsequent assistance funded with loan repayments and other recycled funds will be subject to the requirements of Titles 23 and 49, as applicable.⁴ Existing “pilot” and NHS Act SIBs can retain their original legislative identity and flexibilities by

¹ Pub. L. No. 104-59 and Pub. L. No. 105-178

² 23 U.S.C. 610(d)

³ 23 U.S.C. 610(f)

⁴ 23 U.S.C. 610(h)

establishing separate accounts for new capitalization. The original flexibility in these accounts will not be affected by a new capitalization of a separate account under 23 U.S.C. 610.

As revolving loan funds, SIBs are excellent multipliers of initial Federal dollars. Loan repayments provide capital for new, “second-round” loans, and since the program’s inception, SIBs across the country have lent almost four times the amount of their initial Federal capitalization.

TOLL CREDITS AS MATCH

The requirements for the use of toll credits are established in 23 U.S.C. 120.⁵ A State may earn toll credits when a toll authority uses toll revenues to build, improve, or maintain highways, bridges, or tunnels that serve the public purpose of interstate commerce.⁶ A State may apply toll credits towards the non-Federal share requirement for programs authorized under Title 23, U.S.C., or Chapter 53 of Title 49, U.S.C., except for the Emergency Relief program authorized by 23 U.S.C. 125.⁶ As a result, toll credits may be used as a “soft match” toward the non-Federal share for capitalization of SIB funds and/or accounts. More information about toll credits can be found here: [FHWA - Center for Innovative Finance Support - Project Finance - Federal-aid Fund Management Tools \(dot.gov\)](https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/HOP-210910-001-HCF-001_Action%20Memo-Tol%20Credit%20for%20NonFederal%20Share%20HCF.pdf).

The Office of Performance and Innovative Finance Support will be providing the following support for States interested in requesting capitalization for SIB accounts:

1. An informational webinar will be announced in June for Division staff.
2. A Cooperative Agreement template for SIB capitalization will be drafted and available for Divisions before the August Redistribution call.
3. Technical assistance for the Federal Highway Administration Divisions and State department of transportation to review capitalization options and SIB program management.

For questions about these flexibility options, SIBs, and toll credits, please contact Pete Mancauskas at Peter.Mancauskas@dot.gov.

⁵ [https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/HOP-210910-001-HCF-001_Action%20Memo-Tol Credit for NonFederal Share HCF.pdf](https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/HOP-210910-001-HCF-001_Action%20Memo-Tol%20Credit%20for%20NonFederal%20Share%20HCF.pdf)

⁶ 23 U.S.C. 120(i)(1)(A)