

Innovation Profiles: State Infrastructure Banks

Using SIB Loans to Fund Transportation Infrastructure in Pennsylvania



Congress established the first State Infrastructure Bank (SIB) pilot program in 1995 under the National Highway System Designation Act. Congress expanded the SIB program in 1998 and 2005 with the Transportation Equity Act for the 21st Century (TEA - 21) and the Safe, Accountable, Flexible, Efficient, Transportation Equity Act - A Legacy for Users (SAFETEA - LU), which expanded authority to all States to establish SIBs and also allowed the creation of multi-State SIBs. As of 2020, 33 States have enabling legislation and have capitalized a SIB.

State Infrastructure Banks are revolving infrastructure investment funds for surface transportation that are established and administered by States. A SIB, much like a private bank, can offer a range of loans and credit assistance to public and private sponsors.

SIBs can help agencies advance critical transportation projects by providing low-interest loans, accelerating priority projects that may not otherwise have been funded, and saving borrowers financial resources, potentially in the millions of dollars. SIBs can assist agencies in leveraging Federal resources by attracting non-Federal public and private investment, and in creating financing partnerships across other State agencies, local governments, and the private sector.

In addition to direct borrowing, agencies can use SIB capital as collateral to borrow in the bond market or to establish a guaranteed reserve fund. Agencies can leverage SIB funds to increase and diversify a project's funding portfolio; this can add stability to a project's financing and free up other State and local funds for other projects.

SIBs may enable agencies to fund multiple transportation projects by recycling project funds after each project completion. Unlike other funding opportunities with strict application deadlines and use restrictions, SIBs enable agencies to

apply for funding to support transportation projects at any phase of project development. One example of an active SIB is the Pennsylvania State Infrastructure Bank, which was launched in 1998 and has assisted in funding over 400 projects transportation projects across the Commonwealth of Pennsylvania utilizing over \$740 million in funds.

SIB Eligible Borrowers	SIB Eligible Projects
<ul style="list-style-type: none">• Cities• Townships and boroughs• Counties• Transportation authorities• Economic development agencies• Not-for-profit organizations• Private corporations	<ul style="list-style-type: none">• Road and bridge construction, improvements, preservation, and repair• Traffic signals and signal upgrades• Roadway drainage improvements• Signs, guardrails, and protective structures for projects• Rail safety projects, including rail track improvements, new sidings, and rail/street crossings• Transit capital purchases and leases• Intermodal facilities• Airport improvements

Table 1: Table describing SIB-eligible borrowers and projects. Information courtesy of the Pennsylvania Department of Transportation.

Pennsylvania State Infrastructure Bank (PIB) Program Highlights

- The PIB was initially capitalized with \$27.0 million: \$16.09 million in FHWA funds, \$1.3 million in FTA funds, and \$9.6 million in State funds. Currently, the PIB operates as a state-funded bank.



- The PIB is comprised of four distinct accounts: aviation, highway/bridge, rail freight, and transit. Improving local bridges has been one of the most popular uses of the program.
- The PIB has created many financing partnerships with other State agencies, local governments, and the private sector. State partners have included the Department of Community & Economic Development, PENNVEST, and the Department of Conservation & Natural Resources. Several loans have involved public-private partnerships in both the leveraging and repayment of loans.

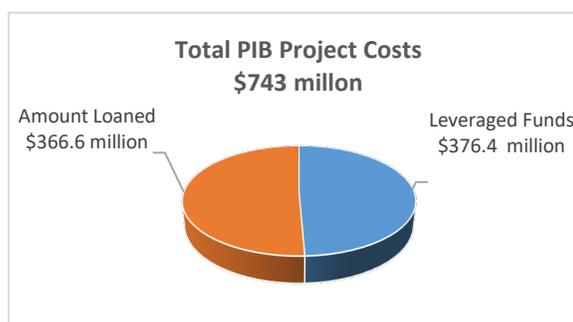


Figure 1: Pie chart illustrating the breakdown of PIB projects costs between total loaned and leveraged funds. Created by U.S. DOT.

Project Financing

The PIB, managed by the Pennsylvania Department of Transportation (PennDOT), gives their borrowers the capacity to increase efficient use of their transportation funds. Many projects receiving PIB loans emerge from PennDOT’s existing transportation planning and programming process. It can be advantageous for agencies to use existing planning documents, like long-range plans, to identify projects eligible for innovative financing. This may help agencies make strategic financial planning decisions by proactively identifying funding mechanisms for future projects. Projects include:



Figure 2: Photograph of an overgrown sidewalk in Sharon, PA. Image courtesy of The Herald, Sharon, PA.

Neighborhood Revitalization Project Phase II in City of Sharon, Mercer County: This project exemplifies the role a SIB loan can play in providing funding to an already in-progress project. The City of Sharon in Mercer County first began this project in 2018 to invest in vital repairs and improvements to sidewalks across the city, particularly to improve access to and from residential areas through commercial corridors. Current sidewalk conditions were dangerous to pedestrians and lacked Americans with Disabilities Act (ADA) compliant cutouts for handicapped access. Replacing the sidewalks and curbs and to complete road resurfacing on a single street could cost the City upwards of \$1.7 million. The City of Sharon applied for a \$285,000 PIB loan to fill a gap in existing State and local project funding, which enabled the City to complete the project on time and on budget.

Loganville Bypass in York County: This project is another example of SIB funds sparking innovation by leveraging both private developer and local government funds. The new two-mile bypass replaced and relocated a narrow and winding section of PA 214 and improved access to Springfield Township’s planned growth area. The developer, Springfield Township, and Loganville Borough financed preconstruction activities. Construction was funded through a \$1.1 million PIB loan and \$3 million of Transportation Improvement Program funds.

Challenges and Lessons Learned

- **SIBs provide agencies with the financial flexibility to plan for long-term projects and to prioritize local funding for projects ineligible for Federal or State assistance.** Securing required funding for transportation projects can be the most difficult action needed to get a project into production. For local agencies, this can result in multi-year delays in needed infrastructure project improvements to generate the funds for a required local match; this can inhibit their ability both to address vital as-needed improvements and to create reliable strategic plans. Using a SIB can help agencies deliver infrastructure

projects quicker to receive the benefits of improved mobility much sooner compared with traditional pay-as-you-go approaches. SIBs can assist communities with advancing needed transportation improvements without adversely affecting their annual budgets.

