



# TIFIA Credit Program: An Introduction



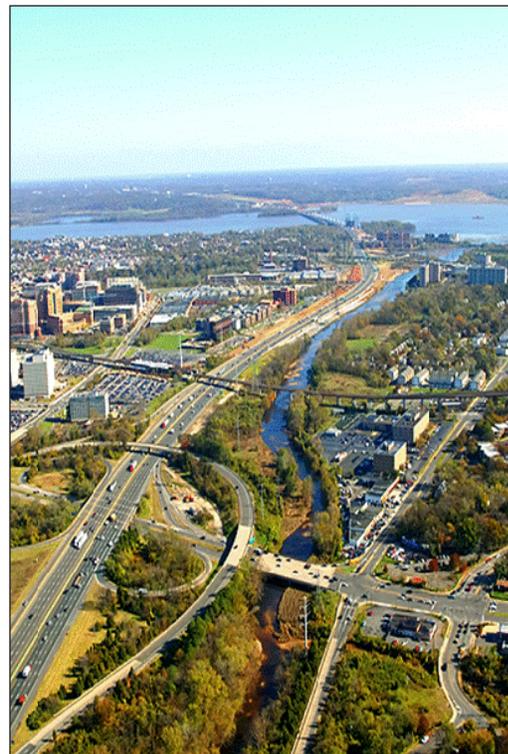
**T**HE TRANSPORTATION Infrastructure Finance and Innovation Act (TIFIA) program provides credit for qualified projects of regional and national significance. Many surface transportation projects—highway, transit, railroad, intermodal freight, and port access—are eligible to apply for assistance. Each dollar of Federal funds can provide up to \$10 in TIFIA credit assistance and support up to \$30 in transportation infrastructure investment.

## Program Goal

TIFIA was created because State and local governments that sought to finance large-scale transportation projects with tolls and other forms of user-backed revenue had difficulty getting financing at reasonable rates. Tolls and other project-based revenues are difficult to predict, particularly for new facilities. Although tolls can become a predictable revenue source over the long-term, it is difficult to estimate how many road users will pay tolls, particularly in the initial “ramp-up” years after construction of a new facility. Similarly, innovative revenue sources, such as proceeds from tax increment financing, are difficult to predict. TIFIA credit assistance enables these projects to obtain financing in the private market.

## Eligibility and Selection Criteria

Both public and private entities are eligible to receive TIFIA credit assistance. Projects are required to obtain an investment grade rating on their senior debt obligations. Projects must also be included in the applicable State Transportation Improvement Program and follow all Federal requirements, including the National Environmental Policy Act (NEPA) and Buy America provisions. Potential projects are



*An aerial view of Capital Beltway in Northern VA*

evaluated against eight statutory criteria, including impact on the environment and significance to the national transportation system.

## Loan Terms

To allow time for facility construction and ramp-up, in some cases, initial TIFIA repayments may be delayed until 5 years after substantial completion of the project. The maximum loan repayment term is 35 years after construction completion. Each loan’s exact terms are negotiated between the U.S. Department of Transportation (DOT) and the borrower, based on the project economics, the cost and revenue profile of the project, and any other relevant factors. For example, DOT policy does not generally permit equity investors to receive project



## TIFIA

### Quick Facts

- Provides loans, lines of credit, and loan guarantees.
- Twenty-five projects have received \$8.7 billion in credit assistance, with \$33.1 billion in total project cost.
- Each dollar put into TIFIA can provide approximately \$10 in loans and support up to \$30 in infrastructure investment.

### Contact

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U.S. Department of Transportation  
Federal Highway Administration

returns unless the borrower is current on TIFIA interest payments. TIFIA interest rates are equivalent to Treasury rates. Depending on market conditions, these rates are often lower than what most borrowers can obtain in the private markets. Unlike private commercial loans with variable rate debt, TIFIA interest rates are fixed.



*Reno ReTRAC in Reno, NV*

### Complementing the Private Market

TIFIA complements other financing by supporting up to 33 percent of the total eligible project costs. TIFIA can be a “junior lender,” meaning that if a shortfall occurs, the TIFIA loan will be paid last. This “subordinated” status allows other lenders to offer lower rates to TIFIA-assisted projects, because their risk is reduced. ■



*An aerial view of I-595 in Southern FL*

## Project Example

In March 2009, USDOT approved a \$603 million loan for an I-595 express lanes project to build three reversible “high-occupancy toll” lanes in the median of I-595 in Broward County, FL. These lanes will be built as part of a public–private partnership that will make the improvements possible 15 years sooner than under conventional means. The agreement calls for a private company to finance, build, operate, and maintain the project for a 35-year term following substantial completion of the project. The Florida Department of Transportation (FDOT) will set and collect the tolls on the facility and make payments to the private company based on its successful operation of the road. This kind of public–private partnership, known as an “availability payment” concession, is being used for the first time in the United States. The TIFIA loan will leverage more than \$780 million in private bank debt, \$200 million in private equity, and \$232 million in FDOT qualifying funds to support the project’s estimated cost of \$1.8 billion.

## The Federal Highway Administration (FHWA)/USDOT Role in Project Finance

The FHWA Office of Innovative Program Delivery helps State and local transportation officials consider innovation in revenue sources, financial tools, and procurement.

**Education/Research:** FHWA’s Web site provides information gained from projects that have used innovations such as TIFIA, including case studies of past projects as well as program information.

**Finance:** Financial assistance is available for eligible projects under the TIFIA program as well as allocations of Private Activity Bonds.

**Stewardship/Oversight:** FHWA provides oversight and stewardship, as required, on projects that involve Federal-aid funds or TIFIA assistance.



For more information, see the Web site:

[www.fhwa.dot.gov/ipd](http://www.fhwa.dot.gov/ipd)



### PROGRAM AREAS OF THE OFFICE OF INNOVATIVE PROGRAM DELIVERY

IPD provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help build the capacity of transportation professionals to deliver innovation.

#### PROJECT DELIVERY

IPD’s project delivery team covers cost estimation, financial planning, and project management and assists FHWA Divisions with statutory requirements for major projects (e.g., cost estimation, financial plans, and project management plans).

#### PROJECT FINANCE

IPD’s project finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

#### PUBLIC–PRIVATE PARTNERSHIPS

IPD’s P3 program covers alternative procurement options (e.g., toll concessions and availability payments), which can reduce cost, improve project quality, and provide additional financing options (e.g., Private Activity Bonds [PABS]).

#### REVENUE

IPD’s revenue program focuses on how governments can use innovation to generate revenue from transportation projects (e.g., value capture, developer mitigation fees, air rights, and road pricing).

#### TIFIA

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides credit assistance for significant projects. Many surface transportation projects—highway, transit, railroad, intermodal freight, and port access—are eligible to apply for assistance.



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