



U.S. Department
of Transportation

State Infrastructure Bank Best Practices

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During a 2017 State Infrastructure Bank (SIB) Peer Exchange, best practices and lessons learned were identified in the categories of targeted marketing, application process, loan features, prudent leveraging and program management:

- ▶ **Targeted Marketing** – Targeted marketing is a series of outreach and promotional activities directed to specific sets of local governments, such as cities, counties or turnpike authorities; as well as to financial advisors and consultants partnering with these local governments. In some cases, targeted marketing can be directed to state and local government organizations, such as an association of counties or components of a state DOT. For example, the Texas SIB regularly promotes the SIB lending options to engineering and planning personnel at each of TxDOT’s 25 districts.
- ▶ **Application Process** – To attract a large number of potential borrowers, the application process should be easy to understand, easy to access and transparent. Several SIBs have established a low application fee, while the Florida and Ohio SIBs have eliminated the application fee altogether. Most SIBs have a regular application cycle – often on a quarterly or annual basis – and have developed formal application evaluation and selection criteria. Sometimes loan information, including an application template, is posted on-line (this is the case in Missouri).
- ▶ **Loan Features** – SIBs generally develop an array of loan terms and features to ensure that their credit products are attractive. Loans are sometimes made for projects in multiple transportation modes – both Florida and Ohio do this – and loan maturities are tailored to reflect the needs of the projects. The Texas SIB, for example, can make 35-year loans to provide credit for the construction of turnpike facilities. Interest rates are set at or below market. SIBs generally establish rates that reflect the credit quality of the borrower, but some SIBs provide lower interest rates to borrowers for projects in economically distressed areas. In some cases, early repayment is allowed; the Missouri SIB, for example, does not impose a prepayment penalty in the event of early loan repayment.
- ▶ **Prudent Leveraging** – Prudent leveraging can increase the deposit capital available for lending. For example, both the Florida and Ohio SIBs have issued bonds using deposit capital as collateral, while the South Carolina SIB has issued bonds secured by a variety of SIB-dedicated state revenues
- ▶ **Program Management** – SIB programs are generally managed to provide credit assistance to as many different types of projects as possible. Accordingly, there may be limitations on the amount of assistance provided by project, borrower and/or sources of project financing. TxDOT and the Texas SIB, for example, impose borrowing limits per project and per borrower. The Texas SIB also provides preference to projects costing \$10 million or less.

