America Fast Forward:
CREATING JOBS THE RIGHT WAY

The TIFIA Provision

General Explanation of Transportation Infrastructure Finance and Innovation Act Provision

The TIFIA Provision

Transportation Infrastructure Finance and Innovation Act

This provision would amend chapter 6 of title 23, United States Code, to modify the Transportation Infrastructure Finance and Innovation Act (TIFIA) program structure to authorize the U.S. Department of Transportation to make upfront conditional credit commitments for certain large projects or programs of related projects that satisfy national infrastructure investment goals. The provision would also increase funding for the TIFIA program and raise the credit limits for projects receiving assistance.

Approximately 300,000 job-years would be created during this program.

(ESTIMATED TOTALS FY12 THROUGH FY21)

Estimate based on 18,200 job-years generated per $1 billion investment. Source: LAEDC

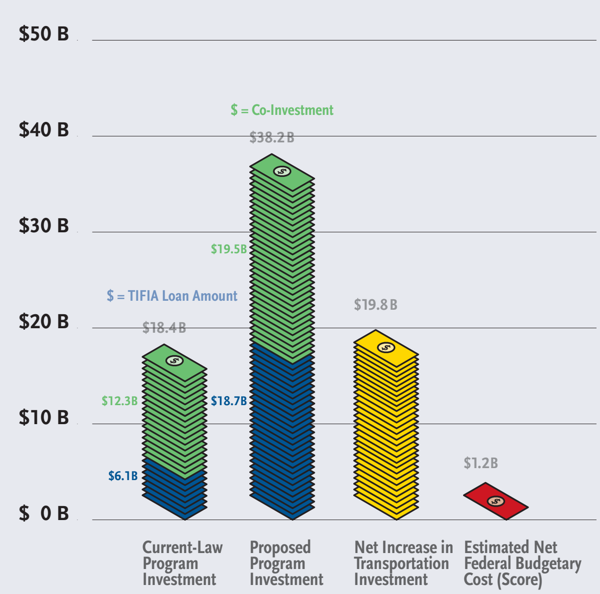
Under the current program, the U.S. Department of Transportation can provide credit assistance for surface transportation projects of national or regional significance in the form of secured (direct) loans, loan guarantees, and lines of credit for up to 33 percent of eligible project costs. The TIFIA program offers financing secured by revenues generated by or dedicated to individual projects. Before the execution of an agreement that commits credit assistance, a project sponsor must receive its final environmental approvals, have detailed cost estimates pursuant to a substantial level of design/engineering work or an executed construction agreement, and have a complete plan of finance with all other financial commitments in place.

The provision would authorize the Secretary of Transportation to make upfront conditional credit commitments for certain "mega public transportation projects" that will be phased in over a period of several years by means of a master credit agreement. The master credit agreement would conditionally commit the Secretary to providing one or more future loans or other federal credit instruments for eligible projects upon the satisfaction of necessary requirements, including the federal planning and programming requirements and the final environmental approvals under the National Environmental Policy Act. Furthermore, the Secretary could enter into a master credit agreement only if dedicated revenue sources for repayment have been identified.

The use of a master credit agreement facilitates major initiatives by providing public and private funding partners with assurance that federal financing assistance will be made available when needed, subject to funding availability and other conditions. The provision would authorize the Secretary of Transportation to further mitigate financing risk for major initiatives by offering limited interest rate subsidies. The TIFIA loan interest rate, which is a key feature of the financial plan, might rise significantly between the date of the master credit agreement and the execution of the underlying loan agreement. Since such a rise would negatively impact the project financial plan, the U.S. Department of Transportation could "buy down" the then-higher interest rate, using the interest rate that prevailed at the time of the master credit agreement as a benchmark.

The maximum amount of credit assistance that could be provided by the Secretary to an eligible project would be increased from 33 percent of eligible project costs to 49 percent. The TIFIA program's annual level of budget authority available to fund the subsidy costs of credit instruments would be increased from $122 million (authorized under SAFETEA-LU, as extended) to at least $375 million. The annual amount of funding available for program administration would be increased from $2.2 million to $5.0 million.

Leveraging the TIFIA Investment



Contact:

Raffi Haig Hamparian
Government Relations Director, Federal Affairs
213.922.3769
hamparianr@metro.net

Marisa Yeager
Government Relations Manager, Federal Affairs
213.922.2262
yeagerm@metro.net

11-0763MR ©2011 LACMTA

FINAL DRAFT OF 9/23/2010

SEC. ____TIFIA FUNDING OF QUALIFIED TRANSIT CAPITAL PROJECTS

(a) DEFINITION OF MASTER CREDIT AGREEMENT. – Section 601(a) of title 23, United States Code, is amended—

(1) by redesignating paragraphs (7) through (14) as paragraphs (8) through (15), respectively; and

(2) by inserting after paragraph (6) the following new paragraph:

"(7) MASTER CREDIT AGREEMENT. – The term 'Master Credit Agreement' means an agreement entered into by and between the Secretary and an obligor for a project defined in paragraph (9)(E) of this subsection that—

(A) makes contingent commitments of one or more secured loans or other federal credit instruments at future dates;

(B) establishes the amounts and general terms and conditions of such secured loans or other federal credit instruments;

(C) identifies the dedicated revenue sources that will secure the repayment of such secured loans or other federal credit instruments; and

(D) provides for the obligation of funds for such secured loans or other federal credit instruments after all requirements under section 602(c) have been met for the project, including completion of the National Environmental Policy Act process and compliance with all requirements of that Act.

(b) DEFINITION OF PROJECT. – Section 601(a) of title 23, United States Code is further amended by striking "and" at the end of subparagraph (C) of paragraph (9), as redesignated, by striking the period at the end of subparagraph (D) of such paragraph and inserting a period, and by adding at the end the following new subparagraph:

"(E) a project or program of related projects that (i) is for the design, acquisition, construction, or rehabilitation of one or more facilities for use in public transportation that significantly reduce emissions of greenhouse gases; and (ii) receives not more than 30 percent of its funding for capital costs from Federal grant funds made available under this title or chapter 53 of title 49, United States Code.".

(c) ELIGIBILITY. –Section 602(a)(1) of title 23, United States Code, is amended by adding at the end thereof the following: ",including, in the case of a Master Credit Agreement, at such time as the disbursement of loan proceeds or the provision of other credit assistance pursuant to that Master Credit Agreement".

(d) ELIGIBLE PROJECT COSTS. – Section 602(a)(3) of title 23, United State Code, is amended by striking "subparagraph (B)" in subparagraph (A) thereof and inserting "subparagraphs (B) and (C)" and by adding at the end the following new subparagraph:

"(C) Mega Public Transportation Projects. – In the case of a project defined in paragraph (9)(E) of section 601(a), eligible project costs shall be reasonably anticipated to equal or exceed $1,000,000,000.".

(e) SECURED LOANS. – Section 603(b)(2) of title 23, United States Code, is amended by striking "33 percent" and inserting "49 percent".

(f) LINES OF CREDIT. – Section 604(b)(2) of title 23, United States Code, is amended by striking "33 percent" and inserting "49 percent".

(g) FUNDING. – Section 608(a) of title 23, United States Code, is amended--

(1) in paragraph (1), by striking "$122,000,000 for each of fiscal years 2005 through 2009" and inserting "$375,000,000 for each of fiscal years 2011 through 2015".

(2) in paragraph (3), by striking "$2,200,000 for each of fiscal years 2005 through 2009" and inserting "5,000,000 for each of fiscal years 2011 through 2015".

(h) CONFORMING AMENDMENT. – Section 603 (a)(1) of title 23, United States Code, is amended by inserting after "into agreements" the following: ", including Master Credit Agreements,".