THE BOND BUYER

TIFIA loans alone cannot cure infrastructure woes, experts say

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DALLAS -- The low-interest loans provided by the Transportation Infrastructure Finance and Innovation Act are a key source of funding for infrastructure projects but cannot replace direct and robust federal outlays, experts told members of the Senate Environment and Public Works Committee on Wednesday.

A $537.5 million low-interest federal TIFIA loan is a critical part of the financing for the $1.85 billion P3 redevelopment of an old post office in Manhattan into a 21st century rail station.
Empire State Development

TIFIA has provided loans and credit assistance for 64 projects since it was authorized in 1998, with the vast majority ranging in total cost from approximately $200 million to $3 billion.

The five-year Fixing America's Surface Transportation (FAST) Act enacted in December 2015 extended eligibility to small and rural projects as well as urban transit-oriented developments, but none of these project types have yet received TIFIA loans.

TIFIA loans allow governments to reduce their debt service payments and put more money into capital improvements, but many projects are not eligible for the loans even under the relaxed requirements in the FAST Act, said Anne Mayer, executive director of the Riverside County, Calif. Transportation Commission.

“While TIFIA is an essential tool to have in the federal infrastructure toolbox, it is only one tool that benefits a narrow category of projects and should not be seen as a panacea to the nation’s infrastructure deficit,” Mayer said.

TIFIA loans have been fundamental to completion of the commission’s two tolled express lane projects over the last decade, she said, along with revenues from a voter-approved sales tax.

“However, a vast majority of the [transportation projects to be funded by a] 30-year local sales tax measure cannot use TIFIA or public-private partnerships and must have adequate sources of traditional grant funding from our state and federal governments,” Mayer said.

The TIFIA loan program was funded at $1 billion in fiscal 2015. However, the FAST Act enacted in late 2015 authorized the loan program at $1.435 billion over five years.

President Trump has called on Congress to expand the TIFIA program to encourage more investments by states and localities as well as from private partners, said Sen. Tom Carper of Delaware, the committee’s ranking Democrat.

“As we consider that call, we should acknowledge that TIFIA is a useful tool but not a replacement for direct grants to states and cities,” he said.

Congress should drop the requirement that small projects secure an investment grade rating before they can receive a TIFIA loan, said Christopher Coes, vice president for real estate policy and external affairs at the advocacy group Smart Growth America

An investment grade rating is appropriate for large projects but not for smaller ones, Coes said. The FAST Act reduced the loan eligibility limit to include projects with a price tag of at least $10 million instead of the earlier $50 million threshold.

“This makes small projects unworkable,” he said. “The cost of obtaining one letter can range from $300,000 to $400,000 and must be paid whether the loan is ultimately approved. Frankly, credit rating letters are not the means used by the private sector to assess these projects anyway.”

Congress could expand the use of TIFIA loans by allowing rural areas to combine dozens of small projects into larger programs, said Jennifer Aument, group general manager at the infrastructure firm Transurban North America.

The $15 billion cap on transportation-specific PABs should be lifted and the regulations limiting their use to new projects should be removed, Aument said.

“When PABs’ eligibility was expanded to become available for surface transportation projects, the P3 market was opened up for investment,” she said. “Over the last decade, PABs have been a cornerstone of the transportation P3 industry, supporting 16 of the 20 privately financed, major projects that closed over this time.”