

Importance of Legislation for TIFIA Loan

What is a TIFIA Loan?

TIFIA stands for Transportation Finance and Innovation Act. The TIFIA loan program provides federal credit assistance in the form of direct loans, loan guarantees or standby lines of credit to public or private sponsors of major infrastructure projects. The program was established by Congress in 1998 to leverage federal funds by attracting substantial private and other non-federal co-investment in critical improvements to the nation's surface transportation system. It was modified by MAP-21, the most recent transportation reauthorization passed in July 2012. Most importantly, MAP-21 increased the program's lending capacity nearly ten-fold and made the application process objective and first-come, first-served.

TIFIA's value for the state

- TIFIA loans have a low interest rate: the 30 year treasury rate plus 1 basis point.
 - The low rate will save the state hundreds of millions over the term of the public-private partnership.
- Teams competing for the project will consider the lowest cost financing available in their proposals.
 - TIFIA is the lowest cost financing on the market.
 - The private partner will be the borrower of the TIFIA loan – not the state.
- The state benefits by receiving lower availability payment proposals because the private partner is obtaining lower cost financing translating into a lower availability payment for the state. The competitive procurement drives the value back to the state.

How this session's legislation helps obtain a TIFIA loan

- The TIFIA office is looking for the state's commitment to the project.
 - Funding of the reserve fund and passing the legislation reflects a high level of commitment.
- We've been informed by the TIFIA office that KABATA will only be allowed to proceed with its TIFIA application once the project reserve is funded or it becomes reasonably clear the issue is likely to be resolved favorably in the near future.
- The TIFIA program has limited lending capacity since there is a very high demand for this low cost financing.
 - This increases the urgency for KABATA to be able to move forward with the application process.
- TIFIA program capacity:
 - \$7 billion for federal fiscal 2013 and \$10 billion for federal fiscal 2014.
 - As of November 20, 2012:
 - 23 Letters of interest (LOI) were submitted to the TIFIA office from projects around the U.S., including the Knik Arm Crossing, requesting between \$9.7 billion and \$14.4 billion in TIFIA loans. This represents up to 85% of the TIFIA capacity.
 - As LOIs are invited to submit applications, the loan capacity is conditionally committed and no longer available.