Leveraging the Money

TRANSPORTATION FINANCE AND DEBT

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FUNDING VERSUS FINANCING

• Funding: Revenue sources generated at the Federal, state and local levels used for transportation investment needs
  ▪ Examples: Taxes, fees, user charges, capturing enhanced property values

• Financing: Tools to leverage transportation funding and revenue sources
  ▪ Allows project sponsor to raise high up-front costs needed to build projects
  ▪ Expedites implementation of needed transportation improvements
LEVERAGING THE MONEY: TRANSPORTATION FINANCE AND DEBT

• Federal infrastructure policy tools
• Transportation financing options
• Review of public-private partnership (PPP or P3) activities in the US
• Transportation financing proposals and trends
FEDERAL INFRASTRUCTURE POLICY TOOLS

- Funding (Grant) Programs
- Finance-Related Programs
  - Credit Assistance (TIFIA, RRIF)
  - Tax Incentives
    - Tax-exempt Bonds (Governmental, PABs)
    - Tax-credit Bonds (BABs, QTCBs, TRIPs?)
  - Regulatory Initiatives
    - Permitted uses of federal funds (GARVEEs, SIBs, Sec 129 Loans)
    - Tolling authority
- Institutional Arrangements / Program Delivery
  - National Infrastructure Bank (NIB) Proposals
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TRANSPORTATION FINANCING UTILIZATION BY STATES

- General obligation or revenue bonds (44 states + DC + PR)
- GARVEE bonds (33 states + DC + PR)
- Private Activity Bonds (PABs) (6 states)
- TIFIA federal credit assistance (12 states + PR)
- State infrastructure banks (SIBs) (34 states + PR)
- Design-build (authorized in 38 states + PR)
- Public-private partnerships (PPPs or P3s) (authorized in 33 states + PR)

Source: National Conference of State Legislatures.
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POTENTIAL OF THE PPP (P3) OPTION

- Can advance large complex transportation projects with revenue streams
- Can provide greater leveraging of revenue streams (access to private sources of investment capital)
- Can create cost savings and production / operating efficiencies
- Can transfer construction, financing and other risks from the public sector to private partner(s)

**BUT PPPs themselves do not create new money for state/local project sponsors.** The private investment must be repaid with general revenue (taxes) or project-specific revenue (tolls).

In other words, PPPs are project delivery and financing approaches, they are not funding sources.
STATES WITH PPP ENABLING LEGISLATION

Source: National Conference of State Legislatures
PPPS (P3) IN PERSPECTIVE

• P3 market share of total U.S. capital investment in highways by all levels of government since 2008 is about 2 percent

• P3 market share of total annual spending on new highway capacity is about 11 percent

• P3 developers expect deal flow to be 2 to 4 projects a year

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TRANSPORTATION FINANCING PROPOSALS AND TRENDS

- TIFIA administration and oversight
- Tax reform and potential impact on tax-exempt bonds
- Tax-credit bonds
  - TRIP bonds: Sen. Wyden (D-OR) and Sen. Hoeven (R-ND)
  - America Fast Forward bonds: Obama Admin., LA Metro
- National Infrastructure Bank
  - Obama Administration
  - Sen. Warner (D-VA)
- Repatriation/bond guarantee
  - Partnership to Build America Act: Rep. Delaney (D-MD)
Thank You

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