Update on State Infrastructure Bank Assistance to Public Transportation

July 2005

Final Report

Prepared for:
U.S. Department of Transportation
Federal Transit Administration

Prepared by:
TransTech Management, Inc.
www.transtechmanagement.com

CONTENTS

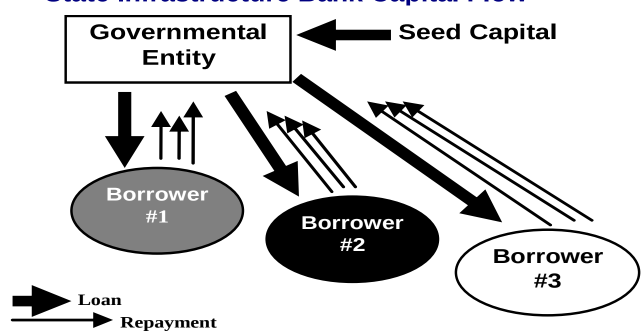
1. BACKGROUND: STATE INFRASTRUCTURE BANKS AND PUBLIC TRANSPORTATION

This section provides background information on state infrastructure banks (SIBs). For more detailed information on the State Infrastructure Bank Program please refer to the Innovative Finance Program of the U.S. Department of Transportation at www.fhwa.dot.gov/innovativefinance/index.htm. This section also provides a summary of the financial assistance public transportation projects have received to date from SIBs.

What is a SIB?

A state infrastructure bank (SIB) is a revolving loan fund designed to complement traditional transportation grants. State infrastructure banks are established and administered by the states and provide states with a mechanism to finance a wide variety of transportation projects through loans and credit enhancements. As depicted in the diagram to the right, money from a SIB is loaned out to project sponsors, repaid, and then loaned out again to additional project sponsors.

State Infrastructure Bank Capital Flow



In 1995, the National Highway System Designation Act authorized SIBs as a pilot program for ten states. In 1997, the U.S. Department of Transportation (U.S. DOT) Appropriations Act opened program eligibility to all states and provided a total of $150 million in federal capitalization to be divided among all participating states. At this point, 38 states (and Puerto Rico) established SIBs. In 1998, the Transportation Equity Act for the 21st Century (TEA-21) enabled California, Florida, Missouri, and Rhode Island (and Texas at a later date) to use TEA-21 funds to further capitalize their SIBs. The other SIBs could continue to operate with any existing federal funds already deposited into the bank and they could use any state or local funds to further capitalize their banks.

SIB Legislative History

1995	National Highway System Designation Act established SIB program in 10 states
1997	U.S. DOT Appropriations Act enabled all states to participate; included $150 million capitalization divided among all participating states
1998	TEA-21 enabled CA, FL, MO, RI, and TX to capitalize their SIB with TEA-21 funds
2005	SAFETEA-LU enabled all states to capitalize SIB with up to 10% of designated Title 23 and Title 49 funds

As this report was being finalized, Congress passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU). Under the new law, all states and the District of Columbia are provided the option of transferring a limited amount of the state's Highway Trust Fund allocations to state infrastructure banks (SIBs). SIB loans can be used to help finance state transportation projects, but they will retain their character as federal funds. Upon repayment, the SIB loans can be re-loaned to support other projects but are subject to all federal provisions. The amounts that a state may transfer to a SIB is limited generally to 10 percent of its annual highway, transit and rail apportionments under designated sections of Titles 23 and 49.

How Can a SIB Assist Transit?

A SIB may assist any project eligible for federal assistance under Title 23 or Title 49 of the U.S. Code and may provide financial support to both public and private sponsors of eligible transportation projects. Each SIB is unique because it must operate not only within the purview of federal requirements but also of state requirements, which vary across states. Project sponsors should consult their own state's SIB to determine eligibility of a specific project.

Despite the existence of state-specific provisions, all SIBs are capable of assisting a wide range of public transportation projects. Some examples of potentially eligible public transportation projects include:

- Purchases of transit vehicles and infrastructure (e.g., buses, ferry boats, subway cars, traffic signals, etc.);
- Construction of transit facilities (e.g., stations, bus turnouts, park-n-ride lots, garages, administration buildings, intermodal facilities, etc.);
- Joint development projects related to new or rehabilitated transit facilities;
- Modernization of rail and other infrastructure;
- Rehabilitation of transit facilities (e.g., historic landmarks/stations, viaducts, etc.); and
- Local match requirements.

For a SIB to commence lending to transit projects a cooperative agreement must be negotiated between the FTA Administrator, the state, and any other party to the SIB. The state also must negotiate a cooperative agreement with FHWA prior to commencing highway lending. A cooperative agreement is a legal document that establishes how the federal funds will be managed once they are deposited into the SIB. The cooperative agreement must be signed before any funds can be disbursed to the SIB.

A cooperative agreement outlines the structure of the SIB, including the administering agency, financial assistance policies, accounting and audit procedures, and sanctions and compliance. Key components of a cooperative agreement include the following:

- Definition of the parties to the agreement and their authorities
- Designation of the entities who will administer the SIB
- Designation of the accounts to be created in the SIB
- Agreement by FHWA/FTA to make payments to the state for deposit in the SIB upon receipt of completed request form
- Definition of the state matching requirement
- Financial assistance terms, including:
    - Timely use of SIB funds
    - Appropriate uses of SIB funds
    - Allowable leveraging
    - Use of project agreements outlining assistance terms with recipients
    - Compliance with federal laws and regulations (including compliance with the FTA Master Agreement for projects financed through the SIB's transit account)
    - Use of repayment proceeds, fees, compensation, or other collateral
- Accounting and auditing procedures, including:
    - Establishment of fiscal controls and accounting procedures to assure proper accounting payments and disbursements
    - Recipient accounting and audit procedures
    - Conduct of an annual performance audit

  - Submission of an annual report
  - Records retention
- Terms and sanctions for noncompliance with cooperative agreement
- Terms for amendments
- Signatories from applicable state agencies, FHWA, and FTA

Summary of SIB Lending for Public Transportation

Of the 38 states (and Puerto Rico) that have established SIBs, 32 have provided some form of assistance to transportation projects. Of these SIBs, 21 have negotiated a cooperative agreement with FTA and have the authority to make transit loans, as follows:

- Alaska
- California
- Colorado
- Delaware
- Florida
- Michigan
- Minnesota
- Missouri
- New York
- North Carolina
- Ohio
- Oregon
- Pennsylvania
- South Carolina
- Tennessee
- Texas
- Vermont
- Virginia
- Washington
- Wisconsin
- Wyoming

Of these 21 SIBs with transit loaning capability, eight have made transit loans. These eight states are Florida, Michigan, Minnesota, Missouri, North Carolina, Ohio, Oregon, and Pennsylvania. The SIB programs that have experience with transit lending are predominantly housed in the state department of transportation (DOT). Several are housed in the finance division of the DOT (e.g., Florida, Oregon); others in the planning division (e.g., Pennsylvania); and still others in an economic development office of the DOT (e.g., Michigan, Ohio). The Minnesota SIB is jointly administered by the state DOT, the Public Facilities Authority, and the Department of Trade and Economic Development.

Exhibit 1 provides a summary of the loans SIBs have provided to public transportation. For each state, the table provides the total dollar amount of transit loans, the total estimated costs of the transit projects that those loans assisted, the account balance of the SIB, and the federal, state, and total capitalization to date of the SIB.

Exhibit 1. Summary of SIB Transit Loan Activity (dollars in millions, as of December '04)

	Total $ Amount of Transit Loans	Total $ Value of Transit Projects Assisted	SIB Balance	Total SIB Capitalization		
				Fed	State	Total
Florida	$39.9	$148.9	$69.1	$126.3	$145.0	$271.3
Michigan	$5.3	$12.5	$10.6	$10.9	$4.4	$15.3
Minnesota	$21.0	$25.0	NA	$34.6	$23.7	$58.3
Missouri	$13.2	$69.0	$40.8	$49.4	$10.3	$59.7
North Carolina	$2.0	$20.9	$1.9	$1.3	$0.3	$1.6
Ohio	$7.4	$26.5	$64.1*	$87.0	$50.0	$137.0
Oregon	$2.5	$7.4	NA	NA	NA	$18.0
Pennsylvania	$3.2	$8.5	$20.8	$16.0	$11.0	$27.0
TOTAL	**$94.5**	**$318.7**				**$588.2**

*$24.6 million in pending loans, leaving $39.5 million available.

Each SIB establishes its own program parameters for items such as evaluation criteria, loan terms, and interest rates. Exhibit 2 summarizes some of those parameters for the eight SIBs that have transit lending experience.

Exhibit 2. Summary of Program Parameters for SIBs with Transit Loan Experience

	Evaluation Criteria	Repayment	Interest Rates
Florida	▪ High present value of repayments ▪ Secure repayments ▪ High level of financial feasibility ▪ Financial safeguards ▪ Encourages, enhances, creates economic benefits ▪ Accelerates completion ▪ Fosters public-private partnerships, attracts private debt/equity investment ▪ Uses new technologies ▪ Helps maintain/protect environment ▪ Improves intermodalism ▪ Serves as smaller percent of total project ▪ Leverages local and private funding ▪ Improves safety	▪ Repayments must commence no later than 5 yrs after project has been completed or, in the case of a highway project, the facility has opened to traffic, whichever is later, and must be repaid in no more than 30 years. ▪ Repayments of any loan will not exceed the lesser of 35 yrs after the date of the first payment or the useful life of the investment.	At or below market interest rates as determined by Florida DOT
Michigan	▪ Fulfillment of program purposes: - Attracts public & private investment - Increases financial viability/reduces borrowing costs - Accelerates project delivery ▪ Fulfillment of program priorities: - Attracts new capital - Reduces project costs - Accelerates/builds projects that would not be built ▪ Addresses statewide transportation goals ▪ Consistency with state, local, and regional plans/programs ▪ Non-transportation infrastructure/support services availability, under construction, or committed ▪ Level of local financial and public support ▪ Sponsor's financial/technical capabilities ▪ Security/collateral ▪ Strength of repayment sources	▪ Repayments must begin: within 2 yrs of project completion/opening to traffic ▪ Repayments must be complete: within 25 yrs/useful life ▪ Priority given to projects with short repayment terms	3% (originally 4%). Varies based on risk level and repayment terms
Minnesota	▪ District/Area Transportation Partnership evaluates, approves, prioritizes projects using regionally significant criteria ▪ Application Review Committee prioritizes all District applicants per Minnesota Statute Section 446A.085 and Minnesota Rule 8805.0400 criteria. In the past, these criteria have included: - Regional significance - Project need - Movement of people and freight - Repayment sources - Economic analysis/impact - Relationship to transportation plans - Project schedule/readiness - Entire project costs and funding - Loan amount	▪ Repayments must begin: principal within 3 yrs, interest within 1 yr after execution of loan agreement ▪ Repayments must be complete: 30 yrs or useful life of project, if shorter	Based on bond market index. Discounts provided based on demand for loans and need to maintain fund viability.

	Evaluation Criteria	Repayment	Interest Rates
Missouri	▪ Transportation need ▪ Timeliness of repayment ▪ Non-MoDOT contribution ▪ Economic benefit ▪ Public benefit ▪ Financial feasibility Note: Demand has been less than available funding to date; all eligible projects funded.	▪ Repayments must begin: within 5 yrs of project completion ▪ Repayments must be complete: not to exceed 10 yrs ▪ Earlier repayments encouraged (most begin within 1 yr, complete within 5 yrs)	Based on comparable municipal bond rates
North Carolina	▪ Funding availability ▪ Financial feasibility ▪ Project cost ▪ Credit strength of applicant ▪ Ability to repay ▪ Public benefit ▪ Other applicable issues considered by the North Carolina Board of Transportation Note: Demand has been less than available funding to date; all eligible projects funded.	Varies based on size of loan: ▪ Less than $2 mil – 3 yrs ▪ $2-$5 mil – 5 yrs ▪ $5-$10 mil – 10 yrs ▪ Over $10 mil – 30 yrs	4% APR
Ohio	▪ Ability to repay ▪ Management of project ▪ Working capital and operating funds ▪ Need and public benefit ▪ Collateral ▪ Status of project in relation to actual construction startup	▪ Repayments must begin: Within 2 yrs of project completion or opening to traffic ▪ Repayments must complete: useful life of asset or 10 yrs whichever is less	3/4th of prime rate
Oregon	Essential criteria: ▪ Planning/programming requirements conformity ▪ Design standard compliance ▪ Adequate repayment source availability Other criteria: ▪ Project acceleration ▪ Safety enhancement ▪ Better management of traffic growth and improved livability ▪ Funding innovation ▪ Length of loan term ▪ Impact on economic development ▪ Enhanced quality of life	▪ Repayments must begin: within 5 yrs of project completion (most commence some debt service within 1 yr) ▪ Repayments must complete: 30 yrs or end of useful life of project, if shorter ▪ 1% fee for loan terms greater than 1 yr	Approximate tax-exempt bond rates for government borrowers
Pennsylvania	▪ Ability to meet federal, state, & local planning, environmental, programming requirements ▪ Reasonable/accurate project cost estimate ▪ Accurate, reasonable, secure funding sources, revenue and expense projections ▪ Ability to repay ▪ Loan security ▪ Priority level of project. For transit projects, priority is assigned for completing preliminary bidding steps.	▪ Maximum loan term: 10 yrs, shorter terms preferred ▪ Repayment schedules set on a case-by-case basis	½ prime lending rate as published by Federal Reserve

2. Benefits Of and Constraints On State Infrastructure Bank Usage

Since SIB program initiation in 1996, SIBs have accomplished many of the original objectives of the pilot program including project acceleration, economic development, and stimulation of private investment. This section outlines the benefits of SIBs generally and then provides some of the specific benefits to transit projects. Despite this success, states are at different stages of program implementation. This section also provides a summary of some constraints of the SIB programs both generally and specifically regarding transit assistance as noted by SIB managers.

Benefits of Use

State infrastructure bank assistance offers several advantageous characteristics to project sponsors and sponsoring state programs, including the following:

- Flexible project financing
  - Low interest rates
  - Opportunity for extended repayment period, construction grace period
  - Limited debt service reserve fund requirements
  - Lower expectations for debt coverage ratios
  - Lower transaction costs
- "Recycling" of funds
- Accelerated project completion
- Increased local and private investment

In addition, each SIB works with project sponsors to meet their specific needs through innovative and sometimes flexible terms. Some examples of benefits SIB loans have provided to transit projects are discussed below (organized by sponsoring state).

- Projects assisted by **Florida's SIB** have generally been production-ready projects that were successfully accelerated by the SIB between one and fifteen years. By providing flexible financing at below market interest rates, the Florida SIB serves to deliver transportation projects earlier, or that may otherwise not be built. Florida also has a state-only funded SIB that can provide additional flexibilities to project sponsors. In 2002, state legislation was passed that added flexibility for projects that provide for connectivity between the state highway system and airports, seaports, rail facilities, transportation terminals, and other intermodal options. Further flexibility was added in 2003 with legislation that authorizes the Florida Department of Transportation to leverage the existing state SIB loan portfolio repayment stream, through the issuance of revenue bonds.

- **Michigan's SIB** takes a multimodal approach to financing transportation projects. The Michigan Department of Transportation (MDOT) has an intermodal focus and highway, transit, rail, and intermodal projects are actively considered by the Michigan SIB. To assist transit projects, Michigan has been able to "flex" funds from its federal highway account to its transit account. TEA-21 provisions enabled this funds movement.

- **Minnesota's SIB**, the Transportation Revolving Loan Fund (TRLF), is able to use fund dollars to leverage revenue bond proceeds that provide more lending capacity. For instance, the TRLF leveraged the repayment stream from a transit loan by issuing bonds worth five times the amount of the transit loan. As an added benefit, the SIB was able to access the State's bond rating to obtain a competitive rate for the bonds (1 percent lower than if the project sponsor had issued the bonds independently). The single loan provided by the TRLF benefited 53 transit projects.

- **Missouri's SIB**, the Missouri Transportation Finance Corporation (MTFC), is authorized by TEA-21 to use TEA-21 funds for capitalization. This ability has enabled a more significant level of capitalization. The MTFC can provide inflation cost savings, early project benefits, financing tailored to the project's needs, and reduced interest rates. The MTFC does not have a separate transit account. All federally matched funds are capitalized into a "transportation" account while state matched funds are placed in a "highway" account. This structure gives the SIB flexibility to assist a range of transportation projects.

- **North Carolina's SIB** loans are often used to cover transit local match requirements. In North Carolina, many small towns have municipal debt limits and SIB loans have fulfilled a unique credit assistance niche by lending funds to accelerate project delivery in advance of the required project match. The SIB loans enable the transit system to improve their capital program with the local share financed with flexible loans. The transit systems meet their service needs immediately and repay over time, eliminating the requirement for full payment at the time of delivery. Also in North Carolina, the SIB was able to provide one project sponsor access to funds up to a cap (a line-of-credit arrangement) to meet additional transit needs anticipated over a two-year period. The account was drawn down as needs arose.

- **Ohio's SIB**, administered by the Ohio DOT's Office of Economic Development, provides loans to public entities for highway and transit projects as well as rail, aviation, and other intermodal facilities. The SIB has the ability to issue bonds to leverage the bank's available funds. The SIB also may be used as a bridge loan, to provide funding prior to the availability of FTA grant funds.

- **Oregon's SIB**, the Oregon Transportation Infrastructure Bank (OTIB), leverages transportation funds by attracting non-traditional sources of capital and repayment sources, generating interest income, and issuing debt. State law permits the bank to be leveraged; it can issue up to $200 million in bonds. OTIB loans have advanced planned projects anywhere from one to five years. In the case of a loan to one transportation district for a transit facility expansion, the OTIB loan accelerated construction of a future project phase. The OTIB also promotes partnerships with local governments. The OTIB selection process includes project review by a regional advisory committee comprised of local officials, other community representatives, and Oregon DOT staff. As a result, transit projects are reviewed by Oregon DOT's Public Transit Division staff and endorsed by the Public Transit Advisory Committee. These committees ensure selected projects meet local transportation needs and are consistent with local transportation planning efforts.

- **Pennsylvania's SIB**, the Pennsylvania Infrastructure Bank (PIB), leverages federal and state revenues by attracting local and private financial participation, accelerates priority projects, spurs economic development, facilitates non-traditional projects, and responds quickly to emergencies such as floods and other natural disasters. The PIB has established highway, transit, rail, and aviation accounts. This multimodal approach enables the PIB to assist a variety of projects.

Constraints on Use

Despite the many benefits of SIB assistance, many states have not yet assisted transit projects with their SIB and even the states that have assisted transit projects have only done so to a limited extent. Each state faces unique transit financing challenges and in some states the SIB has not yet been able to address these challenges adequately. There are numerous reasons that SIBs have not been suitable to their needs to date but, despite the individuality of the states, some constraints on their SIB use are common among them. The constraints noted by some states are discussed below. Given the uniqueness of each state, the constraints summarized here do not in any way apply to all SIBs.

- Difficulty identifying suitable projects with loan repayment sources was cited as a common constraint to providing SIB assistance to transit projects. SIB loans must be repaid and some projects do not have adequate revenue streams for repayment. Transit agencies tend to lack ongoing unrestricted revenue streams to service debt for capital projects.

- Some SIBs have insufficient demand for loans. Transit agencies have access to various grant resources so there is less inclination for management to consider loans as a source of capital.

- SIB recipients must comply with federal and/or state requirements that attach to the use of public funds. Such requirements, especially for smaller projects, can delay construction schedules and increase overall project costs. While the applicability of these requirements varies by project, some provisions include:

  Federal requirements:
  - Inclusion in approved State Transportation Improvement Program (STIP) (and metropolitan planning organization (MPO) Transportation Improvement Program (TIP), if applicable);
  - If repaying with federal funds, projects must follow the federal project development process requirements, including:
    - U.S. Code Titles 23 and 49 with regard to project design, procurement, construction, and operation,
    - Title VI of the Civil Rights Act and other civil rights laws,
    - National Environmental Policy Act (NEPA),
    - Davis-Bacon with regard to labor wages,
    - Uniform Relocation Assistance and Real Property Acquisition Policies Act, and
    - All applicable state laws and rules;
  - Americans with Disabilities Act (ADA);
  - Restrictions on use of funds for lobbying activities pursuant to U.S. Code Title 31, Section 1352; and
  - Auditing pursuant to Single Audit Act, U.S. Code Title 31, Section 7501.

  State requirements:
  - State laws and rules which may include:
    - Human rights regulations,
    - Workers compensation rules,
    - Building codes, and
    - Prevailing wage regulations.
  - Metropolitan planning organization approval.

- Recipients of SIB assistance must follow certain administrative processes such as completing applications, submitting reports, and paying application and other administrative fees.

- Some SIBs have experienced delays in obtaining FTA approval of borrower compliance items.

- Capitalization levels constrain maximum loan size and loan portfolio. To date, limited federal funding has delayed development of some SIB programs. To overcome this problem, some states have sought state appropriations for SIB capitalization, but it is difficult to secure and direct additional state resources to the SIB. States that cannot access additional resources are likely to experience program stagnation. The more active SIBs today have increased their capitalization by issuing bonds or committing additional state funds. Some SIBs, however, lack legislative authority to leverage their funds.

- State legislation affects the strategic direction of SIBs. In some states, state program parameters are more restrictive than in the federal SIB program guidance. Some states required new state legislation to participate in the program while others established their SIBs under pre-existing state law. Where the new legislation was passed, it varied significantly. Some legislation left much of the implementation details to state administrators while other legislation was more comprehensive establishing oversight bodies and setting forth eligibility and selection criteria. Legislation continues to evolve as SIB program managers identify ways of improving operations and pursuing additional capitalization.

- Requiring all SIB loans be made to federally-eligible projects restricts state-approved projects and limits the SIBs' flexibility to meet needs of other transportation programs (rail, airport, ferry, and other revenue-supported programs). Such projects must be funded only with non-federally funded SIBs or other sources. However, with the exception of the TEA-21 SIBs, the original NHS SIBs are now effectively non-federally funded so these restrictions are gradually diminishing as their loan experience grows. This trend will reverse itself once again with implementation of the SAFETEA-LU SIB program provisions.

- Many transit project sponsors that do not otherwise receive federal grant funds have never dealt with federal processes before and are deterred by the unfamiliarity.

3. Recommendations to Improve State Infrastructure Bank Assistance to Public Transportation

It is generally agreed that the SIB is an effective tool for aiding public transportation projects. There are, however, opportunities at both the federal and state levels to improve its overall effectiveness. This section provides a summary of the recommendations that states suggested for both the federal program and for individual states to improve the success of SIBs.

Federal

The following summarizes recommendations that were offered by SIBs with transit lending experience regarding potential improvements to the federal program. Note: these recommendations were offered prior to passage of SAFETEA-LU and may, as a result, no longer all be fully applicable.

- **Provide states flexibility with repaid dollars.** Many of the Transit SIB managers urged a return to the NHS/ISTEA SIB authority with regard to "de-federalization" of loans repaid with local funds. Under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), federal funds that were used to capitalize the SIB were converted to state dollars upon repayment to the SIB from non-federal sources. Under the Transportation Equity Act for the 21st Century (TEA-21), all federal funds capitalized into the SIB plus all future repayments from all sources, including non-federal sources, are designated as federal funds. TEA-21 enabled only five states to use additional federal funding to capitalize their SIBs. The "federalization" of funds may prevent some entities from seeking SIB assistance since they must now meet all federal requirements. Removing the federal strings attached to repayments would enable more flexibility in the projects that are able to be assisted by the SIB.

- **Enable all states to use part of their federal apportionments to capitalize their SIB.** The Transportation Equity Act for the 21st Century (TEA-21) only allows California, Florida, Missouri, and Rhode Island (and Texas at a later date) to use TEA-21 funding to further capitalize their SIBs. The other SIBs have continued to operate with any existing federal funds already deposited into the bank prior to TEA-21 and some have used additional state or local funds to capitalize their banks. However, enabling all states to use future federal apportionments to capitalize their SIBs could increase the level of capitalization in SIBs.

- **Maintain ability to "flex" highway money to transit.** The provisions of TEA-21 enable states to "flex" money between funding categories. According to SIB managers, this choice has enabled states to solve unique and otherwise difficult project funding issues. Maintaining flexibility will continue to allow states to be innovative.

- **Do not require federal capitalization funding to be matched with state dollars.** The Transit SIB managers indicated that federal requirement for states to match federal capitalization should be eliminated. The requirement constrains states' abilities to capitalize their SIBs. State transit funding is especially limited, making the matching requirement even more restrictive.

- **Provide more extensive business expertise, technical support, and training.** Managing a revolving loan program can be a complicated task. Many state DOTs do not have the existing expertise to address SIB administration. It was suggested that additional federal technical assistance could be beneficial in getting many of the stagnated programs off the ground.

- **Sponsor a conference for SIBs on transit assistance.** Transit SIB managers suggested that FTA should host a conference for all SIBs to convene and discuss financing for transit and intermodal projects. Many transit agencies function more like businesses than government agencies and this includes their approach to financing. As a result, transit deals are more complex and they demand a higher level of financing expertise that many states are not prepared to address. SIB managers need more opportunities to share experiences and best practices with regard to the provision of transit assistance.

- **Work with APTA to market SIB program to transit agencies.** The American Public Transportation Association (APTA) hosts numerous conferences throughout the year and has other various interfaces with potential project sponsors. Transit SIB managers proposed that FTA work with APTA to market the SIB program to transit agencies.

State

The following summarizes recommendations made by SIBs with transit lending experience to other SIBs with desires of enhancing or expanding their SIB programs.

- **Expand program outreach and marketing.** According to SIB managers, marketing is one of the most effective strategies of the SIB. While potential applicants for SIB assistance exist in most states, it is important to inform project sponsors about the program and to determine how best to overcome any barriers to participation in the SIB. According to SIB managers, SIBs should closely coordinate their outreach activities with transit agencies. Transit agencies and authorities, as the project sponsors, are expected to propose a project and initiate an application.

- **Leverage the SIB.** SIB managers note that enabling the SIB and transit account to be leveraged through bonding can significantly increase the level of assistance that the SIB is able to provide.

- **Set attractive loan terms and criteria.** To attract transit borrowers, who are often willing to wait for grant funds to become available, SIB managers suggest offering low interest rates and establishing evaluation criteria and processes that are specific to and logical for transit projects.

- **Protect the integrity of the SIB.** SIB managers suggest that SIB programs select a mix of loans including some with relatively lower levels of risk to protect the bank corpus; seek some projects with secure sources of repayments and select some projects that have progressed through significant phases of project development and meet all federal guidelines.

- **Use newspapers to monitor transportation projects across the state.** SIB administrators suggest that SIB programs can effectively use the internet to access newspapers around the state to monitor for transportation-related issues and projects.

- **Communicate with DOT’s transit staff.** The state DOT’s transit staff are very familiar with the transit agencies and their needs. SIB managers offer that SIB staff and potential transit project sponsors should develop good working relations with the state DOT’s transit staff. These relationships will help to ensure that projects that could benefit from SIB assistance will be addressed.

- **Attend conferences in your state that are attended by local officials and transportation agency representatives.** SIB managers noted the importance of attending conferences and workshops that potential project sponsors attend. Providing exhibits and presentations at these events will increase the level of knowledge among potential applicants regarding SIB assistance.

- **Work with associations to market the SIB.** Each state has several relevant associations including those for transit, townships, rail, and others. SIB managers noted the value of using available outlets to educate these associations about their program and work with them to get on meeting agendas and advertise in newsletters.

4. State Infrastructure Bank Lending to Public Transportation

The eight states that have transit lending experience are:

- Florida
- Michigan
- Minnesota
- Missouri
- North Carolina
- Ohio
- Oregon
- Pennsylvania

Details on the loans that these SIBs have provided to transit are provided in this section

Florida State Infrastructure Bank

The Florida SIB is housed in the Florida Department of Transportation's Office of Financial Development, Project Finance Office. Florida's SIB was one of five SIBs enabled by the Transportation Equity Act for the 21st Century (TEA-21) to contribute funds from the State's TEA-21 apportionments to the SIB. The Florida SIB includes a federally-funded SIB account that is capitalized with federal money and required state match funds and a state-funded SIB account that is capitalized with state money only. The state-funded SIB is integrated with the federally-funded SIB and there is a single application process and set of guidelines. The Florida SIB has assisted seven transit projects including six from its federally-funded SIB and one from its state account. Details on each of these transit loans are provided in Exhibit 3 below.

Eligibility. The Florida SIB provides assistance to public and private entities. Projects eligible for federal SIB assistance must be eligible under Title 23 or Title 49 of the U.S. Code and must be included in the adopted comprehensive transportation plan of the applicable metropolitan planning organization (MPO) and the Florida Transportation Plan. Projects eligible for state SIB assistance must be transportation facility projects on the State Highway System or projects that provide for increased mobility on the State's transportation system (that is, projects that provide for connectivity between the State Highway System and airports, seaports, rail facilities, transportation terminals, and other intermodal options for increased accessibility and movement of people, cargo, and freight). Projects funded by the state-funded SIB also must be consistent with the applicable MPO's plan and local government comprehensive plans.

Project selection criteria. Project review and prioritization will, at a minimum, include consideration of the following criteria:

- High present value of repayments
- Secure sources of repayment
- High level of financial feasibility
- Financial safeguards (backup sources should project funding fall short)
- Encourage, enhance, and/or create economic benefits
- Accelerate completion
- Foster public-private partnerships and attract private debt or equity investment
- Use of new technologies
- Help maintain or protect the environment

- Improve intermodalism
- SIB loan is a smaller percent of the total project
- Secured local and private funding sources to leverage the project
- Improve safety

Available assistance. Florida's SIB funds may be used for various forms of financial assistance such as subordinated loans, interest subsidies, letters of credit, capital reserves for bond financing, and construction loans. The amount of any loan or other assistance may be subordinated to other debt financing for a project with an investment grade rating of "BBB" or higher. In addition, Florida DOT is authorized to leverage the state SIB's loan portfolio repayment stream through the issuance of revenue bonds to provide a recurring source of loan funds. Florida expects to issue the first series of revenue bonds in state fiscal year 2004/05. Florida SIB assistance also may be used for refinancing, but the SIB has not been involved in a refinancing to date.

Loan terms. Loans may bear interest at or below market interest rates, as determined by Florida DOT. The minimum loan size is $1 million, with exceptions granted by Florida DOT on a limited basis for small or unique projects. Applicants must present a financial plan that demonstrates full funding for the project, including all contingencies. Documentation to verify funding sources is required. If funds are committed to repay the loan other than project revenues, such as gas taxes, local option sales taxes, etc., the applicant must provide proof of a commitment of these funds such as a Florida DOT agreement or city/county commission resolution. The finance plan also should have backup funding source(s) that can facilitate completing the project should significant cost overruns occur.

All projects must begin repaying their loan within five years after project completion or, in the case of a highway project, the facility has opened to traffic, whichever is later, and complete the repayments within 35 years after the first payment on the loan or the useful life of the investment. Transit loan repayments for new bus or bus replacement purchases must begin not later than the 5th year after the date of the loan and complete repayment no later than the 10th year after the date of the loan. Repayments in a particular year can be deferred in extraordinary circumstances at Florida DOT's discretion, but a late fee will be assessed on the amounts overdue.

Exhibit 3. Florida SIB Transit Activity (dollars in millions, as of December '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Lee County	Purchase of trolleys	$0.7	Rate: 0% Term: 2 yrs Source: FTA funds	$1.9
City of Gainesville	Purchase of buses	$4.0	Rate: 0% Term: 4 yrs Source: FTA and federal funds	$4.8
Palm Beach County	Purchase of buses	$8.8	Rate: 0% Term: 5 yrs Source: FTA funds	$13.0
Palm Beach County	Purchase of connector and paratransit equipment	$2.9	Rate: 0% Term: 6 yrs Source: FTA funds	$15.6
LYNX	Area-wide Service Expansion Program	$7.6	Rate: 5% Term: 12 yrs Source: FTA funds	$53.4
LeeTran	Right of way and construction of	$3.0	Rate: 2%	$8.9

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
	administrative, operations, and maintenance facility		Term: 12 yrs Source: FTA funds	
Ybor Station (state-funded)	Construction, operation and maintenance of intermodal terminal	$4.3	Rate: 0% Term: 1 yr Source: federal and state funds	$22.1
Total		**$39.3**		**$148.9**

Michigan State Infrastructure Bank

Michigan's SIB is housed in the Michigan Department of Transportation's Office of Transportation Economic Development and Enhancement. Michigan has flexed highway dollars to its SIB's transit account and also is able to seed the SIB with state dollars that are eligible for transit projects. Michigan has made five transit loans from its SIB and each loan is detailed in Exhibit 4 below. The Michigan SIB was capitalized with federal funds under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and therefore repayments from state and local sources convert to state funds without federal requirements attached.

Eligibility. Eligible projects include highway construction as defined in Title 23 of the U.S. Code, transit capital projects as defined in Title 49 of the U.S. Code, or projects eligible under Michigan transportation statutes, Act 51. The SIB will not finance operating or administrative costs. Eligible borrowers include any public entities such as political subdivisions, state agencies, regional planning commissions, transit agencies, and economic development corporations. Private companies and non-profit organizations that are developing a publicly-owned facility also are eligible for SIB financing.

Project selection criteria. Michigan DOT established the SIB for the following purposes:

- To attract new public and private investment in transportation infrastructure;
- To increase the financial viability of transportation projects by reducing borrowing costs; and
- To accelerate the delivery of transportation projects by providing financial assistance that is otherwise unavailable in the short-term.

The SIB takes a multimodal approach to financing transportation projects. Highway, transit, rail, and intermodal projects are considered. Michigan DOT has identified the following priorities for the SIB:

- Transportation projects that attract significant new public and/or private capital, but require additional financing to complete;
- Transportation projects that, with SIB support, can realize significant cost reductions; and
- Transportation projects that either cannot be constructed or will be significantly delayed (two or more years) for lack of adequate capital.

Michigan DOT evaluates applications to assess the proposed project's eligibility and feasibility, the project's level of public support, the applicant's technical capabilities, the borrower's creditworthiness, and the SIB's financial capability to participate in the proposed project. If the proposed project is approved, a SIB agreement is negotiated with the applicant. When evaluating SIB applications, the following factors are considered:

- Extent to which project fulfills the program purposes

- Extent to which project fulfills the program priorities
- Extent to which project addresses statewide transportation goals of the State Long-Range Plan
- Project's consistency with applicable state, local, and regional transportation plans and programs
- Extent to which non-transportation infrastructure and support services necessary to support the project are available, under construction, or committed
- Level of local financial and public support (for non-Michigan DOT projects)
- Financial and technical capabilities of the project sponsor(s)
- Security/collateral offered by the borrower
- Strength of proposed revenue stream or financial sources that will pay off the loan

Available assistance. The SIB provides low-interest direct loans. There is no minimum loan amount. Due to capital restrictions, SIB financing generally does not exceed $2 million. Michigan DOT will work with project sponsors of larger projects to identify other financing sources. The level of SIB participation in proposed projects is determined on a case-by-case basis.

Loan terms. The interest rate for SIB loans is currently 3 percent (formerly 4 percent). The interest rate may vary based on the level of risk and repayment terms of the loan. The maximum term for a loan is 25 years. There is no minimum loan term. Michigan DOT bases loan terms on the asset's useful life and the financing needs of the project sponsor. Priority will be given to projects with short repayment terms. Repayments must begin within two years of project completion and/or opening to traffic. Applicants must identify revenue sources to repay the loan. Revenue sources may include future federal aid, future state transportation (Act 51) funds, local government general funds, tax increment financing revenue, assessment fees, impact fees, state revenue sharing, or other sources of income generated by the project or project sponsor.

Exhibit 4. Michigan SIB Transit Activity (dollars in millions, as of December '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Capital Area Transportation Authority	Purchase of buses	$2.0	Rate: 4% Term: 4 months Source: FTA funds	$2.0
Eastern Upper Peninsula Transportation Authority	Ferry boat replacement	$0.4	Rate: 4% Term: 10 years Source: Local transportation funds	$2.6
Isabella County Transportation Commission	Construction of new transit facility	$1.1	Rate: 4% Term: 12 years Source: State transportation funds	$2.1
Marquette County Transit Agency	Construction of bus garage	$0.1	Rate: 4% Term: 10 years Source: FTA funds	$0.2
Marquette County Transit Agency	Construction of transit operations and maintenance facility	$1.7	Rate: 3% Term: 3 years (or less) Source: FTA funds	$5.6
Total		**$5.3**		**$12.5**

Minnesota Transportation Revolving Loan Fund

The Minnesota SIB, established in 1997 with the Transportation Revolving Fund Act, is named the Minnesota Transportation Revolving Loan Fund (TRLF). The Minnesota DOT, the Minnesota Department of Trade and Economic Development, and the Minnesota Public Facilities Authority (PFA) jointly develop and administer the TRLF. The Minnesota DOT evaluates and certifies transportation projects to PFA for TRLF financing. The Public Facilities Authority conducts a financial evaluation of certified applicants and sets loan terms and conditions. Minnesota also established in law a state SIB that could provide loans to transit capital projects, but to date the state SIB has not been capitalized. The TRLF has made one $4.1 million loan from its transit account (as shown in Exhibit 5). The loan leveraged a $17 million PFA bond issue that enabled a $21 million loan to the Metropolitan Council (the regional governing body for the Twin Cities) to assist 53 transit capital projects.

Eligibility. Eligible borrowers include the state, counties, cities, and other governmental entities. Private entities are not currently eligible for TRLF financing, but they may be able to enter into agreements with eligible borrowers to finance eligible transportation projects. To be eligible for TRLF financing, a project must be eligible under Title 23 or Title 49 of the U.S. Code and Minnesota Statute Section 446A.085, subdivision 2. Eligible projects include, but are not limited to, pre-design studies, acquisition of right-of-way, road and bridge maintenance, repair, improvement, or construction, enhancement items, rail safety projects, transit capital purchases and leases, airport safety projects, and drainage structures, signs, guardrails, and protective structures used in connection with these projects.

Project selection criteria. All proposed TRLF projects must go through the District/Area Transportation Partnership (ATP) process (i.e., the State Transportation Improvement Program development process). Applications are submitted to the applicable District/ATP for evaluation, approval, and prioritization using regionally significant evaluation criteria. The District submits approved, prioritized applications to Minnesota DOT's Office of Investment Management where the TRLF Application Review Committee evaluates and integrates applications from all Districts into one prioritized list using criteria set forth in Minnesota Statute Section 446A.085 and Minnesota Rule 8805.0400. In the past, these criteria included the following:

- Regional significance
- Project need
- Movement of people and freight
- Repayment sources
- Economic analysis/impact
- Relationship to transportation plans
- Project schedule/readiness
- Entire project costs and funding
- Loan amount

Those applications for which TRLF funds exist are certified, in priority, to PFA.

Available assistance. Financial assistance available from TRLF includes loans, loan guarantees, lines of credit, credit enhancements, equipment financing leases, bond insurance, and other forms of financial assistance.

Loan terms. Interest rates for TRLF loans are based on a bond market index. Discounted rates may be available based on demand for loans and the need to maintain the long-term viability of the fund. Cities with populations of less than 5,000 receive an additional one percent discount. Acceptable repayment sources include, but are not limited to, special assessments, property tax levies, tax increment financing, local government option sales taxes, future federal funds, future state funds, and customer fees from revenue-generating projects. Generally, repayments are structured as level payments over the term of the loan. Principal repayments must commence no later than three years and interest payments not later than one year after the execution of the loan agreement. The useful life of the assets being financed, or 30 years, whichever is less, is the maximum loan term. There are no minimum loan terms.

Exhibit 5. Minnesota Transportation Revolving Fund Transit Activity (dollars in millions, as of Dec '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Metropolitan Council	53 transit capital projects (bus purchases, park-n-ride lot construction, etc.)	$4.1 (bond leveraged to provide $21 million in assistance)	Rate: 2.71% Term: variable up to 20 yrs, based on life of assets Source: property taxes	$21.0
Total		**$4.1**		**$21.0**

Missouri Transportation Finance Corporation

The Missouri DOT's SIB, the Missouri Transportation Finance Corporation (MTFC), is capitalized with federal and state dollars. The MTFC is one of five SIBs enabled by the Transportation Equity Act for the 21st Century (TEA-21) to contribute funds from the State's federal TEA-21apportionments to the bank. The MTFC's transit loans, to date, are summarized in Exhibit 6.

Eligibility. Any public or private entity is eligible for MTFC assistance. To be an MTFC eligible project the project must be eligible under Title 23 or Title 40 of the U.S. Code. This includes but is not limited to highway projects, rail projects, transit capital and rolling stock projects, transportation facility projects and vehicles for transportation of elderly and handicapped persons.

Project selection criteria. Demand for MTFC assistance has not been greater than the bank's available funds to date. As a result, if a proposed project meets the eligibility criteria, it is funded. If demand were to be greater than available SIB funds, the SIB would work with the project sponsor to find alternative means of assistance to potentially including federal credit assistance or the issuance of bonds by the SIB to leverage its repayment stream. If such alternatives are not feasible, MTFC will implement use of its established evaluation criteria which include transportation need, timeliness of repayment, non-Missouri DOT contribution, economic benefit, public benefit, and financial feasibility.

Available assistance. Types of assistance available under MTFC include primary or subordinated loans, bond or grant anticipation loans, debt reserve financing, letters or credit, short-term construction loans, subsidized interest rates, purchase and lease/purchase agreements.

Loan terms. Interest rates are typically based on comparable term municipal bond rates. Repayments must begin no later than five years following project completion or from when the project is open to traffic, whichever is later. Repayments must be complete within 10 years of loan disbursement. MTFC, however, encourages repayments to begin sooner and end earlier. Most projects have begun repayments within one year and completed repayments within five years.

Exhibit 6. Missouri Transportation Finance Corporation Transit Activity (dollars in millions, as of December '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Bi-State Development Agency	Local match for bus acquisition	$11.1 (2 disbursements $5.3 and $5.8)	Rate: $5.3 mil at 5.49%; $5.8 mil at 4.64% Term: 10 yrs	$58.4
City of Springfield	Intermodal ground transportation demonstration project	$2.1	Rate: 6.28% Term: 3 yrs Source: grant funds, as available	$10.6
Total		**$13.2**		**$69.0**

North Carolina State Infrastructure Bank

The North Carolina SIB, established in 1997 by General Statute 136-18, is housed in the North Carolina DOT. The North Carolina SIB has made three transit loans, as detailed in Exhibit 7. On transit projects, SIB funds are primarily used to cover local match requirements. North Carolina does not have a separate SIB account capitalized with only state funds. Since the North Carolina SIB was capitalized with federal funds under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), repayments to the SIB from state and local sources convert to state funds without federal requirements attached.

Eligibility. Any public entity authorized to construct, maintain, or finance a transportation project is eligible for SIB assistance. To be eligible for SIB assistance, a project must qualify for federal aid. This generally means the project is on the state highway system and in the Statewide Transportation Improvement Plan.

Project selection criteria. The North Carolina SIB is in its infancy. If funds are available, all eligible projects are approved for assistance. To date, demand for SIB assistance has not been greater than the bank's available funding. The level of financing and the loan/bond mix is based on factors such as the following:

- Funds available in the SIB
- Financial feasibility of a project
- Cost of the project
- Individual credit strength of applicant
- Ability of the applicant to repay the assistance
- Public benefit of the project
- Any other applicable issues considered by the North Carolina Board of Transportation

Available assistance. The North Carolina SIB provides low interest loans to municipalities for highway or transit projects as well as credit enhancements such as lines of credit, letters of credit, bond insurance, and capital reserves. Loans are funded directly from SIB resources or through the sale of revenue bonds.

Loan terms. Interest rates on North Carolina SIB loans are 4 percent APR and this rate can only be amended by the Secretary of Transportation on a case-by-case basis. Repayment periods vary based on the size of the loan. For loans less than $2 million the repayment period is three years, for $2 to $5 million loans, five years, for $5 to $10 million loans, 10 years, and for loans over $10 million, 30 years. The repayment structure is annual and deferrals are not allowed. Payments to the SIB are guaranteed by withholding state transportation grants for city streets that are administered by formula based on population and number of city street miles.

Exhibit 7. North Carolina SIB Transit Activity (dollars in millions, as of December '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
City of Greensboro	Rehabilitation of downtown rail depot	$1.6	Rate:4% Term: 3 yrs	$17.1
City of Rocky Mount	Local match for bus purchase	$0.2	Rate: 4% Term: 3 yrs	$2.0
City of Gastonia	City draws on funds over 2 yrs to meet additional needs	$0.2	Rate: 4% Term: 3 yrs	$1.8
Total		**$2.0**		**$20.9**

Ohio State Infrastructure Bank

The Ohio SIB, authorized by Ohio Revised Code, chapter 5501, is administered by the Ohio DOT. The Ohio DOT's Office of Economic Development receives, reviews, and makes recommendations on applications to the SIB Loan Committee who manages the approval process. Ohio does not have a separate SIB account capitalized with state-only funds. Since the Ohio SIB was capitalized with federal funds under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), repayments to the SIB from state and local sources convert to state funds without federal requirements attached. The transit loans provided by the Ohio SIB, to date, are detailed in Exhibit 8.

Eligibility. Qualified borrowers include any public entity, such as political subdivisions, other state agencies, boards, or commissions, regional transit boards, and port authorities. Any highway or transit project eligible under Title 23 or Title 49 of the U.S. Code and listed in Ohio's State Transportation Improvement Plan (STIP) is eligible for SIB funding. Other transportation projects, including rail, aviation, and other intermodal facilities also are considered for funding.

Project selection criteria. The following criteria are evaluated by Ohio DOT's Office of Economic Development for each applicant project:

- Ability to repay
- Management of project
- Working capital and operating funds
- Need and public benefit
- Collateral
- Status of project in relation to actual construction startup

Available assistance. Loans are the primary type of assistance available from the Ohio SIB. Projects funded with federal monies from the SIB and listed on the STIP will be limited in loan amount to the funding level approved by the STIP. Bonds also can be issued under the SIB program to leverage the bank's available funds for projects.

Loan terms. The average interest rate for the loan program is set at three-quarters of prime rate. Factors considered when determining a loan's interest rate include loan term, loan amounts, strength of cash flow coverage, economic distress factors, and strength of security. The project must have an identifiable revenue stream to amortize the debt. Such revenue sources may include local government pledges, toll proceeds, tax increment financing, property assessments, license plate and registration fees, local government funds, and other user payments and/or fees, such as parking revenues, docking and landing fees, passenger facility charges, etc. Most transactions are structured as level payments over the term, but repayments may be deferred, increased, ramped up over time, or paid in a balloon payment. Repayments also may allow for interest incurred during construction (to a maximum of 12 months) being deferred or forgiven. The project must begin repayment within two years of project completion and/or opening to traffic. Repayment periods are based on the useful life of the assets being financed or ten years whichever is less. There is no minimum loan term.

Exhibit 8. Ohio SIB Transit Activity (dollars in millions, as of Dec '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Greater Cleveland Regional Transit Authority	Structural rehabilitation of viaduct	$6.9	Rate: 4% Source: Revenues of the Greater Cleveland RTA derived from rentals, fees, rates, and charges of operating fees	$25.0
Metro Regional Transit Authority	Rehabilitation of railroad line providing passenger service from Akron to Canton (for local match)	$0.5	Rate: 0% Source: Pledged FTA grant funds	$1.5 (only 1 phase of multi-phase program)
Total		**$7.4**		**$26.5**

Oregon Transportation Infrastructure Bank

The Oregon SIB, the Oregon Transportation Infrastructure Bank (OTIB), was established by state law in 1997 and is housed in the Oregon DOT's Financial Services Office. As detailed in Exhibit 9, OTIB has made four loans to public transportation projects. Two of these loans are from the highway account, but assisted transit projects. In general, state funds are used to match federal funds in the federal SIB, but Oregon does have a state SIB for highway projects. OTIB was capitalized with federal funds under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). As a result, repayments to OTIB from state and local sources convert to state funds without federal requirements attached.

Eligibility. Eligible borrowers include cities, counties, transit districts, port authorities, other special service districts, tribal governments, state agencies, and private for-profit and not-for-profit entities. Projects generally must be eligible for funding under Title 23 or Title 49 of the U.S. Code. Eligible projects include the following:

- Highway projects such as roads, signals, intersection improvements, and bridges
- Transit capital projects such as buses, equipment, and maintenance, or passenger facilities
- Bikeway or pedestrian access projects on highway right-of-way

Eligible project costs include preliminary engineering, environmental studies, acquisition of right-of-way, equipment, construction including project management and engineering, inspections, financing costs, and contingencies.

Project selection criteria. Projects are rated on established criteria by OTIB staff and a regional advisory committee. Three criteria are considered essential and projects must receive passing scores in these criteria to be eligible for funding. The criteria considered are as follows:

Essential criteria:
- Planning and programming requirements conformity
- Design standard compliance
- Adequate repayment source availability

Other criteria:
- Project acceleration
- Safety enhancement
- Better management of traffic growth and improved livability
- Funding innovation
- Length of loan term
- Impact on economic development
- Enhanced quality of life

Available assistance. The OTIB offers direct loans funded from available OTIB resources or through the sale of bonds. Other forms of financial assistance may be available upon request. OTIB funding may cover up to 100 percent of the project costs.

Loan terms. Interest rates are based on the term of the loan, evaluation of the credit quality of the applicant, and other factors relating to the borrower's repayment ability and prevailing market rates. Interest rates may be fixed or variable. Repayments must begin within five years of project completion. Prepayments of loans are not allowed unless such conditions are outlined in the loan documents. A penalty of up to two percent of the outstanding loan amount may be assessed for prepayments. Repayment must be completed within 30 years or at the end of the useful life of the project, if shorter. Applicants are encouraged to lower borrowing costs by choosing the shortest feasible repayment term. Interest rates generally will be higher with a longer repayment schedule and Oregon DOT charges a 1 percent loan fee for loans terms in excess of one year.

Exhibit 9. Oregon SIB Transit Activity (dollars in millions, as of Dec '04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Lane Transit District	Bus signal prioritization system (funded, never used)	$0.8 (from highway account)	Rate: 4.18% Term: 6 yrs Source: operating revenues	$0.8
Sunset Empire Transportation District	Intermodal center engineering/design costs	$0.2 (from highway account)	Rate: 3.61% Term: 4 yrs Source: earmark	$0.3
Tillamook County Transportation District	Transit facility expansion	$0.8	Rate: 4% Term: 20 yrs Source: rental income, transit-related assessments	$1.4
Rogue Valley Transportation District	Expansion of fixed route and paratransit fleet	$0.8	Rate: 4% Term: 10 yrs Source: operating revenues	$4.9
Total		**$2.5**		**$7.4**

Pennsylvania Infrastructure Bank

Pennsylvania's SIB, the Pennsylvania Infrastructure Bank (PIB), is housed in Pennsylvania DOT's Office of Planning. State matching funds in the PIB are known as Public Transportation Assistance Funds and are administered by Pennsylvania DOT's Bureau of Public Transportation. The PIB is established under broad legislation that enables the bank to assist highways, transit, rail, and aviation. As detailed in Exhibit 10, the PIB has assisted two transit projects to date.

Eligibility. Anyone can borrow from the PIB as long as the proposed project is eligible for Pennsylvania DOT funding or federal aid. The PIB can finance any phase of project development, but Pennsylvania DOT prefers to assist projects that have progressed through the design phase and obtained any necessary municipal approvals. Examples of eligible projects include, but are not limited to the following:

- Road and bridge repair, improvement, or construction
- Traffic signals
- Transportation enhancement projects
- Improvements required by highway occupancy permits
- Rail safety projects
- Transit capital purchases and leases
- Drainage structures, signs, guide rails, and protective structures connected to these projects
- Intermodal and intelligent transportation system (ITS) projects

Project selection criteria. The PIB evaluates applications against a series of criteria, including the following:

- Ability to meet federal, state, and local planning, environmental, and programming requirements
- Reasonable and accurate project cost estimate
- Accurate, reasonable, and secure funding sources and revenue and expense projections
- Ability to repay
- Loan security
- Prioritization (for transit, priority is assigned once preliminary bidding steps are complete)

Available assistance. The PIB provides direct, low-interest loans. Pennsylvania DOT determines the loan amount taking into consideration project financing needs balanced against the borrower's ability to repay, project type and magnitude, and level of funding provided by the applicant. Pennsylvania DOT also considers the project's relative importance, in terms of program status, public safety, or economic development opportunities.

Loan terms. The terms and conditions for each PIB loan are considered on a case-by-case basis, but certain minimum criteria apply. The maximum term for a PIB loan is 10 years and shorter terms are preferred. Repayments are usually structured as equal payments to be made annually, quarterly, or biannually over the term of the loan. Pennsylvania DOT has fixed the interest rate for PIB loans at one-half the prime lending rate as published by the Federal Reserve at the time of the loan application.

Exhibit 10. Pennsylvania SIB Transit Activity (dollars in millions, as of Dec ‘04)

Sponsor	Use of Funds	Loan Amount	Terms (rate, repayment)	Total Project Cost
Harrisburg Redevelopment Authority	Refurbished Harrisburg Transportation Center (intermodal center for region’s transit services, AMTRAK, and Trailways Bus Service)	$1.4	Rate: 3.875% Term: 5 yrs/longer due to environmental processes Source: TEA-21 earmark	$4.1
Berks Area Reading Transportation Authority	Construction of a new maintenance garage and administrative building	$1.8	Rate: 1.5% Term: 10 yrs Source: state and local transit funds	$4.4
Total		**$3.2**		**$8.5**