BATIC Institute
Roundtable on Freight Rail Investment
September 11, 2018
• Established by the Fixing America’s Surface Transportation (FAST) Act.

• Consolidates TIFIA and RRIF loan programs and Private Activity Bonds (PABs) program under one roof.

• Serves as single point of contact for project sponsors, provides technical assistance, communicates best practices, and develops new products and services.

• Organized into two offices:
  – Outreach and Project Development
  – Credit Programs
Project Pipeline by Type/Value

98 projects in Pre-Credit Pipeline valued at $79 Billion
• Railroad Rehabilitation & Improvement Financing (RRIF) program
• Direct loan for up to 100% of eligible project costs
• $35 billion available ($7 billion reserved for short lines and regional railroads)
• Cost to government of providing financial assistance borne by the applicant through payment of Credit Risk Premium (CRP)
• Collateral not required, but CRP affected by collateral pledged
• Project required to comply with various Federal and modal requirements, including NEPA and Buy America
RRIF – Eligible Borrowers & Projects

BORROWERS

- Railroads
- State and Local Govs
- Government sponsored authorities and corporations
- Interstate compacts (410(a)) Amtrak Reform and Acc. Act of 1997
- Limited option freight shippers
- Joint Ventures

PROJECTS

- Design/planning
- Freight Rail Facilities*
- Freight Transfer Facilities*
- FRA-Regulated Commuter Rail Facilities
- Passenger Rail Vehicles and Equipment
- Transit-Oriented Development
- “Intermodal” or Rail Equipment or Facilities*
- Refinance of above

NO OPERATIONS!
Since program inception, RRIF has approved 37 loans in 27 states totaling over $5 billion.
TIFIA Program – Background

- Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA)
- Minimum anticipated project costs exceeding $10 million
- Limited to 33% of reasonably anticipated eligible project costs
- Senior debt must receive two investment grade ratings (BBB-/Baa3) from nationally recognized credit rating agencies
- Project must be in State’s transportation planning and programming cycle
- Project must have a dedicated revenue source, such as tolls or other user fees, that are pledged to secure debt service payments
TIFIA – Eligible Borrowers & Projects

BORROWERS

- State Governments
- State Infrastructure Banks
- Local Governments
- Special Authorities
- Transportation
- Improvement Districts
- Private Companies (with public planning sponsor)

PROJECTS

- Highways and Bridges
- Intelligent Transportation Systems
- Intermodal Connectors
- Transit Vehicles and Facilities
- Intercity Buses and Facilities
- Freight Transfer Facilities*
- Pedestrian and Bicycle Infrastructure Networks
- Transit-Oriented Development
- Rural Infrastructure Projects
- Passenger Rail Vehicles and Facilities
- Surface Transportation Elements of Port Projects*

NO OPERATIONS!
TIFIA and RRIF – Program Benefits

- Low fixed interest rates
- Long terms available (up to 35 years)
- Flexible amortization schedules
- Funds drawn as needed
- No pre-payment penalty
- Non recourse financing (project cash flow supported)
- RRIF can finance 100% of project costs
- TIFIA Borrower/Revenue source may be min. investment grade

Low Interest Rate - Interest rate on 9/6/2018 was 2.98% for a 35-year loan
Private Activity Bonds (PABs)

- DOT authorized to allocate $15 billion in PABs for qualified highway or surface freight transfer facilities.
- State or local government issues tax-exempt bonds on behalf of a private entity.
- Private entity/developer responsible for all PABs debt service.
- To date, over $11 billion of PABs have issued or allocated:
  - Over $8.2 billion of PABs issued for 19 projects
  - Additional $2.8 billion of PABs allocated for eight projects.
- Can be used in combination with TIFIA or RRIF.
Other DOT Financial Assistance Programs

INFRA Program

• Discretionary grant program focusing on nationally significant freight and highway projects
• $4.5 billion over 5 years

Build Program (formerly TIGER)

• Discretionary grant program focusing on surface transportation infrastructure, including roads, bridges, transit, rail, ports or intermodal transportation.
• $1.5 billion available in 2018
• At least 30% of funds for projects in rural areas.

National Highway Freight Program (NHFP)

• $6.3 billion to states over 5 years; up to 10 percent for non-highway freight modes
FRA Grant Programs

Consolidated Rail Infrastructure & Safety Improvements (CRISI) Program

• Discretionary grant program focusing projects that improve safety, efficiency, and reliability of passenger and freight rail

• Eligible projects include track, station and equipment improvements, Positive Train Control, congestion mitigation, grade crossings, and rail line relocation

• $318 million available in 2018

Federal-State Partnership for State of Good Repair

• Grant program to fund capital projects to reduce the State of Good Repair backlog on certain publicly owned railroad assets

• Eligible projects include capital projects to repair, replace, or rehabilitate publicly owned railroad assets
New Administration Focus

• Increase diversity of projects:
  - Geographic distribution
  - Rural/urban mix
  - New project types and financial structures
  - Innovation/transformative projects

• Streamline and harmonize applications
• Provide fee relief where possible
• Streamline review processes where possible
• Streamline environmental review process
New Administration Focus

• TIFIA Rural Projects Initiative
  - Project located in area with population less than 150,000 and outside Census-defined urbanized area
  - Total project cost of $10 – 75 million
  - Fees may be covered by DOT
  - TIFIA can finance up to 49% of eligible project costs
  - Fixed interest at ½ the U.S. Treasury rate (1.49% on 9/6/18)
  - Other TIFIA Program requirements apply

• Short Line and Regional Freight Rail Initiative
  - Possible reduced fees
  - Expedited processing
  - Be on the lookout for an announcement!
Questions?

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