STATEMENT OF
THE HONORABLE ANTHONY FOXX
SECRETARY OF TRANSPORTATION

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
U.S. SENATE

HEARING ON

Oversight Hearing on Implementation of Map-21's TIFIA Program Enhancements

July 24, 2013

Chairman Boxer, Ranking Member Vitter, Members of the Committee:

Thank you for the opportunity to be here today to talk about the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program.

The TIFIA program provides low-cost Federal credit assistance for surface transportation projects across the country. Created as part of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, the TIFIA program was designed to help State and local governments that sought to finance large-scale transportation projects with new innovative sources of revenue. Prior to TIFIA, public sponsors often had difficulty obtaining loans at reasonable rates and attracting private financial investment due to the uncertainties associated with funding and financing these complex projects.

Today, the TIFIA program's flexible terms and low interest rates make it possible to obtain financing for critical projects that otherwise would have been delayed or deferred because of their size and complexity. This includes the loan for the SR-91 Corridor Improvement Project in Riverside, California. At the beginning of this month we provided a $421 million loan to this $1.3 billion project which is expected to reduce traffic delays and create more than 16,000 new jobs. Another example of a TIFIA project is the Washington Metropolitan Area Transit Authority (WMATA) Capital Improvement Program, which was the first agreement added to the TIFIA portfolio and is now successfully retired. TIFIA provided a $600 million loan guarantee in 1999 giving WMATA access to the capital markets at a low cost and allowing the agency to undertake a $2.3 billion program of projects to rehabilitate its bus and rail system. These projects are examples of the investment in critical transportation infrastructure that TIFIA credit assistance makes possible – projects that stimulate the economy and create thousands of U.S. jobs.

TIFIA is a truly multimodal program. Many large-scale, surface transportation projects, including highway, transit, railroad, intermodal freight, and port access projects, are eligible for assistance. Increasingly, we are seeing a broad interest in TIFIA from innovative and multimodal projects and projects with non-traditional sponsors. We are also pleased that projects in more and more states are interested in TIFIA assistance. This year alone we have closed TIFIA loans for projects in two new States – Washington and Illinois – and we have pending

projects from several other new states, including Delaware and Kentucky, that we expect to close in the upcoming fiscal year. And the TIFIA program continues to facilitate the introduction of private capital to infrastructure by providing subordinate debt and playing an important role in the financing plan for transportation projects advanced as public-private partnerships. In this way, the TIFIA program is fulfilling its fundamental goal: to leverage Federal funds by attracting substantial private and other non-Federal co-investment in critical improvements to the nation's surface transportation system.

Our ability to leverage Federal resources through TIFIA credit assistance is a powerful tool, and one that you recognized when authorizing a significant expansion of the program under Moving Ahead for Progress in the 21st Century Act (MAP-21), increasing TIFIA's funding level more than eightfold – from $122 million per year to $1 billion per year in fiscal year (FY) 2014. We estimate that TIFIA's leverage ratio is more than 30:1, meaning that one dollar of TIFIA budget authority supports over $30 of infrastructure investment. At the MAP-21 funding level, the TIFIA program could stimulate as much as $30 billion or more in infrastructure investment in FY 2014 alone.

Furthermore, the expanded TIFIA program will allow us to meet the overwhelming demand for TIFIA credit assistance. As you know, in each of the last three years, we have received $12 billion to $15 billion in requests for TIFIA assistance. So far this year, the Department of Transportation (DOT) has received a record $15.8 billion in requests to finance 31 projects around the country. Thanks to the strong, bipartisan support and leadership of Chairman Boxer, Ranking Member Vitter, and the rest of the Committee, we now have the resources to better meet the demand for TIFIA assistance.

And DOT has moved forward quickly to make sure the funding you have authorized is used to support projects. Since MAP-21 went into effect in October, we have committed more than $800 million of budget authority for 18 projects that submitted letters of interest. At the same time, DOT continues to advance projects that the Department has invited to apply under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) towards financial close. All told, there are 25 projects progressing in the TIFIA pipeline. To put that in perspective, that's about two-thirds the total number of projects that TIFIA has financed since 1999. And we continue to advance new projects as they achieve major milestones, such as securing all project funding, achieving necessary state or local legislation, fully developing plans of finance, confirming final decisions on procurement methods, or completing environmental clearances.

With the significant expansion of TIFIA funding and the unprecedented number of projects in the TIFIA pipeline, we have needed to increase TIFIA staff resources to meet the demand from project sponsors. I am pleased to report that we have made considerable progress on that front. As of today, we have hired 10 new TIFIA employees under MAP-21 and created four distinct teams in the TIFIA office to cover all aspects of loan review, monitoring and budgeting.

As you are probably aware, the TIFIA Joint Program Office has received extensive support from the Federal Highway Administration executing the program. In terms of leadership and oversight, DOT's Chief Financial Officer and Assistant Secretary for Budget and Programs has

provided guidance and overall policy direction for the program. The TIFIA program has operated successfully under this dual organizational structure, but we are making a change by repositioning the program within the Office of the Secretary. This will create a more streamlined management approach for effectively implementing a TIFIA program that is increasingly receiving large and complex loan requests from multi-modal sponsors of highway, transit, and rail projects.

My predecessor also recognized that TIFIA was a major component of MAP-21, and DOT made it a priority to roll out the newly expanded program. One of the first things DOT did was to embark on an outreach campaign to introduce TIFIA stakeholders to the program and its new features. DOT has developed and delivered a series of webinars about the TIFIA program over the last year. We believe much of the new interest in TIFIA—especially from states we have not worked with before—can be attributed to these and other outreach efforts.

DOT is also working to keep stakeholders informed throughout DOT's creditworthiness evaluation process, which is a rigorous, but highly efficient effort to ensure that project sponsors are likely to repay TIFIA loans and to protect taxpayers. We post information about the program on the TIFIA website on a regular basis, and we have added new material such as a chart that outlines the TIFIA review and approval process and tracks the status of each MAP-21 TIFIA letter of interest (LOI).

I would also like to highlight changes we have implemented in regard to the TIFIA review process. Less than a month after the enactment of MAP-21, DOT published a Notice of Funding Availability (NOFA) in the Federal Register that invited project sponsors to submit LOIs for TIFIA assistance on a rolling basis. The NOFA outlined how DOT redesigned the TIFIA review process to focus on MAP-21's emphasis on creditworthiness. The new, three-phase review process includes an initial screening of the LOI to ensure that the project has followed statutory and regulatory requirements and that it appears to be eligible. The first phase includes an initial screening to, as early in the process as possible, identify major hurdles that might preclude our providing credit assistance, or potentially delay a project. We work with project sponsors to resolve any such issues and then move eligible projects into the second phase, a comprehensive credit evaluation. Upon successful completion of the credit evaluation we will invite a formal application, negotiate terms, and, finally, execute the credit agreement.

The initiatives I have mentioned so far – expanding and reorganizing the TIFIA office, educating TIFIA stakeholders about the program, and revamping TIFIA's review process to focus on creditworthiness and eligibility – are things DOT has undertaken to ensure that we are able to commit the funds that Congress has authorized for the program. And while DOT is prepared to move expeditiously in advancing eligible projects, it is important to realize that the project sponsor determines the speed at which a project will move forward in the review process. Project sponsors coming to TIFIA for assistance usually bring large and complex projects. These undertakings require extensive coordination and integration of environmental review and procurement with DOT Modal Administrations, as well as financial and funding considerations. Sometimes, for very good reasons, a sponsor will find that it is in the best interest of the project to put the TIFIA process on hold while they work through other project-related issues. This is

indeed the case with some of the projects that have sought TIFIA assistance since the passage of MAP-21.

I would also like to mention that the TIFIA review process can move very quickly if standard TIFIA terms are adopted. However, in most cases, DOT has found that project sponsors want to pursue non-standard, more innovative terms for their loans. While these terms can take additional time to negotiate to ensure we are protecting the Federal government and sharing the risks with other investors and stakeholders, we are pleased to work with sponsors to best meet the needs of their projects.

We are committed to advancing critical projects and stimulating infrastructure investment, and equally committed to provide TIFIA funding in a responsible and prudent manner that protects the taxpayers' investment. To that end, DOT provides strong oversight of the program. One of the most important things we have in place at DOT is the Credit Council, chaired by Deputy Secretary Porcari and made up of the Modal Administrators and senior leadership throughout the Office of the Secretary. The Credit Council provides guidance on policy and lending standards and reviews all requests for TIFIA assistance before making a recommendation to me about approving a loan. Under the Obama Administration, the DOT Credit Council has strengthened its focus on creditworthiness requirements, incorporating lessons from the financial crisis and recent economic downturn and ensuring that projects are not overleveraged or financed based on overly optimistic assumptions about revenue performance.

The TIFIA program has been a highly successful way to leverage Federal resources to stimulate infrastructure investment throughout the U.S. To date, the program has extended more than $11 billion in credit assistance to support almost $44 billion in highway, bridge, rail, and bus projects. This year we expect to obligate TIFIA funds for seven or more projects – a record number – and FY 2014 promises to be even busier.

Overall, I believe that the changes made to TIFIA will cement the program's great track record and position TIFIA to provide an increased level of support to critical projects around the U.S., stimulating the economy and creating American jobs. I can assure you that effective oversight of the program is a top priority for me and I look forward to working with you to ensure the program's success for many years in the future.

Thank you again for this opportunity to meet with you. I will be happy to answer any questions.