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Oversight Hearing On Implementation of MAP-21's
TIFIA Program Enhancements

U.S. Senate Committee on Environment and Public Works
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Thank you Chairman Boxer and Ranking Member Vitter for inviting the Los Angeles County Metropolitan Transportation Authority (Metro) to provide testimony at this timely hearing regarding the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.

Metro has enjoyed an outstanding working relationship with this committee for many years – owing to the remarkable leadership of Chairman Boxer and the bi-partisan spirit that has driven this committee to adopt meaningful legislation – like MAP-21 and most recently the Water Resources Development Act. In many ways, this committee's record of

achievement offers a welcome blueprint for the rest of the Congress.

We are particularly pleased to testify today on the merits and benefits of the TIFIA program. This federal program, which provides direct loans and potentially other forms of credit assistance for major infrastructure projects throughout the nation, has played and hopefully will continue to play an important role in the expansion of mobility across Los Angeles County.

In tandem with discussing the importance of the TIFIA program, I believe it is productive to recognize the importance of non-federal investments in transportation - state, local, and private and how those funds are leveraged – sometimes dramatically - by TIFIA loans.

The voters of Los Angeles County have clearly elected, on three separate occasions, to tax themselves to create more mobility for their families and their communities.

Starting in 1980, Los Angeles County voters chose to support a half-cent sales tax on retail sales to support transportation improvements. This was repeated in 1990 with the passage of another sale tax measure.

Most recently, in the middle of our recent economic downturn, Los Angeles County residents – by a two-thirds margin [67.9%] – voted in November of 2008 to authorize an additional half-cent sales tax, Measure R, to fund specific transit and highway projects.

Taken together, these three sales taxes represent the commitment of Los Angeles County taxpayers to invest approximately $1.5 billion annually to improve our transportation system.

I believe it would be helpful if policymakers in Washington, and specifically this committee, are mindful of the local leadership shown by our agency and Los Angeles County taxpayers, along with others like us across the nation, when discussing TIFIA and other federal transportation programs.

One of the most concise and accurate comments about the TIFIA program that I have heard was offered by former Transportation Secretary Ray LaHood.

At an event in Los Angeles held on October 22, 2011 to announce a $546 million TIFIA loan for the Crenshaw/LAX Light Rail transit project – Secretary LaHood said the following:

"….TIFIA helps our transportation dollars go further."

This was true for the Crenshaw/LAX transit project and is, broadly speaking, true for the dozens of projects being built

today due to the availability of smartly designed TIFIA loans. The Crenshaw/LAX TIFIA loan was closed when the indexed rate was 2.43%, a fantastic boost to our agency's ability to deliver the project promised to our voters.

It is for this reason that we are grateful to this committee – led by Chairman Boxer and then-Ranking member Inhofe – for dramatically increasing the authorized funding for the TIFIA program.

MAP-21, under the innovative finance title – America Fast Forward - made several essential reforms of the TIFIA program, some of which I would like to highlight in my testimony.

First, it increased, nearly ten-fold, the funding authorization for the TIFIA program, enabling the U.S Department of

Transportation (USDOT) to provide greater financing assistance to a larger volume of major projects.

Second, MAP-21 authorized the USDOT to provide upfront *contingent* credit commitments for certain large projects or programs of related projects that will be phased in over a period of several years, by means of a *Master Credit Agreement*. We believe this *Master Credit Agreement* mechanism, when implemented by the USDOT, will mitigate risk by providing greater predictability in the financial planning for such large initiatives and help the USDOT manage the TIFIA project pipeline. It is important to note that USDOT's provision of a formal credit commitment in the form of a TIFIA loan to an eligible project referenced in a *Master Credit Agreement* still will be subject to satisfaction of all necessary federal requirements and the availability of future program funding.

Lastly, I want to highlight that MAP-21 authorizes USDOT to provide TIFIA loans with a fully subordinate lien on pledged revenues if certain conditions are met. Before this provision was drafted into law, “springing lien” provisions in TIFIA agreements made it problematic for governmental borrowers with ongoing capital programs and outstanding senior bondholders to take advantage of the TIFIA program’s flexible payment features. This is because it frequently is very difficult or impossible to retrofit a junior TIFIA loan with a “springing lien” into an existing bond indenture. Having to issue a TIFIA loan on the senior lien instead on parity with existing senior bondholders significantly reduces the value of the TIFIA financing in expanding state and local agencies’ financing capacity.

Moving forward, based on the tremendous success in bolstering the TIFIA program in MAP-21, we have included a robust level of TIFIA loans in an ambitious plan our Board of Directors has crafted to accelerate the construction of major highway and transit projects across Los Angeles County.

Specifically, over the coming years we will be seeking up to $2.5 billion in TIFIA loans for mobility boosting transit projects and up to $1 billion in TIFIA loans for highway projects designed to manage Los Angeles County's infamous freeway congestion. I say "up to" because interest rates are continuing to rise and construction bids are showing a recovery. Clearly, the window to secure vital infrastructure at discounted costs may be closing and so the processing of current TIFIA applications now is of particular importance.

In a welcome development, on July 11, 2013 the USDOT's Acting Chief Financial Officer Sylvia Garcia formally invited Metro to apply for just over $1 billion in TIFIA loans for the Purple Line Extension ($856 million) and Regional Connector ($160 million) projects.

Our staff has been seeking these loan invitations, which are consistent with the financial forecast for Metro's Long Range Transportation Plan since late last year.

In response to the USDOT's invitation, I have directed my staff to submit our formal TIFIA application in the next several weeks. And I should note that we have found continuous improvement in the USDOT's TIFIA process since the passage of MAP-21.

As we did with the Crenshaw/LAX Light Rail Transit Project TIFIA loan – we will work diligently with our federal partners to conclude the TIFIA loans for the Westside Subway Extension and Regional Connector by early in 2014.

Let me conclude by expanding on Secretary LaHood's comment that "TIFIA helps our transportation dollars go further."

I would go further yet. TIFIA helps our national economy expand.

TIFIA is a job generator – allowing projects that would otherwise not pencil out - or advance slowly over many years – to move from the drawing board to construction.

The well respected Los Angeles County Economic Development Corporation has studied a number of Metro's proposed transit projects.

As part of their study – they concluded that two of the projects that we are about to begin construction on – thanks

in part to TIFIA loans – will generate over 40,000 jobs across the nation. The Regional Connector is expected to generate over 17,000 jobs nationwide and the first phase of the Purple Line Extension in Los Angeles is expected to generate over 25,000 more jobs nationwide.

These statistics – about these mostly private sector construction jobs – offer fresh evidence of the wisdom this committee has exercised in expanding the TIFIA program.

TIFIA is a cost-effective job engine that supports the economy and enhances the national transportation system. It represents a budgetarily efficient way for the federal government to support major infrastructure investments sponsored by state and local governments. The MAP-21 reforms should enable the USDOT to responsibly grow the program and utilize it more effectively for the benefit of both local users and the general public.

I encourage the committee to continue its close partnership with the USDOT to ensure full implementation of the TIFIA reforms in MAP-21.

I especially look forward to the implementation of procedures that will permit sponsors of large projects or programs of related projects to develop financial plans and structure TIFIA assistance through *Master Credit Agreements*, as outlined in MAP-21.

I would again like to thank the committee and especially Chairman Boxer and Ranking member Vitter for inviting Metro to provide testimony before the committee. I would welcome the opportunity to answer any questions members may have about our experience with TIFIA.