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**FEDERAL CREDIT PROGRAM**

# FY 2004 TIFIA Applications, Letters of Interest Received

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program is off and running in FY 2004 with two new applications and two Letters of Interest from sponsors contemplating the use of TIFIA in their finance plans. Operating under the current Continuing Resolution that runs through January 2004, the TIFIA program has approximately $1.1 billion in credit assistance available.

The first application received in FY 2004 by the TIFIA Joint Program Office (JPO) was from IdleAire Technologies Corporation seeking an estimated $300 million loan to support an Advanced Truck Stop Electrification project with estimated total costs of $1.1 billion. IdleAire's proposal involves a project that would enable truck drivers to turn off their engines during rest periods while still having access to cab heating, air-conditioning, electrification, and other amenities. The proposed TIFIA credit assistance in conjunction with $682 million in senior bonds would help advance this project which is intended to reduce idling emissions, improve sleep for long-haul truck drivers, and improve highway safety.

The TIFIA JPO has also received an application from the Louisiana Transportation Authority (LTA) seeking a $52 million loan to support a $158 million project in Lafourche Parish, Louisiana. The TIFIA credit assistance would help construct a 16.3-mile arterial four-lane, fully controlled access, elevated highway. Phase I of this project, to which the TIFIA loan would be applied, includes the construction of a two-lane

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**TECHNICAL CORNER**

# On the Road to Creation: Oregon's Innovative Partnerships Program

Hampered by inadequate revenues for roads and highways, the state of Oregon is turning to creative thinking to meet system needs. Amidst development of new concepts such as statewide mileage fees and bundling of bridge repairs in design-build format, Oregon is also entering the entrepreneurial world of public-private partnerships.

### *Legislation for Oregon Public-Private Ventures*

Through passage of Senate Bill 772, the 2003 Oregon Legislature gave the Oregon Department of Transportation (ODOT), private entities, and units of government expansive opportunities for partnership in Oregon transportation projects. These opportunities are embedded in a new legislatively mandated program called the Oregon Innovative Partnerships Program. Separated yet coordinated with traditional ODOT processes, the Innovative Partnerships Program will allow achievement of SB 772's defined goals for development of an expedited project delivery process and maximization of innovation.

The innovative partnership arrangements that can be formed under this new program are constrained by few statutory restrictions and have potentially broad applications. Eligible projects include "any undertaking that facilitates any mode of transportation" in Oregon.

SB 772 removes a number of state impediments to forming innovative partnerships:

- ❖ Allows private sector partners to enter transportation projects as early as the conceptual stage of project development.
- ❖ Allows ODOT to solicit proposals, or accept unsolicited proposals, for transportation projects from private firms or units of government.
- ❖ Maintains confidentiality of proprietary information submitted with a transportation project proposal and protects negotiations while maintaining public transparency for project development.
- ❖ Exempts transportation projects undertaken by ODOT under the authority of the Innovative Partnerships Program from most requirements of the state procurement law. Thus, ODOT may streamline processes for the selection of partners, including prequalification of potential partners.

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## *Also in this issue…*

## The Finer Points of TIFIA

The "Finer Points of TIFIA" box provides responses to questions posed by our readers and other observers. We hope you find this section useful and that you will submit questions to Mark Sullivan, Chief, TIFIA JPO, 202/366-5785 or mark.sullivan@fhwa.dot.gov.

*Question*

What oversight does U.S. DOT conduct on projects receiving TIFIA credit assistance? How are these activities integrated with monitoring procedures already in place?

*Answer*

- The goal for TIFIA project oversight and credit monitoring is to protect the Federal interest by managing risks to project delivery and loan repayment. The U.S. DOT has a long-standing responsibility to monitor projects receiving Federal assistance, especially large projects. By law, the U.S. DOT must monitor its credit instruments and update its capital charges annually.
- A project that receives TIFIA credit assistance must follow the Federal grant requirements of the U.S. DOT operating administration – Federal Highway Administration (FHWA), Federal Transit Administration (FTA), or Federal Railroad Administration (FRA) – most closely affiliated with that project. In many cases, the project is also receiving grant assistance from that U.S. DOT administration.
- The TIFIA program monitors a project from execution of the credit agreement through final maturity, relying as much as possible on existing U.S. DOT oversight arrangements such as the FTA's Project Management Oversight (PMO) program and the FHWA's Major Project requirements. These procedures are augmented as needed to address any unique TIFIA credit risks. The TIFIA program also takes full advantage of credit reports, independent engineer reports, and other mechanisms required by the capital markets.
- For each TIFIA project, the U.S. DOT prepares an Oversight and Credit Monitoring Plan based on the project's risk profile and operating administration requirements. The TIFIA staff participate in periodic site visits and status meetings, consistent with the program's role as a project investor. Borrowers must provide ongoing financial and project information until the debt is fully repaid. This includes annual updates to the project's financial plan per requirements specified in the credit agreement. The borrower must also provide, at its own expense, ongoing credit surveillance reports from a nationally recognized credit rating agency throughout the life of the TIFIA debt.
- Each TIFIA credit agreement specifies the documentation required to assist the U.S. DOT in its monitoring of projects receiving TIFIA assistance.

*FY2004 TIFIA, continued from page 1*

bridge over Bayou Lafourche at Leeville and a two-lane elevated span from Leeville south to Highway 3090. The project received a Record of Decision in January 2003 and is exploring tolling options as part of its funding package.

Two California transit projects have also submitted Letters of Interest to the TIFIA program. The North San Diego County Transit Development Board (NCTD) has submitted a Letter of Interest for TIFIA credit assistance seeking an $80 million loan for the Oceanside-Escondido Sprinter rail project in Northern San Diego County. This $351.5 million project will convert 22 miles of existing freight rail alignment into a diesel multiple unit passenger rail system running from Oceanside to Escondido. The project will also include 1.7 miles of new rail right-of-way to serve California State University-San Marcos. The project currently has a Full Funding Grant Agreement with the Federal Transit Administration (FTA) and is seeking to use TIFIA and state and local sources to complete its funding plan.

Further north, the Transbay Joint Powers Authority (TPJA) has submitted a Letter of Interest seeking a $690 million TIFIA loan in support of a $2.1 billion project to build a new multimodal Transbay Terminal and downtown extension of Caltrain in San Francisco. Construction of the project is scheduled for completion in 2011.

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## GARVEE Roundup

# Texas Undertakes New GARVEE Program, Oklahoma Program Clears Legal Hurdles

A new Grant Anticipation Revenue Vehicle (GARVEE) and general highway revenue bonding program has been authorized by the Texas State Legislature, while Oklahoma's previously approved GARVEE program has won a legal victory that will allow it to proceed.

Texas' bonding program began with an omnibus transportation bill passed by the Legislature in June 2003. Since it required a constitutional amendment, the program could not begin until the amendment was approved by the voters in September 2003. Texas' program will permit the DOT to issue up to $1 billion per year of highway revenue bonds, not to exceed a cumulative total of $3 billion. At least $600 million of the amount issued must be used for highway safety improvement programs. The bill does not name specific projects. Instead, the Texas Transportation Commission will be able to weigh the costs and benefits of borrowing for selected projects. The Commission is also directed to establish criteria for selecting the safety projects that will be assisted under this program. The bill establishes a maximum maturity of 20 years, and limits the annual expenditures on debt service to 10 percent of the funds (Federal, state, and other) credited to the state's Highway Revenue Account in the previous year.

Oklahoma's program, authorized to issue $1 billion in total debt, was halted in 2002 by a state Supreme Court ruling that upheld challenges to the bond approval process. The state addressed these challenges by creating a Council of Bond Oversight that included appointments from both the executive and legislative branches. The bond opponents also challenged the creation of the Council, claiming it violated the required separation between the executive and legislative branch, but this claim was dismissed by the state Supreme Court. Oklahoma's initial GARVEE authorization, passed in 2000, limits the term of the notes to 20 years, and requires an average interest rate of seven percent or less. While original plans were to issue $200 million, due to uncertainty over future Federal-aid highway funding levels, the state plans to start with an initial issue of $50 million.

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## GARVEE Transactions *As of November 2003*

| State | Date of Issue | Face Amount of Issue (in Millions) | Rating Moody's/S&P/Fitch | Projects Financed | Backstop |
|---|---|---|---|---|---|
| New Mexico | Sep. 1998<br>Feb. 2001 | $100.2<br>$18.5 | A3/A-/na<br>A2/A/na | New Mexico SR 44 | No backstop; bond insurance obtained |
| Ohio | May 1998<br>Aug. 1999<br>Sep. 2001<br>Sep. 2002 | $70.0<br>$20.0<br>$100.0<br>$135.0 | Aa3/AA-/AA-<br>Aa3/AA-/AA-<br>Aa3/AA/AA-<br>Aa3/AA/AA- | Various projects including: Spring-Sandusky and Maumee River improvements | Moral obligation pledge to use state gas funds and seek general fund appropriations in the event of Federal shortfall |
| Arkansas | Mar. 2000<br>July 2001<br>July 2002 | $175.0<br>$185.0<br>$215.0 | Aa2/AA/na<br>Aa2/AA/na<br>Aa2/AA/na | Interstate Highways | Full faith and credit of state, plus state motor fuel taxes |
| Colorado* | May 2000<br>Apr. 2001<br>Jun. 2001<br>Aug. 2003 | $537.0<br>$506.4<br>$208.3<br>$100.0 | Aa3/AA/AA<br>Aa3/AA/AA<br>Aa3/AA/AA<br>Aa3/AA/AA | Any project financed wholly or in part by Federal funds | Federal highway funds as allocated annually by CDOT; other state funds |
| Arizona | Jun. 2000<br>May 2001<br>July 2003** | $39.4<br>$142.9<br>$149.0 | Aa3/AA-/AA-<br>Aa3/AA-/AA-<br>Aa3/AA-/AA- | Maricopa freeway projects | Certain sub-account transfers |
| Alabama | Apr. 2002 | $200.0 | Aa3/A/na | County Bridge Program | All Federal construction reimbursements. Also insured |
| Virgin Islands | Oct. 2002 | $20.8 | na/na/AAA | Enighed Pond Port Project and Red Hook Passenger Terminal Building | Insured |
| Alaska | Apr. 2003 | $102.8 | Aa2/AA/AA | Eight road and bridge projects | Full faith and credit of state |
| Rhode Island | Nov. 2003 | $217.0 | Aa3/A+/AA- | Freeway, Bridge and Freight Rail Improvement Projects | None |
| **Total** | | **$3,218.5** | | | |

* Colorado DOT issued $400.2 million in June 2002 to refund prior bonds. ** $23.8 million refunded outstanding June 2000 bonds.

Table includes only bond transactions where the entire bond issue funds Federal-aid highway projects and is backed by Federal-aid reimbursements under Section 122, Title 23.

## The Finer Points of GARVEEs

Each issue of *IFQ* features questions and answers on the GARVEE program. This issue focuses on the mixing and matching of Federal innovative finance tools. Under Section 122 of Title 23, Federal-aid funds can be used to repay the debt service on any "eligible debt financing instrument." Federal innovative finance tools include many different debt financing instruments, but only some of these would be considered eligible debt financing instruments under Section 122.

Note that answers to these questions are not regulatory or legislative, but represent FHWA's current administrative interpretations. If you have questions or want to confirm any of this information, please contact your local FHWA Division office. GARVEE guidance is also available at: http://www.fhwa.dot.gov/innovativefinance/garguid1.htm

***Would a State Infrastructure Bank (SIB) loan be considered an eligible debt financing instrument? Could a state be reimbursed for interest on a SIB loan?***

Yes, a SIB would be an eligible debt-financing instrument, and interest costs of such a loan would be eligible. If the SIB in question were operating under the National Highway System Pilot rules, since the source of repayments would be Federal, the SIB loan repayments would have to be used for projects following Federal requirements.

***Would a TIFIA loan be an eligible debt financing instrument? Could a state be reimbursed for interest on a TIFIA loan?***

Future Federal-aid funding would not be considered an eligible source of repayment for a TIFIA loan: thus, a TIFIA loan could not be repaid through a GARVEE structure. However, GARVEEs could be used in conjunction with TIFIA credit assistance as part of a comprehensive financing package.

For more information about GARVEEs, contact Jennifer Mayer, Innovative Finance Specialist, FHWA National Resource Center at San Francisco, 415/744-2634, jennifer.mayer@fhwa.dot.gov.

## State Bond Bank Used to Advance Mississippi Federal-aid Projects

The Federal innovative finance tools offer states significant flexibility in how they are used, enabling a state to tailor the techniques to meet state specific needs. Mississippi's recent bond financing demonstrates how the provisions of Section 122 of Title 23, the GARVEE financing mechanism, can be applied to advance critical projects, using a conduit issuer to loan bond proceeds to finance local Federal-aid projects.

The Mississippi Development Bank (MDB), established in 1986, issues bonds on behalf of local governmental units (such as cities, counties, and state agencies) to finance infrastructure improvements. MDB, the conduit issuer, loans the proceeds to the governmental unit which is then responsible for retirement of the debt through an annual payment to the MDB. This approach has a number of benefits, including more flexibility in bond covenants and debt service coverage requirements and attractive interest rates.

Recognizing these benefits and the need to accelerate the funding of county bridges, the Office of State Aid (State Aid) within the Mississippi Department of Transportation (MDOT), partnered with MDB to leverage Federal funds. State Aid receives an annual portion of Federal-aid specifically to assist local governmental units with transportation projects. State Aid determined that there was a backlog of critical bridge projects that needed to be expedited, but sufficient funds were not available to advance the projects. To fill this funding gap, it was decided that MDB would loan bond proceeds for the projects, which would then be repaid with a portion of Federal-aid bridge funds.

In June 2003, the MDB sold $215 million in Variable Rate Demand Bonds, of which $35 million is loaned through the Mississippi Transportation Commission (MTC) to the Office of State Aid to fund a backlog of 60 critical county bridge projects. By leveraging its Federal dollars, Mississippi is able to get projects off the shelf, accelerating needed repairs to county bridges.

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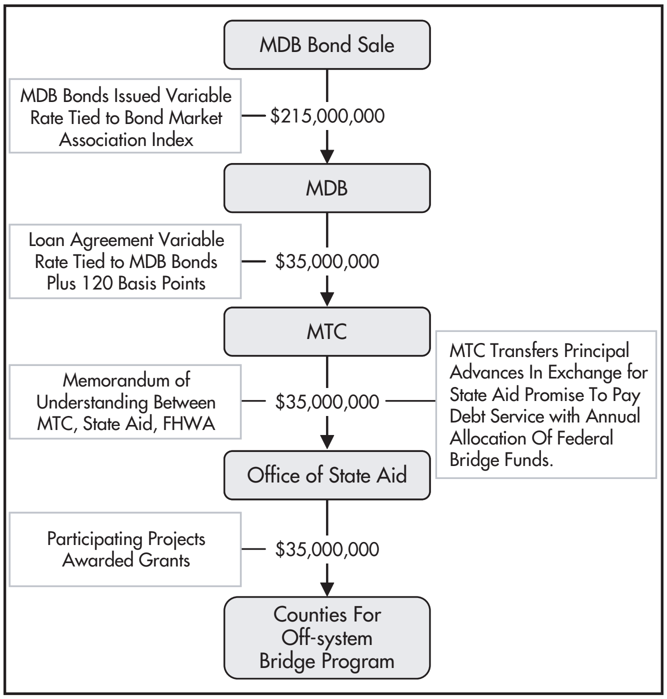
*Mississippi State Bond Bank Advances Projects, continued from page 4*

The following diagram shows the basic structure of the transaction:




This structure allows State Aid to draw on all or a portion of the funds when needed with a 10-year term on the loan established from the date of the draw. When the funds are drawn down to fund a project, they are viewed as grants to the recipient county. State Aid does not incur any fees or interest charges, including the additional 120 basis points above the bond interest rate charged by MDB until the actual funds are drawn. Since the MDB bond interest is reset on a weekly basis, the interest rate is much lower than a fixed rate, saving dollars for the state construction program. State Aid is repaying the MDB loan from MDOT's annual allocation of Federal-aid bridge funds received over a 10-year period. FHWA will reimburse principal and interest along with other eligible debt-related costs in accordance with FHWA and GARVEE guidelines.

The use of state bond banks can provide many financial benefits in the areas of economies of scale, flexibility, and leveraging thereby advancing transportation goals through increased safety, congestion reduction, and economic development. Given that many states have bond banks to advance capital improvement projects, the approach used by Mississippi may be an alternative to the direct sale of GARVEE bonds by a state DOT and has the potential to be a model for financing smaller, local Federal-aid projects.

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## INNOVATIVE TOOLS IN PRACTICE

# Tapered Match Provisions Employed in New York

Recognizing New York's need to bridge the investment gap between available resources and transportation infrastructure needs, the FHWA New York Division Office has been providing ongoing technical assistance to the New York State Department of Transportation (NYSDOT) Executive Committee on the use of innovative financing techniques. Two years ago, NYSDOT decided to move forward with tapered match, a cash management tool enabled by the Transportation Equity Act for the 21st Century (TEA-21). NYSDOT applied the tapered match provision on 12 projects throughout the state totaling $330.9 million with a Federal share of $271.6 million. The use of tapered match allowed New York to vary its matching share of costs over the life of the 12 projects, to better manage the near-term gap in state matching funds.

Now two years later, economic conditions in the state continue to be troubled, and the availability of state matching funds continues to be very limited. To help meet current funding needs, on March 14, 2003 the Division Office approved NYSDOT's second request to use the tapered match provision on 24 Federal-aid projects. The total estimated cost of these projects is $696.9 million with Federal funding totaling $525 million. To date, New York has authorized six of these projects using tapered match, totaling $230 million with a Federal share of $188 million.

Without the use of tapered match, these projects would have been delayed until at least the second half of the state fiscal year. This would have meant that the actual construction would have been delayed until the 2004 construction season, resulting in a later completion date and potentially increased project costs. By demonstrating that tapered match would expedite completion and reduce costs of the 24 projects, New York is able to deliver needed transportation projects in the state. While a long-standing feature of the innovative finance "toolbox," tapered match continues to be a valuable cash management strategy for states facing the pressures of near-term investment needs and funding gaps.

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# Rhode Island Deploys GARVEE and State Bonding Program

Like many states, Rhode Island is facing the significant costs of reconstructing 45-year-old Interstate System segments, replacing critical bridges, and developing new transportation projects to accommodate economic growth. At the same time, the Rhode Island Department of Transportation (RIDOT) has largely "reserved," or programmed, its future annual construction program in order to complete the vital construction projects contained on its State Transportation Improvement Program.

In order to address these seemingly competing needs, Rhode Island has developed a multi-year bonding strategy that couples GARVEE bonds to fund the Federal-aid eligible portion of certain project costs with Motor Fuel Tax Revenue bonds to finance the state share of such project costs. Rhode Island plans to issue a maximum of $710 million in GARVEE bonds and a maximum of $125 million in Motor Fuel bonds.

This bond package will be used to partially finance five transportation projects, critical to the continued economic vitality of Rhode Island. According to Brian P. Peterson, RIDOT's Chief Financial Officer, the bonds allow the state "to continue the rest of the (construction) program while completing the five critical transportation projects on an accelerated basis." These five projects are described below.

- ***Interstate 195 Relocation Project***

  This $418 million project involves the relocation of a 45-year-old 1.6-mile stretch of Interstate 195 (I-195) and an adjacent 0.8-mile portion of Interstate 95 (I-95) through Providence. The freeway will be relocated 2,000 feet to the south of its current alignment and outside the barrier which protects the 350-year-old city from hurricane flooding. The project includes 14 new bridges with a 1,200-foot mainline bridge over the Providence River, 25 lane-miles of new interstate, a new interchange with I-95, five miles of new city streets, and 4,100 feet of new pedestrian river walks. In addition, removal of the existing interstate will free up 20 acres of prime downtown real estate. The project will complement the recently completed river relocation, Waterplace Park, and Memorial Boulevard Extension projects that have revitalized downtown Providence.

- ***Route 403 Project***

  The $129 million Route 403 project involves construction of a new freeway that will connect the existing Route 4 freeway in East Greenwich with the Quonset Davisville Port and Commerce Park in North Kingstown (the Quonset Industrial Park), improving access to the park. This 4.5-mile, four-lane, controlled-access facility will contain three interchanges, a total of 14.8 miles of roadways (including the main freeway and the ramps), 14 new bridges, two bridge rehabilitations, an extensive storm drainage and water quality treatment system, and environmental mitigation improvements. With funding provided by the bonding package, the freeway will be constructed in six contracts and opened to traffic at the end of 2007, five years ahead of the initial construction schedule.

- ***Freight Rail Improvement Project***

  The $196 million Freight Rail Improvement Project (FRIP) is a 22-mile project located within Amtrak's Northeast Corridor. This project entails constructing a freight dedicated track along Amtrak's mainline tracks, linking Quonset/Davisville to the Boston Switch at Central Falls and out to western markets. The FRIP is to be administered by Amtrak Force Account – work performed by Amtrak forces – as well as RIDOT construction contracts. RIDOT construction contracts consist of nine individual sitework and structure projects containing elements of work necessary for preparing the alignment and trackbed for the construction of the third track. Funding for the project is a mix of state and Federal funds, including a combined $51 million in planned GARVEE and Motor Fuel bonds.

- ***New Washington Bridge***

  The existing Washington Bridge carries multiple eastbound lanes of I-195 and U.S. Routes 6 and 44 over the Seekonk River between the cities of Providence and East Providence. The bridge also passes over several local streets as well as the Providence and Worchester Railroad. It was built in 1928, and is immediately south of the Washington Bridge North built in 1970. Based on the recommendations of a value engineering study, the $85 million New Washington Bridge will be realigned within a vacant area between the 1928 and 1970 structures, using a portion of existing foundations to construct the new facility. The new bridge will consist of five, 12-foot travel lanes and two, four-foot shoulders.

- ***New Sakonnet Bridge***

  The $151 million New Sakonnet Bridge project will replace the existing bridge on a new alignment immediately south of the existing structure. Replacement of this bridge is required due to seismic susceptibility, structural inadequacy, and substandard safety features. The crossing carries Rhode Island State Route 24 over the Sakonnet River, a tidal passage separating the Town of Portsmouth on Aquidneck Island to the west and the Town of Tiverton on the mainland to the east. It is a key link in the transportation systems connecting Massachusetts to Rhode Island and the Aquidneck Island communities.

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SIB HIGHLIGHTS

# SIB Loans Reach $4.5 Billion

As of September 2003, 32 states had entered into 351 loan agreements with a total dollar value of $4.5 billion. This activity is shown in the table to the right.

This issue of ***IFQ*** highlights two states that have recently established SIB-like programs, aimed at increasing the availability of financial assistance to local governments for eligible transportation projects. In Kansas, a revolving fund has been established using state funds, to support generally small local projects. In California, the administration of the Transportation Finance Bank has changed, and enhancements have been made to implement the bank's flexible short-term financing opportunities.

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## State Infrastructure Bank Loan Agreements by State

As of September 30, 2003

| State | Number of Agreements | Loan Agreement Amount ($000) | Disbursements to Date ($000) |
|---|---|---|---|
| Alaska | 1 | $2,737 | $2,737 |
| Arizona | 43 | 435,942 | 375,398 |
| Arkansas | 1 | 31 | 31 |
| Colorado | 4* | 4,400 | 1,900 |
| Delaware | 1 | 6,000 | 6,000 |
| Florida | 37 | 515,600 | 244,212 |
| Indiana | 2 | 5,715 | 5,715 |
| Iowa | 2 | 2,879 | 2,879 |
| Maine | 23 | 1,635 | 1,635 |
| Michigan | 33 | 22,207 | 22,207 |
| Minnesota | 15 | 95,719 | 77,013 |
| Missouri | 13 | 92,057 | 72,854 |
| Nebraska | 2 | 6,792 | 6,792 |
| New Mexico | 2 | 14,600 | 14,600 |
| New York | 5 | 15,450 | 12,000 |
| North Carolina | 2 | 1,713 | 1,713 |
| North Dakota | 2 | 3,891 | 3,891 |
| Ohio | 41* | 185,095 | 138,050 |
| Oregon | 14 | 19,221 | 18,321 |
| Pennsylvania | 36 | 24,364 | 22,756 |
| Puerto Rico | 1 | 15,000 | 15,000 |
| Rhode Island | 1 | 1,311 | 1,311 |
| South Carolina | 6 | 2,643,000 | 1,545,693 |
| South Dakota | 3 | 28,776 | 28,776 |
| Tennessee | 1 | 1,875 | 1,875 |
| Texas | 42 | 253,421 | 249,480 |
| Utah | 1 | 2,888 | 2,888 |
| Vermont | 2 | 800 | 800 |
| Virginia | 1 | 18,000 | 17,985 |
| Washington | 3 | 2,376 | 487 |
| Wisconsin | 3 | 1,813 | 1,813 |
| Wyoming | 8 | 77,977 | 42,441 |
| **TOTAL** | **351** | **$4,503,285** | **$2,939,253** |

* The previous issue of ***IFQ*** included aviation loans for Colorado and aviation and rail loans for Ohio. These loan agreements are excluded in this table.

# Kansas Transportation Revolving Fund Established

In December 2003, the Kansas Department of Transportation (KDOT) used a portion of state revenues from its State Highway Fund to establish a Transportation Revolving Fund. The fund is patterned after existing state water revolving funds and other state transportation revolving funds. The KDOT fund is intended to assist cities and counties improve their transportation facilities. Eligibility extends to locally sponsored projects both on and off the State Transportation System. The fund will be initially capitalized with $25 million during FY 2004. Applicants are limited to $6 million in loan requests annually. Prior to implementation of the fund, 25 units of government had expressed interest in the fund. The fund received four applications totaling $13 million in the first month of operation. Interest in project funding ranges from $45,000 to $6 million. Applications and inquiries come from all regions of the state.

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# Caltrans Administers Transportation Finance Bank

The SIB program in California was originally authorized by statute in 1998 for administration by the California Infrastructure and Economic Development Bank (CIEDB) under the California Technology, Trade and Commerce Agency. Known as the Transportation Finance Bank (TFB), it was established to provide credit enhancements, but was never formally marketed and no loan guarantees were ever made.

With no activities in the TFB program, in fiscal year 2001/2002, the California Department of Transportation (Caltrans) initiated legislative amendments, with CIEDB's concurrence, to allow Caltrans to administer and operate the TFB program. With the passage of that legislation (AB 2996, Chapter 805, Statutes of 2002), Caltrans became the administrator of the TFB program in the 2002/2003 fiscal year. In that same fiscal year, Caltrans developed guidelines and loan application documents and submitted them for adoption through the California Transportation Commission (CTC). CTC adopted the guidelines and the loan application package during its January 2003 meeting. Caltrans provided the non-Federal matching funds for the $3 million Federal share of the program for capitalization of the bank. Loans and other credit assistance are now available to local public entities and public/private partnerships for projects that meet basic eligibility criteria. Currently, Caltrans has received one loan application package from a local agency and loan documents are under review.

Additional information about California's Transportation Finance Bank program, including legislation, guidelines, the loan application and agreement package, related interest rates (T-Bill), and a fact sheet, is available at the Caltrans Division of Innovative Finance web site at:
**http://www.dot.ca.gov/hq/innovfinance/t_f.htm.**

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*Oregon's Innovative Partnerships Program, continued from page 1*

## *Program Formation*

ODOT is currently in the process of implementing the Innovative Partnerships Program. The complexities of innovative partnerships require employment of outside expertise to assist ODOT in organizing the program and subsequently soliciting, evaluating, and negotiating proposals. The Oregon Innovative Partnership Unit (IPU) staff have surveyed the industry and identified a pool of highly qualified firms to provide this assistance, many of whom represent only public clients, thus avoiding potential conflicts of interest.

With the assistance of selected consultants, IPU staff will develop the following over the next 12 months:

- ❖ Administrative Rulemaking
- ❖ Operating procedures
- ❖ Public involvement and outreach plans
- ❖ Intergovernmental coordination strategies
- ❖ Integration plan for Innovative Partnerships Program projects with the ODOT project development and delivery process
- ❖ Contract templates
- ❖ Project evaluation and negotiation strategies
- ❖ Risk assessment processes and risk management philosophy
- ❖ Project identification criteria
- ❖ Qualification processes for potential partners

### Features of Oregon's Public-Private Partnership Legislation

- ❖ Establishes a State Transportation Enterprise Fund to pledge moneys to secure debt obligations relating to public-private transportation projects.
- ❖ Authorizes bonding of transportation project revenues under a public-private agreement.
- ❖ Allows grant anticipation revenue bonds (based on future Federal funds) for public-private initiatives.
- ❖ Allows financing arrangements available under TIFIA for public-private initiatives.
- ❖ Expands the ability of the Oregon Transportation Infrastructure Fund to assist in financing a public-private transportation project, including ensuring repayment of loan guarantees on behalf of private entities.
- ❖ Allows public-private transportation projects to be financed by funds or property contributed by private entities or units of government.
- ❖ Expands ODOT's authority to use eminent domain to allow private sector ownership of any transportation project facilities.
- ❖ Allows formation of districts to require all revenues from revenue sources collected within the district from the transportation project to be used exclusively for the benefit of the district.

## *Administrative Rulemaking*

Among the first steps in program development is the establishment of the administrative rules that will govern the program. IPU staff are working with the Oregon Department of Justice to develop proposed rules to be filed with the Secretary of State in February 2004.

The proposed rules will assign to the Oregon Transportation Commission the approval role for project selection, proposal solicitations, proposal selection, and approval of partnership agreement. The proposed rules will also create:

- ❖ Minimum requirements for submitted proposals, including disclosure requirements for proposal submitters.
- ❖ A process for acceptance or rejection of proposals.
- ❖ Defined processes for management of unsolicited proposals, including provision for a competitive proposal process.
- ❖ Consultation with local governments on issues related to project selection and proposal evaluation.
- ❖ Definition of the extent of confidentiality for submitted information.
- ❖ A process for suspension of unsolicited proposals for specified categories of projects.
- ❖ Special rules for bi-state projects.

## *Conclusion*

Oregon intends not to be bound by the constraints of traditional road funding. While certainly not a panacea for road finance problems, the Innovative Partnerships Program will allow Oregon to explore the practical limits of private sector participation in transportation projects. Fear of innovation will not block resolution of the state's bottlenecks, choke points, and impediments to commerce.

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*Rhode Island Deploys GARVEEs, continued from page 6*

Rhode Island currently contemplates issuing bonds in three installments over a five-year period, in November 2003, 2006, and 2008. The GARVEE bonds are "stand-alone," that is, neither state revenues nor the state's full faith and credit are offered as a secondary, or back-up, pledge for the payment of debt service. Rather, the sole revenue source to make debt service payments is anticipated future FHWA Federal-aid apportionments. The November 2003 bond package includes $217 million in GARVEE bonds and $53 million in Rhode Island Motor Fuel bonds. Both the GARVEE bonds and the Motor Fuel bonds have been assigned high ratings by the three nationally recognized bond rating agencies. The GARVEE bonds are rated Aa3/A+/AA- by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. The Motor Fuel bonds received ratings of A2/A+/A from the same agencies.

The Rhode Island Economic Development Corporation, the issuer of these bonds, successfully priced both the GARVEE and Motor Fuel bonds on November 13, 2003. The all-in true interest cost on the GARVEE bonds is 3.52 percent, while the interest rate on the Motor Fuel bonds is 4.04 percent.

The principal portion of the annual debt service for the November 2003 GARVEE bonds ranges from a high of $32.3 million in 2006 to a low of $13.7 million in 2007. These payments represent from 17.9 percent to 7.6 percent, respectively, of the estimated future Federal-aid annual apportionments of $180 million. Generally, dedicating less than 20 percent of anticipated Federal-aid apportionments to debt service payments is considered to be a conservative leveraging strategy.

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