

Reforming the TIFIA Loan Program

The Transportation Infrastructure Finance and Innovation Act (TIFIA) was created by Congress in the 1998 TEA-21 reauthorization. The purpose was to deal with capital market gaps for promising surface transportation (highway and transit) projects. Applicants could apply for construction-related loans for new projects limited to 33% of the project budget. To qualify, projects had to receive two investment-grade ratings. As of 2022, TIFIA loans had helped to finance 98 projects in 22 states.

These limitations were key to the projects' success and the program's very low loss rate. An external review conducted for the U.S. Department of Transportation, *TIFIA at 25*, found that through 2022, the average *initial* ratings of financed projects were BBB+ and the average of the portfolio in 2022 had increased to A-.

Legislative changes since MAP-21 in 2012 have gradually reduced the safeguards that have ensured the soundness of the TIFIA loan portfolio. First, the maximum loan amount was increased to 49% of project costs. More recently, new project categories were added: transit-oriented development (TOD), INFRA grant projects, state infrastructure banks, and a Rural Project Initiative that offers interest rates at one-half the Treasury rate. These new projects can all receive TIFIA loans at up to 49% of their proposed budgets.

In addition, the term of TIFIA loans can now be as long as 75 years (compared with 35 originally), and only one investment-grade rating is required. The scope of projects has recently been expanded even further to include projects at airports, seaports, and natural habitats affected by infrastructure. As of early 2025, the Build America Bureau has not approved any loans for state infrastructure banks or the Rural program, and only one for a TOD project.

Nevertheless, these changes could pose a risk to the credit quality of what has been a very successful program. As the program begins to resemble traditional competitive grant programs (which award, rather than loan, funds), sponsors of all kinds of projects may urge further expansions of TIFIA's scope. In response, those concerned about increasing federal spending may seek to abolish TIFIA, along with earmarks and competitive grant programs.

The alternative to this would be to enact reforms that return TIFIA to its original purpose: to provide gap funding for projects that support surface transportation improvements only. Among the policy changes that would strengthen TIFIA's credit quality are the following:

- Limit loans to the original 33% of a project's construction budget;
- Limit TIFIA loan terms to the original 35 years;
- Restore the requirement of two investment-grade ratings; and

- Eliminate the recent additions of TOD, INFRA, state infrastructure banks, Rural, and natural habitats.

Some recent applicants for TOD and passenger rail projects have applied for both TIFIA and Railroad Rehabilitation and Improvement Financing (RRIF) loans, with the most recent expression of interest coming from Amtrak, seeking a combined \$19 billion for its proposed Texas high-speed rail project. RRIF has historically been underused. With that separate program available for passenger rail projects, there is no good rationale for TIFIA to be investing in passenger rail projects. Further, while airport and seaport projects would likely not impair the credit quality of the TIFIA portfolio, both facility types can already issue both general obligation and revenue bonds, and generally to this more rapidly than obtaining a TIFIA loan.

In several recent years, Congress has reduced the TIFIA budget, apparently based on a perception of limited demand. Yet the projected demand for revenue-risk highway and bridge P3 projects over the next three to five years was estimated in the December 2024 issue of *Public Works Financing* as \$31 billion. Since projects of this kind average TIFIA loans for 17% of project cost, this category alone would account for more than \$5 billion in new TIFIA loans.

Recommended legislative reform text:

- (a) Project definition reforms.--Section 601(a)(12) of title 23, United States Code, is amended as follows:

“(12) Project.--The term ‘project’ means--

- (A) any surface transportation project eligible for Federal assistance under this title or chapter 53 of title 49;
- (B) a project for an international bridge or tunnel for which an international entity authorized under Federal or State law is responsible.
- (C) a project for publicly owned intermodal surface freight transfer facilities, other than seaports and airports, if the facilities are located on or adjacent to National Highway System routes or connections to the National Highway System.”.

- (b) Creditworthiness reforms.--Section 602(a)(2) of title 23, United States Code, is amended as follows:

"(2) Creditworthiness.--

(A) In general.--To be eligible for assistance under the TIFIA program, a project shall satisfy applicable creditworthiness standards, which, at a minimum, shall include--

(i) a rate covenant, if applicable;

(ii) adequate coverage requirements to ensure repayment;

(iii) an investment-grade credit rating from at least 2 rating agencies on debt senior to the Federal credit instrument; and

(iv) an investment-grade rating from at least 2 rating agencies on the Federal credit instrument.

(B) Senior debt.--

Notwithstanding subparagraph (A), in the case in which the Federal credit instrument is senior debt, the Federal credit instrument shall be required to receive an investment-grade rating from at least 2 rating agencies."

(c) Maximum amount reforms.--Section 603(b)(2) of title 23, United States Code, is amended as follows:

"(2) Maximum amount.--

The amount of a secured loan under this section shall not exceed 33 percent of the reasonably anticipated eligible project costs."

(d) Maturity date reforms.--Section 603(b)(5) of title 23, United States Code, is amended as follows:

"(5) Maturity date.--The final maturity date of the secured loans shall be the lesser of--

(A) 35 years after the date of substantial completion of the project; and

(B) if the useful life of the capital asset being financed is of a lesser period, the useful life of the asset."

- (e) Conforming amendments to generally applicable conditions.--Section 601 of title 23, United States Code, is amended by--
- (1) striking subparagraph (D) of paragraph (2) of subsection (a); and
 - (2) striking paragraphs (16) and (19) of subsection (a) and redesignating paragraphs (17) through (22) as paragraphs (16) through (20), respectively.
- (f) Conforming amendments to exceptions to eligible project cost parameters.--Section 602(a)(5)(B) of title 23, United States Code, is amended by striking clauses (ii) and (iii) and redesignating clause (iv) as clause (ii).
- (g) Conforming amendments to project readiness.--Section 602(a)(10) of title 23, United States Code, is amended by striking subparagraph (B).
- (h) Conforming amendments to federal requirements.--Section 602(c)(1) of title 23, United States Code, is amended as follows:
- “(1) In general.--In addition to the requirements of this title for highway projects and the requirements of chapter 53 of title 49 for transit projects, the following provisions of law shall apply to funds made available under the TIFIA program and projects assisted with those funds:
- (A) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.).
 - (B) The National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).
 - (C) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.).”.
- (i) Conforming amendments to secured loan agreements.--Section 603(a)(1) of title 23, United States Code, is amended as follows:

- “(1) Agreements.--Subject to paragraphs (2) and (3), the Secretary may enter into agreements with 1 or more obligors to make secured loans, the proceeds of which shall be used--
- (A) to finance eligible project costs of any project selected under section 602;
 - (B) to refinance interim construction financing of eligible project costs of any project selected under section 602; and
 - (C) to refinance long-term project obligations or Federal credit instruments, if the refinancing provides additional funding capacity for the completion, enhancement, or expansion of any project that--
 - (i) is selected under section 602; or
 - (ii) otherwise meets the requirements of section 602.”.
- (j) Conforming amendments to payment terms and limitations.--Section 603(b)(3)(A) of title 23, United States Code, is amended by striking “or” at the end of subclause (IV) and substituting “and,” and striking subclause (V).
- (k) Conforming amendments to interest rate terms and limitations.--Section 603(b)(4) of title 23, United States Code, is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).
- (l) Conforming amendments to maximum federal involvement terms and limitations.--Section 603(b)(9) of title 23, United States Code, is amended by striking subparagraph (B).
- (m) Conforming amendments to funding.--Section 608(a) of title 23, United States Code, is amended by striking paragraph (3) and redesignating paragraphs (4) through (6) as paragraphs (3) through (5), respectively.

(n) Conforming amendments to the state infrastructure bank program.--Section 610 of title 23, United States Code, is amended by--

(1) striking paragraphs (11) and (12) of subsection (a);

(2) striking paragraph (4) of subsection (d) and redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively;

(3) striking subparagraph (B) of paragraph (1) of subsection (e);

(4) striking subparagraph (B) of paragraph (3) of subsection (e); and

(5) striking paragraph (4) of subsection (g) and inserting paragraph (4) as follows:

“(4) ensure that any loan from the bank will bear interest at or below market interest rates, as determined by the State, to make the project that is the subject of the loan feasible.”.