I-95 Corridor Coalition

Federal Support for Freight Infrastructure

Addressing Policy Issues & Program Design for a Multi-State Financing Entity

Background: The I-95 Corridor Coalition commissioned a briefing paper to evaluate options for advancing large freight transportation projects through a regional or national infrastructure bank, or other special assistance program,. Creating a Special Purpose Entity (SPE) and providing it with dedicated resources could bring a much-needed institutional focus, especially to increasing capital investment in goods movement projects. The briefing paper describes how establishing a new National Freight Infrastructure Development Corporation (NFIDC or Corporation) could assist the members of the Coalition and other stakeholders in advancing major freight infrastructure investments.

National Freight Infrastructure Development Corporation:

A National Entity: It is recommended that a national-level entity—the NFIDC-- would be established by act of Congress. Although a regional entity could be sponsored by the states within the I-95 Corridor Coalition to assist projects along the Eastern Seaboard, a national-level entity would offer important advantages in terms of access to federal funding streams and U.S. Treasury financing tools. It also could better achieve diversification and economies of scale, through selecting projects on a nationwide basis that provide the highest societal returns.

Potential Funding Sources: The NFIDC, as proposed, would be funded at the Federal level, rather than through state capital contributions. States and other stakeholders would be responsible for the non-federal share of costs at the individual project level. Federal funding could come from some combination of existing sources (such as additions to the current diesel fuel and heavy-vehicle use taxes), or from new sources of funding from freight-related charges, (such as customs duties and container fees).

Assistance to be Offered: The NFIDC could provide both discretionary grant funding and credit assistance to projects, supported by dedicated federal resources. The Corporation is not conceived as a "bank" in the conventional sense of a self-sustaining lending institution. For this reason, the most appropriate organizational form is a wholly-owned government corporation, whose spending activities would be "on-budget." The Corporation would evaluate freight-related highway, rail and intermodal terminal projects of $[250] million or greater in capital costs and offer the following forms of assistance:

- Give **Discretionary Capital Grants** for up to 50% of capital costs of eligible projects.
- Provide **Direct Loans** (and possibly loan guarantees and lines of credit) under the Federal Credit Reform Act, similar to existing federal credit programs, for up to 50% of capital costs. Ultimately, the TIFIA, RRIF and MARAD credit programs could be transferred to NFIDC for management.
- Allocate issuance capacity for a new **Tax Credit Bond** program and an expanded Highway and Intermodal Transfer Facility **Tax-Exempt Private Activity Bond** program. Tax credit bonds are debt obligations where the Treasury effectively pays the interest to investors, making it 0% financing to the borrower. Private activity bonds are tax-exempt obligations financing a project with private participation in ongoing management or ownership. NFIDC would select projects eligible to utilize these tax-advantaged debt instruments, but it would not serve as the issuer of these bonds itself (avoiding significant federal budgetary and liability concerns).

Congress would authorize the establishment of a new private non-profit corporation, the Transportation Finance Corporation (TFC), to serve as a *non-federal* nationwide conduit issuer of tax credit bonds. The TFC would package pools of state and local tax credit bonds into securities to be offered in the national credit markets.

Recommendations: The briefing paper recommends establishing a new government entity (the National Freight Infrastructure Development Corporation), allowing the NFIDC to select publicly-owned projects greater than $250 million, and authorizing states to establish the Transportation Finance Corporation to serve as a nation-wide non-federal issuing conduit for Tax Credit Bonds.