
October 1996

STATE
INFRASTRUCTURE
BANKS

A Mechanism to Expand
Federal Transportation
Financing



**Resources, Community, and
Economic Development Division**

B-265697

October 31, 1996

The Honorable John H. Chafee
Chairman
The Honorable Max S. Baucus
Ranking Minority Member
Committee on Environment and
Public Works
United States Senate

The Honorable John W. Warner
Chairman, Subcommittee on
Transportation and Infrastructure
Committee on Environment and
Public Works
United States Senate

Total public spending on the capital needs for highways and bridges was approximately \$40 billion in 1993, the most recent year for which data are available. However, the Department of Transportation (DOT) believes this investment is far short of what is needed, and DOT estimates that an additional \$16 billion annually is needed just to maintain—not improve—the condition and performance of the nation's highways at the 1993 level. Postponing investment can increase costs; DOT estimates that deferring \$1 in highway resurfacing for just 2 years can require spending \$4 in highway reconstruction costs to repair the damage.

In order to stretch the limited federal funds, the Congress authorized some innovative uses of federal transportation funds. For instance, the National Highway System Designation Act of 1995 provided a number of innovative financing mechanisms, including the authorization of a State Infrastructure Bank (SIB) Pilot Program for up to 10 states.¹ This legislation also directed DOT to review the financial condition of each infrastructure bank established under the pilot program and to report to the Congress on the results of such review by March 1, 1997.

SIBs are intended to complement traditional transportation grant programs and provide states with increased flexibility to offer many types of financial assistance, such as loans and subsidized interest rates, and provide bond or other debt-financing security tailored to fit a project's

¹Under the pilot program, a SIB is to maintain a separate highway account and a separate transit account for federal funds contributed to the bank. This report focuses on the highway account of SIBs.

specific needs. Before a SIB can begin operations, however, it will need equity capital to get started. The 10 states selected to participate in the pilot program can capitalize a SIB in part by depositing in the SIB a maximum of 10 percent of most of their federal highway funds for fiscal years 1996-97. In addition, the DOT appropriation for fiscal year 1997 provided \$150 million for the pilot program and removed the 10-state limit.

To provide you with an early snapshot of states' interest in establishing SIBs, you asked that we (1) identify the extent of states' interest in the pilot program and how states might use SIBs and (2) identify the benefits and barriers to states' using SIBs. At your request, we also summarized in appendix I information on states' interest in using other innovative financing mechanisms that are contained principally in the National Highway System Designation Act of 1995.

To address these questions, we used a structured questionnaire to interview (1) transportation officials from 15 states that generally had expressed an interest to DOT in innovative financing²—6 of which had been selected to participate in the SIB Pilot Program—and (2) various financial representatives, such as firms that rate bonds' risk and financial condition. Also, we analyzed the development of the federal SIB Pilot Program and the state applications submitted. Appendix II discusses our scope and methodology in more detail.

Results in Brief

Fifteen states submitted applications for the 10 slots in the State Infrastructure Bank Pilot Program. The states that applied generally have large or growing populations that need additional highway construction. States with large land areas and comparatively small populations generally elected not to apply, as did most northeastern states, for a variety of reasons that could include the states' and regions' fiscal capacity, the public's unwillingness to incur debt to finance highways, and the availability and cost of rights-of-way for start-up projects. Most of the states that we surveyed indicated that State Infrastructure Banks would probably be used to help fund less than 10 percent of their state transportation projects in the next 5 years.

Officials from 8 of the 15 states that responded to our survey consider the expedited completion of projects to be the most important benefit of State Infrastructure Banks over the next 5 years. By drawing on diverse sources for funds, more capital can be amassed, thus enabling a project to get

²We contacted 16 states, but 1 did not respond to our survey.

started and completed sooner than otherwise possible using conventional federal grants. Furthermore, when loans are repaid through tolls, dedicated taxes or other forms of repayment, the funds can be reloaned to other transportation projects in the future.

The absence of new federal money to capitalize a State Infrastructure Bank was viewed by 8 of the 15 states surveyed as a factor that definitely diminished the likelihood that their state would participate in the pilot program. However, DOT's appropriation for fiscal year 1997 provided \$150 million for State Infrastructure Banks. DOT will have to decide how the funds will be allocated. This additional funding and how it will be allocated could affect the number of states interested in applying for the pilot program.

Although a primary benefit of State Infrastructure Banks is that the financing will be repaid and can be recycled to future projects, some states expressed aversion to debt financing and concern about whether there are enough revenue-generating projects to sustain a State Infrastructure Bank. Also, some experts on infrastructure financing question State Infrastructure Banks' prospects for attracting private sector involvement—one of the program's primary goals.

Regarding the expected use of other financing mechanisms provided for primarily in the National Highway System Designation Act of 1995, the states indicated varying degrees of interest in the mechanisms. (See app. I for details.)

Background

Under the pilot program, a SIB serves essentially as an umbrella under which a variety of innovative finance techniques can be implemented. Much like a bank, a SIB would need equity capital to get started; and equity capital could be provided at least in part through federal highway funds. Once capitalized, the SIB could offer a range of loans and credit options, such as low-interest loans, loan guarantees, or loans requiring repayment of interest-only in early years and delayed repayment of the loan's principal. For example, through a revolving fund, states could lend money to public or private sponsors of transportation projects; project-based or general revenues (such as tolls or dedicated taxes) could be used to repay loans with interest; and the repayments would replenish the fund so that new loans could be supported. Alternatively, states could use federal capital as a reserve, or as collateral against which to borrow additional funds, usually by issuing bonds.

Pilot states can capitalize a SIB in part by depositing in the bank a maximum of 10 percent of most of their federal highway funds for fiscal years 1996-97.³

States' Interest in and Expected Use of SIBs

States not participating in the pilot program differ in their interest in SIBs and in their willingness and/or ability to use the full range of SIB financing techniques.

SIB Participation

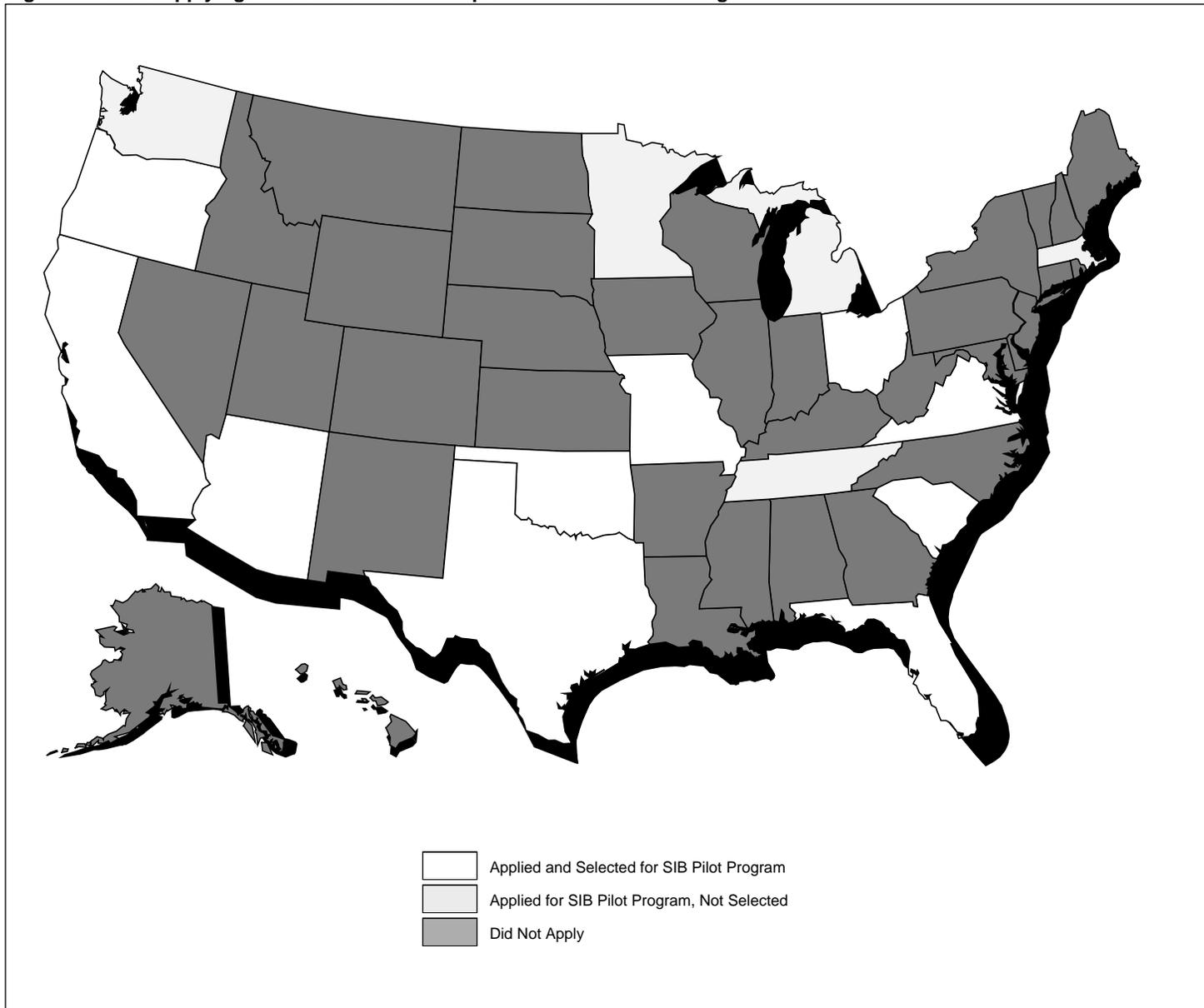
Eleven of the 15 states we surveyed indicated that they were definitely or probably interested in participating in the SIB Pilot Program. However, only 9 of the 15 states submitted SIB applications to DOT. Four of the states—Arkansas, Louisiana, Montana, and New York—indicated that they were probably or definitely not interested in participating in the pilot program. Because we primarily targeted states that had expressed an interest in innovative financing to DOT, survey respondents indicated a higher interest than would be expected nationwide. Nationwide, only 15 states submitted applications to DOT to take part in the pilot program. While six other states expressed interest in the program to DOT, they did not submit an application.

On April 4, 1996, DOT announced that Arizona, Florida, Ohio, Oklahoma, Oregon, South Carolina, Texas, and Virginia had been selected to participate in the pilot program. On June 21, 1996, DOT added California and Missouri. Figure 1 shows the applicant states and those selected to participate in the pilot program. DOT will assess how state SIBs are operating under the pilot program. Specifically, the legislation establishing the pilot program directs DOT to report on the financial condition of each infrastructure bank established under the pilot program. This report is to be transmitted to the Congress by March 1, 1997.

Appendix III provides you with information on projects that the pilot participants are considering for financial assistance from SIBs. According to the Federal Highway Administration (FHWA) official responsible for the pilot program, the states are in the process of establishing and capitalizing their SIBs; thus, they have not yet decided on the projects that the SIBs will finance.

³Federal highway funds that could not be used for capitalizing SIBs include apportionments from demonstration projects under the Intermodal Surface Transportation Efficiency Act of 1991 and the Congestion Mitigation and Air Quality program. In addition, Surface Transportation Program funds or other funds that are suballocated to urban areas (populations over 200,000) could only be deposited into a SIB with the approval of the area's metropolitan planning organization.

Figure 1: States Applying and Selected for Participation in the SIB Pilot Program



Source: GAO's presentation based on FHWA's data on the SIB Pilot Program's applicants.

As figure 1 indicates, more than half of the SIB Pilot Program applicants are southern and western coastal states with large and/or growing populations that necessitate additional highway construction. States with large land areas that have comparatively small populations and most northeastern states generally elected not to apply for a variety of reasons. These reasons might include the states' and regions' fiscal capacity, the public's unwillingness to incur debt to finance highways, and the availability and cost of rights-of-way for start-up projects.

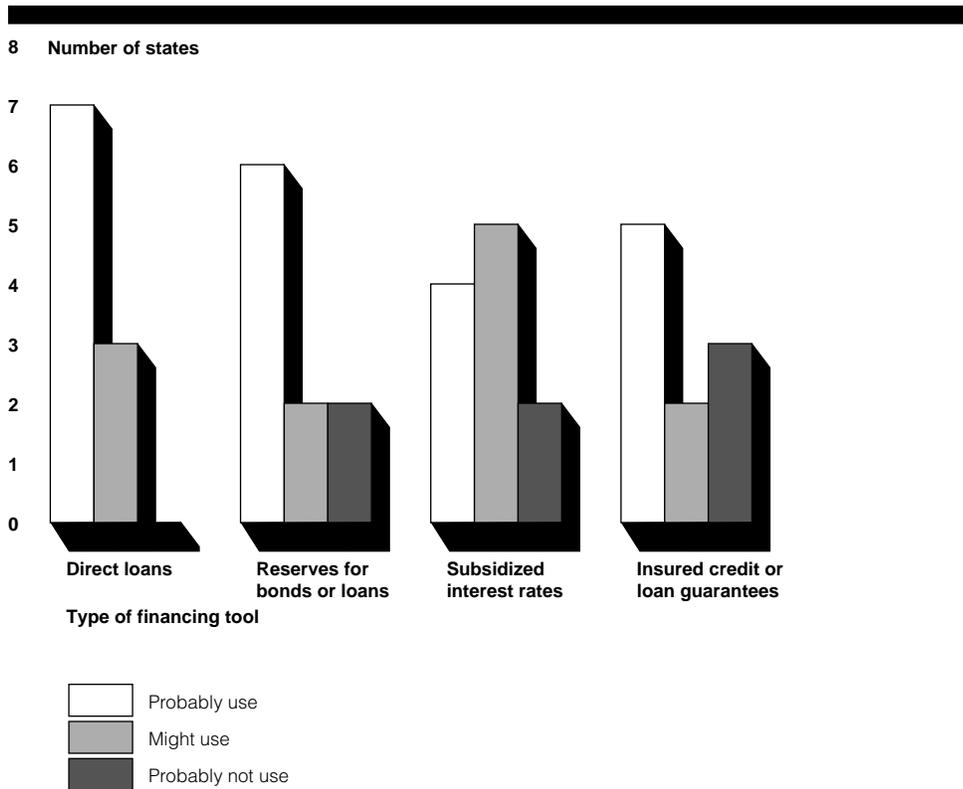
In connection with DOT's fiscal year 1997 appropriation, the administration proposed expanding the SIB Pilot Program to include additional states and to provide \$250 million in highway trust fund revenue for capitalizing the banks. The House of Representatives rejected the administration's proposal on the grounds that the pilot program is still in its very beginning stages and that any further expansion of the program should be considered in the context of the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The Senate provided \$250 million for the SIB Pilot Program and allowed the Secretary of Transportation to distribute SIB funds to more than 10 states on the grounds that SIBs are a promising way of facilitating needed infrastructure investment, especially when all levels of government are facing constrained resources. The conferees agreed to provide \$150 million for the SIB Pilot Program, which is to remain available until expended, out of the general fund rather than the Highway Trust Fund. In addition, no distribution of funds is to be made until 180 days from the date of enactment. The conferees also agreed to permit the Secretary of Transportation to approve SIBs for more than 10 states. The President signed the legislation on September 30, 1996.

States' Use of SIBs and SIB Financing Tools Will Vary

Ten surveyed states provided us with estimates of the extent that their needs may be served by a SIB. Eight states indicated that they would use SIBs to help fund less than 10 percent of their transportation projects. Two of the states indicated a higher expected use of SIBs: Ohio estimated 10 to 25 percent of its projects could be financed through a SIB, and Michigan estimated that 25 to 50 percent of its projects could be financed through a SIB.

Seven surveyed states expressing interest in creating a SIB indicated that they would probably use the funding for direct loans. Six states indicated that they would probably use the funding for reserves for bonds or loans. The states' responses are shown in figure 2.

Figure 2: States' Views on the Financing Tools That Their SIB Would Likely Use



In discussing their views, the 11 responding states seemed open to using a variety of financing tools as part of their SIB. For example, 6 of the 11 states that answered this question told us that their SIB would probably use more than one financing tool, and only 2 states said that they probably would not use a particular tool. Michigan and California, for example, said that they would probably use some combination of all the tools. Furthermore, Michigan and Ohio indicated that their SIBs would probably use other finance tools, such as letters of credit, in addition to those listed in figure 2.

States Anticipate Short-and Long-Term SIB Benefits, but Some Barriers Exist

The SIB concept is intended to complement traditional funding programs and provide states with increased flexibility to offer many types of financial assistance tailored to fit a project's specific needs. As a result, projects could be completed more quickly, some projects could be built that would otherwise be delayed or infeasible if conventional federal

grants were used, and private investment in transportation could be increased. Furthermore, a longer-term anticipated benefit is that repaid SIB loans can be “recycled” as a source of funds for future transportation projects. Thus projects with potential revenue streams will be needed to make a SIB viable. Yet this could also serve as a drawback, and some state and industry officials question whether a sufficient number of revenue-generating projects can sustain a SIB and whether debt financing will prove acceptable to state and local politicians as well as the general public.

Flexible Project Financing Is a Major Benefit

Traditional federal transportation funding programs generally consist of grants, where the federal share of a project’s cost is set, usually at 80 percent, and the state pays the remaining 20 percent. Until recently, states have generally not been able to tailor federal funding to a form other than a grant.

Under the pilot program, a SIB is essentially an umbrella under which a variety of innovative financing techniques could be implemented. Much like a bank, a SIB would need equity capital to get started. This capital could come partially from federal funds. Once capitalized, the SIB could offer a range of loans and credit options. For example, through a revolving fund, states could lend money to public or private sponsors of transportation projects. Although new for federal transportation projects, revolving funds have been used for other infrastructure investment, such as wastewater treatment facilities required by the Environmental Protection Agency (EPA).

EPA’s state revolving funds are structured in two different ways and can be used to illustrate how a transportation SIB might be set up. The first model is a basic revolving loan fund. Under this model, a state SIB would lend capital directly to projects; project-based revenues (such as tolls or dedicated taxes) would be used to repay loans with interest. The repayments would replenish the fund so that a new generation of loans could be made. The second model is a leveraged revolving fund. In this instance, states would use federal capital as reserves or collateral against which to borrow additional funds, usually by issuing bonds. The SIB would pay interest on the bonds but would in turn lend out the bond proceeds to individual projects. With this type of model, leveraging would increase the pool of capital available to support project loans. Furthermore, like the basic revolving fund, repayment of project loans plus interest would support the SIB’s repayment of its bonds as well as provide funds for the SIB

to loan to future projects. For example, Ohio plans to initially capitalize a SIB with \$65.5 million,⁴ and issue \$87 million in revenue bonds. As a result, the SIB could loan out a total of \$152 million to projects.⁵

SIB funds could also be used to provide credit enhancements for transportation projects. Credit enhancements, such as loan guarantees or bond insurance, provide additional security to commercial lenders or private investors who may be providing funds as part of an overall financing package. Credit enhancements can also result in lower interest costs or greater borrowing power for a project.

Some states view SIBs as complementary to their existing innovative financing efforts. For instance, Ohio's SIB application notes that as a result of numerous funding requests coming from the state transportation department's long-range multimodal transportation program, state law was modified to allow the state's Director of Transportation to make loans to agencies, organizations, and persons to acquire, develop, and/or construct transportation facilities. The law also authorized the director to deposit payments from such loans into a revolving fund for subsequent loans. While this fund is not identified as a SIB, Ohio's SIB application notes that essentially it is one, because the ability to make loans and receive payments is the basic underlying tenet of a SIB. Similarly, Arizona's SIB application notes that one of the state's key fiscal strategies has been to accelerate highway construction through the issuance of \$3.1 billion in state transportation bonds. Arizona's SIB application stated that the SIB will build on the state agencies' recognized strengths in the bond-financing area, where there is a proven track record in accessing capital markets and maintaining high credit quality for bonds issued.

Expedited Project Completion and Increased State And/or Local Investment Is an Important Benefit

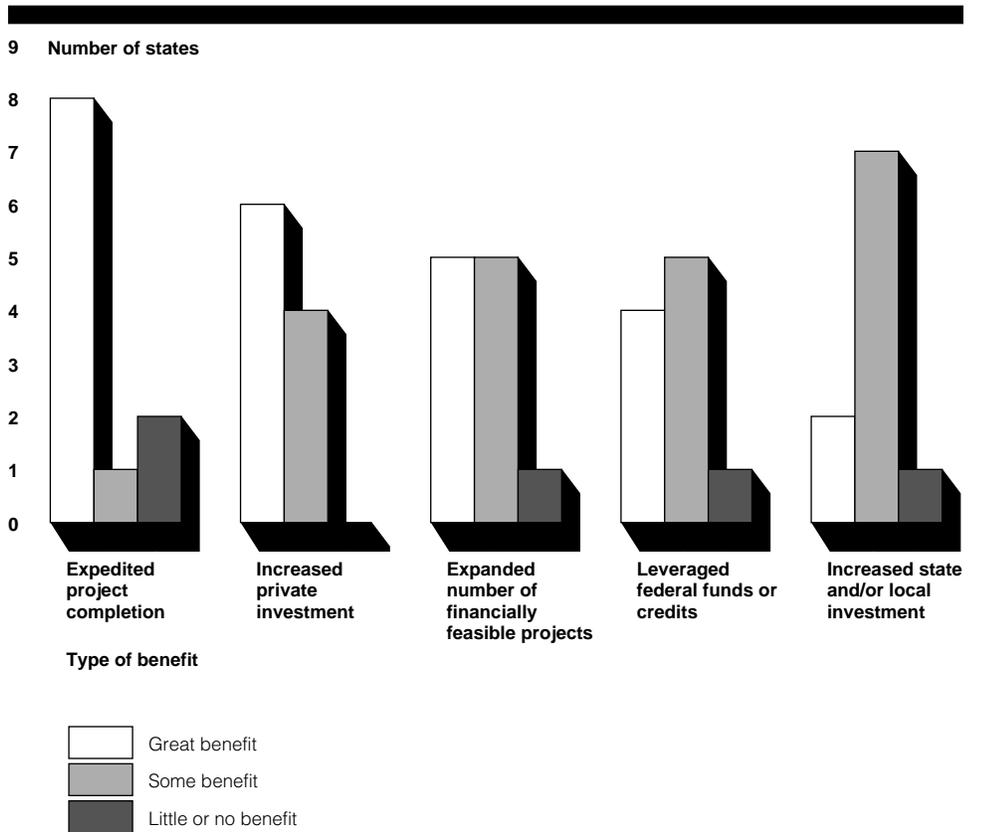
As shown in figure 3, officials from eight states we contacted said that the most important benefit of SIBs over the next 5 years is the expedited completion of the projects. By drawing on diverse sources for funds, more capital can be amassed, thus enabling a project to get started and completed sooner than otherwise possible. For instance, Arizona's SIB application listed five potential projects for SIB financing. With SIB financing, the state estimated that four of the projects could get under way in fiscal year 1997, rather than fiscal years 1999 through 2004 and that the

⁴The \$65.5 capitalization would represent \$46 million in federal funds and \$19.5 million in state and/or local funds.

⁵The \$152 million may be somewhat less if the SIB committed to setting aside some part of the \$65.5 million to guarantee repayment of the revenue bonds.

fifth potential project, although not scheduled, may be able to get under way in fiscal year 1997 with SIB assistance.

Figure 3: States' Views on the Expected Benefits From SIBs



Some states also told us that in addition to completing individual projects faster, a SIB may provide the flexibility to complete a financial package for worthwhile projects that may be lower on the state's priority list because of their cost, demographic reasons, or political changes in priorities. For example, a major new road may simply be too costly to build, given that many small competing projects could be built with the same state funding. But if the project is financed in part from other sources, such as a local community and private investors, less state funds are needed, which in turn, may permit a state to fund more roads on its priority list.

As the Texas SIB application notes, over the next 5 years, the state will be able to finance less than half of its identified transportation needs with currently available funding. The availability of SIB financial assistance will allow local communities to provide assistance and help bridge the funding gap. Communities that are willing to dedicate local revenue sources to complete particular projects but do not have well-established credit ratings or lack experience in capital financing will be aided by financial assistance from SIBs and associated technical assistance. Ohio plans to foster increased local contributions. Specifically, Ohio notes that its SIB will be reinforced by a project-rating system that identifies priorities for the selection of projects. Under this rating system, local communities can receive bonus points that upgrade the priority of their projects if they provide a significant portion of the project's funding.

Benefits of Attracting Investment From the Private Sector

Ten of the states we surveyed viewed SIBs' ability to attract private funds as providing some or great benefit. Private investment has not traditionally been involved in transportation projects because of the general lack of authority under federal law and because of some states' legislative and constitutional restrictions on giving or lending state funds to private entities to build and operate roads.

A SIB may increase private investment by reducing the risk to the private investors. Credit enhancements, such as a loan guarantee, would help to ensure that federal and/or state funds committed to the project will be there when the bills come due. Members of the infrastructure finance community told us that one common fear among investors is that the political commitment and funds planned for a given project will not materialize because of competing state priorities. Even a relatively small government investment could increase the private sector's confidence. For example, California officials believe that state SIB investments of only 10 percent equity in some projects will give private lenders and investors the confidence to participate in funding the remaining 90 percent of the cost.

Private investment can help close the gap for transportation needs that may otherwise go unmet or be forestalled for years. For instance, Oklahoma's SIB application explained that there are a number of growth industries in the state, all of which require enhanced transportation. For example, the southeast quadrant, the state's poorest quadrant, supports a growing food-processing industry and is experiencing an influx of hog farms, feed plants, and poultry-processing facilities. But further industry

development depends on substantial improvements to the rural transportation network. State officials view a SIB as a vehicle to help facilitate private investment from businesses that would benefit from an improved transportation network.

SIB's Goal Is to Be Self-Sustaining in the Future

Looking toward the future, states that create revolving funds want the SIBs to be self-sustaining, and if the funds are leveraged, they would want the pool of resources available for loans to grow. However, this growth may take many years. Whether and when a SIB achieves growth depends on a number of factors, including (1) the degree to which loan interest rates are lower than market rates, (2) loan repayment periods, (3) the reliability of forecasted revenue streams, and (4) the amount of leverage employed. And not all SIBs will leverage funds.

Only 18 states have leveraged funds under EPA's State Revolving Fund Program. In the State Revolving Fund context, leveraging means that states have the discretion to use the federal capital grants, as well as their matching shares, as collateral to borrow in the public bond market to increase the pool of available loan funds for projects. According to the Council of Infrastructure Financing Authorities,⁶ leveraging the State Revolving Fund has substantially increased the funds available for lending. The Council reported in August 1994 that close to \$4 billion has been added to the loan pool by the 18 states that have leveraged their funds—half as much as the nearly \$8 billion provided in federal capital grants thus far. Furthermore, when assessing the future growth for those funds that are leveraged, the Council assumes conservatively that \$1 for the State Revolving Fund program will generate an additional \$2 in investments.

Arizona's plans are an example of how a SIB could grow. The state plans to capitalize an initial SIB at \$71.5 million, representing \$64 million in federal funds and \$7.5 million in state and/or local funds. The state plans to use that investment as a base for issuing bonds and make \$20 million in initial loans to transportation projects with the bond proceeds. In approximately 20 years (by 2017), the state anticipates that loan repayments plus interest on the loans will increase its initial \$71.5 million investment to \$260 million in SIB loans. This amount in turn could be the basis for supporting an even larger bond issuance if the state decided to leverage its funds again.

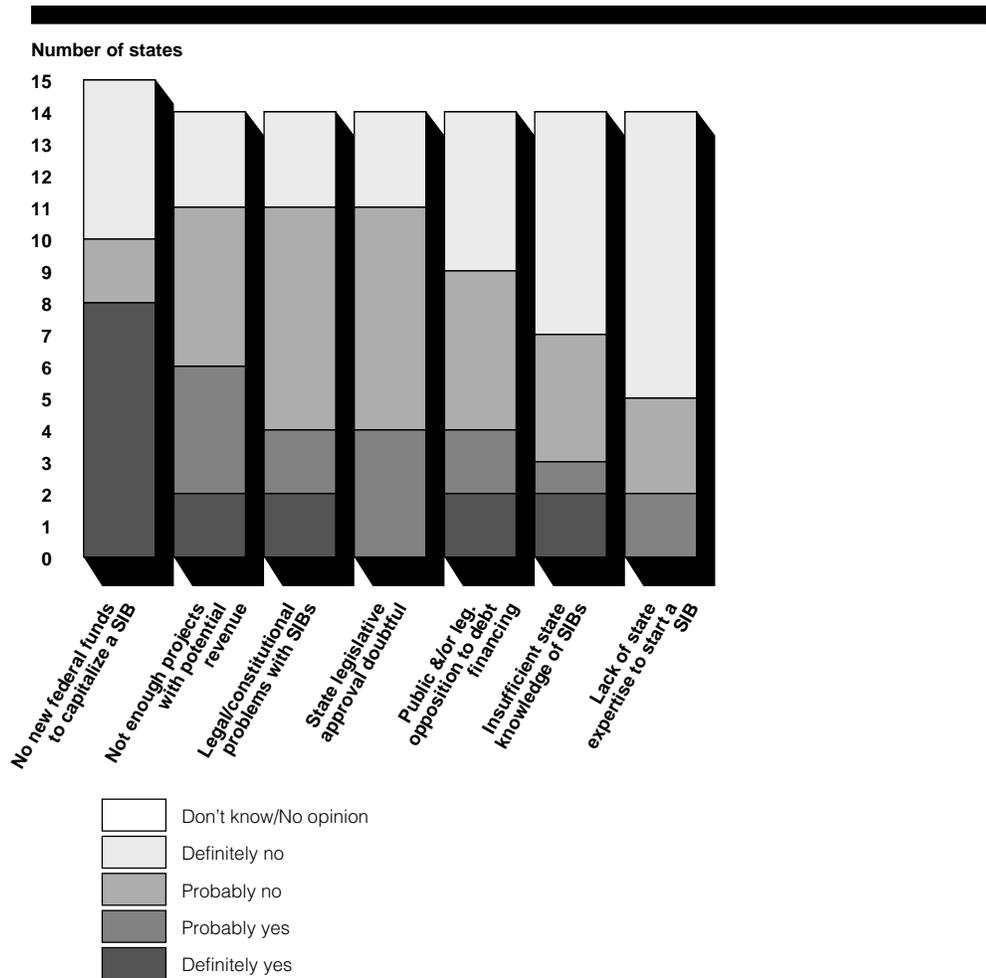
⁶The Council of Infrastructure Financing Authorities is a national nonprofit association representing state, regional, and local public infrastructure financing agencies; most of its public members are authorities issuing tax-exempt bonds to build public infrastructure.

DOT estimated that \$2 billion in federal capital provided through SIBs could be expected to attract an additional \$4 billion for transportation investments, thus achieving a leverage ratio of 2 to 1. FHWA officials told us that this estimate is conservative and is based on EPA's State Revolving Fund program. FHWA officials said that SIBs could achieve a leverage ratio as high as 4 to 1. But as Washington State officials point out, FHWA's assertion is too general to prove or disprove. The return depends heavily upon individual projects and how "leverage" is defined.

Barriers That May Impede States From Participating in a SIB Pilot

Some state officials and industry experts remain skeptical that SIBs will produce the expected benefits. Some of the barriers cited include the following: (1) there are no additional federal funds to support SIB capitalization, (2) there are not enough revenue producing projects to sustain a SIB, and (3) there may be legal or constitutional state problems, such as prohibitions against the private sector's profiting from using government funds channeled through a SIB. Figure 4 shows states' responses to possible barriers to their participation in the pilot program.

Figure 4: Factors Diminishing States' Interest in the SIB Pilot Program



As figure 4 shows, states considered the lack of additional federal funds as the primary barrier to participating in the program. However, very few states considered their insufficient knowledge of SIBs or lack of expertise to start a SIB as barriers to participating in the SIB Pilot Program.

Funds to Capitalize a SIB

States selected to participate in the pilot program are permitted to use a maximum of 10 percent of most of their federal highway grant funds for

fiscal years 1996-97 to capitalize a SIB.⁷ Funding SIBs from existing funds, however, can act as a disincentive for states participating in the SIB Pilot Program. As figure 4 showed, 8 of the 15 states cited the absence of additional federal funds to capitalize a SIB as a factor that definitely diminished their likelihood of participating in the SIB Pilot Program. For instance, New York transportation officials told us that all their available federal and state funds are fully committed to planned highway and transit projects; thus, no funds are available to capitalize a SIB.

Of the 11 states we surveyed that indicated interest in participating in the SIB Pilot Program, 9 provided us with estimates of the percentage of their available federal highway funds they expected to use to capitalize a SIB. Six of these states indicated that for fiscal years 1996 and 1997, they expected to use less than half of the federal highway funds allowed to capitalize a SIB.

Some of the states' decisions reflect the fact that federal funds are already fully committed to planned projects, often for the next 3 to 5 years. Therefore, state officials do not expect to be able to rechannel funds for an alternative use, particularly in the early start-up years. According to a Texas transportation official, capitalizing a SIB within the next 5 years would mean diverting funds from planned projects with existing constituencies. This official was more optimistic that with the passage of time, rechanneling federal funds to a SIB would become easier as projects that could be supported through a SIB developed their own constituencies.

To help with capitalization for SIBs in a constrained budget environment, some projects already planned with established financing may be brought under the SIB financing umbrella. Thereby, the SIB will be able to capture future project loan repayments. For instance, one of four potential projects identified in South Carolina's SIB application will receive financing through a planned issue of up to \$60 million in state highway bonds. The proceeds of this bond issue will be loaned to the state turnpike authority to complete construction of a four-lane highway that will bypass the overcrowded main artery on Hilton Head Island. Under the terms of a loan agreement, tolls collected by the turnpike authority from the project will be used to repay the state DOT. It is the intention of the state DOT to move this transaction under the SIB.

⁷Federal highway funds that could not be used for SIB capitalization include apportionments from ISTEA demonstration projects and the Congestion Mitigation and Air Quality program. In addition, Surface Transportation Program funds or other funds that are suballocated to urban areas (over 200,000 population) could only be deposited into a SIB with the approval of the area's metropolitan planning organization.

Similarly, one of the projects identified in the Texas SIB application already has financing, but the Texas DOT indicated its intent to bring the project under the institutional framework of the SIB, thus allowing loan repayments to be used for future SIB-assisted projects. If this is the only source of the SIB's capitalization, however, the operation of the Texas SIB will be delayed because repayment of the \$135 million loan does not begin until 2004 and is spread over 25 years.

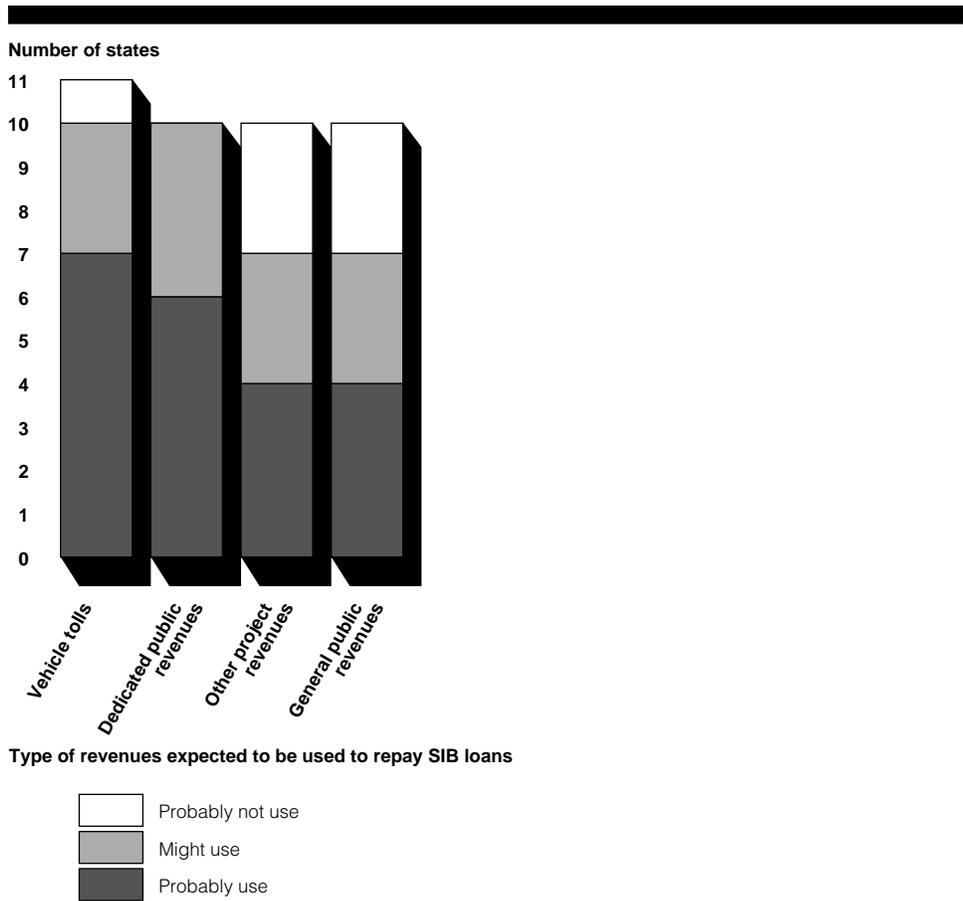
A provision in DOT's fiscal year 1997 appropriation should also help with capitalization for SIBs. As previously mentioned, the appropriation provides \$150 million for the SIB Pilot Program. The funding is to be made available until expended. DOT will need to decide how the funds will be allocated. DOT will have various options for allocating the funds, including (1) a proportional distribution based on states' historical share of federal highway funds for those states participating in the pilot program, (2) an equal distribution of the funds to all participating states, (3) an incentive to induce states to participate in the SIB pilot, or (4) a performance award to encourage certain actions or projects, such as fund leverage or particularly innovative project financing. While these are just some of the various ways that funds could be distributed, information on how the funds will be distributed will likely prove to be a critical factor in the number of additional states that choose to participate in the pilot program.

Lack of Candidate Projects and Debt Repayment Obstacles

According to an official in FHWA's Office of Policy, a significant barrier to viable, thriving SIBs is the low number of projects that could generate revenue and thus repay loans made by SIBs. In turn, the states' and regions' population density and fiscal capacity, the acceptance of tolls by the public and legislators, and the availability and cost of the rights-of-way for start-up projects are factors in how much demand there will be for SIB-financed projects. Six of the states that we surveyed told us that an insufficient number of projects with a potential revenue stream would diminish the prospects that their state would participate in the SIB Pilot Program.

Repayments for highway projects' debt could be derived through a number of ways; principal ones would include (1) vehicle tolls; (2) other project revenues, such as air or other rights of way, and revenues from commercial rest stops; (3) dedicated public revenues linked to the project, such as revenue districts or special benefit taxes, and general public revenues, such as development or sales taxes. Figure 5 shows the types of revenues that states indicated they would likely use to repay SIB loans.

Figure 5: States' Views on Likely Revenue Sources



Ten of 11 states said they are considering tolls. However, state officials commented that they expected tolls would generate considerable negative reaction from political officials and the general public. This concern has been highlighted by a recent experience in Washington State, where four of five planned toll projects have been indefinitely suspended because of public and political opposition.

In addition, of the four states we surveyed that were not interested in participating in the SIB Pilot Program, three states cited the need to repay SIB debt, specifically, an aversion to tolls, as a reason for not wanting to participate. As Arkansas officials noted, the public aversion to debt

financing for highways was recently expressed when a state bond referendum lost heavily; 87 percent voted against it.

Legal Barriers

Some states also expressed uncertainties regarding their legal or constitutional authority to establish a SIB in their state or use some financing options that would involve the private sector. Michigan, for instance, said that it does not currently have the constitutional authority to lend money to the private sector. While Minnesota does have the authority to lend money to the private sector, state officials noted that they would need legislative changes, because their authority is currently restricted to lending funds interest-free to private firms to build toll roads. Thus, the state would need the legislative authority to charge interest on loans to the private sector. In addition, Minnesota officials stated that the SIB would need authority to reloan the money because any repayment of a transportation loan must currently be deposited into the state's general fund.

Texas officials noted that participation in the SIB Pilot Program would be based on a two-phased approach. In the first phase of implementation (1996-97), the Texas SIB would use existing statutory and constitutional authority to provide financial assistance for highway toll projects. In January 1997, legislative changes would be sought to enable the Texas SIB to begin the second phase of the program's implementation and expand the types of recipients and projects eligible for assistance.

Another impediment can arise if the SIB exposes the state to debt. Backing SIB financial assistance with the full faith and credit of the state is not legally permitted in some states. Without the guarantee of the full faith and credit of the state, the SIBs will have to rely on the strength of their project portfolio and initial capitalization as the basis for borrowing.

For instance, South Carolina officials noted that the state constitution prohibits the outright guarantee of the full faith and credit of the state for the indebtedness of a private party. In addition, South Carolina officials note that any security or debt financing instrument or guarantee issued by their state SIB is not and should not be construed to be backed by the full faith and credit of the state of South Carolina or its agencies and does not constitute a commitment, guarantee, or obligation of the state. However, these officials do not believe that this prohibition will significantly affect the operations of a SIB because proposed legislation will limit the SIB's obligations to exclude the full faith and credit of the state. Similarly, Oregon's Department of Justice advised that Oregon's constitution

prohibits lending the credit of the state. Therefore, SIB agreements will be structured to protect the state from assuming any prohibited obligations.

Finally, some infrastructure finance experts question SIBs' prospects for attracting private sector involvement—one of the program's primary goals. One principal barrier to attracting private capital is the fact that the Internal Revenue Code restricts private involvement in tax-exempt debt. In the case of state and local bonds, bondholders' interest earnings are exempt from federal taxes. However, the tax exemption does not apply to a bond issue if (1) the private sector uses more than 10 percent of the proceeds and finances more than 10 percent of the debt or (2) more than 5 percent of the proceeds or \$5 million (whichever is less) is used to make loans to the private sector. Exempt facility bonds that meet volume and other statutory requirements are not subject to this rule. Exempt facility bonds are bonds for which 95 percent or more of the issue's net proceeds are to be used to provide specified facilities, including airports, docks and wharves, and mass-transit facilities.

A number of infrastructure finance experts told us that states that choose to leverage their infrastructure banks will likely do so with tax-exempt debt because bondholders are willing to accept lower interest rates in exchange for the bonds' tax-exempt status. Restrictions on private involvement in tax-exempt debt are not unique to infrastructure banks. However, as a result of the restrictions, private participation in projects financed by leveraged banks could be inhibited under the terms of existing tax law.

Conclusion

SIBs offer the promise of helping to close the gap between transportation needs and available resources by helping to attract other revenue sources. However, some state officials expressed an aversion to debt financing and concern about whether there are enough revenue-generating projects to sustain a SIB. Because of its newness, the pilot program will need time to develop and mature, and a comprehensive assessment of SIBs' impact on meeting transportation needs can probably only be assessed over the long term. The legislation authorizing the SIB Pilot Program provides that DOT submit a report to the Congress on the financial condition of each infrastructure bank established under the pilot program. This report is to be submitted to the Congress by March 1, 1997. However, because of the start-up time involved in establishing and funding SIBs, the information available on the financial condition of SIBs may be limited at that time. Furthermore, because the Congress only recently approved expanding the

SIB Pilot Program to more than 10 states, along with an additional \$150 million, it may be too early to comprehensively evaluate the results of the program.

Once SIBs begin operating, disseminating information on states' successes and failures with various financing options as the pilot program progresses could help other states use their SIB more effectively and educate other states on the benefits and uses of a SIB. One of the early benefits in certain pilot states is planned action to remove legislative barriers to private financial involvement in transportation projects.

**Matter for
Congressional
Consideration**

The Congress may wish to consider postponing the due date for DOT's report on the financial condition of the SIBs in the pilot program to a date later than March 1, 1997.

Agency Comments

We provided DOT with draft copies of this report for DOT's review and comment. We met with DOT officials—including representatives from FHWA's Office of Chief Counsel and Office of Fiscal Services, the Federal Transit Administration's Office of Budget and Policy, and the Office of the Secretary Office of Economics—who agreed with the information presented throughout the report and considered it a well-prepared, balanced report. DOT agreed with our matter for congressional consideration and thought that a postponement of DOT's due date for reporting on the financial condition of SIBs to a date later than March 1, 1997, would allow the program time to develop and enable DOT to provide a more useful, substantive report. Regarding legal barriers to SIBs, officials from FHWA observed that states may be able to create SIBs under existing law. However, some states may have to overcome specific legal restrictions for their SIBs to engage in the full array of financing activities that can be used to address transportation needs.

We performed our review from August 1995 through September 1996 in accordance with generally accepted government auditing standards. Please call me at (202) 512-2834 if you or your staff have any questions. Major contributors to this report are listed in appendix IV.

A handwritten signature in black ink that reads "John H. Anderson, Jr." The signature is written in a cursive style with a large initial 'J' and a distinct 'A'.

John H. Anderson, Jr.
Director, Transportation and
Telecommunication Issues

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Abbreviations

DOT	Department of Transportation
EPA	Environmental Protection Agency
FHWA	Federal Highway Administration
GAO	General Accounting Office
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
NHS	National Highway System
SIB	State Infrastructure Bank

Summary of Selected Finance Tools

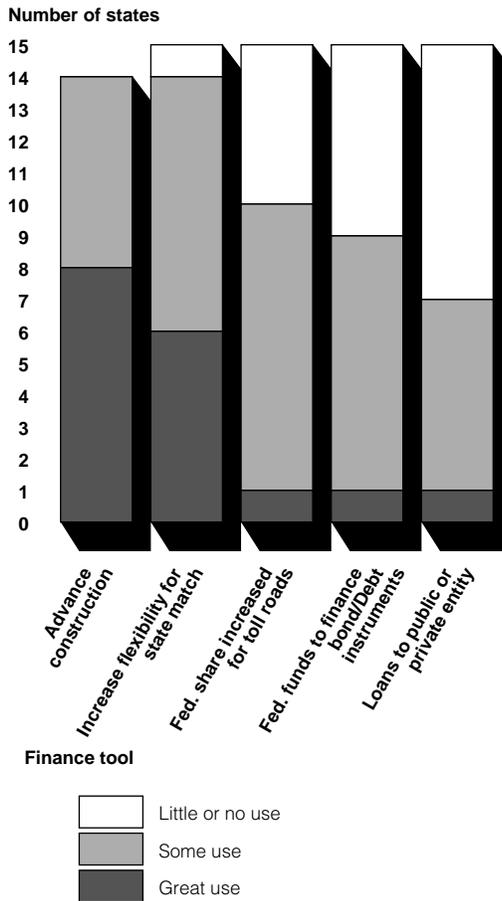
The National Highway System Designation Act of 1995, which includes the authorization for a State Infrastructure Bank (SIB) Pilot Program, also gives states additional flexibility to use innovative finance tools for highways outside the SIB Pilot Program. This legislation as well as other statutes contain provisions related to the following:

- Advance Construction: Allows a state to begin a federal-aid eligible project in its transportation plan with its own funds before accumulating the full federal funds.
- Use of Federal Funds to Finance Bond and Other Debt Instruments: The Secretary of Transportation may reimburse a state for expenses and costs incurred for interest payments, the retirement of principal, the cost of issuance, or other costs of issuing bonds to finance highways.
- Loans of Federal Highway Funds to a Public or Private Entity With a Dedicated Revenue Source: The federal share of a project's grant funds may be loaned to construct a toll project or other project with a dedicated revenue source.
- Federal Share Increased for Toll Roads: The federal share payable for construction of a toll road is increased from 50 to 80 percent.
- Increased Flexibility Provided for State Match: States may apply the value of donated funds, materials, or services to eligible projects against the state match.

In a survey, we asked 15 states how much use, if any, their state would likely make of the above financing tools in the next 5 years. As figure I.1 shows, advance construction was the finance tool that most states (8 of 15) believed they would make great use of in the next 5 years. The second favored tool was the flexibility to meet state matching requirements by applying the value of donated funds, materials, or services to eligible projects.

Appendix I
Summary of Selected Finance Tools

Figure I.1: Surveyed States Expected Use of Certain Innovative Finance Tools in the Next 5 Years



Scope and Methodology

In considering what role SIBs may play in helping states to expand their ability to finance highways, the objectives of our review were to (1) identify the extent of states' interest in the pilot program and how states might use SIBs and (2) identify the benefits and barriers to states' using SIBs. At the request of the Senate Committee on Environment and Public Works and the Chairman of that Committee's Subcommittee on Transportation and Infrastructure, we also briefly summarize information on states' interest in using other innovative financing mechanisms that are contained primarily in the National Highway System Designation Act of 1995 in appendix I.

To attain these objectives, we reviewed relevant sections of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), the National Highway System (NHS) Designation Act of 1995, and the Department of Transportation's (DOT) Test and Evaluation Pilot Project. We reviewed the notice inviting states to apply for the pilot program, the application instructions, and application material submitted by individual states.

We selected states for interviews prior to learning whether they applied and were selected to participate in the program. We were interested in obtaining the views of states that wanted to apply for participation in the pilot program as well as states that were not interested. We contacted transportation officials from 16 states and were able to obtain information from 15 states on their views, expectations, and plans (if any) to use SIBs, as well as their expectations on using certain other innovative finance tools. We conducted a telephone survey with the selected states and collected documentation from the surveyed states and from the Federal Highway Administration (FHWA) about states' SIB plans. The 15 states that provided us with information were Arkansas, California, Florida, Louisiana, Maryland, Michigan, Minnesota, Montana, New Jersey, New York, Ohio, South Carolina, Texas, Virginia, and Washington. These states were judgmentally selected to include states with interest in innovative finance tools and geographical balance. Of the 15 states, 6 applied and were selected, 6 did not apply, and 3 applied for but were not selected to participate in the SIB Pilot Program.

We reviewed states' SIB documents and analyzed the results of surveys and interviews with state DOTs to identify common problems with current loan provisions, potential problems with the SIB concept, and states' interest in and uses for SIBs. Furthermore, we identified major barriers that may prevent SIB benefits from being realized.

Appendix II
Scope and Methodology

We also conducted telephone interviews and follow-up interviews with state DOTs' planning, policy, and finance officials; FHWA officials responsible for innovative finance initiatives; representatives from finance and construction firms; experts from academia, consulting firms, and debt-rating services; and representatives of national policy and labor organizations.

We conducted our review from August 1995 through September 1996 in accordance with generally accepted government auditing standards.

Proposed SIB Pilot Program Projects

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
Arizona						
Maricopa County (Red Mountain/SR 87 Bridge)	Construct a 0.25-mile bridge connector	\$ 2.2 million	Loan amount to be determined.	Alternatives are under consideration.	Design and right-of-way acquisition are under way, and environmental impact statement is approved.	Mid-1997 (without SIB assistance 2004).
Cochise County (SR90/I-10 to Kartchner Caverns)	Reconstruct and widen a 9.4-mile segment of SR 90.	\$16.0 million	Loan amount to be determined.	Alternatives are under consideration.	Environmental assessment and preliminary design under way.	Mid-1997 (without SIB assistance 1998).
U.S. 93, Santa Marie River to Wikieup	Reconstruct and widen a 4.8-mile segment.	\$21.9 million	Loan amount to be determined.	Alternatives are under consideration.	Environmental assessment is under way; design 30- percent complete.	Late 1997 (without SIB assistance).
Mohave County SR 95	Construct a new 11.5-mile highway.	\$14.9 million	Loan amount to be determined.	Alternatives are under consideration.	Environmental assessment is almost complete; final plans expected before 1997.	1997 (without SIB assistance, 1998).
Maricopa County, Gila River Crossing for 116th Ave. Bridge	Construct a new bridge.	\$12.0 million	Loan: \$6 million.	Most likely revenue stream: surcharge on raceway admission.	Environmental assessment and design are complete.	1997 (without SIB, currently not scheduled).
California						
Los Angeles County	Widen and improve the Alameda Corridor.	\$1.8 billion	Credit enhancement to support privately issued revenue bonds.	Debt service on SIB-supported bonds to be paid through cargo fees to shippers.	Resolution of the final environmental impact statement expected in 1996.	Target completion date: 2001
San Francisco & San Mateo Counties	Construct four new stations and parking facilities.	\$1.1 billion	Guarantee of short-term commercial loan.	Not determined.	Preferred alternative selected in 1995.	Target completion date: 2000
Orange County	Construct a 24-mile tollway and 2-mile segment of the Foothill Corridor.	\$713.0 million	\$25 million line of credit to replace existing contingency fund.	If accessed, the line of credit would be repaid through excess toll revenues.	Portions of project are now under construction.	Target completion date of some parts: 1999.

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
San Francisco County	Renovate ferry terminal.	\$63.0 million	Credit enhancements to assist private developer secure a \$25 million to \$35 million commercial loan.	Operating income to repay SIB-supported loans. Fees on loans and guarantee to be repaid by ground lease and parking revenues.	Conceptual design and engineering are in progress.	1997
Orange County	Construct segments of the Foothill Corridor, SR 241.	\$746.0 million	Loan: \$15 million.	SIB loan to be repaid from bond issue.	Segments are under construction; environmental impact statement in progress for remainder of project.	Partial completion dates: 1999 and beyond.
Throughout state	Develop privatized roadside rest areas.	Costs to vary by site.	Credit enhancements and loan guarantees to assist private developers to secure financing.	Profits earned by private developers.	Initiative is in conceptual stages.	Not determined.
San Diego County	Repair and modernize San Diego and Arizona Eastern Railroad and make other improvements.	\$100.0 million plus	Guarantees to support financing are the most likely forms of assistance.	Not determined.	Not determined; economic feasibility study completed in March 1996.	Not determined.
Orange County	Construct 15-mile San Joaquin Corridor Interchange.	\$30.0 million for new project (total project costs of \$817.0 million).	Credit enhancements to support an additional bond issue.	Debt service on new bond issue to be repaid with excess toll revenues or other funds.	Construction began in 1993.	Target completion date, 1997
San Diego County	Construct a new freeway or widen existing road to freeway standards.	\$210.0 million	If pursued as public-private partnership, credit enhancement to assist private consortium in obtaining financing.	If pursued as a public-private partnership, tolls could be used to repay loans and fees for loan guarantees.	Initial feasibility study has been completed; further progress dependent on funding.	Not determined.

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
San Diego County	Construct 10-mile toll road.	\$300.0 million to \$400.0 million	Credit enhancement to support privately issued debt.	Tolls are the most likely revenue source.	Draft environmental impact statement submitted in 1996.	1996 or 1997
Florida						
Palm Beach County, SR 80	Construct interchange and toll facilities and reconstruct existing bridge.	\$22.0 million	Loan: \$7 million.	Revenue from a mix of project and systemwide toll receipts and state transportation funds.	Preliminary design and environmental study complete.	October 1998.
Orlando	Construct a new 6-mile section to complete 56-mile beltway.	\$240.0 million	Loan: \$20 million.	Revenue from a mix of project and systemwide toll receipts and state transportation funds.	Final engineering is nearly complete.	Mid-1998.
Orlando	Construct Western Beltway	\$210.0 million plus.	Not determined.	Not determined.	Not determined.	Not determined.
Missouri						
St. Louis	Construct a Gateway Multimodal Center for bus, rail, and airport access.	\$40.0 million	Loan: \$7 million to public agency; loan to private sector partner not determined.	Most likely source of revenue: Local tax revenues and parking fees.	Preliminary design and feasibility analysis completed.	Not determined.
St. Louis	Construct an 1,800-space parking facility and commercial space at North Hanley Metrolink Station.	\$11.2 million	Not determined.	Options include airport parking fees, concession fees, and public-private joint development projects.	Feasibility study is under way; state plans to solicit proposals in 1996 for private equity partners.	Not determined.
Jefferson City	Construct connecting highway from Highway 179 to Highway 50, Route B.	\$20.8 million	Credit enhancement to support bonds issued by the city or county.	Not determined.	Final environmental impact statement completed in 1996.	Not determined.
St. Louis	Purchase 10 light rail cars for transit.	\$25.0 million	Loan: \$15 million.	Local transportation sales tax revenues.	Purchase commitment to follow financial plan.	Not determined.

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
St. Louis	Construct a park and ride facility; purchase and rehabilitate existing station.	\$9.0 million	Credit enhancement to support bonds issued by Bi-State Development Authority.	Sales taxes and parking fees would support the bond issue.	First \$1 million phase of project is under way; second \$8 million phase is awaiting SIB funding.	Not determined.
Springfield	Grade, widen, resurface, and relocate five highway segments.	\$23.3 million	Support for pooled bond issuance for all five projects.	Most likely revenue source: Local tax revenues.	Progress depends on identifying funding source.	Not determined.
Kansas City	Route 210 upgrade: Remove and rebuild interchange, relocate road, and new construction.	\$38.6 million plus	Not determined.	Most likely revenue source: Taxes from a new transportation development district.	Project is in preliminary stages.	Not determined.
Ohio						
Wilmington	Realign a 5.8-mile bypass.	\$12.0 million	Loan: \$6 million.	Revenues from taxes paid to the tax increment financing district.	Not determined.	Not determined.
Erie County	Widen a 4.6-mile highway connecting SR 2 to Ohio Turnpike.	\$19.5 million	Loan: \$7.5 million.	Revenues from fees collected at an amusement park parking lot and a 1-percent hotel/motel tax.	Environmental impact statement is nearly complete.	1998
Butler County	Realign, widen, and interchange projects on SR 129.	\$118.9 million	Loan: \$30 million.	Loan to be paid by revenue bond issue backed by toll receipts.	Environmental and design work to be done from 1996 to 1998.	Not determined.
Sandusky	Construct I-670 and Spring/Sandusky interchange.	\$156.2 million	Loan: \$7 million.	Loan to be paid by revenue bond issue in 2003 and backed by the city's income tax.	Design engineering is nearly complete.	1996
Stuebenville	Widen 0.8-mile boulevard.	\$3.2 million	Loan: \$3.2 million.	Loan to be paid from a future federal fund allocation.	Preliminary engineering and design are in progress.	1997

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
Cleveland	Construct 500-space parking facility at the Great Lake Science Center.	\$7.3 million construction loan.	Loan: \$7.3 million.	\$4 million of \$7.3 million loan repaid through private loan; \$3.3 million balance converted to permanent financing, subordinate to a private loan.	Environmental clearance granted; design engineering complete.	1996
Muskingum County	Construct a truck-to-rail transfer facility.	\$7.2 million	Loan: \$7.2 million.	Loan repaid from fees charged to users of intermodal facility.	Environmental analysis has begun.	1997
Columbus	Construct a pedestrian walkway over interstate.	\$12.0 million construction loan.	Loan: \$12 million.	\$9 million of loan repaid through private loan; \$3 million balance converted to permanent financing, subordinate to private mortgages on platform and facilities.	Feasibility analysis has begun.	1998
Lima	Acquire and rehabilitate 64-mile rail line.	\$10.0 million permanent loan.	Loan: \$10 million.	Likely revenue source: Lease payments from short line railroad.	Environmental analysis to be conducted in mid-1996.	1997
Franklin County	Construct parking ramps and taxiways and renovate maintenance facility.	\$10.0 million permanent loan.	Loan: \$10 million.	Loan repaid from building rents and state general funds.	Project design is under way.	1997
Oklahoma						
Oklahoma City	Widen 7.5-mile Broadway extension road and construct new interchange.	\$196.0 million	Loan: \$30 million for preconstruction costs.	Preconstruction loan repayment with proceeds from revenue bonds, with debt service from federal and state funded lease payments. Fallback revenue: State fuel tax or tolls.	Environmental analysis complete; project awaits final financing plan.	1997

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
Tulsa	Widen existing Broken Arrow Expressway (SH51).	No data.	Not determined.	Not determined.	Not determined.	Not determined.
Oregon						
Throughout state	Construct a 6- to 11-mile Newburg-Dundee Bypass.	\$120.0 million	Loan: \$1.1 million development loan; a second long-term SIB loan will follow.	Bond issue will repay short-term loan. Likely source to repay SIB assistance: Tolls.	Preliminary engineering, environmental studies, and final design by end of 1997.	Spring 1998
Tualatin	Construct a 6-mile bypass on Tualatin-Sherwood Expressway.	\$120.0 million	Loan: \$1 million development loan; a second long-term SIB loan will follow.	Bond issue will repay short-term loan. Likely source to repay SIB assistance: Tolls.	Preliminary engineering, environmental studies, and final design by end of 1997.	1998
Wilsonville	Rebuild Stafford Interchange and Commerce Circle; construct new ramps.	\$12.4 million	Loan: \$1 million.	SIB loan to be repaid from local improvement district funds.	Project has been designed and is ready to start.	1996
Linn County	Widen and improve Highway 34, I-5, to Lebanon.	\$15.1 million	Loan: \$2.4 million.	SIB loan to be repaid by city's share of state Transportation Equity Account or other local funds.	Most parts of the project have completed final design.	1997
Tillamook County	Reconstruct Tone Bridge access and repave of flood-damaged road.	\$600,000	Loan: \$60,000	SIB loan to be repaid by county road funds.	Project ready for final design.	1996
Washington County	Construct the 7,100-foot Cedar Hills Boulevard Extension	\$11.1 million	Credit enhancement for issuance of \$3.6 million in revenue bonds.	Principal and interest on the bonds to be paid from county gas tax and the county's share of state motor vehicle fund revenues.	Financing is dependent on vote for local tax to support bond issue.	1996

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
South Carolina						
Greenville	Construct a 16-mile, four-lane, limited access highway.	\$160.0 million	Loan: Not determined.	Loan to be repaid with letter of credit backed by toll receipts.	Request for proposals issued in August 1995; agreement expected in 1996.	1997
Johns Island	Construct 15-mile Sea Island Expressway	\$120.0 million	Loan: Not determined.	Loan to be repaid with project toll receipts.	Request for proposals issued in August 1995.	1997
Myrtle Beach	Construct new bridge crossing for Fantasy Harbor.	\$15.0 million	Loan: Not determined.	Potential revenue source: Admission tax at Fantasy Harbor entertainment complex.	Negotiate a design/build contract in fall 1996.	1996
Hilton Head	Construct Cross Island Connector, a four-lane limited, access toll highway.	\$81.0 million	Loan: Not determined.	Loan to be repaid from toll receipts.	Construction under way.	1996
Texas						
Dallas	Construct a 26-mile beltway (SH 190) north of Dallas.	\$696.0 million	Loan: \$135 million loan has already been made.	Likely revenue source: Toll receipts.	In final stages of preconstruction.	1998
Dallas	Construct western extension of SH 190 segment of beltway.	\$59.0 million	Loans: unspecified amount for feasibility study; future amounts not determined.	Not determined.	Feasibility study is under way.	2004
Dallas	Construct eastern extension of SH 190 segment of beltway.	\$129.0 million	Loans: unspecified amount for feasibility study; future amounts not determined.	Not determined.	Feasibility and investment study to begin soon.	Not determined.
Virginia						
Richmond	Construct I-895 connector.	\$225.0 million	Loans: amount not determined.	Not determined.	Original environmental impact statement completed in 1984; design is under way.	Not determined.

(continued)

**Appendix III
Proposed SIB Pilot Program Projects**

Project location	Project description	Estimated construction cost	Expected SIB help	Revenue source	Project status	Estimated construction start date
Richmond	Construct Route 288 link.	\$255.0 million	Loans: amount not determined.	Likely revenue source: Toll receipts.	Original environmental impact statement completed in 1989.	Not determined.
City of Chesapeake	Expand a 10.2-mile street.	\$115.0 million	Loan: amount not determined.	Not determined.	City is evaluating private proposals to build, operate, and finance the project.	Not determined.
Vienna	Construct 1,000-space parking deck.	\$10.0 million	Loan: Amount not determined.	Not determined.	Request for proposal is being drafted for private entities to design, construct, operate, and maintain.	Not determined.
Richmond	Improve downtown Multimodal Transportation Center; construct bus terminal.	\$32.0 million	Loan: amount not determined.	Not determined.	Project is receiving \$2 million in Federal Transit Administration grants; future funding is uncertain.	Not determined.

Source: State applications submitted for FHWA's SIB Pilot Program.

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