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Highlights

Highlights of GAO-12-641, a report to congressional committees

June 2012

SURFACE TRANSPORTATION

Financing Program Could Benefit from Increased Performance Focus and Better Communication

Why GAO Did This Study

Created in 1998, the TIFIA program is designed to fill market gaps and leverage substantial nonfederal investment by providing federal credit assistance to help finance surface transportation projects including highway, transit, rail, and intermodal projects. Since 2008, demand for the program has surged, annually exceeding budget resources for the program by a factor of more than 10 to 1. Given the increased demand and recent proposals to expand and modify the program, GAO was asked to review (1) the characteristics of TIFIA projects and how DOT tracks progress toward the program's goals, (2) the process DOT used to evaluate and select projects that submitted LOIs to apply for credit assistance in fiscal years 2010 and 2011, (3) the factors that affect project sponsors' decisions about whether to seek TIFIA credit assistance, and (4) the options proposed to modify the program. GAO reviewed laws and program guidance; interviewed DOT officials, project sponsors, and advisors involved in procuring credit assistance; and surveyed all state departments of transportation and other recent applicants about the TIFIA program.

What GAO Recommends

GAO recommends that DOT develop and use program performance measures to better assess progress in meeting TIFIA's goals and objectives. DOT should better disclose information on how it selects projects to apply for TIFIA assistance through program guidance or other means to help ensure that the program is more transparent to Congress, applicants, and the public. DOT said it would consider the study's results.

View GAO-12-641. For more information, contact Susan Fleming at (202) 512-2834 or flemings@gao.gov.

What GAO Found

Projects that received credit assistance through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, administered by the Department of Transportation (DOT), tend to be large, high-cost highway projects. As of April 2012, DOT has executed 27 TIFIA credit agreements for 26 projects with project sponsors such as state DOTs and transit agencies. Overall, DOT has provided nearly $9.1 billion in credit assistance through 26 loans and one loan guarantee. By mode, there are 17 highway, 5 transit, and 4 intermodal projects. Most projects have a total cost of over $1 billion. DOT monitors individual credit agreements but does not systematically assess whether its TIFIA portfolio as a whole is achieving the program's goals of leveraging federal funds and encouraging private co-investment. DOT has identified goals and objectives for the TIFIA program, but its limited use of performance measures makes it difficult to determine the degree to which the program is meeting these goals and objectives. Given that DOT already collects project data, it could use these data to better evaluate the program's overall progress toward meeting its goals.

In fiscal years 2010 and 2011, DOT used a competitive two-step process to evaluate and invite projects to apply for TIFIA credit assistance to address the considerable increase in demand for the program. First, a multimodal team scored and grouped letters of interest (LOI) using statutory criteria. Second, a group of senior DOT staff reviewed the LOIs based on the criteria and other factors, like available budget authority, and invited a subset to apply—the next step in securing TIFIA assistance. While recent applicants were satisfied with many aspects of the process, they also indicated, along with legal and financial advisors, that the selection process lacks transparency and creates uncertainty in their ability to implement projects. For example, some recent applicants told us it is difficult to understand what characteristics DOT uses to measure how well a project meets each criterion. DOT officials said the agency is taking steps to improve its evaluation process, but since many of the changes were initiated in 2012, it is too soon to tell if they will address recent applicants' concerns.

Several factors influence whether project sponsors seek TIFIA assistance. More than 30 of 36 recent applicants we surveyed cited TIFIA's repayment options (like deferring repayments for 5 years after project completion), low interest rate, and flexible structure (i.e., ability to subordinate TIFIA repayment) as important in their decision to seek assistance. To date, sponsors from 17 states have never sought TIFIA assistance. State DOT respondents from these states cited various reasons for this, including lack of eligible projects and state-imposed borrowing restrictions. Many of these state DOTs indicated that regardless of options for modifying the program, they have no plans to seek TIFIA assistance.

Several options to change the TIFIA program have been proposed by, among others, Congress and DOT; these options include increasing the program's funding, increasing the portion of costs that may be covered by TIFIA from 33 percent to 49 percent of project costs, and modifying the selection process. Each option has advantages and disadvantages and, if adopted, some could alter the original goals of the program—to leverage public funds and encourage private co-investment.