

To: Representative Tobias Read
From: Travis Brouwer, ODOT Federal Affairs Advisor
Re: Federal financial support for the I-5 bridge replacement project
Date: October 14, 2013

The I-5 bridge replacement project is seeking significant federal support in the form of a New Starts grant from the Federal Transit Administration (FTA) and a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the Federal Highway Administration (FHWA). A window of opportunity for federal funding exists over the next year thanks to passage of MAP-21, the federal surface transportation act, which funded both programs at robust levels. When MAP-21 expires on September 30, 2014, all bets are off as to funding levels for these programs—particularly because the Highway Trust Fund will exhaust its balances, potentially forcing deep cuts. The sooner the project can start the lengthy federal grant review processes by submitting applications for New Starts and TIFIA, the more likely it will secure the amounts called for in the finance plan; delaying by several months introduces significant risk of losing federal financial support.

New Starts

FTA's New Starts program uses a rigorous and highly competitive process to select a limited number of projects to receive scarce federal funding. It follows a defined process of project analysis and review in which projects move through distinct phases, including project development, engineering, and construction. At each stage the project undergoes further development and faces FTA review, with FTA rating projects based on how they score against objective criteria. Projects that pass ratings tests move into a "funding queue," essentially a first-come, first served approach to funding projects that are seeking a Full Funding Grant Agreement (FFGA) from FTA.

Once a project completes the review process, the sponsor is invited to apply for an FFGA. The FFGA application process is long and rigorous, as FTA needs to conduct extensive due diligence when considering whether to allocate hundreds of millions of dollars to a project, and statute and extensive regulations require multiple layers of review (by FTA, the White House Office of Management and Budget, and Congress). For example, it took FTA nine months to award TriMet an FFGA for the Portland Milwaukie Light Rail Project.

Where the I-5 bridge stands in the process

The I-5 bridge replacement project is at the final stage of this process, in the engineering phase and at the front of the funding queue, about to apply for an FFGA. The only projects ahead of it in line are those that currently have an FFGA in place and are receiving federal funding. The project is at the cusp of securing an FFGA that will set forth the federal government's commitment to providing funding in the amount of \$850 million over a period of approximately nine years. The project has received an overall "Medium-High" rating from FTA (tied with a number of other projects for the highest rating of any project in the funding queue; many receive FFGAs with just a medium rating).

Given how far the I-5 bridge has traveled in the rigorous New Starts process, there is virtually no risk that the project will fail to secure an FFGA from FTA if it moves forward now; weak projects are kicked out before they reach this point, and US DOT has signaled their intention to provide an FFGA and fund the project if Oregon can get its ducks in a row. Moreover, FTA has never failed to deliver the promised funding once an FFGA is signed.

Risks of inaction

Nine projects requesting \$5.9 billion in New Starts funding are lined up in the New Starts funding queue behind the I-5 bridge. Given that New Starts is funded at about \$1.8 billion per year, if the I-5 bridge steps out of its spot at the front of the line and allows other projects to go in front of it, these projects could use up available funding for several years. What's more, there is a very real risk that after MAP-21 expires on September 30, 2014, Congress will reduce funding for New Starts. If that occurs, FTA will have to dedicate all available funding to projects with existing FFGAs and will likely stop issuing new FFGAs. As a result, delaying action risks losing out on FTA funds.

TIFIA

The project's finance plan relies on a \$900 million loan from FHWA's TIFIA program, which offers favorable financing terms that will allow the project to leverage significantly more resources from tolls. The Treasurer's office has been clear that securing a TIFIA loan is critical to the project's financial viability. Under MAP-21, TIFIA has a total of about \$17 billion in loan authority available before MAP-21 expires on September 30, 2014.

It typically takes nearly a year to secure a TIFIA loan from the date an application is submitted. For example, WSDOT submitted a TIFIA loan application for the SR 520 bridge replacement project on December 19, 2011, and the TIFIA loan was executed on October 25, 2012. Given this lengthy process, the I-5 bridge project needs to apply for a TIFIA loan as soon as possible to secure its financing, but it cannot do so until state funding is in place. Statutorily, US DOT is required to award TIFIA funding to credit-worthy projects on a first-come, first-served basis.

Risks of inaction

MAP-21 increased TIFIA funding seven-fold. However, in the fall of 2014 the Highway Trust Fund is expected to exhaust its balances, and Congress will either have to find additional resources or cut federal highway funding by about 25%. If this occurs, it is likely that the TIFIA program would be cut back significantly in order to focus resources on the highway programs that provide formula funding to the states. To avoid the risk of losing out on TIFIA funds, the I-5 bridge should have a TIFIA loan in place before MAP-21 expires on September 30, 2014, which requires submitting the TIFIA application as soon as possible.