Credit Support and Infrastructure Investment: The Case of the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program
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ABSTRACT: The primary aim of the TIFIA program is to leverage municipal and private investments to deliver higher-risk transportation projects that nevertheless offer important benefits for citizens. Although unintended, recent policy changes under the 2015 FAST Act may have altered the program’s market-leveraging function. By estimating the Fast Act’s treatment effect on supported projects’ credit ratings as compared to the previous MAP-21 period, this paper examined whether the program’s market leveraging role changed during the recent FAST Act period. Although the proportion of projects receiving A (AA/AA/A) and B (BBB) ratings appears unchanged, the proportion of total program assistance received by lower-risk, A-rated projects increased significantly during the Fast Act period.

MAPS-21 vs FAST ACT
Major changes made to the TIFIA program by the 2015 FAST Act:
• A direct cut to 70% the direct program budget
• Inclusion of Transit-oriented Development (TOD) projects
• A Rural Project Initiative (RPI)
• Expanding low-risk and small-budget projects

RESEARCH QUESTIONS
Did the TIFIA program’s market leveraging change following the Fast Act? If so, why might this have occurred?

 METHODOLOGY

\[ y_1 = \alpha + \beta_1 X_1 + \epsilon_1 \] (1) LPM
\[ y_2 = \alpha + \delta_1 X_1 + \beta_1 X_2 + \epsilon_2 \] (2) LPM-TE
\[ y_3 = \ln \left( \frac{p}{1-p} \right) = \alpha + \delta_1 X_1 + \beta_1 X_2 + \epsilon_3 \] (3) Binary Logit

RESULTS

Table 3. TIFIA Project Credit Ratings Models by Project Frequency

<table>
<thead>
<tr>
<th>No. of Projects</th>
<th>Rating (1)</th>
<th>Rating (2)</th>
<th>Rating (3)</th>
<th>Rating (4)</th>
<th>Rating (5)</th>
<th>Rating (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAST Act</td>
<td>LPM</td>
<td>LPM-TE</td>
<td>LPM-TE</td>
<td>LPM-TE</td>
<td>B Logit</td>
<td></td>
</tr>
<tr>
<td>Project Type (Base Category: Transit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toll and Ronds</td>
<td>-0.310**</td>
<td>0.146</td>
<td>0.168</td>
<td>0.147</td>
<td>0.143</td>
<td>0.138</td>
</tr>
<tr>
<td>Bridges</td>
<td>-0.173</td>
<td>0.129</td>
<td>0.147</td>
<td>0.152</td>
<td>0.143</td>
<td>0.138</td>
</tr>
<tr>
<td>Toll Primary Rev.</td>
<td>-0.394**</td>
<td>0.147</td>
<td>0.147</td>
<td>0.147</td>
<td>0.147</td>
<td>0.147</td>
</tr>
<tr>
<td>Constant</td>
<td>0.631***</td>
<td>0.673***</td>
<td>0.440***</td>
<td>0.538***</td>
<td>0.601***</td>
<td>0.394***</td>
</tr>
<tr>
<td>Observations</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.084</td>
<td>0.186</td>
<td>0.060</td>
<td>0.090</td>
<td>0.203</td>
<td>0.139</td>
</tr>
</tbody>
</table>

[Table 3] shows that the proportion of projects with A ratings and B ratings do not differ significantly between MAP-21 and the FAST Act.

However, [Table 4] shows that TIFIA support volume increased for A-rated projects under the Fast Act as compared to MAP-21. In general, projects employing toll revenues as their primary revenue pledge were more likely to receive B ratings, indicating higher perceived risk.

DISCUSSION
• The FAST Act’s expedited application policy may have increased the odds that low-risk projects were selected during the study period.
• However, budgets for such projects were too small to substantially impact study findings.
• Similarly, the Rural Project Initiative (RPI) did not support any project selected during the study period.
• The inclusion of Transit-oriented Development (TOD) projects may provide a partial explanation for the study findings. Transit projects tend to have good ratings and received sizeable support. However, TOD and transit were not distinguishable from available information.

LIMITATIONS AND FUTURE STUDIES
The small total population of TIFIA-supported projects and the limited accessibility of some information constrained the analysis. Future studies shall add additional data and explore other risk indicators like credit subsidies.

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REFERENCES: USDOT Policy Documents, CRS Report, etc.
A complete list of the references is attached as a separate document.