

Status of State Infrastructure Banks: Overcoming Challenges and Leveraging Successes

May 6, 2025



BUILD AMERICA CENTER

INNOVATIVE FINANCING AND DELIVERY
OF TRANSPORTATION INFRASTRUCTURE

Status of Major State Infrastructure Banks: Overcoming Challenges and Leveraging Successes

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Commissioned by:

Build America Center

Date:

May 2025

Status:

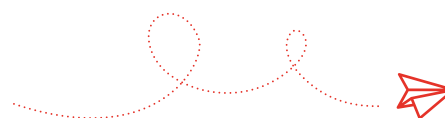
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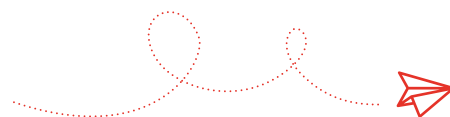
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Executive summary

State Infrastructure Banks (SIBs) have played a unique and evolving role in financing transportation infrastructure since their introduction as a Federal pilot program in 1995. Designed as revolving loan funds to complement traditional grant-based approaches, SIBs provide low-interest financing for eligible surface transportation projects, including highways, and transit/rail facilities; and recycle loan repayments into new infrastructure investments. Despite their potential, Federally-capitalized SIBs have faced varying degrees of utilization across States, shaped by administrative capacity, regulatory constraints, and alternative funding availability.

This report evaluates the operational status, challenges, and success factors of Federally-capitalized SIBs. Drawing on both data analysis and interviews with five active SIBs and one inactive SIB, it identifies several persistent barriers to greater SIB utilization. These include staffing and capacity constraints, limited marketing and outreach, and addressing Federal compliance requirements. Additionally, the availability of grant funding in some States reduces the need for loan-based financing, and many SIBs underutilize their Federal accounts due to regulatory rigidity.

At the same time, the report highlights critical success drivers in high-performing SIBs. These include strong staff expertise, effective stakeholder engagement, streamlined application processes, and the strategic use of State accounts to provide flexibility. SIBs in States like Texas, Florida, and Ohio exemplify how a well-structured, proactive approach can lead to higher loan volumes, repeat borrowers, and meaningful support for transportation priorities.

The report outlines three primary opportunities to enhance Federally-capitalized SIBs: (1) expanding marketing and outreach efforts to increase awareness and project pipelines, especially in underutilized regions; (2) creating a centralized hub for knowledge-sharing, tools, and best practices; and (3) promoting data-driven research to evaluate SIB impact and inform continuous improvement.

Finally, several policy recommendations are presented for longer-term reform. These include revisiting Federal regulatory requirements for loan compliance, reassessing rules governing re-capitalized accounts, and introducing a dedicated Federal budget line item to support SIB program expansion and capacity building.

In summary, while Federally-capitalized SIBs continue to face systemic challenges, they also present significant untapped potential. By addressing operational constraints and reimagining Federal support structures, SIBs can be repositioned as a more impactful and responsive infrastructure finance tool for the future.

1. Introduction

1.1 Historical overview

State Infrastructure Banks (SIBs) are revolving infrastructure funds established by State governments to provide low-cost financing options for surface transportation projects. SIBs serve as banks offering capital to qualifying projects and then recycling loan repayments as new infrastructure loans, thereby establishing a continuous investment cycle, unlike traditional grant-based funding. The source of SIBs funds is Federal or State monies.

SIBs were first introduced via the National Highway System Designation Act of 1995 (NHS Act, Section 350) as a pilot program for ten States to test new financing mechanisms for transportation infrastructure¹. This first pilot was then expanded to another 22 States and Puerto Rico under the 1996 DOT Appropriations Act², which also provided \$150 million in Federal funding to capitalize new and existing SIBs. The program was further expanded through the Transportation Equity Act for the 21st Century (TEA-21)³ in 1998, authorizing capitalization for two additional SIBs⁴. These early pilot programs led to the formal establishment of a permanent SIB program under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA LU) in 2005⁵. The permanent SIB program is codified in 23 U.S.C. §610. However, despite the available SIBs, only Florida has created a new Federal account through the use of Federal funds, specifically by using August Redistribution funds under the permanent program, and all other States continue to operate under the earlier pilot program structures. Table 1 presents a snapshot of SIB establishment under the different Federal acts.

¹ National Highway System Designation Act Pub. L. No. 104-59, § 350, 109 Stat. 618.

² Department of Transportation and Related Agencies Appropriations Act, 1996 Pub. L. No. 104-205, Title I, 110 Stat. 2959.

³ Transportation Equity Act for the 21st Century Pub. L. No. 105-178, § 1511, 112 Stat. 251.

⁴ Other States received approval to establish or capitalize SIBs but never implemented the required legislation. Approval was also given to establish "multiState" SIBs, but these also never materialized.

⁵ Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users Pub. L. No. 109-59, § 1602, 119 Stat. 1243.



Table 1: States that capitalized SIBs, by enabling legislation⁶

1995 NHS Act	1996 DOT Appropriations Act		1998 TEA-21	23 U.S.C. §610
Arizona	Alaska	New York	Florida	Florida
California	Arkansas	North Carolina	Missouri	
Florida	Colorado	North Dakota		
Missouri	Delaware	Pennsylvania		
Ohio	Indiana	South Dakota		
Oklahoma	Iowa	Tennessee		
Oregon	Maine	Utah		
South Carolina	Michigan	Vermont		
Texas	Minnesota	Washington		
Virginia	Nebraska	Wisconsin		
	New Mexico	Wyoming		

The FAST Act (2015)⁷ and the Infrastructure Investment and Jobs Act (2021)⁸ each extended the eligibility period during which States could use Federal funds to capitalize their SIBs, through FY 2020 and FY 2026, respectively. The FAST Act also introduced the option for States to establish rural projects funds within their SIBs, capitalized with TIFIA loans, but this mechanism has not been used to date.

Currently, SIB loans can only be used for projects eligible under Title 23 (highways) and Title 49 (transit and rail), ensuring that Federally-capitalized SIBs aligned with national transportation priorities. States that establish SIBs are required to follow Federal funding requirements, including matching requirements and Federal oversight of loan repayments.

As of FY 23, Federal funding for SIB capitalization has totaled approximately \$661 million across participating States. Appendix 2 contains the Federal capitalization amounts for SIBs by State.

1.2 Core operations of SIBs

The day-to-day operations of SIBs, which are managed at the State level, center around reviewing, approving, and administering loans for transportation projects. Unlike grant-based funding mechanisms, SIBs function as revolving loan programs, allowing States to finance infrastructure projects while also replenishing funds for future projects. Within this overarching structure, each State has enabling legislation that dictates how SIBs are operated, and who has the responsibility for running the SIB. More information on the enabling legislation for the interviewed SIBs can be found in Appendix 1.

A key feature of SIBs is their flexibility in setting interest rates, which vary based on market conditions, borrower creditworthiness, loan terms, and project risk. Each SIB determines its rates differently, resulting in diverse loan offerings across States (see Table 2). This rate-setting flexibility allows SIBs to provide competitive, tailored financing that meets the needs of both small local projects and larger infrastructure initiatives.

⁶ Banking on Infrastructure: Enhancing State Revolving Funds for Transportation, Brookings <https://www.brookings.edu/wp-content/uploads/2016/06/12-State-infrastructure-investment-puentes.pdf>

⁷ Fixing America's Surface Transportation Act, Pub. L. No. 114-94, § 2002, 129 Stat. 1312 (2015).

⁸ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, § 11101, 135 Stat. 429 (2021).

Table 2: Interest rate policies for profiled SIBs

State	Interest rate policy
Florida	As a comparator, the State and Local Government Series (SLGS) rates of similar maturities are used to aid in determining an interest rate, plus a risk premium. The Department will determine an indicative interest rate for the application based on current market conditions, financial strength of the borrower, term, and risk of loan. ⁹
Texas	Set at or below market interest rates and based on term of the loan and credit rating of the borrower, though a credit rating is not required to borrow. Entities in an economically disadvantaged county receive an interest rate discount. ¹⁰
Ohio	Interest rate set at 3% except for public entities that are eligible for the ODOT Small City Program, in which case they use a 0% interest rate. ¹¹
Minnesota	The Minnesota Public Facilities Authority uses a bond market index to establish base interest rates for SIB loans and then provides discounts from the base interest rates to make SIB financing a viable and attractive alternative for funding transportation projects. Cities with a population of less than 5,000 will receive an additional 1% discount. ¹²
Michigan	Caps its rates at market levels and adjusts them annually, considering risk, repayment terms, and emergency needs. ¹³
Oregon	Bases rates on loan term, borrower risk, and market conditions, with recent rates ranging from 1% to 4.03%. ¹⁴

In addition to setting interest rates, SIBs have access to several other financial tools and parameters they can adjust to fit the needs of individual borrowers, project profiles, and market conditions. These include structuring repayment periods, offering prepayment flexibility, deferring payments, and customizing other loan features. However, this flexibility must remain within the bounds of the Federal program requirements: interest rates must be at or below market levels, repayments must begin no later than five years after project completion, and all loans must be repaid within 30 years. In addition, SIBs must ensure that they maintain an investment-grade rating on their debt or secure sufficient bond insurance or other debt financing instrument insurance to preserve the financial viability of the bank. These requirements apply only if the SIB has issued debt, such as through bond issuance or by obtaining a TIFIA loan. Each SIB operates in accordance with the cooperative agreement that established it in its State, which may impose additional conditions or limitations on loan terms and eligibility.

⁹ Florida Department of Transportation. "State Infrastructure Bank (SIB) FAQs." Accessed March 4, 2025.

<https://www.fdot.gov/comptroller/pfo/sib-faqs.shtml>.

¹⁰ Texas Department of Transportation. "State Infrastructure Bank Application Process." Accessed March 4, 2025.

<https://www.txdot.gov/business/grants-and-funding/state-infrastructure-bank/sib-application-process.html>.

¹¹ Ohio Department of Transportation. "State Infrastructure Bank (SIB) Program." Accessed March 4, 2025.

<https://www.transportation.ohio.gov/programs/state-infrastructure-bank>.

¹² Minnesota Department of Transportation. "Transportation Revolving Loan Fund – State Laws." Accessed March 29, 2025.

<https://www.dot.state.mn.us/planning/program/trlfstatelaws.html>.

¹³ Michigan Department of Transportation. "State Infrastructure Bank (SIB) Program." Accessed March 29, 2025.

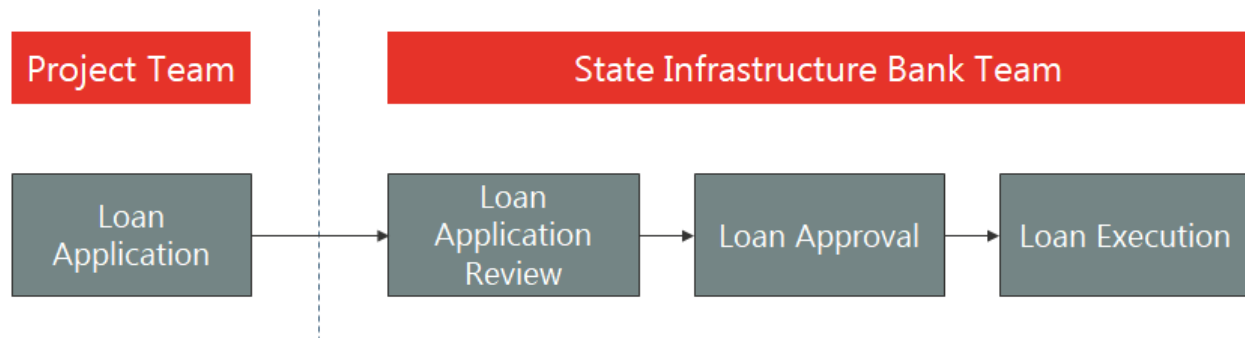
<https://www.michigan.gov/mdot/programs/grant-programs/sib>.

¹⁴ Oregon Department of Transportation. Oregon Transportation Infrastructure Bank (OTIB) FAQs. Accessed March 29, 2025.

https://www.oregon.gov/odot/About/otib%20documents/OTIB_FAQs.pdf.

The loan process begins with loan origination and application review, where project sponsors, typically State agencies, local governments, or transit authorities, submit loan applications (see Figure 1). While this figure presents a typical sequence followed by many SIBs, practices can vary. Some SIBs facilitate the process through online portals, while others rely on direct outreach and coordination with State departments of transportation (DOTs). For instance, the Oregon Transportation Infrastructure Bank (OTIB) uses two reviews: an initial proposal review followed by a formal loan application review, adding an early screening phase not shown in the generic diagram.¹⁵

Figure 1: Typical SIB loan process



Applications are often evaluated on a first-come, first-served basis, but some SIBs use additional selection criteria based on project readiness, financial viability, and strategic transportation priorities. SIB staff assess each applicant's creditworthiness, repayment capacity, and project eligibility before approving loans, ensuring that funds are allocated to projects with a high likelihood of success.

Once a loan is approved, SIBs begin fund disbursement, providing capital to project sponsors in agreed-upon installments. While some loans finance entire projects, others serve as gap financing, addressing projects where other secured funding sources cannot fully meet requirements. The ability to fill these shortfalls quickly makes SIBs an attractive option for project sponsors needing timely and predictable financing.

Following disbursement, SIBs engage in loan servicing and repayment tracking to ensure that funds return to the program for future investments. Borrowers repay their loans according to agreed-upon schedules, contributing both principal and interest back into the SIB. This revolving fund model allows States to reinvest in additional projects without requiring new capital infusions, creating a sustainable financing cycle for transportation infrastructure.

While direct lending remains the primary function of most SIBs, some also offer additional financial products, though these are less common. SIBs can provide credit enhancements, such as loan guarantees or bond insurance, to help project sponsors secure additional financing. A few States, namely Virginia¹⁶, have experimented with interest rate subsidies or flexible repayment structures to make loans more attractive, though these approaches have not been widely adopted.

¹⁵ https://www.oregon.gov/odot/About/otib%20documents/OTIB_Process%20Map.pdf

¹⁶ Council of State Governments, *State Infrastructure Banks*, https://www.infrastructureusa.org/wp-content/uploads/2011/07/State_infrastructure_banks.pdf

1.3 Types of SIBs

SIBs can be broadly categorized into two main types: State-only SIBs and SIBs with Federal capitalization. The State-only SIBs and Federally-capitalized SIBs are distinguished by their funding sources, regulatory oversight regimes, and project eligibility requirements.

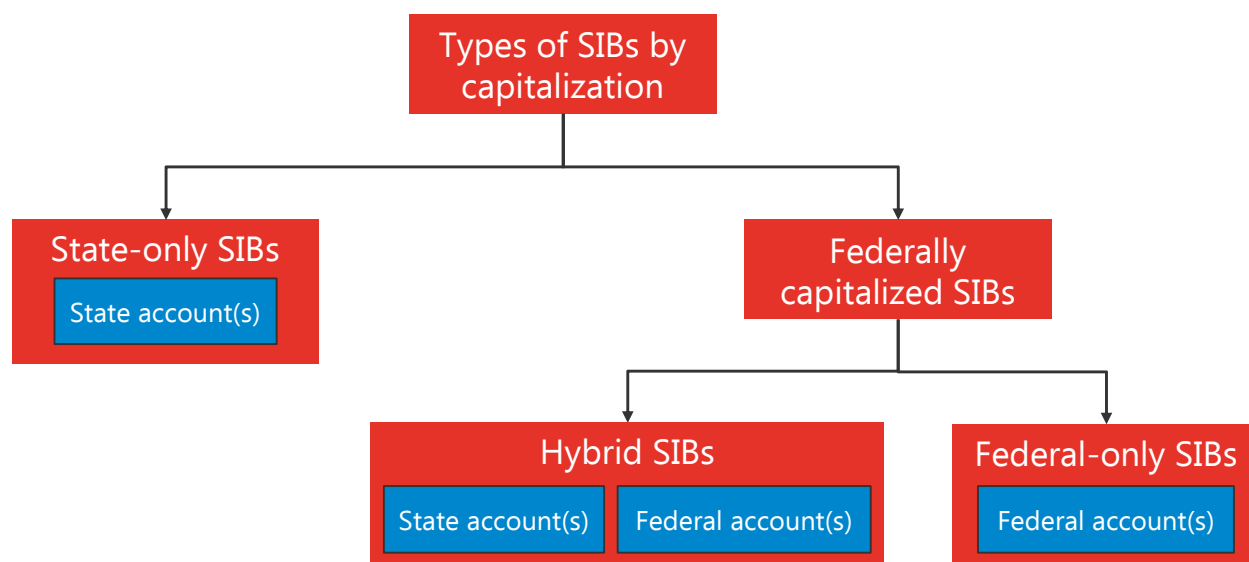
State-only SIBs operate exclusively with **State accounts**—that is, accounts capitalized only with State funds. These SIBs are not subject to Federal oversight, function independently from the Federal Highway Administration (FHWA) and are not bound by Federal transportation funding requirements. Because funds do not originate from Federal capitalization, these revolving loan funds follow State-level loan criteria, eligibility requirements and repayment structures. Three examples of State-only SIBs are California's Infrastructure and Economic Development Bank (IBank), the Virginia Transportation Infrastructure Bank (VTIB), and the Georgia Transportation Infrastructure Bank (GTIB). These institutions provide financing for a wide range of infrastructure projects but do not fall under the scope of Federal SIB programs. While State-only SIBs play a role in infrastructure financing, this report focuses on SIBs that have received Federal capitalization in some capacity.

Federally-capitalized SIBs include any SIB that has received Federal transportation funds to capitalize one or more of its accounts. These accounts, referred to in this report as **Federal accounts**, are jointly capitalized with both Federal dollars and a required State match. As such, while these accounts are referred to as "Federal," they reflect shared funding responsibilities between States and the Federal government. Federal accounts are subject to Title 23 and Title 49 requirements and must be used for projects that align with Federal transportation priorities. Federally-capitalized SIBs come in two forms:

- **Federal-only SIBs** rely solely on accounts that were Federally-capitalized, meaning that all their accounts were originally funded with Federal transportation dollars and are subject to Title 23 and Title 49 requirements. These accounts must comply with Federal eligibility criteria and are thus used to finance projects that align with Federal transportation priorities. An example of this structure is the Texas SIB, which operates exclusively with Federal accounts. Further information on the regulatory framework can be found in Appendix 3.
- **Hybrid SIBs** follow a combined model, managing both Federal accounts and State accounts. This structure provides flexibility, as the Federal dollars are dedicated to Federally eligible projects and the State accounts can finance projects that are not subject to Federal requirements. States such as Florida and Ohio operate under this model, allowing them to process various loans while maintaining compliance with Federal regulations for Federal accounts.

Figure 2 outlines how these different types of SIBs fit together.

Figure 2: Types of SIB and their respective accounts



Another feature that distinguishes SIBs is their size. As shown in Appendix 2, SIBs have been capitalized with vastly different amounts, ranging from \$1.26 million in North Carolina to \$171 million in Texas¹⁷. This directly affects the scale of projects that SIBs finance, meaning that small SIBs are limited to working on small infrastructure projects, while larger SIBs have the flexibility to work on small and large projects alike.

1.4 Purpose and approach of the report

This report aims to provide insight into the current status and operation of Federally-capitalized SIBs, examining their structures, operations, and challenges. By analyzing SIBs that have received Federal capitalization in some capacity, the report examines how these financing mechanisms function today and how they have evolved since their inception nearly three decades ago.

Originally introduced as an innovative financing tool, SIBs were designed to create a self-sustaining source of transportation funding by leveraging Federal and State dollars through a revolving loan model. This research examines how that initial innovation has translated into practice over time, identifying key trends, operational strategies, and areas for improvement. The goal is to help stakeholders—State DOTs, policymakers, and Federal agencies—better understand the strengths and limitations of SIBs and explore potential actions to enhance their effectiveness. By documenting the successes and challenges of existing SIBs, this report seeks to provide practical insights for improving operations, increasing loan activity, and ensuring that SIBs remain a valuable component of transportation finance in the years ahead.

Two methods were used to develop a detailed understanding of current Federally-capitalized SIB activity. First, desktop research of sector-wide quantitative information was utilized to present a snapshot of current lending volumes and activities in established Federally-capitalized SIBs. Second, to establish a more granular understanding of the challenges faced and success factors of Federally-capitalized SIBs, representatives of six SIBs were interviewed. The selection process began by identifying Federally-capitalized SIBs that were operational, as many originally capitalized SIBs are no longer actively offering loans.

¹⁷ These amounts only include Federal capitalization and do not account for State matching.

The next selection criterion was capitalization size, specifically focusing on SIBs that had received more than \$5 million in Federal capitalization. This threshold, while somewhat arbitrary, served as a useful indicator of SIBs that had handled a significant volume of projects and had sufficient operational experience to provide valuable insights. Larger capitalization amounts often correlate with greater administrative capacity and a more structured loan program, factors that were confirmed in interviews.

Using these criteria, seven SIBs that met both conditions were identified—in Texas, Florida, Ohio, Missouri, Minnesota, Michigan, and Oregon. All seven SIBs were contacted and six responded to participate in the study. Missouri was the only State that was not available for an interview. Furthermore, Minnesota, while included in the initial selection, is no longer actively lending.

By focusing on larger, active SIBs, the study outreach effort engaged with representatives who had in-depth knowledge of SIB operations and who had experience navigating Federal and State funding mechanisms. Despite that focus, the interviews captured perspectives from both large, highly active SIBs, such as those in Texas and Florida, as well as smaller, more resource-constrained SIBs like Oregon's. This diversity allowed for the assessment of common operational challenges, best practices, and differences in State implementation approaches. Throughout the report, references to the experience of individual SIBs, when not tied to specific data or cited sources, are based on insights gathered through these interviews.

2. Review of the SIB sector and key findings

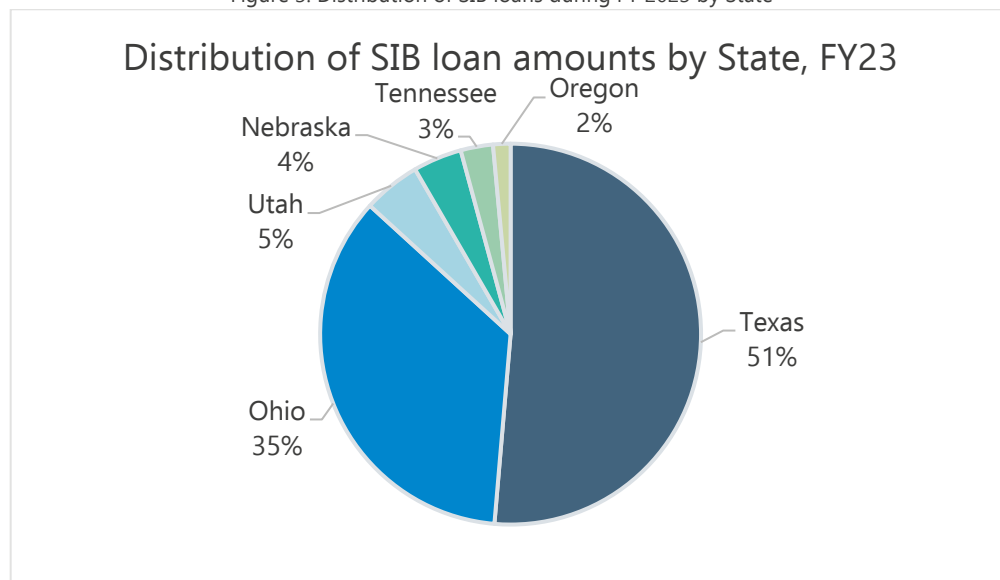
2.1 Snapshot of Federally-capitalized SIBs in FY2024

SIBs remain a specialized tool for financing transportation infrastructure projects. The latest available data from the Federal Highway Administration (FHWA) is from fiscal year (FY) 2023, providing insight into the Federal accounts of active SIBs. While this data does not capture the full extent of State account SIB activity, it remains a helpful snapshot of the scale and current activity levels of Federally-capitalized SIBs.

Of the 33 SIBs capitalized with Federal grants, 28 are tracked by FHWA¹⁸. As of 2025, the total Federal capitalization provided to these SIBs is \$604.4 million, matched by \$203 million in State funds and an additional \$63.7 million in bond-issued funds by Minnesota. Over their lifespan, these SIBs have collectively made over 800 loans, totaling approximately \$3.3 billion in financing for an average loan size of \$4 million¹⁹.

In FY 2023, only six SIBs were actively making new loans via their Federal accounts: Nebraska, Ohio, Oregon, Tennessee, Texas, and Utah. Together, these SIBs executed 24 loans totaling \$68.4 million, with Ohio and Texas leading in the number of loans issued and the total dollar value of assets financed. The figure below shows the distribution of SIB loans by State in FY 2023.

Figure 3: Distribution of SIB loans during FY 2023 by State²⁰



Beyond new loans issued in FY 2023, 209 active, outstanding loans across 15 States are still being repaid. The total outstanding loan amount is approximately \$664 million.

¹⁸ Those that are no longer tracked are: Arizona, Delaware, Maine, New York and South Carolina.

¹⁹ FY23 FHWA SIB summary spreadsheet.

²⁰ FY23 FHWA SIB summary spreadsheet.

2.2 Operational trends of profiled SIBs

Throughout this research, the conversations with SIB representatives underscored not only the institutional knowledge and expertise that many SIB administrators bring to their roles, but also the dedication of these professionals to maintaining an effective and responsive financing tool for transportation infrastructure. One of the most striking insights from these discussions was how the SIB model has evolved from an initial policy innovation into a highly optimized and structured financial mechanism.

When first introduced nearly 30 years ago, SIBs represented a new and creative approach to infrastructure financing, allowing States to leverage Federal funding more effectively through a revolving loan structure. Over time, many of the most active SIBs have refined and standardized their processes, ensuring that loan applications are handled quickly, efficiently, and with minimal administrative burden. Rather than being experimental, successful SIBs today function with a high degree of specialization, focusing on efficiency, predictability, and ease of access for project sponsors. This level of operational refinement has made SIBs a reliable and structured funding tool within the broader transportation financing landscape.

These conversations illuminated common challenges that SIBs face, as well as the key factors that contribute to their success. The following sections examine both the obstacles that SIBs must navigate, such as staffing limitations, marketing constraints, and competition with grants, as well as the best practices that enable SIBs to thrive, including strong institutional leadership, streamlined processes, and strategic use of both State and Federal funding sources.

2.3 Notable challenges in profiled SIBs

2.3.1 Staffing and capacity limitations

One of the most significant challenges identified by interviewees at SIBs, particularly smaller ones, is staffing and capacity constraints. Reportedly, many SIBs operate with small teams, part-time managers, or even a single administrator, limiting their ability to fully develop their programs. This issue is particularly pronounced in smaller SIBs in Oregon and Michigan, where highly qualified individuals handle SIB administration but are often stretched thin across multiple responsibilities.

A significant consequence of small teams is that they have less bandwidth to engage in additional activities that could strengthen their programs, such as proactive outreach, strategic planning, or process improvements. While larger SIBs, such as those in Ohio, Florida, and Texas, have dedicated teams with strong ties to their State DOTs and regional planning partners, smaller SIBs often lack the resources and connections to integrate their programs effectively within their States' broader transportation financing ecosystems. Additionally, capacity constraints tend to shape the types of projects that SIBs finance—many smaller SIBs are more likely to focus on simpler, lower-risk projects that require less administrative effort rather than more complex, Federally regulated projects. This further reinforces the preference for using State accounts, which are generally more flexible and easier to manage.

Many SIBs operate with limited staff, leading to the loss of institutional knowledge when key personnel leave. This situation makes it challenging to track the evolution of policies and procedures over time. The lack of continuity can result in inefficiencies and uncertainty in decision-making, especially when new administrators have to navigate program structures that do not have comprehensive documentation or a clear long-term strategic direction.

The presence of part-time program managers who divide their responsibilities between the SIB and other roles can hinder the growth and effectiveness of these banks. Without full-time leadership focused on expanding program reach and enhancing efficiency, opportunities to increase loan issuance, improve outreach, or explore new financial mechanisms often remain untapped.

This challenge becomes even more significant when considering the next major issue facing SIBs: limitations in marketing and outreach, which are directly influenced by the restricted capacity of small teams.

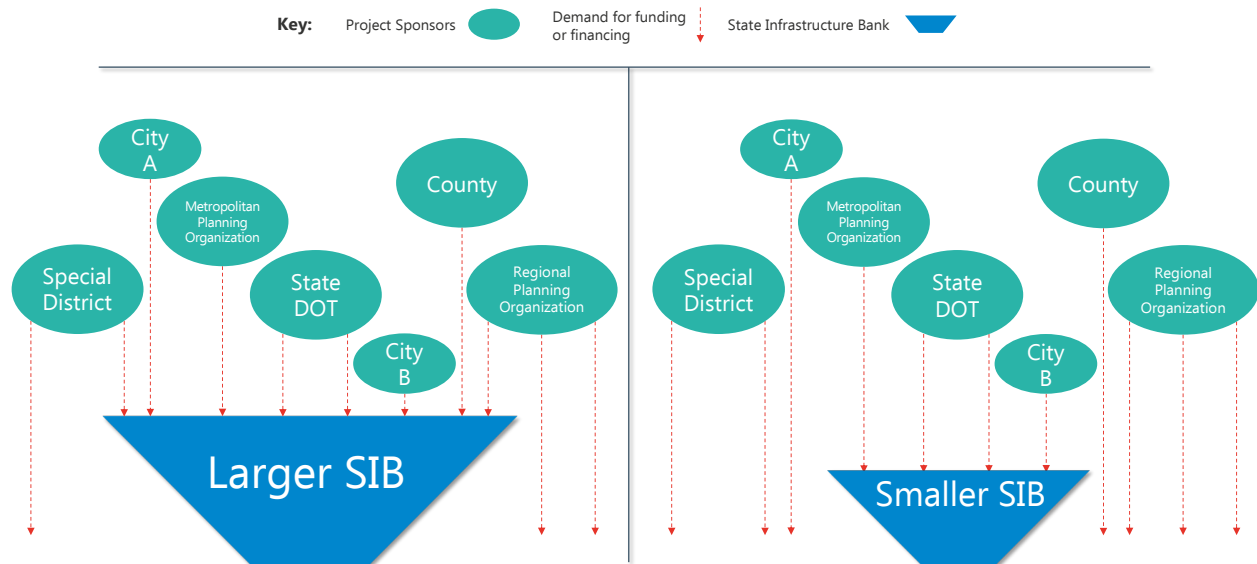
2.3.2 Marketing and outreach limitations

Another significant challenge noted by interviewees is the lack of resources and expertise to promote their services effectively, leading to underutilization of their loan programs. While SIBs provide a valuable financing tool for transportation infrastructure, interest in these programs is reportedly constrained due to limited visibility, limited referral networks, and a lack of proactive engagement with potential borrowers.

A key observation from the interviews was that larger, more active SIBs tend to have well-established connections with their State DOTs, regional planning organizations, and the FHWA. These relationships ensure that key decision-makers know the SIB as a financing option when new transportation projects emerge and can direct project sponsors toward it. This level of integration allows States like Ohio, Texas, and Florida to maintain a steady pipeline of loan applications, reinforcing their SIBs as a known and trusted funding source.

In contrast, in smaller SIBs with fewer resources, key communication networks are not as strong or well-developed, leading to fewer referrals and a more passive approach to loan lead generation. Without consistent engagement with DOT districts, local governments, and transit agencies, many SIBs struggle to position themselves as a go-to financing tool. As depicted in Figure 4, this essentially means that larger SIBs “catch” more demand for financing within their States, while smaller SIBs miss some financing opportunities.

Figure 4: Ability of SIBs to attract and process financing opportunities based on size



Beyond networking, strategic marketing and market intelligence represent another area where SIBs, both large and small, face limitations. Several SIB representatives expressed an interest in support that would provide tailored research to help identify potential demand for SIB loans within their State. This would

involve determining which regions, counties, or municipalities have upcoming projects that align well with the products and services SIBs offer and then proactively engaging with these potential applicants. However, due to resource and staffing constraints, most SIBs have not undertaken this structured market research, leaving them in a reactive position rather than shaping demand for their services.

One crucial insight, highlighted by Ohio's SIB, is the networking effect that generates long-term demand. Once a county, municipality, or MPO successfully secures a SIB loan, they develop familiarity with the program and are far more likely to return for additional financing. This repeat borrower effect means that an initial loan often serves as a catalyst for future projects. Yet if a SIB never establishes that first connection, a county or local agency may never consider the SIB as a viable financing tool.

Without strategic outreach, strong partnerships, and market awareness, many SIBs remain underutilized despite their potential. These marketing and engagement challenges directly affect loan issuance levels and limit the broader impact of SIBs as a flexible, revolving infrastructure finance mechanism.

2.3.3 Tradeoffs from alternative funding sources

One constraining factor on SIB utilization flagged by interviewees is the availability of other funding sources, particularly grants. While SIBs provide a valuable financing tool for transportation projects, project sponsors often prioritize securing grants over loans due to the long-term financial commitments of borrowing. As a result, high availability of grant opportunities can reduce the demand for SIB loans.

This trend was particularly evident in the interview with the Minnesota Department of Transportation (MnDOT). Officials noted that the State's SIB has been inactive for several years due to the abundance of grants in Minnesota. With significant Federal and State funding available through grants, most projects could meet their funding needs without turning to loans, leading to a decline in SIB activity.

In addition to reducing overall loan demand, grants shape how SIB loans are used. In many cases, SIBs serve as gap financiers, providing funds to cover remaining costs after a project has secured as much grant funding as possible or as a source of matching funds for grants. This means that even when SIB loans are utilized, they are often complementary rather than primary sources of project financing. Fewer projects require this kind of supplementary loan support when grant funding is widely available, further limiting SIB loan issuance.

The relationship between grants and SIB loans is complex. While grants and loans can work together in specific financing structures, grants are typically pursued first, given that they do not need to be repaid. In an environment where grant funding is plentiful, SIB loans become a secondary option rather than a primary financing mechanism. This dynamic highlights the importance of strategic positioning for SIBs—ensuring that their programs remain visible and accessible even in grant-rich environments and that their flexibility in offering gap financing continues to serve an essential role in transportation funding.

2.3.4 Underutilization of Federal accounts

A recurring theme in discussions with SIBs was the underutilization of Federally accounts, which can be attributed to the stricter regulatory requirements associated with Federal funds. While Federal accounts provide a valuable source of financing, their compliance obligations can make them less flexible compared to State accounts, influencing how States allocate their loan portfolios. SIBs have made it clear, both in the interviews and past reports, that they view the Federal requirements on Federal accounts as challenges to

expanding and enhancing their operations, despite the understanding that Federal requirements are meant to ensure accountability and alignment with Federal policies.

One of the key reasons for this underutilization is that projects financed through Federal accounts must comply with all applicable regulations under Title 23 (Highways) or Title 49 (Transit & Rail) of the U.S. Code. These statutes include requirements related to labor standards, environmental reviews, procurement, and project oversight, which can increase costs, a consideration for smaller projects. For example, projects using Title 23 funds must comply with Davis-Bacon prevailing wage requirements, National Environmental Policy Act (NEPA) reviews, and Buy America provisions, all of which can add administrative complexity and increase project costs. Similarly, Title 49 regulations for transit and rail projects include requirements on capital asset management, safety certifications, and accessibility standards, which may not be practical for smaller-scale infrastructure investments. That being said, projects that are already receiving other types of Federal assistance would not need additional requirements to borrow from SIBs.

Two clear examples illustrate this trend. In Oregon, there are 28 active, outstanding SIB loans, yet only one loan comes from the Federal account, while the remaining 27 loans are funded through the State account. This imbalance reflects the reality that State accounts are often the easier choice for loan issuance, while Federal accounts are used selectively. A similar pattern can be observed in Florida, where out of 30 outstanding loans, 23 originate from the State account, while only seven are from the Federal account. In both cases, SIB administrators rely more heavily on their State accounts due to the greater flexibility they offer in terms of project eligibility and administrative requirements.

Beyond individual loan decisions, the Federal requirements governing SIB accounts have influenced the overall development of the program. When Congress established a permanent SIB legislative framework in 2005 under the SAFETEA-LU Act, no new SIBs were created or capitalized under this structure. Brookings Institution asserts, one of the potential reasons for this inactivity is that Federal requirements continue to apply to funds even after they are repaid into a SIB account²¹. This means that even as loans are repaid, the funds retain their Federal requirements, limiting their use for a wider variety of projects. As a result, many States with both Federal and State accounts tend to prioritize their State accounts, where loan repayments can be reinvested with only state-level requirements.

This does not mean that Federal accounts are ineffective or unnecessary, but rather that their current structure presents challenges in maximizing utilization. Federal SIB funds remain a critical resource for States, particularly for projects that already align with Title 23 and Title 49 requirements. However, the preference for State accounts suggests that a reassessment of how Federal SIB funds are structured and regulated may help increase their impact and ensure they remain a viable financing tool in the long term.

2.4 Success drivers identified in case studies

2.4.1 Staff expertise

One of the most consistent observations from interviews was the depth of knowledge and professionalism displayed by SIB staff. Across all the SIBs interviewed, administrators demonstrated a clear and thorough

²¹ Banking on Infrastructure: Enhancing State Revolving Funds for Transportation, Brookings <https://www.brookings.edu/wp-content/uploads/2016/06/12-State-infrastructure-investment-puentes.pdf>

understanding of their day-to-day operations and the broader financial and regulatory environment in which they operate.

The success of a SIB is closely tied to the knowledge and expertise of its staff, as demonstrated in the case studies. Larger, more active SIBs—such as Ohio, Florida, and Texas—have dedicated teams with multiple experienced professionals, which allows them to manage applications efficiently, direct potential borrowers to appropriate funding sources, and proactively resolve any roadblocks that arose. The ability to quickly assess loan applications, troubleshoot issues, and guide project sponsors through the financing process ensures that these SIBs function smoothly and that loans are issued promptly.

In contrast, smaller SIBs with limited staffing often struggle to build the same level of institutional knowledge. The presence of only one or two staff members, as in Oregon and Michigan, can create bottlenecks and slow down loan processing, simply because there are fewer people available to handle applications, answer questions, and maintain outreach efforts. Additionally, as mentioned in the challenges section, high turnover rates in smaller SIBs leads to a loss of institutional memory, making it more difficult for programs to track their own evolution and refine their processes over time.

While it may seem obvious that having knowledgeable and experienced staff is a major success factor, its importance cannot be overstated. The most active and effective SIBs consistently have well-informed personnel who understood not only SIB loan structures and eligibility requirements but also the unique financing needs of their State DOTs and local governments. This level of expertise allows them to serve as financial advisors as much as loan administrators, ensuring that SIBs remain a valuable, well-utilized resource for transportation financing.

2.4.2 Effective marketing and outreach

While many SIBs face marketing challenges, the interviews revealed that those with strong outreach strategies consistently generate higher demand and cultivate repeat borrowers. Proactive engagement with key stakeholders—such as State DOTs, regional transportation planning organizations, and local governments—ensures that SIBs remain a well-known and accessible financing option for infrastructure projects.

The most active SIBs interviewed, such as Ohio, Florida, and Texas, demonstrate a clear pattern of proactive communication efforts. These SIBs maintain strong relationships with their State DOTs and district offices, ensuring they were consistently involved in discussions about upcoming transportation projects. This level of integration within the broader State transportation ecosystem helps ensure SIB representatives flagged opportunities before formal submittal. Rather than passively waiting for loan applications, they are proactively engaged in discussions leading up to project financing decisions.

A key takeaway from these interviews was that successful SIBs rarely receive unexpected loan applications. Instead, project sponsors regularly communicate with SIB staff well before submitting formal applications, allowing SIB administrators to provide early guidance, set expectations, and ensure smoother loan processing. This dynamic results directly from effective outreach efforts, which embed SIBs within the project planning process rather than positioning them as a last-minute financing option.

Ohio specifically stood out for its engagement with Federal partners, including the FHWA and the Build America Center (BAC). By actively participating in discussions with these agencies, Ohio has positioned itself as a leader in SIB operations, gaining valuable exposure and strengthening its credibility as a financing

resource. These types of external partnerships help elevate this SIB's profile beyond just State and local actors, reinforcing its role as a key player in transportation finance.

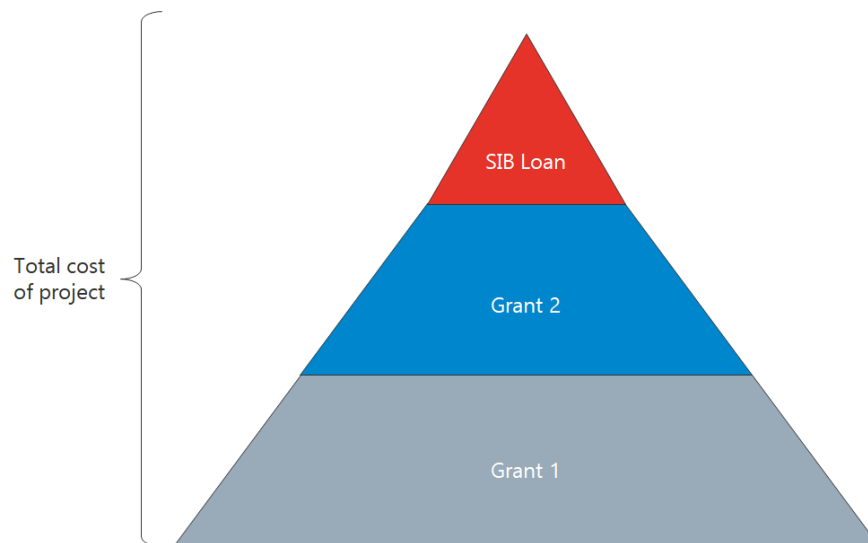
Consistent outreach and relationship-building efforts have proven essential to maintaining a strong project pipeline. SIBs that engage proactively with stakeholders at multiple levels—from local governments to Federal agencies—generally make the most loans and sustain long-term borrower relationships.

2.4.3 Gap financing

A trend identified across interviewees was using SIB financing to address “gaps” in project finance capital stacks. In this respect, SIBs play a crucial role in the transportation infrastructure finance ecosystem as a source to complement other funding sources by quickly filling remaining funding gaps. This flexibility allows them to serve as the final piece in the project financing puzzle, ensuring that projects can move forward without delays due to unmet financial needs.

Project sponsors often begin by applying for grants and securing as much funding as possible through non-repayable sources. However, when a funding shortfall remains, SIB loans provide a fast and efficient way to close the gap as depicted in Figure 5. When SIBs are streamlined in their loan approval and disbursement processes, they offer an attractive option for projects needing quick access to capital. This ability to act as a reliable gap-financing source makes SIBs an important tool in transportation finance, even in environments where grants and other funding sources are widely available.

Figure 5: SIB gap loans represent the last piece needed to finance a project



The decision to act as gap financing in projects, is partially a function of the size and capitalization levels of SIBs. Some SIBs were capitalized with less than \$3 million in Federal funding, which significantly limits their ability to finance large-scale infrastructure projects independently. As a result, smaller SIBs tend to focus on providing funding for smaller projects or filling final funding gaps on larger ones rather than serving as the primary funding source.

Larger SIBs, such as those in Texas, Florida, and Ohio, have greater financial capacity, which allows them to fund entire projects or contribute a substantial portion to major infrastructure investments. The average

loan size for these SIBs capitalized with more than \$20 million was \$5.0 million, compared to an average loan size of around \$1.3 million for smaller SIBs.²² However, even large SIBs often work alongside other financing sources, demonstrating that their greatest strength lies in their ability to integrate seamlessly into the broader project funding structure.

Ultimately, SIBs' success is not just in their ability to provide financing but also in their offering a flexible, fast, and reliable financing instrument that can be used when other options are insufficient or unavailable. This positioning within the capital stack has allowed SIBs to remain a valuable tool for transportation financing, ensuring that critical projects can be completed even when traditional funding mechanisms fall short.

2.4.4 Simplified application process

One of the defining characteristics of successful SIBs is their commitment to keeping the loan application process as simple and efficient as possible. Across all the interviewed SIBs, there was a clear emphasis on streamlining applications to ensure that projects can be evaluated quickly, and funds can be disbursed without unnecessary delays.

A major factor contributing to this efficiency is the proactive role that SIB administrators play in identifying potential borrowers well before an application is even submitted. Because SIBs are deeply integrated into their State DOTs and regional planning networks, they rarely receive unexpected applications. Instead, project sponsors typically engage with SIB administrators early, allowing staff to help structure projects in ways that align with SIB loan requirements. This pre-application engagement ensures that by the time an application is formally submitted, it is already well-positioned for approval.

Once an application is received, the review process itself is highly streamlined. Most SIBs have developed online application systems with clear guidance on eligibility and requirements, making it easy for potential borrowers to navigate the process. Additionally, SIB administrators actively work with applicants throughout the process, further simplifying the steps needed to secure funding.

The speed and flexibility of SIBs in loan processing are particularly evident in emergency situations. A notable example, shared during the interview with the Michigan SIB, involved severe flooding in the Upper Peninsula that required immediate infrastructure repairs. The Michigan SIB was one of the first entities to provide funding, rapidly disbursing loans to affected projects before other funding sources could be mobilized.

2.4.5 State SIB accounts

One of the most significant structural factors contributing to SIBs' success is their ability to combine State and Federal accounts. This hybrid approach provides SIBs with greater flexibility in loan issuance, a more extensive pipeline of projects, and the ability to sustain institutional knowledge and capacity.

A common trend observed in the case studies was that State accounts tend to have significantly higher loan volumes than Federal accounts. This is primarily due to the Federal requirements that apply to loans issued through Federal accounts, which limit their use to Title 23 and Title 49 projects. This restriction creates a volume challenge, as many potential SIB applicants only have a handful of compliant Title 23/Title 49

²² FY23 FHWA SIB summary spreadsheet.

projects at a given time. In contrast, State accounts offer more flexibility regarding project eligibility and funding conditions, making them a preferred option for many SIBs.

Several examples illustrate this disparity. There are 28 outstanding SIB loans in Oregon, but only one was issued from the Federal account, with the remaining 27 funded through the State account. Similarly, Florida has 30 outstanding loans, of which only seven were issued through the Federal account. This pattern reflects the reality that SIBs often turn to State accounts due to their greater flexibility, lesser regulatory compliance, and fewer administrative constraints.

Beyond just loan issuance, having both State and Federal accounts allows SIBs to develop and sustain their operational capacity. A SIB that relies solely on a Federal account may struggle to justify the need for dedicated staff and institutional expertise, whereas a Hybrid SIB can remain active based on its State account and use its Federal account when the opportunity arises. Oregon provides a clear example of this dynamic: if not for its State account, the justification for maintaining any SIB-related capacity would be significantly weaker, given that its Federal account has been used for only one active loan.

Some SIBs deviate from this trend, such as Texas which operates exclusively with Federally-capitalized funds. However, Texas is an exception rather than the norm. Most other active SIBs have found that maintaining a combination of State and Federal accounts allows them to sustain a more robust and consistent lending program. The hybrid approach enables SIBs to leverage Federal funds where appropriate while ensuring that they can continue supporting a broad range of projects through their State accounts.

Ultimately, this combination of accounts has been an effective strategy for ensuring the long-term viability and operational strength of SIBs. It allows them to maximize their impact, maintain experienced staff, and issue loans more consistently, reinforcing their role as a valuable and adaptable financing tool in State transportation programs.

3. Opportunities to support Federally-capitalized SIBs

Building on the challenges and success factors identified in the previous sections, this section explores pragmatic opportunities to strengthen Federally-capitalized SIBs through targeted support and interventions. These opportunities align with ongoing efforts by the BAC and focus on three broad areas: (1) enhancing marketing and outreach to increase awareness of SIBs, (2) establishing a centralized knowledge-sharing hub to improve coordination and standardization, and (3) promoting research on SIB effectiveness to refine their role within the broader transportation financing landscape.

3.1 Expanding marketing and outreach efforts

A key takeaway from the research was that SIBs with strong marketing and outreach strategies consistently see higher loan demand and borrower retention. While some States have developed robust networks to promote their SIBs, others—particularly smaller programs—struggle with visibility and engagement. Expanding marketing efforts and integrating SIB financing discussions into broader transportation funding conversations could help increase awareness among potential borrowers, including municipalities, MPOs, and transit agencies.

To achieve this, States could benefit from more structured support in identifying and filtering potential opportunities, enhancing uptake in underserved regions. Many SIB administrators expressed interest in conducting State-specific market studies, but noted they lacked the expertise or resources to do so effectively. Developing a framework to help States assess loan demand, project pipelines, and geographic gaps could help SIBs better target their outreach efforts.

3.2 Expanding knowledge-sharing and access to tools

Interviewees from SIBs consistently noted that they contended with staffing capacity limitations. Enhancing capacity can take several forms. As previously mentioned, supporting market intelligence efforts is one pathway to strengthen capacity, and another form is reducing operational burden and expanding access to readily available expertise.

Recognizing the value of cross-State collaboration, efforts are underway at the Federal level to create a centralized knowledge hub for SIB best practices. The BAC has begun working on initiatives to compile best practices, develop structured forums for discussion, and provide resources to support well-established and emerging SIBs. These efforts aim to streamline knowledge-sharing and ensure that lessons learned in one State can inform improvements elsewhere.

As part of this initiative, structured forums, such as webinars, symposiums, or peer exchanges, could allow SIB administrators to engage in regular discussions. These forums could facilitate information sharing on loan structuring, outreach strategies, and operational efficiencies, helping States refine their programs based on the experiences of others. While some SIBs already have well-defined processes, smaller or less active programs could particularly benefit from these exchanges, using them to build institutional capacity and strengthen their role within their State's transportation financing framework.

Additionally, the Build America Center and the FHWA are already making efforts to develop a repository of best practices. This repository could be a resource for SIB administrators seeking guidance on program implementation, financing models, and borrower engagement strategies. By formalizing these knowledge-

sharing efforts, the Build America Center aims to support SIBs in maintaining efficiency, ensuring consistency, and expanding their impact as a financing tool.

3.3 Promoting research on SIBs

While SIBs have been active for nearly three decades, the available data on the types of projects being financed remains limited in specificity and detail. Existing reporting requirements primarily capture financial transactions and loan activity but often lack granular information on project typology, infrastructure categories, or long-term outcomes. Without granular data, it is challenging to identify trends or evaluate long-term impact and effectiveness compared to other financing mechanisms. As transportation funding evolves, robust data collection will be essential for sector growth.

Better data paves the way for conducting studies on the effectiveness of SIBs, providing valuable insights into their financial performance, borrower outcomes, and overall contributions to State and local infrastructure development. These studies could take multiple forms, including:

1. Comparative analyses between SIBs and other financing tools, such as Transportation Infrastructure Finance and Innovation Act (TIFIA) loans or other State revolving funds.
2. Evaluations of borrower experiences, assessing whether SIB financing provides a meaningful advantage in terms of flexibility, affordability, or ease of use compared to other funding options.
3. Quantitative analysis on the benefits of the revolving fund concept and the use of bonds to leverage funds.

By fostering a more data-driven approach to SIB assessment, these studies could help States refine their programs, improve financial sustainability, and determine best practices for maximizing impact.

4. Policy proposals

While previous sections have focused on pragmatic, near-term opportunities to strengthen SIBs through improved marketing, knowledge-sharing, and research, this section examines longer-term, systemic interventions that could enhance interest in and utilization of Federally-capitalized SIB funds. These policy proposals explore potential regulatory adjustments, funding mechanisms, and programmatic enhancements that could make SIBs more attractive and widely used financing tools. It is important to note that these are exploratory ideas, not finalized recommendations, and are intended to prompt further discussion and evaluation.

4.1 Adjusting Federal regulatory compliance requirements

A common theme in discussions with Hybrid SIB administrators was the preference for State accounts over Federal accounts, largely due to the more flexible requirements associated with State funds. These SIBs only use their Federal accounts when a project aligns easily with Federal requirements.

One potential avenue for increasing the use of Federal accounts would be lessening the Federal regulatory compliance requirement, making these accounts more attractive for loan issuance. While it is essential to maintain transparency, accountability, and financial integrity, a reassessment of specific administrative and reporting requirements or exemptions could provide SIBs with greater flexibility without compromising Federal oversight.

In addition, Federal policymakers could reconsider certain unused program options, such as the rural project funds mechanism authorized by the FAST Act. Allowing SIBs to charge rural infrastructure projects interest rates slightly higher to the TIFIA loan rate—rather than requiring a lower rate—could reduce financial barriers and make this tool more viable for rural project financing.

4.2 Revisiting Federal requirements for re-capitalized SIB accounts

Another significant limitation of Federal accounts is the application of Federal requirements on repaid funds. Currently, under Title 23, U.S.C. and Chapter 53 of Title 49, U.S.C., even when originally Federalized funds are repaid into an account using State or other sources, those funds retain their Federal status and remain subject to Federal compliance requirements. This requirement reduces flexibility for SIBs, making it difficult for States to reinvest repaid funds into projects that may not fit neatly within Federal eligibility guidelines. The original enabling legislation (NHS Act of 1995) did not require the application of Federal requirements to repaid funds.

Adjusting this requirement for funds that have been fully repaid and are now effectively State-controlled could allow SIBs to recycle capital more efficiently, expanding their ability to finance a broader range of projects. Revisiting this policy could enhance the long-term sustainability of Federally-capitalized SIBs while still ensuring that the original intent of Federal funding is met.

4.3 Dedicated Federal budget line item

SIBs have demonstrated their potential as flexible, revolving financing tools to help States close funding gaps and accelerate project delivery. However, many SIBs—particularly those that received limited initial

capitalization—struggle to scale their operations due to resource constraints, staffing limitations, and a lack of dedicated financial support.

One potential policy intervention could involve seeking Federal funding to support SIB operations, expansion, and capacity-building. This dedicated funding could help establish or revitalize underutilized SIBs, particularly in States with limited operational funds. Additionally, direct Federal support could enable SIBs to increase their outreach efforts, modernize their processes, and expand their ability to finance a greater variety of projects.



Appendix 1 Case study profiles

1.1 Florida SIB²³

The interview with the Florida State Infrastructure Bank team highlighted several key operational practices and insights of their approach to infrastructure lending. The Florida SIB is very proactive in its processes, notably by frontloading much of the work before formal loan applications are submitted. This preparation is facilitated by strong coordination with Florida's transportation districts, which provide early notice of potential projects. The nature of the SIB's lending also contributes to this efficiency, as the SIB typically serves as the final piece of the financing puzzle. By the time a project reaches the SIB, much of the required information has already been gathered through prior grant or loan applications, allowing the SIB team to focus on final evaluations and formalities.

Florida SIB team members' competency and collaborative dynamic are based on a keen understanding of the program's operations and the availability of former managers that provide a seamless flow of information for projects that have a long gestation period. The team's experience, particularly within the Florida Department of Transportation (FDOT), supports quick responses to inquiries and a deep institutional knowledge. The SIB's approach to maintaining efficiency by avoiding overly complex agreements and its openness to guiding applicants early in the process contribute to its reputation as a reliable and effective financing partner. Overall, the Florida SIB sets a strong example of how a State infrastructure bank can operate with both agility and strategic foresight.

Chronology of entity

1. 1997: Florida was selected as one of the original ten States to establish an SIB under the NHS Federal pilot program. The Federal account of its SIB was capitalized with \$25.1 million in FY 1997 and added \$30.8 million in FY 1998.
2. 1998: Under TEA-21, another SIB pilot was implemented with Florida as one of four participating States. The previous "NHS Act" SIB was rolled into the new pilot under TEA-21 to form the SIB program. Over the next 6 years, additional State and Federal capitalization provided an additional \$70.4 million to the Federal SIB account.
3. 2000: Florida created a State account, initially planned for \$150 million over three years, but budget constraints reduced the capitalization to \$93.5 million between FY 2001 and FY 2002.
4. 2002: Legislation expanded the State account's eligibility to projects enhancing connectivity between highways and airports, seaports, rail, and other intermodal facilities.
5. 2003: Florida authorized the leveraging of the State account through the issuance of revenue bonds to create a recurring source of loan funds.
6. 2003/04: \$33.5 million was shifted from the State Transportation Trust Fund (STTF) to support ongoing and future State-funded SIB projects.
7. 2005:

²³ Florida Department of Transportation. State Infrastructure Bank Biennial Report: Federal Fiscal Years Ended September 30, 2021 & 2022. Submitted to the Federal Highway Administration, 2023.

- TRIP (Transportation Regional Incentive Program) projects were made eligible for SIB funding, with \$100 million allocated from growth management funds (requiring a 25% non-SIB match).
 - Florida issued its first SIB revenue bonds (Series 2005A) worth \$62.3 million (defeased in 2021).
8. 2007:
- The second SIB revenue bond issuance (Series 2007) was completed at \$61.3 million (defeased in 2021).
 - The State account was authorized to provide emergency loans for infrastructure repairs in areas declared under a State of emergency.
9. 2016: The State account was expanded to support natural gas and fuel-related transportation projects, allowing private entities to access funds.
10. 2024: FDOT capitalized a new Federal account with \$50 million using August Redistribution funds, following guidance issued by FHWA. This effort was prompted by a July 2023 memorandum²⁴ encouraging States to consider SIB capitalization as an eligible use of redistributed obligation authority, and it included the execution of a new cooperative agreement with FHWA to enable Federal reimbursement

Establishment legislation, enabling regulatory regime

Florida's Federally-capitalized SIB was first established through the NHS Act of 1995, but that pilot was rolled into the TEA-21 pilot program, meaning that the current legislation that governs Florida's Federal-funded SIB is TEA-21.

Florida's State account is governed by Section 339.55, Florida Statutes. The bonding authority functions under Section 215.617, Florida Statutes – Bonds for State-Funded Infrastructure Bank.

Portfolio characteristics

The average loan size from the Federal account is around \$14 million, while from the State account it is around \$21 million. As of September 30, 2022, Florida's Federal account has been used to execute 46 loans totaling \$663.2 million that advanced \$2,527.7 million of project costs. Florida's State account has been used to execute 61 loans totaling \$1,279.3 million that advanced \$9,522.8 million of project costs.

Most active loans from the Federal account are for highway projects, though there are also transit, rail and airport projects that have been financed by the Federal account.

Example project: SunRail Phase II North

- Borrower: County of Volusia
- Location: Volusia County, Florida
- Type of Project: Construction of Commuter Rail System
- Total Project Costs: \$42.0 million
- Federal account SIB Loan: \$11.2 million

²⁴ Federal Highway Administration. (2023, July 7). Memorandum: Use of August redistribution to capitalize State infrastructure banks (HCFB-40). https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/toll_credits.aspx

- Loan Execution Date: July 30, 2021

Project summary: The Project includes the final design and construction of approximately four miles of new track adjacent to existing single mainline track, communications system, civil, structural, roadway work, wayside signal and grade crossing warning systems required for a fully functional commuter rail system extending from the DeBary station to the DeLand Station in Volusia County. The work includes construction of one (1) commuter rail station, including parking and bus circulation for the station at DeLand.

Organizational structure, staffing, full-time equivalents, institutional location

The State Infrastructure Bank sits under the Project Finance Office. They have a SIB program manager who leads the program and work with other employees in the Project Finance Office to run the program. The Project Finance Office sits under the Office of the Comptroller, and they have relations with other offices and programs such as the Federal Aid Management Office and the P3 Program to coordinate project financing. The SIB is based out of Tallahassee, Florida. The actual accounts are escrow accounts with the Department of Financial Services.

Operations and processes

On a daily basis, the SIB team manages loan disbursements, repayment tracking, and borrower engagement. Borrowers propose disbursement schedules based on project needs, and final terms are negotiated to align with funding capacity. The team prioritizes efficiency, aiming to keep agreements straightforward while maintaining flexibility in structuring repayment terms. They also monitor ongoing projects, ensuring compliance with financial reporting and progress requirements. The team frequently interacts with local governments and agencies, providing guidance on eligibility, financial structuring, and potential funding strategies. Additionally, Florida's SIB has leveraged tools like Federal fund redistribution and revenue bond issuances to maintain loan availability and support infrastructure development.

Challenges and innovations

The main challenge highlighted by the Florida SIB is the rising costs across the transportation industry. While this presents a hurdle, the current high-interest rate environment may also increase the appeal of SIB loans, which typically offer lower interest rates than market alternatives.

An example of the SIB's proactive approach is its recent use of the Federal redistribution process to recapitalize a Federal account. Florida was the first SIB to collaborate with the FHWA on this strategy, redistributing constrained Federal funds to boost its lending capacity. Although not driven by immediate demand, this strategy demonstrates the SIB's readiness to optimize resources and maintain flexibility in its funding capabilities.

1.2 Oregon SIB

The Oregon Transportation Infrastructure Bank (OTIB) operates as a smaller, resource-constrained SIB with only one full-time employee dedicated to the program since 2023. Despite being one of the first pilot States to establish a SIB, OTIB has historically struggled with visibility, even within the Oregon Department of Transportation (ODOT). In recent years, the program has focused on increasing awareness through presentations at the Oregon Infrastructure Summit and revamping its website and application process to make accessing funding more user-friendly. These efforts aimed to streamline the loan application process and improve the overall borrower experience, particularly as the previous application materials were adapted from grant programs and not well-suited for loans.

OTIB's lending program is relatively straightforward, with most loans ranging from \$75,000 to \$1 million and primarily supporting repair, replacement, and pedestrian-friendly projects. The bank often finances entire smaller projects, including resurfacing and sidewalk improvements, while occasionally offering gap loans for more significant initiatives. The main challenge for OTIB remains building a robust project pipeline by getting the word out to local governments and private developers. Once borrowers engage with the program, they tend to return for future projects, highlighting the need for continued outreach and marketing efforts to maximize the impact of available funds.

Chronology of entity

1. 1996: Oregon was selected as one of the original ten States to establish an SIB under the NHS Federal pilot program. The Federally funded highway SIB account was capitalized with approximately \$9 million in Federal funds matched with \$1 million in State funds. The Oregon Transportation Commission also approved the formation of a SIB transit account to be funded at a later date.
2. 1997:
 - Under the DOT Appropriations Act of 1996, the Secretary of Transportation awarded OTIB \$5.51 million of this amount using a formula that provided a minimum allocation. These funds increased the capital available in the SIB highway account and provided an initial capitalization for the SIB transit account.
 - The Oregon Legislative Assembly passed House Bill 2097 bill which established the Oregon Transportation Infrastructure Fund (to be managed by OTIB) and authorized issuance of up to \$200 million of revenue bonds. To date, no OTIB revenue bonds have been issued by ODOT. The legislation further defined transportation projects to include projects for highway, transit, rail, and aeronautics capital infrastructure, bicycle and pedestrian paths, bridges and ways, and other facilities that facilitate the transportation of materials, animals, or people.

Establishment legislation, enabling regulatory regime

Oregon's Federally-capitalized SIB was first started through the NHS Act of 1995, which is OTIB's current governing legislation. Additionally, OTIB was provided further funding through the DOT Appropriations Act of 1996. As such, OTIB has been able to use the repayment of the first round of loans for projects that are not under the purview of Titles 23 and 49. OTIB was then established at the State level by House Bill 2097.

Currently, OTIB's administrative rules are set by the Oregon Administrative Rule Chapter 731, Division 30 (OAR 731.030)²⁵. Its governing rules and statutes are set by Oregon Revised Statutes Chapter 367²⁶.

Portfolio characteristics

From its inception to September 30, 2024, OTIB has originated a total of 61 loans. OTIB has 30 active loans with an outstanding principal balance of \$20 million, and an additional \$32.7 million is obligated to borrowers, but has yet to be drawn upon. The remaining 31 loans totaling \$54,685,029 are fully repaid. The average loan size is \$1.97 million and the average interest rate is 2.84%²⁷.

OTIB has five accounts that it can draw from to finance projects. These are:

- **SIB Highway Account (Federal account):** The purpose of this account is to originate loans for U.S.C. Title 23 - highways and U.S.C. Title 49 - Transportation purposes. It was capitalized by an original Federal SIB appropriation and matched with State Highway Fund monies. These funds can be used for loans for Title 23 and Title 49 purposes and carry Federal requirements. In total, this account has been used for 17 projects and \$32.3 million worth of loans.
- **SIB Transit Account (Federal account):** The purpose of this account was to originate loans for public transportation projects that are Federal aid eligible. It was primarily capitalized through monies received via the "Stripper Well" settlement and matched with other Federal disbursements. Those funds carried federalization requirements and have been fully expended. In total, this account has been used for 4 projects and \$3.0 million worth of loans.
- **SIB Transit Repayment Account (State account):** This account is capitalized from repayments for loans made from the SIB Transit Account, which are considered non-Federal sources. These funds can be used for loans for public transportation projects. Because of the unique circumstances related to the status of the OTIB as a pilot SIB, repayments from the original recapitalization are not subject to full Federal requirements when loaned back out (i.e., recycled). In total, this account has been used for 5 projects and \$2.3 million worth of loans.
- **State Highway Fund Account (State account):** The purpose of this account is to originate loans for road and highway projects. This State account was capitalized primarily through a transfer of State Highway Fund monies. These funds carry Oregon constitutional and statutory restrictions, and do not carry Federal requirements. In total, this account has been used for 27 projects and \$49.6 million worth of loans.
- **SIB Highway Repayment Account (State account):** This account is capitalized from repayments for loans made from the SIB Highway account. The purpose of this account is to originate loans for road and highway projects. Repayments from the original recapitalization are not subject to full Federal requirements when loaned back out. This account has been used for 7 projects and \$32.0 million worth of loans.

OTIB works on a variety of different projects, but a plurality are road and bridge maintenance and repair projects. However, OTIB has also financed intermodal centers, landslide repairs, a transit facility, and transit equipment, among others.

²⁵ <https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=3278>

²⁶ https://www.oregonlegislature.gov/bills_laws/ors/ors367.html

²⁷ https://www.oregon.gov/odot/About/OTIB%20Documents/2024%20OTIB%20Annual%20Report%20_Final.pdf



Example project: 9th Street Improvement Project

- Borrower: City of Dundee
- Location: City of Dundee, Oregon
- Type of Project: Street improvement and utility relocation
- Total Project Costs: \$3.09 million
- SIB Loan amount: \$1.39 million
- Loan Execution Date: July 30, 2021

Project summary:

The City of Dundee is experiencing significant growth and refocusing their efforts to attract visitors to the Willamette Valley and particularly to Yamhill County. A way to accomplish this was to upgrade SW 9th Street in Dundee and make it an entrance way into Willamette Wine Country.

SW 9th Street was a two-lane collector road that had not been updated for many years. There was an old broken sidewalk on the west side of the road, multiple potholes, along with cracking asphalt all the way up and down the road, an old water line that needed to be replaced and the city had to locate some utility lines underground.

The city borrowed \$1,387,433 from OTIB and matched it with \$1,700,00 from the city's urban renewal agency to rebuild the street. The project consisted of ungrounding utilities and conduit, replacing a water line, repaving, and installing sidewalks and crossing locations on both sides of the street. With newly planted trees, the City hopes this welcoming roadway will make for an impressive drive into the area's internationally known wineries.

Organizational structure, staffing, full-time equivalents, institutional location

Operational and management support for OTIB is provided by ODOT's Budget, Economic and Debt Services Section. Positions directly involved in the day-to-day operation of the OTIB include: the chief financial officer, the budget, economic and debt services manager, and the senior fiscal analyst assigned to the bank. Other ODOT involvement in the lending process includes participation from ODOT regional offices, ODOT Public Transportation Division and the Oregon Transportation Commission.

Operations and processes

The day-to-day operations of the OTIB follow a structured and streamlined process designed to facilitate loan approvals efficiently. The process begins with the submission of a project proposal form, followed by an initial review by OTIB staff and ODOT regional representatives to determine eligibility. If the project is not viable, the applicant is guided through exploring other potential funding sources. If the project is eligible, applicant then submits a full application. The detailed application review includes assessing financial risk, pledged revenue sources, and the availability of OTIB funds. The next step is loan approval: depending on the loan size, approval can take anywhere from a few weeks to three months, with larger loans requiring Oregon Transportation Commission approval. Once approved, OTIB staff coordinate the drafting and review of loan documents, ensuring compliance through the Department of Justice and finalizing execution with the borrower. Throughout the process, there is a strong emphasis on clarity and support, with OTIB staff actively working to simplify and improve the borrower experience.

Challenges and innovations

OTIB faces several challenges that impact its ability to maximize its impact. One significant challenge is the limited institutional history within the program, as the sole full-time staff member only became fully engaged with the SIB in 2023. This gap in historical knowledge limits the program's ability to build on past successes and learn from previous experiences. Additionally, OTIB has struggled with limited visibility, even within the ODOT, resulting in missed opportunities to engage potential borrowers. The relatively small initial capitalization of the SIB further constrains its capacity to support larger or more diverse projects. However, OTIB has recognized these challenges and is actively pursuing opportunities to increase its impact through a renewed emphasis on marketing and outreach. By presenting at events like the Oregon Infrastructure Summit and revamping the website and application process, OTIB aims to raise awareness of its funding opportunities, particularly among smaller municipalities and private developers who may benefit from its straightforward lending programs.



1.3 Ohio SIB

Ohio's SIB is fairly unique within the broader SIB landscape. The State's dual program structure, with both bond and loan capacity, has enabled it to tackle large and small transportation projects. Additionally, discussions with staff have highlighted that focusing on streamlined application offices and decentralizing certain administrative elements helps ensure effective engagement with current and potential applicants. The program has also worked to differentiate interest rates for loans, with a 3% rate as standard but also going down to 0% rates for applicants that qualify for its small city program.

Chronology of entity

The history of Ohio's SIB program includes the following notable milestones:

1. **1995:** Ohio was selected as one of the original 10 States to participate in the SIB pilot program authorized by the National Highway System Act.
2. **1996:** The Ohio State Legislature authorized the Ohio SIB Program. The Ohio SIB was capitalized with a \$40 million authorization of State general revenue funds (GRF) from the Ohio State Legislature, \$10 million in State motor fuel tax funds, and \$87 million in Federal Title XXIII Highway Funds.²⁸
3. **1996:** The State legislature expanded the SIB's authority to include aviation, rail, waterway, and local roads projects. The Ohio SIB issued its first loan, which was also the first SIB loan in the country.²⁹
4. **2023:** House Bill 23 required that the Ohio Department of Transportation (ODOT) conduct the current 3% interest rate for SIB loans, effective after July 1, 2023. Yet, this bill also required the SIB to provide 0% loans to public entities eligible for the Small City Program. These cities have populations between 5,000 and 24,999 and are located outside Metropolitan Planning Organizations' boundaries.³⁰

Establishment legislation, enabling regulatory regime

Ohio was one of the first SIBs in the country. Selected as one of 10 States for the National Highway System Act of 1995's pilot Federal State Infrastructure Bank program, the Ohio SIB was established in 1996 under Ohio Revised Code (ORC) Chapter 5531.³¹ In 2006, the State of Ohio complimented the loan program with a bond program, the State Transportation Infrastructure Bond Fund (STIBF).³²

The establishment legislation provides for the direct loan program (revolving loans for eligible projects, repaid for reuse) and the bond program (credit-enhanced, fixed-rate bonds for large projects, rated AA+/AA- albeit for only State-backed lending).³³

²⁸ <https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

²⁹ Federal Highway Administration Center for Innovative Finance Support. *Innovation Profiles: Ohio State Infrastructure Bank*. April 2021. https://bac.umd.edu/wp-content/uploads/2024/08/Ohio_State_Infrastructure_Bank-Profile.pdf

³⁰ <https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

³¹ Ibid.

³² Ohio Department of Transportation. *Financial and Statistical Report: Fiscal Year 2007*. July 2008

³³ FHA. Innovation Profiles.

As of September 30, 2020, Ohio was one of only four transportation SIBs in the country that had issued bonds to leverage lending capacity.³⁴ The bond program focused on issuing bonds for eligible Ohio political subdivisions.³⁵

Portfolio characteristics

The most recent data regarding the Ohio SIB portfolio indicates that, in FY 2024, the program included thirteen loans totaling \$24.8 million. Since its inception, the Ohio SIB has issued 296 loans and 12 bonds totaling \$862.2 million. In both loans and bonds, the SIB has never exceeded 23 loans and bond issuances approved in a given year.³⁶

The current portfolio's loan amounts range from \$232,000 to \$14,410,000 (averaging \$1.9 million). Less than 40% of loans utilize Title 23 funds, but they represent 61% of the total portfolio (\$16.2 million). The current portfolio of loans is predominantly for highway construction.

Some of the most unique elements of the Ohio SIB program include:

- **Dual program structure:** The Ohio SIB operates two distinct programs: the SIB Loan Program and the SIB Bond Program. These programs include a State-funded component (Ohio GRF State Infrastructure Bank Program) and a Federally funded component (Title 23 Federal SIB Program), allowing for greater flexibility in funding projects compared to some other States.³⁷
- **Broader project eligibility:** Ohio's SIB supports a broader range of transportation projects, including highways, transit, rail, airports, seaports, and intermodal facilities. This broader eligibility contrasts with some States restricting their SIBs to highway or transit projects under Federal guidelines.
- **Concessions for smaller municipalities:** Zero-interest loans for small municipal corporations (defined as eligible under ODOT's small city program)
- **Economic development focus:** Projects must enhance connectivity, competitiveness, and quality of life while leveraging private/local funding³⁸
- **Comprehensive bonding authority:** Ohio is one of the few States with comprehensive bonding authority for its SIB, enabling it to issue revenue bonds and significantly expand its lending capacity. This authority enhances its ability to fund large-scale infrastructure projects.
- **Partnerships with MPOs:** Ohio's SIB permits Metropolitan Planning Organizations (MPOs) to co-sign loans and pledge future Federal allocations as repayment sources. This unique feature fosters collaboration between municipalities and MPOs in project financing.³⁹ Interviewees at the SIB also point out that loan agreements only need the approval of the executive but not full board MPO, which expedites processes.

³⁴ FHA. Innovation Profiles.

³⁵ Ohio DOT. Financial and Statistical.

³⁶ Ohio Department of Transportation. *Federal Fiscal Year 2024*. December 2024.

³⁷ Ohio Department of Transportation. *Financial and Statistical Report: Fiscal Year 2007*. July 2008

³⁸ <https://www.transportation.ohio.gov/about-us/policies-and-procedures/policies/18-012p>

³⁹ Rushley, Elizabeth. *Funding Large Projects in Ohio's Small and Medium Sized Metropolitan Planning Organizations*. ODOT, Office of Planning. February 2000.

- **Recycling revenue:** Ohio's SIB program focuses on reinvesting repayments into new loans, ensuring long-term sustainability and continuous support for infrastructure development.

The above features contribute to the program's versatility and demonstrate its ability to leverage State and Federal resources effectively.

Below is a summary of the key differences between the loan and bond programs.⁴⁰

Feature	Loan Program	Bond Program
Primary purpose	Smaller-scale projects	Finance large-scale projects exceeding typical loan capacities
Interest rates	0% for eligible Small City Program projects; 3% standard rate	Market-based rates (e.g., tied to Treasury rates)
Maximum term	30 years (standard loans); seven-month deferred repayment for 0% loans	25 years, matching bond amortization schedules
Loan/bond size	Standard: No explicit cap (case-by-case) 0% loans: \$500K/project/year	Minimum \$3M, maximum \$20M per bond issuance
Eligibility	All public entities (counties, cities, transit authorities)	Larger projects; loans \geq \$2M often referred to bond program
Repayment start	Standard: 31st month post-closing 0% loans: 7th month post-closing	Immediate payments aligned with bond amortization
Fees/costs	Minimal closing costs	Transaction costs: 1-3% of bond amount; administrative fees may apply
Prepayment conditions	Penalty unless mitigating circumstances	Case-by-case prepayment terms; costs borne by borrower if refinanced
Credit risk management	Evaluates borrower's credit concentration; prioritizes first-time applicants	Secured by State's moral obligation to replenish reserves if needed

Organizational structure, staffing, full-time equivalents, institutional location

The Ohio State Infrastructure Bank (SIB) is overseen by the Ohio Department of Transportation (ODOT) Director and administered by the Division of Finance and Forecasting. It vets applications with two

⁴⁰ The table utilizes references from the following sources:

https://www.fhwa.dot.gov/ipd/pdfs/finance/SIB_Summit_Summary_Report.pdf

<https://www.transportation.ohio.gov/about-us/policies-and-procedures/policies/18-012p>

S&P Global Ratings. *ODOT State Infrastructure Bank; State Revolving Funds/Pools*. September 2021.

<https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

committees.⁴¹ The SIB Loan and Bond Committees consist of three members: the ODOT Director (or designee), the Deputy Director of the Division of Finance, and the Assistant Director for Business Management.⁴² This team is further supported by independent contract Financial Advisors and the State's Senior Attorney General (as required).⁴³ ODOT retains primary decision-making authority for all loans.

Operations and processes

Staff within the Finance and Forecasting division are responsible for administering the application process, serving as the primary contact for program information, and receiving and reviewing applications. Additionally, these staff are responsible for recommending to the SIB loan committee which loans to approve.⁴⁴ The SIB has rolling application loan windows, which borrowers reportedly like because they don't have to work to specific deadlines. Additionally, the fees for financial advisory can be part of the eligible loan costs, lessening the economic burden of applications. The SIB interviewees note that the bond program processes are somewhat different, requiring longer processing times and higher costs because fees are based on the percentage of the bond size.

The Ohio SIB has established an entirely online application process. After submitting applications, the SIB loan committee evaluates them based on credit risk and project eligibility criteria. Approved applications result in term sheets being negotiated with borrowers, followed by the preparation of legal documentation and loan disbursement.

Ohio Department of Transportation (ODOT) does not operate its own dedicated district offices. However, ODOT's existing district offices support the administrative elements of SIB loans. Borrowers can submit invoices to these district offices for review, approval, or forwarding to ODOT's Division of Finance. District office personnel may also conduct site visits as part of the loan monitoring process.⁴⁵ This utilization of district offices enables the SIB program to leverage ODOT's statewide infrastructure, supporting program operations without maintaining a separate district presence.

Challenges and innovations

Interviewees at the SIB have noted that the COVID-19 pandemic has brought challenges to the program, but they are on the road to recovery. One issue flagged by these interviewees was a desire for greater insight into other Federal transportation funding programs to identify opportunities for blending funding. They also believe that more could be done on the Federal level to maintain communication and stay informed about developments.

Interviewees at the SIB highlight two key success drivers: flexibility and efficiency in the application process, as well as leveraging MPO relationships. They believe that making the application process simple for borrowers has resulted in sustained interest. Additionally, leveraging Federal funding allocations through the MPO has opened up avenues to resources that would otherwise not be available.

⁴¹ <https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

⁴² <https://www.transportation.ohio.gov/about-us/policies-and-procedures/policies/18-012p>

⁴³ Ohio Department of Transportation. *Federal Fiscal Year 2024*. December 2024.

⁴⁴ <https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

⁴⁵ <https://www.transportation.ohio.gov/programs/state-infrastructure-bank/>

1.4 Michigan SIB

The Michigan State Infrastructure Bank is a valuable example of a “small-scale” SIB program. The program is not underpinned by dedicated legislation and is reliant on a limited staff complement. Furthermore, the program has a smaller capitalization and lower lending thresholds than most SIBs. Despite these limitations, the Michigan SIB finds a way to cultivate a unique position within the funding landscape by supporting disaster mitigation and targeting gap financing.

Chronology of entity

The history of Michigan’s SIB program includes the following notable milestones:

1. **1995:** Michigan was one of the original 10 States to participate in the SIB pilot program authorized by the National Highway System Designation Act under Section 350.
2. **1998:** While one of the original members of the SIB pilot program, Michigan only began operationalizing the SIB in 1998. This was established via Section 317 of Public Act 309 of 1998, an appropriation bill, which gave the program’s administration to the Michigan Department of Transportation (MDOT).⁴⁶
3. **2017:** Michigan House Bill 6087 was passed during the 2017-2018 legislative session. It amended the 1951 PA 51 to allow municipalities to borrow money from the State Infrastructure Bank.⁴⁷

Establishment legislation, enabling regulatory regime

The program is neither explicitly authorized nor referenced in State statute, and no policy of the State Transportation Commission governs it. Instead, it relies on authorizing language in each year’s transportation appropriation bill, which is broadly reflective of the original 1998 Public Act 309 language.⁴⁸

The SIB’s total initial capitalization was \$15 million, comprised of \$11 million in Federal funds and \$4 million in State matching funds. The SIB received the final Federal disbursement in FY 2005-06, and State match deposits ran concurrently with the Federal disbursement schedule.⁴⁹

Portfolio characteristics

As of September 30, 2023, the Michigan SIB had an aggregate outstanding loan balance of approximately \$10 million and a balance of \$15 million available to lend to applicants. Furthermore, in FY 23, the SIB approved three new loans totaling approximately \$4.5 million.⁵⁰

The SIB program has shifted focus over its lifecycle. In the early 2000s, the program focused on projects that could realize significant cost reductions with the SIB loan or needed gap financing.⁵¹ This focus has changed in recent years. While the program still focuses on providing gap financing, it has added a mandate to offer financial assistance to projects in need of emergency relief, such as flood rehabilitation projects.⁵²

⁴⁶ <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-6087-1CFF6B58.pdf>

⁴⁷ <https://legiscan.com/MI/votes/HB6087/2017>

⁴⁸ <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-6087-1CFF6B58.pdf>

⁴⁹ <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-6087-1CFF6B58.pdf>

⁵⁰ Michigan State Infrastructure Bank. *Annual Report: Fiscal Year 2023*. September 2023.

⁵¹ Michigan Department of Transportation. *State Infrastructure Bank Guidelines*. October 2003.

⁵² <https://www.michigan.gov/mdot/programs/grant-programs/sib>

The program has no minimum loan amount; however, due to limited capitalization, the entity has a policy of “generally” not exceeding \$2 million. The entity's website specifies that interest rates on loans vary by level of risk and the negotiated terms but shall not exceed the market rate.⁵³ Of approximately 116 loans since its inception (including closed, active, and approved loans), the Michigan SIB has consistently offered interest rates at 4% or below, except for one loan at 4.5% in 2019.⁵⁴ In 2024, the SIB reportedly targeted 3.25% interest rates as the standard rate.

The program has flexible terms, with no minimum defined and maximum terms of either 20 or 25 years. The program prioritizes projects with shorter terms. The website further explains that interest begins accruing upon disbursement of the loan and is subject to a monthly amortization.⁵⁵

Borrowers have the flexibility to identify several revenue sources to repay their loans. Potential revenue streams include future Federal aid, future Act 51 funds (which are funds distributed through Michigan's Public Act 51 of 1951, creating the Michigan Transportation Fund), local government general funds, tax increment financing revenue, assessment fees, impact fees, and State revenue sharing.⁵⁶

Organizational structure, staffing, full-time equivalents, institutional location

The SIB is administered by the Office of Economic Development (OED) within the Michigan Department of Transportation. The SIB program does not have staff dedicated solely to managing the SIB; instead, staff members also hold responsibility for a broader portfolio of funding programs.⁵⁷ Recently, the SIB has begun to operate at the regional level to increase its physical presence. The SIB also collaborates with the State Administrative Board (SAB) and the State Transportation Commission (STC) to obtain approval for larger loans.

Operations and processes

To receive a loan from the Michigan State Infrastructure Bank, applicants must apply through a paper-based application. The Michigan SIB accepts loan applications year-round, not relying on dedicated funding window periods. Michigan SIB staff conduct an initial review of the application to assess if it fulfills requirements related to eligibility, project feasibility, public support, applicant creditworthiness, and the SIB's lending capacity. This process can, but is not necessarily, accompanied by a site visit as part of the initial loan application. Typically, this entire initial project takes thirty days.⁵⁸

Once approved, SIB staff can initiate and begin negotiations on the loan agreement. For smaller loans, the entire process typically comprises six weeks. However, loans exceeding \$500,000 require an additional approval process from the SAB and the STC. This additional process may require a further 12 weeks. The SIB requires that each applicant submit the final project accounting to the program within 60 days after project completion.⁵⁹

⁵³ <https://www.michigan.gov/mdot/programs/grant-programs/sib>

⁵⁴ Michigan State Infrastructure Bank. *Annual Report: Fiscal Year 2023*. September 2023.

⁵⁵ <https://www.michigan.gov/mdot/programs/grant-programs/sib>

⁵⁶ Ibid.

⁵⁷ Michigan State Infrastructure Bank. *Annual report: Fiscal Year 2021*. November 2021.

⁵⁸ <https://www.michigan.gov/mdot/programs/grant-programs/sib>

⁵⁹ <https://www.michigan.gov/mdot/programs/grant-programs/sib>

Challenges and innovations

Those interviewed at the SIB indicate that the staffing constraints have limited the amount of direct marketing they have done on the SIB program and that they rely heavily on “word of mouth” to identify new potential applicants. These interviewees have indicated that Federal support could be invaluable for their program. The small number of staff limits their capacity to identify loan applicants. The interviews indicated that Federal assistance to guide their marketing efforts through targeted market intelligence would ensure they see value from the limited hours available to spend with potential applicants.

Despite these challenges, interviewees highlight the streamlining of application processes and the deployment of staff at the regional level, which has helped to more directly engage potential applicants, as key “success factors” of recent years. They also see their portfolio trending towards two key areas: gap financing and disaster mitigation lending, which began in 2016. Regarding the target market, they aim to expand their lending services to smaller agencies in the future at more affordable rates. One example provided was a recent 20-year loan at a 2% interest rate.



1.5 Texas SIB

The Texas State Infrastructure Bank distinguishes itself from other SIBs in terms of activity levels and the diversity of its portfolio. With over \$762 million in loans provided, it has supported \$8.2 billion in Texas transportation projects. This portfolio of loans has supported a diverse range of applicants and a wide footprint across the State. The Texas SIB also differs from other SIBs in the size range of its loans, which range from the low \$100,000s to approximately \$36 million. Finally, the program takes pride in offering a low-cost approach, with zero application fees, closing costs, or loan handling fees, and attractive interest rates. Finally, the organization has streamlined and digitized the application process and portfolio administration.

Chronology of entity

The chronology of Texas's State Infrastructure Bank includes the following notable milestones:

1. **1995:** Texas was one of the original 10 States to participate in the SIB pilot program authorized by the National Highway System Designation Act under Section 350.
2. **1997:** While one of the original members of the SIB pilot program, Texas only began operationalizing the SIB in 1997. This was established through Senate Bill 370, specifically the Transportation Code, Chapter 222, Subchapter D, which established the SIB and granted administration to the Texas Transportation Commission.⁶⁰
3. **1997:** In the same year as its establishment, the Texas Transportation Commission provided the administrative rules to govern SIB operations.⁶¹
4. **2019:** The Texas Department of Transportation (TxDOT) provides amendments to Title 43 of the Texas Administrative Code, specifically Chapter 6 (addressing State Infrastructure Bank), focused on enhancing application procedures and optimizing operations.⁶²
5. **2020:** In response to economic uncertainty, the Texas SIB issued a directive waiving interest for the first three years of approved SIB loans for both current applicants and new applications received from the date of the directive until the end of the year (December 31, 2020).⁶³
6. **2024:** TxDOT further amends Title 43 of the Texas Administrative Code Chapter 6 to refine the SIB program.⁶⁴

Establishment legislation, enabling regulatory regime

The Texas Transportation Code, Chapter 222, Subchapter D, contains provisions related to the State Infrastructure Bank. Additionally, the Texas Department of Transportation (TxDOT) has the authority to adopt rules to implement the Transportation Code provisions relating to the State infrastructure bank, as stated in Transportation Code, §222.077⁶⁵

⁶⁰ https://onlinemanuals.txdot.gov/TxDOTOnlineManuals/TxDOTManuals/lpa/state_infrastructure_bank.htm

⁶¹ Ibid.

⁶² <https://www.sos.texas.gov/texreg/archive/July122024/Proposed%20Rules/43.TRANSPORTATION.html>

⁶³ <https://gfoat.org/texas-state-infrastructure-bank/>

⁶⁴ <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-6087-1CFF6B58.pdf>

⁶⁵ <https://www.sos.state.tx.us/texreg/archive/October112024/Adopted%20Rules/43.TRANSPORTATION.html>

Portfolio characteristics

The Texas SIB was initially capitalized with \$171.3 million in Federal highway funds and \$102.8 million in State funds.⁶⁶ As of January 2025, the Texas SIB's current lending portfolio consists of 58 active loans, with a cash balance of approximately \$247 million.⁶⁷ Throughout its existence, the SIB program has approved more than 154 loans totaling over \$762 million, which have financed \$8.2 billion in transportation projects.⁶⁸ Reportedly, the initial capital funds have been expended and repaid, so they now lend on "secondary" funds. Interviewees at the SIB note that recapitalization has not been a priority because several projects were paid early when interest rates were low, leaving the SIB in a strong position of liquidity.

The size of the loans varies significantly, ranging from \$117,000 to \$35.9 million, with interest rates ranging from 0.76% to 4.01%.⁶⁹ Despite this range, SIB interviewees indicate that loans are typically between \$1 million and \$5 million.

The interest rates on Texas SIB loans are fixed rates and based on the Municipal Market Data index; however, they are adjusted for credit rating and loan term. The program has no application fees, and no closing costs or fees associated with loan handling. The repayment terms prioritize flexibility, offering a range of repayment frequencies, no prepayment penalties, and allowances for deferments that include full deferral of principal and interest, as well as interest-only payments. Note that interest accrues during the deferment period. Loan terms range from 1 to 30 years, with an average loan term of 13 years across the current portfolio.⁷⁰ Interviewees note that, of the current portfolio, most loans are backed by utility or ad valorem taxes.

The current portfolio is predominantly characterized by borrowers from cities (64%), with additional representation from counties (11%), regional mobility authorities (8%), water supply entities (12%), and economic development corporations (5%). The most significant number of outstanding loans is in the Houston District, followed closely by the El Paso, Tyler, and Dallas Districts, with less lending activity in the Austin and Corpus Christi districts.⁷¹ The SIB developed an Economically Disadvantaged County (EDC) program designed to support economically disadvantaged counties. This program offers reduced interest rates for loans in qualifying areas. The EDC program has limitations dependent on the available cash balance of the broader SIB program. The SIB also offers targeted support for utility relocation as part of its lending portfolio; however, the utility relocation must be part of an eligible transportation project, not a standalone utility project.⁷²

The SIB loans cover a range of typical costs for projects including, but not limited to, estimated construction costs (new and reconstruction) for eligible on or off-system roadways, the local match for eligible projects,

⁶⁶ Federal Highway Administration Center for Innovative Finance Support. *Innovation Profiles: SIBs, Texas State Infrastructure Bank*. April 2021.

⁶⁷ <https://www.txdot.gov/about/newsroom/stories/inside-scoop-texas-transportation-commission-january-2025.html>

⁶⁸ TxDOT State Infrastructure Bank. *Presentation to the El Paso Metropolitan Planning Organization*. April 2024.

⁶⁹ <https://www.txdot.gov/business/grants-and-funding/state-infrastructure-bank.html>

⁷⁰ <https://www.txdot.gov/content/dam/docs/sib/2025-sib-presentation.pdf>

⁷¹ TxDOT State Infrastructure Bank. *Presentation to El Paso*.

⁷² <https://www.txdot.gov/business/grants-and-funding/state-infrastructure-bank.html>

right-of-way acquisition, utility relocation, contingency for potential rising costs, engineering and design costs, joint bid contribution, as well as financial and legal fees associated with the SIB loan application.⁷³

The SIB imposes requirements on each loan, including the establishment of separate project accounts, covenants that funds cannot be commingled with those of other projects, and that expenditures be presented in the form of an annual report and budget. Additionally, the loan is subject to a yearly audit. Furthermore, the loan agreement will outline the revenue pledge, which varies based on the strength of the pledge. This agreement shall also be supplemented with requirements for a reserve fund or additional debt covenant.⁷⁴

Organizational structure, staffing, full-time equivalents, institutional location

The SIB operates as a revolving loan fund within TxDOT's broader organizational structure, utilizing the department's existing resources and expertise to manage and promote the program. The program focuses on partnerships with several TxDOT departments to advance program objectives. This includes the communications department, general counsel, and environmental teams within the Department of Transportation. Interviewees note that three full-time support program officers within the SIB are responsible for handling marketing, outreach, loan applications, and approval processes. The SIB program also works with the Texas Transportation Commission for approvals.

Operations and processes

The loan process with the TxDOT SIB involves several steps, typically taking four to six months from application to loan disbursement. The process begins with the submission of a loan application, accompanied by a resolution from the local government authorizing the application for the loan. The SIB program administrator then consults with TxDOT divisions, which review the application; this process typically takes two to four months. During this time, environmental approval must be obtained before final approval can be granted. Once the initial review is complete, the loan is presented to the Texas Transportation Commission for final approval. After Commission approval, the SIB loan agreement is negotiated, including details such as the loan amortization schedule. This negotiation phase typically takes one to two months. The final step involves the local government approving the negotiated SIB loan agreement. Throughout the process, two local actions are required: approval for the initial application and execution of the final agreement.⁷⁵

Challenges and innovations

A key feature of the TxDOT SIB program is its approach to coordination and outreach. Through a targeted approach to both internal and external stakeholders, the program achieved substantial advancements in loan closings. These efforts included educational initiatives for TxDOT personnel across 35 divisions and 23 districts, encompassing utility coordinators and transportation planners, as well as targeted engagements with those responsible for making funding and financial decisions at key Texas planning organizations, such as Metropolitan Planning Organizations (MPOs), Councils of Governments (COGs), and other relevant stakeholders, including financial advisors.

⁷³ TxDoT State Infrastructure Bank. Presentation to El Paso.

⁷⁴ TxDOT State Infrastructure Bank. *Presentation to the City of Addison*. February 2024.

⁷⁵ TxDoT State Infrastructure Bank. Presentation to El Paso.

Another innovation of the TxDOT SIB program was to enhance its application processes extensively. Interviewees at the SIB note that they focused hard on a “customer-centric” approach to encourage applications and engagement with the program. One step toward this goal was to move their application process to an online case management system. To support this online process and facilitate the servicing of loan life, a custom-built software system was developed to track and administer SIB loans.⁷⁶ Despite these efforts, SIB interviewees note that marketing and outreach continue to be a challenging aspect of the job. They cite institutional turnover as a challenge and that continuous outreach necessitates a large amount of staff capacity. They have noted that supporting outreach efforts would be one area where Federal government support would be welcome.

The SIB has also demonstrated a trend of shifting towards larger, strategic loans in 2025, including a \$10.9 million package for utility relocations in Collin and Johnson counties, as well as multimodal trade corridor development in Webb County.⁷⁷ While median loan sizes remain modest, the program’s leverage ratio (\$1 in SIB loans supporting over \$ 10 in total project value) underscores its role as a catalytic financing tool.⁷⁸

⁷⁶ Federal Highway Administration. *State Infrastructure Bank Summit summary*. August 2022.

⁷⁷ <https://www.txdot.gov/about/newsroom/stories/inside-scoop-texas-transportation-commission-january-2025.html>

⁷⁸ <https://www.txdot.gov/business/grants-and-funding/state-infrastructure-bank.html>



1.6 Minnesota SIB

Chronology of entity

Minnesota's SIB, called the Transportation Revolving Loan Fund (TRLF), was established in 1997. The TRLF was created following the Federal government's establishment of the SIB program through the NHS Act of 1995. During the 1997 legislative session, MnDOT proposed the TRLF Act, which was signed into law on May 12, 1997. This act authorized MnDOT, the Minnesota Department of Trade and Economic Development (DTED), and the Minnesota Public Facilities Authority (PFA) to jointly develop and administer the program. MnDOT was responsible for evaluating and certifying transportation projects for financing, while the PFA conducted financial evaluations of applicants and set loan terms and conditions.

The TRLF was initially capitalized with \$3.96 million in Federal incentive funds, with a mandatory 25% non-Federal matching requirement. Following additional Federal support through the DOT Appropriations Act, by 1999, the fund had received \$35.1 million in Federal contributions, matched with \$24 million in State funds. By 2001, the TRLF had also leveraged funds through two bond issues totaling \$37.6 million. The first issue in 1999 provided \$17.1 million to the Metropolitan Council for transit-related improvements. The second bond issue in 2001, amounting to \$20.5 million, supported 11 additional project loans⁷⁹.

From its inception until 2014, the TRLF executed 34 loans totaling \$175.3 million, with an average interest rate of 2.33%. However, since 2014, no new loans have been issued, and the TRLF has become largely inactive⁸⁰.

Establishment legislation, enabling regulatory regime

Minnesota's Federally-capitalized SIB was first started through the NHS Act of 1995, which is its current governing legislation. Additionally, the TRLF was provided further funding through the DOT Appropriations Act of 1996. As such, it has been able to use the repayment of the first round of loans for projects that are not under the purview of Titles 23 and 49. The TRLF was then established at the State level by TRLF Act of 1997.

The TRLF is currently administrated under the rules set forth by Section 446A.085 of the Minnesota Statutes.

Challenges

The TRLF struggled to maintain relevance as easier and more attractive funding options became widely available to local governments and transportation entities. Since 2008, Minnesota has steadily increased its bond measures for transportation, providing abundant "free money" through grants and subsidies. These funds, which did not require repayment, naturally became the preferred choice over loans, even those offered at low interest rates.

In addition to the competition from grants, the reimbursable nature of TRLF loans posed a challenge for potential borrowers. Many smaller cities and agencies lacked the cash flow to manage repayments, making the TRLF's financing model impractical.

There were also significant gaps in awareness and understanding of the TRLF. Despite targeted outreach efforts to districts and State Transportation Improvement Program (STIP) coordinators, few potential applicants expressed interest, and those who did often discovered their projects were not eligible. This

⁷⁹ https://www.fhwa.dot.gov/ipd/finance/resources/general/if_quarterly/fall_02.aspx

⁸⁰ <https://www.dot.state.mn.us/planning/program/xls/APPLICATION%20RECORD.xlsx>

disconnect between the program's offerings and the needs of local entities contributed to the fund's prolonged inactivity.

These challenges created a self-perpetuating cycle of low demand and limited use, ultimately sidelining the TRLF as a tool for financing transportation projects in Minnesota.

The future of the TRLF

Despite its inactivity, MnDOT officials indicated no interest in dismantling the TRLF or reallocating its funds to other uses, as some States have done with their SIBs. Instead, the TRLF is treated as a valuable safety net—a financial tool that could play a role if the funding landscape were to shift.

While the current abundance of grants and subsidies makes the TRLF less competitive, the fund remains a potential resource if traditional funding sources dry up at either the Federal or State level. In such a scenario, the TRLF could offer a ready pool of low-interest financing to bridge funding gaps and support transportation projects that might otherwise be delayed or canceled. This strategic reserve approach ensures that Minnesota has financial flexibility and resilience, even in an unpredictable funding environment.



Appendix 2 Federal capitalization amounts by State

Table 3: SIBs by year(s) and amount of Federal capitalization⁸¹

State	Year(s) of Federal capitalization	Amount of Federal capitalization
Texas	1996 & 1997	\$171,288,804
Florida	1996, 1997, 1998, 1999, 2003	\$101,065,437
Ohio	1996 & 1997	\$87,000,000
Missouri	1996, 1997, 1999	\$48,410,000
Arizona	1996 and 1997	\$46,185,974
Minnesota	1997 & 1999	\$35,069,200
Wyoming	1997	\$23,541,942
Virginia	1996 & 1997	\$18,000,000
Pennsylvania	1997	\$17,390,000
Oregon	1996 & 1997	\$14,483,000
New Mexico	1997	\$12,071,948
Puerto Rico	1997 & 1998	\$12,008,588
New York	1997	\$12,000,000
South Dakota	1997	\$11,152,719
Michigan	1997	\$11,050,000
Delaware	1997	\$4,800,000
Indiana	1997	\$3,390,000
California	1996	\$3,000,000
South Carolina	1997	\$3,000,000
Nebraska	1997	\$2,830,000
Maine	1997	\$2,540,000
North Dakota	1997	\$2,540,000
Alaska	1997	\$2,490,000
Utah	1997	\$2,310,000
Vermont	1997	\$2,060,000
Arkansas	1997	\$1,500,000
Colorado	1997	\$1,500,000
Iowa	1997	\$1,500,000
Rhode Island	1997	\$1,500,000
Tennessee	1997	\$1,500,000
Washington	1997	\$1,500,000
Wisconsin	1997	\$1,500,000
North Carolina	1997	\$1,260,000
		Total: \$661,437,612

⁸¹ https://www.fhwa.dot.gov/ipd/finance/tools_programs/Federal_credit_assistance/sibs/

Table 4: Allocation of Federal funds under the 1996 DOT Appropriations Act as of September 1997⁸²

State	Federal Allocation
New York	\$12,000,000
Ohio	\$12,000,000
Texas	\$12,000,000
Michigan	\$11,050,000
Florida	\$8,650,000
New Mexico	\$8,140,000
Missouri	\$7,410,000
Arizona	\$6,700,000
Oregon	\$5,510,000
Oklahoma	\$4,700,000
Minnesota	\$3,960,000
Indiana	\$3,390,000
Pennsylvania	\$3,390,000
California	\$3,000,000
South Carolina	\$3,000,000
Virginia	\$3,000,000
Nebraska	\$2,830,000
South Dakota	\$2,830,000
Maine	\$2,540,000
Wyoming	\$2,510,000
Utah	\$2,310,000
Arkansas	\$1,500,000
Colorado	\$1,500,000
Delaware	\$1,500,000
Iowa	\$1,500,000
New Jersey	\$1,500,000
North Carolina	\$1,500,000
Puerto Rico	\$1,500,000
Rhode Island	\$1,500,000
Tennessee	\$1,500,000
Vermont	\$1,500,000
Washington	\$1,500,000
Wisconsin	\$1,500,000
	Total: \$143,950,000

⁸² Federal Highway Administration, "State Infrastructure Bank Pilot Program: Capitalization Activity," Innovative Finance Quarterly 3, no. 2 (Fall 1997): 5

Appendix 3 Legal and regulatory framework

The legal and regulatory framework that governs SIBs has evolved through a series of Federal legislative acts that have shaped how these banks are structured, capitalized, and managed. Beginning with the National Highway System Designation Act of 1995, subsequent legislation has refined program eligibility, funding mechanisms, and Federal oversight. Over time, Congress has adjusted the requirements for State participation, loan repayment conditions, and financial management, with each amendment affecting how States utilize SIBs as a transportation financing tool.

While the legislative framework outlined below focuses specifically on SIBs, it is important to note that projects funded through Federally-capitalized SIBs remain subject to the broader Federal requirements established under Title 23 (Highways) and Title 49 (Transit and Rail) of the U.S. Code. These statutes govern project eligibility, environmental compliance, procurement, labor standards, and financial controls, ensuring that infrastructure projects financed through SIB loans adhere to Federal transportation policies. However, State accounts, which do not utilize Federal funds, are not required to comply with these Federal statutes.

The following sections provide an overview of the legislative acts that have defined the Federal SIB program and how they have impacted program participation, financial management, and loan repayment structures.

3.1 National Highway System Designation Act of 1995 (NHS Act)

The National Highway System Designation Act of 1995 (NHS Act)⁸³ was the first Federal legislation to formally introduce SIBs as a financing tool for transportation infrastructure. The Act established a pilot program allowing selected States to create revolving loan funds for highway and transit projects, marking the beginning of Federal efforts to promote innovative, self-sustaining funding mechanisms for infrastructure investment.

Key Provisions of the NHS Act Related to SIBs:

1. Creation of the SIB Pilot Program
 - The NHS Act authorized the Secretary of Transportation to enter into cooperative agreements with up to 10 States to establish State Infrastructure Banks and MultiState Infrastructure Banks.
 - These banks were intended to provide loans and other financial assistance to public and private entities carrying out transportation projects.
2. Setting up a SIB
 - States entering the program were required to set up cooperative agreements with the Federal government that outlined the structure and operational guidelines of their SIBs.
 - The Act allowed States to allocate up to 10% of their annual Federal-aid highway and transit funds to capitalize their SIBs.
 - Federal contributions to SIBs (capitalization grants), required States to provide a minimum 25% non-Federal match to leverage additional funding. For example, if the Federal

⁸³ <https://www.congress.gov/bill/104th-congress/senate-bill/440>

contribution is \$80 million, the State match would have to be at least \$20 million, for a total capitalization of \$100 million.

- SIBs were required to maintain separate accounts for highway projects and transit projects.

3. Operating provisions

- SIBs were permitted to make loans or provide other financial assistance for eligible transportation projects, including Federal-aid highway construction and capital projects under Title 23 and Title 49, respectively.
- SIB loans could cover the full cost or part of the cost of a project.
- Interest rates were required to be at or below market rates, with each State determining loan pricing to make projects feasible.
- Loan repayments were required to begin no later than five years after project completion and be fully repaid within 30 years.
- States had to ensure that their SIB maintained a financially viable structure, either by retaining an investment-grade rating or obtaining adequate bond insurance to protect against default risks.

4. Review and Reporting Requirements

- The NHS Act required States to report on their SIBs annually, with detailed financial Statements and program assessments submitted to the U.S. Department of Transportation (DOT).
- The Secretary of Transportation was required to review the financial condition of each SIB and submit a report to Congress by March 1, 1997, evaluating the pilot program's effectiveness.
- This report had to assess whether SIBs successfully increased public investment and attracted non-Federal capital and provide recommendations on whether to expand the program.

5. Other provisions

- The Act provided Congressional consent for States to form multi-State infrastructure banks, allowing for regional cooperation on infrastructure financing.
- For urbanized areas with populations over 200,000, funds apportioned under certain Federal programs could only be used with written concurrence from the Metropolitan Planning Organization (MPO).

3.2 Department of Transportation and Related Agencies Appropriations Act of 1996 (DOT Act)

The Department of Transportation Appropriations Act of 1996⁸⁴ expanded the SIB pilot program by allowing more than 10 States to participate, removing the initial cap set by the NHS Act of 1995. The Act also provided \$150 million in Federal funding to support the capitalization of SIBs, with States permitted to allocate funds to either highway or transit accounts. Additionally, the Act reiterated that Federal

⁸⁴ <https://www.congress.gov/bill/104th-congress/house-bill/3675>

disbursements must align with historic Federal-Aid Highway Program rates to maintain consistency in transportation funding.

The \$150 million, made available until expended, was be distributed among the States in accordance with each State's plans to use other eligible Federal transportation funds and non-Federal funds to capitalize their banks. Irrespective of other funding plans, each new participant was guaranteed a minimum share of \$1.5 million, and each of the initial 10 participants is guaranteed a minimum share of \$3.0 million⁸⁵. The amounts allocated to each State are listed in Table 4 in Appendix 2.

3.3 Transportation Equity Act for the 21st Century

The Transportation Equity Act for the 21st Century (TEA-21)⁸⁶ made several key modifications to the SIB program established under the NHS Act of 1995, but it did not fundamentally expand or restructure the program. Instead, TEA-21 primarily extended the SIB program beyond the two-year authorization provided in the NHS Act, allowing for continued use and refinement of the SIB financing model.

The most significant legislative change introduced by TEA-21 was the requirement that funds repaid to a Federally-capitalized SIB retain their Federal character, meaning that they would remain subject to Title 23 and Title 49 requirements. This was a departure from the NHS Act, which had not explicitly addressed the treatment of repaid funds. Additionally, TEA-21 formally allowed the Secretary of Transportation to enter into cooperative agreements with four additional States: California, Florida, Missouri, and Rhode Island.

Key differences between TEA-21 and the NHS Act of 1995:

1. Authorization for specific States: TEA-21 specifically authorized the Secretary of Transportation to enter into agreements with four States: California, Florida, Missouri, and Rhode Island.
2. Federal compliance requirements for repaid funds: One of the most significant changes introduced by TEA-21 was the requirement that loan repayments to a Federally-capitalized SIB retain their Federal status:

"REPAYMENTS. — The requirements of titles 23 and 49, United States Code, shall apply to repayments from non-Federal sources to an infrastructure bank from projects assisted by the bank. Such a repayment shall be considered to be Federal funds."⁸⁷
3. Removal of the 10% limitation on capitalization contributions: Under the NHS Act, States were allowed to designate up to 10% of their annual Federal-aid highway and transit funds to capitalize their SIBs. TEA-21 removed this cap, granting States greater flexibility in determining how much funding to allocate to their SIBs. However, the Act also imposed a new restriction, stating that no more than 20% of the total funds designated for SIB capitalization could be disbursed in a single year.
4. Elimination of separate highway and transit accounts: The NHS Act required that SIBs maintain separate accounts for highway and transit funds so that Federal funds for one mode were not

⁸⁵ Federal Highway Administration, "SIB Pilot Expands: New States, New Money," *Innovative Finance Quarterly* 3, no. 1 (Summer 1997): 3.

⁸⁶ <https://www.congress.gov/bill/105th-congress/house-bill/2400>

⁸⁷ Transportation Equity Act for the 21st Century Pub. L. No. 105-178, § 1511 (i) 2



used for another. TEA-21 removed this requirement, allowing States to manage their SIB accounts more flexibly by pooling Federal funds without mode-specific restrictions.

3.4 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU) of 2005

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU)⁸⁸ continued to refine the SIB program, maintaining its place within the Federal transportation financing framework. While SAFTEA-LU did not introduce significant changes to the program's structure, it made some modifications that impacted State participation, fund management, and oversight. Importantly, SAFTEA-LU retained the requirement introduced in TEA-21 that repaid funds retain their Federal character.

Key Differences Between SAFTEA-LU and TEA-21:

1. Removal of State-specific limitations: Unlike TEA-21, which authorized only four additional States (California, Florida, Missouri, and Rhode Island) to participate, SAFTEA-LU allowed the Secretary of Transportation to enter into agreements with any State that wished to establish a Federally-capitalized SIB. This marked a shift toward fully opening up the program, eliminating the State-by-State selection process that had previously restricted SIB adoption.
2. Reinstatement of separate accounts for highway, transit, and rail: TEA-21 had removed the requirement for SIBs to maintain separate accounts for different modes of transportation, allowing highway and transit funds to be pooled together. SAFTEA-LU reversed this change, now requiring that SIBs establish and maintain distinct accounts for highway projects (Title 23 funds), transit projects (Title 49 funds) and now additionally rail projects (Subtitle V of Title 49 funds).
3. Reinstatement of Federal funding limits: TEA-21 had removed the cap that restricted States to designate only up to 10% of their annual Federal-aid highway and transit funds to capitalize their SIBs. SAFTEA-LU reinstated cap, which allowed them to allocate up to 10% of their annual Federal-aid highway and transit funds to capitalize their SIBs. It also limited this disbursement to fiscal years 2005 through 2009.
4. Authority to discontinue funding for noncompliant SIBs: For the first time, the Secretary of Transportation was granted the authority to prohibit States from contributing additional Federal funds to their SIBs if they were found to be noncompliant with their cooperative agreements. This provision introduced a new level of accountability, ensuring that States followed Federal guidelines when administering their SIB programs.

3.5 Fixing America's Surface Transportation Act of 2015

The Fixing America's Surface Transportation (FAST) Act, enacted in December 2015, did not fundamentally alter the existing legislative framework governing SIBs. It only extended the eligibility period for States to capitalize SIBs with Federal funds through fiscal years 2016 to 2020. This extension renewed a provision that had previously lapsed after being introduced under the SAFTEA-LU Act, which allowed capitalization between FY 2005 and FY 2009.

⁸⁸ <https://www.congress.gov/bill/109th-congress/house-bill/3>

A significant provision of the FAST Act was the introduction of the Rural Projects Fund (RPF) mechanism. This allowed States to establish a dedicated rural infrastructure account within their SIBs or establish a new SIB, capitalized through a direct loan from the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Under this mechanism, SIBs could receive TIFIA loans ranging from \$10 million to \$100 million to fund their RPFs. The intent was to enhance financing options for rural infrastructure projects, defined as surface transportation projects located outside urbanized areas with populations exceeding 150,000 individuals, as determined by the U.S. Census Bureau.

The structure of the RPF program introduced several distinct terms and limitations:

- Loans issued from an RPF to eligible rural projects were required to bear an interest rate at or lower than that of the originating TIFIA loan to the SIB.
- Rural infrastructure fund loans could finance up to 80% of a rural project's eligible costs, a higher cap than TIFIA's standard 49% limit, but less than the 100% financing that SIBs could provide under other accounts.
- The final maturity date of the TIFIA loan to the SIB could extend up to 35 years from the obligation date. The general SIB loan requirement for projects of repayment remained within 30 years.

While this mechanism aimed to enhance financing flexibility in rural areas, to date, no rural infrastructure funds have been capitalized.

3.6 The Infrastructure Investment and Jobs Act of 2021

The Infrastructure Investment and Jobs Act (IIJA), enacted in November 2021, did not introduce any substantive changes to the structure or operations of SIBs. It only extended the existing authority for States to capitalize their SIBs with Federal funds to cover fiscal years 2022 through 2026, continuing the provision previously reauthorized by the FAST Act.

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