Congresswoman

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Invest in American Railroads Act

Background: Congress created the Railroad Rehabilitation and Improvement Financing (RRIF) program in 1998 to support the development of passenger and short line railroads. Under this program, the Department of Transportation is authorized to issue $35 billion to public or private entities to rehabilitate or build new track, bridges, rail yards, and other support structures. These loans feature low interest rates and terms up to 35 years. The program is badly underutilized. Since 2000, U.S. DOT has only made $8.2 billion in loans, less than 24% of the capacity authorized by Congress.

The Problem: In order to offset the risk of a project defaulting on a RRIF loan, U.S. DOT charges borrowers a credit risk premium. Premiums charged have been as high as 18 percent of the value of the loan. Borrowers do not know the what these premiums will cost until the tail end of an extremely lengthy review process, when they will have invested heavily in application fees and compliance costs, time and effort. This uncertainty has sharply reduced the appeal of RRIF for states, local governments or private business, including smaller short line and regional railroads.

There are other challenges with RRIF. The present maximum 35-year term available does not come close to matching the true economic lifespans of many types of rail assets that RRIF can finance. These assets, such as bridges and tunnels, can last more than a century. There also has been uncertainty about whether existing federal infrastructure grant programs can be leveraged in conjunction with RRIF.

The Invest in American Railroads Act addresses the major challenge associated with the RRIF credit risk premium by authorizing U.S. DOT to cover the cost of up to $300 million of RRIF credit risk premiums annually. This will enable states, local governments, and private groups to find RRIF a viable option to upgrade their existing rail infrastructure and develop new lines and rail facilities. Precedent exists; Congress has already authorized U.S. DOT to provide $300 million annually in credit risk premiums for Transportation Finance and Innovation Act (TIFIA) projects, which are largely used to develop new roads. This legislation extends that federal investment precedent to the full range of rail investments through RRIF.

This legislation also makes significant improvements to RRIF by:

- Setting aside $100 million in credit risk premiums exclusively for passenger rail projects.
- Extending the potential term of RRIF loans from 35 to 50 years to better align financing term with the lifespan of the very long-lived assets built or rehabilitated using this program and providing recipients with more flexible financing options.
- Verifying that funds from a RRIF loan —when that loan will be repaid from a non-federal source—shall be considered eligible non-federal matching funds for the FTA's Capital Investment Grants program and other U.S. DOT infrastructure grant programs.