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Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Beverley K. Swaim-Staley
Acting Secretary

August 10, 2009

The Honorable Ulysses Currie
Chairman, Senate Budget and Taxation Committee
3W Miller Senate Building
Annapolis MD 21401-1991

The Honorable Norman Conway
Chairman, House Appropriations Committee
131 Lowe House Office Building
Annapolis MD 21401-1991

Dear Chairmen:

Attached is a report titled, *Maryland Department of Transportation – Status of Public-Private Partnerships*, which was prepared by The Secretary's Office, Maryland Department of Transportation (MDOT), in response to language set forth in Section 54 of the 2009 Joint Chairmen's Report, page 215. The language directs that:

> "*...[T]he Department of General Services, the Maryland Department of Transportation, the University System of Maryland Office, and the Maryland Transportation Authority shall each submit a report to the budget committees by August 1, 2009, listing all projects for which a public-private partnership is under consideration or in any phase of development. The budget committees shall have 45 days to review and comment from the date of receipt of each report.*"

The report includes information on the Seagirt Marine Terminal, the Maryland Transportation Authority's Travel Plaza redevelopment initiative, and the transit oriented development (TOD) projects that MDOT is leading. While the TOD projects do not always take the form of a public-private partnership, MDOT wanted to provide you with information on project status because the definition of a public-private partnership is not always clear. For each of the TODs, the report contains a description of the project's status, the project's agreement framework and the anticipated actions in FY 2010.

Inasmuch as the Acting Secretary is also, by statute, the Acting Chairman of the Maryland Transportation Authority Board, this letter includes public-private partnership information for the MDOT and the Maryland Transportation Authority.

This report does not, however, include TOD projects being pursued by the Washington Metropolitan Area Transit Authority (WMATA), since the Department does not have authority for projects initiated or controlled by WMATA.

My telephone number is 410-865-1000
Toll Free Number 1-888-713-1414 TTY Users Call Via MD Relay
7201 Corporate Center Drive, Hanover, Maryland 21076

Thank you for the opportunity to submit this report. I look forward to working with the legislative workgroup being established to further discuss MDOT's ongoing, potential public-private partnerships. If you have additional questions or concerns, please do not hesitate to contact Mr. Fred Rappe at 410-865-1007 or via email at frappe@mdot.state.md.us. Of course, you should always feel free to contact me directly.

Sincerely,

Beverley K. Swaim-Staley
Acting Secretary

cc: Members of the Budget Committees
Mr. Fred Rappe, Special Assistant, Maryland Department of Transportation

bcc: Ms. Sarah Albert, Library Associate, Mandated State Agency Reports, Library & Information Services Division, Department of Legislative Services (5 copies)
Mr. Joe Bryce, Executive Director, Governor's Legislative Office
Mr. Jack Cahalan, Director, Office of Public Affairs, Maryland Department of Transportation
Mr. Bruce W. Gartner, Office Director, Office of Policy and Governmental Affairs, Maryland Department of Transportation
Mr. David Grossman, Budget Analyst, Department of Budget and Management
Mr. Martin L. Harris, State Legislative Officer, Maryland Department of Transportation
Ms. Jaclyn Hartman, Legislative Analyst, Department of Legislative Services
Mr. Kevin Hughes, Deputy Director, Governor's Legislative Office
Ms. Cathy Kramer, Department of Legislative Services
Mr. Jon Martin, Legislative Analyst, Department of Legislative Services
Mr. Chris Patusky, Director, Office of Real Estate, Maryland Department of Transportation
Ms. Wonza Spann-Nicholas, Deputy Director, Office of Finance, Maryland Department of Transportation
Mr. Kurt Stolzenbach, Assistant Director, Office of Budget Analysis, Department of Budget and Management
Mr. Jeff Tosi, Legislative Analyst, Maryland Department of Transportation
Mr. Joshua A. Watters, Committee Staff, House Appropriations Committee
Ms. Barbara Zektick, Office of Real Estate, Maryland Department of Transportation

A Report to the Maryland General Assembly

Senate Budget and Taxation Committee

and

House Appropriations Committee

regarding

Maryland Department of Transportation –
Status of Public-Private Partnerships
(2009 Joint Chairmen's Report, page 215)

August 2009

Maryland Department of Transportation

Maryland Department of Transportation – Status of Public-Private Partnerships
(2009 Joint Chairmen's Report, page 215)

This report was prepared in response to language set forth in the 2009 Joint Chairmen's Report, page 215, which directs that:

"*...[T]he Department of General Services, the Maryland Department of Transportation, the University System of Maryland Office, and the Maryland Transportation Authority shall each submit a report to the budget committees by August 1, 2009, listing all projects for which a public-private partnership is under consideration or in any phase of development. The budget committees shall have 45 days to review and comment from the date of receipt of each report.*"

The following public-private partnership projects are under consideration by the Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MdTA):

I-95 Travel Plazas

Summary Description: The Maryland House and Chesapeake House travel plazas serve as key adjuncts to the John F. Kennedy (JFK) Memorial Highway (I-95) facility operated by the MdTA. The two travel plazas provide a broad variety of food, fuel, and other services for over five million traveling customers annually. These service facilities were opened in 1962 and 1975, respectively, and they have served their purpose well for over 45 years. The MdTA is now considering options for the financing and redevelopment of these travel plazas, and expects to seek proposals for a developer/operator to design-build-operate-maintain-finance (DBOM-F) new travel plazas. This DBOM-F arrangement would represent a form of public-private partnership.

Status: Advanced Stage of Development.

A public informational meeting was held in October 2008 to preview the Travel Plaza redevelopment opportunity with potential contractors. More than 100 participants attended. A Request for Proposal (RFP) is being developed by the MdTA for a DBOM-F arrangement for the redevelopment of both travel plazas and could be ready for release in late 2009. The MdTA is required to give 45-day notice of any procurement of a P3 arrangement for the Travel Plazas on I-95 pursuant to legislative notice language adopted in the 2009 Joint Chairmen's Report.

Seagirt Marine Terminal

Summary Description: The Seagirt Marine Terminal (Seagirt) is owned by the MdTA and has been operated by the Maryland Port Administration (MPA) as a container terminal since its opening in 1990. MPA believes that Seagirt needs to have at least one 50-foot berth capable of handling the new Panamax vessels when the enlarged Panama Canal opens in 2014. To accomplish this, the MPA is seeking private partners to lease and operate the premises and develop the additional berth at Seagirt, including wharf infrastructure and cranes.

Status: Advanced Stage of Development:

On April 15, 2009, the MPA released a Request for Qualifications (RFQ) offering the opportunity for a private party to establish long-term marine terminal operations at Seagirt Marine Terminal, including construction and operation of a new Berth IV. Prior notice to the budget committees had been given by letter of February 24, 2009, from Secretary Porcari. Qualification responses were due June 4, 2009. On June 30, 2009, the Maryland Port Administration announced that Ceres Terminals, Inc./Alinda Capital Partners LLC and Ports America Group/Highstar Capital qualified to submit offers to enter a possible public-private partnership. Each has been issued a Request for Offers (RFO) which is expected to be due on September 4, 2009. A decision regarding a P3 Agreement for Seagirt is expected to be made by December 31, 2009

State Center TOD Project

Summary Description: DGS and MDOT issued a Request for Qualifications (RFQ) seeking a master development team for State Center, a transit oriented development (TOD). The purpose of the RFQ was to solicit and select a developer with the capacity and demonstrated experience to successfully execute a major redevelopment of State-owned – 28 acres of land and buildings – as a TOD. DGS and MDOT stated within the RFQ their desire to retain its current 3,500-employee work force at State Center and desire to occupy approximately 1,000,000 leasable square feet of space to accommodate such work force. It was widely recognized that neither the public nor private sector could accomplish the project alone, so the State Center public-private partnership has strategically created a development program reflecting the State's firm commitment to TOD ideals, affordable housing, sustainable development, historic preservation, and creative arts and culture.

A conceptual plan for the 28 acres in mid-town was created through the collective planning product of the Public/Private Joint Venture (JV) team with input from a diverse group of community and institutional stakeholders. In May 2007, the JV team launched the "CityScaping" planning process to engage neighborhood residents, State of Maryland employees, elected officials, religious organizations, and local institutions that could be impacted by the redevelopment of State Center. Between May 2007 and December 2008, the JV team held over 60 CityScaping meetings that attracted more than 600 participants.

The project's $1.5 billion plan includes nearly 2.0 million square feet of office space for State and commercial use; 250,000 square feet of retail on the first level in the Preston Street corridor; 1,400 residential units with 30% targeted to the workforce and affordable market and approximately 5,000 parking spaces. The developer will use a combination of private equity and debt along with tax increment financing from the City of Baltimore, other tax credit programs, and the State may potentially fund a parking garage, to fund the project. This largely private financing structure combined with the use of State land and potential for leases maximizes the resources of the public-private partnership to achieve significant benefits.

Status:

The Board of Public Works approved the Master Development Agreement on June 3, 2009, allowing the project to move forward in the design of phase one. The Developer will work with the State to reach an agreement on proposed lease rates after a level of design is completed. The State approved a newly constituted, strengthened development team in May 2009. The new developers, PS Partners LLC, include Linden Associates and Ekistics Capital Partners LLC. The new members join original team member McCormack Baron and Salazar, the leading mixed income housing developer in the nation. A minority business enterprise developer will join the team during fall 2009. The development team will design and engineer buildings and negotiate leases for Phase One of the project this summer, aiming to have a finalized lease drafted by September 2009, for consideration by state decision makers.

MDOT Transit Oriented Development Projects

The budget language does not define "public-private partnership." Therefore, rather than attempt to determine which projects should be considered public-private partnerships, the following is a summary of all of the TOD projects for which MDOT is the lead agency, and that MDOT is working toward implementing during FY2010:

- Savage MARC Station TOD (Howard County)
- Owings Mills Metro Station TOD (Baltimore County)
- Odenton MARC Station TOD (Anne Arundel County)
- Laurel MARC Station TOD (The City of Laurel, Prince George's County)
- Reisterstown Plaza Metro Station TOD (Baltimore City)

Maryland Department of Transportation – Status of Public-Private Partnerships
(2009 Joint Chairmen's Report, page 215)

Savage MARC Station TOD Project (Howard County)

Project Status: The Savage MARC Station TOD project will be located on a 12.7 acre surface parking lot that is adjacent to the station and is owned by MDOT. In December 2007, the Board of Public Works approved the surplusing of a 10.2-acre portion of the MDOT parking lot as part of the TOD project. In January 2008, the BPW approved the Savage MARC Station TOD Master Development Agreement (MDA) between MDOT and developer Petrie Ross Ventures, LLC. Howard County subsequently approved a Tax Increment Financing (TIF) agreement and ordinance as required by the MDA as part of the financing package for the construction of a new Maryland Transit Administration (MTA) commuter garage on the site. The County required a change in the state TIF and special taxing district enabling legislation that would allow it to finance a non-County asset (in this case, a commuter parking garage). The General Assembly passed this legislation during the 2009 session. Currently, construction is on hold because the national credit crisis has prevented the issuance and sale of the TIF bonds. The project team is focused on recruiting prospective tenants and will work with the County to issue the TIF bonds when the market for this type of bond returns.

Agreement Framework: The MDA calls for the transfer of approximately 10.2 acres of MDOT's 12.7 acre parcel to the developer in return for a $3.3 million credit toward the construction of a new MTA-owned commuter garage on the remaining 2.4 acres (the $3.3 million credit was based upon a state appraisal). The agreement also calls for the remaining $14 million cost of the garage to be funded by a TIF supported by the local real estate tax increment generated on the private portion of the site that is being transferred to the developer. Other than its contribution of a portion of the land in exchange for the $3.3 million credit, the State did not contribute funding or other assets to the construction of the project.

Anticipated Action on the Project in FY2010: Assuming the market for TIF bonds returns, MDOT anticipates that the developer will break ground on construction of the MTA-owned commuter garage in 2010.

Owings Mills Baltimore Metro Station TOD Project (Baltimore County)

Project Status: The Owings Mills Metro Station TOD project site consists of 43 acres of surface parking lots adjacent to the Metro Station and owned by MDOT. The BPW approved an MDA in July 2005. The project called for the construction of mixed-use development (office space, residential, retail) to be built in several phases. In August 2007, the developer, David S. Brown, completed the first of two planned garages to be shared by MTA commuters and other public and private portions of the development (the development will include additional parking garages that serve only the private components). During the past year, the developer and Baltimore County have been negotiating the terms of an agreement for the construction of a County-owned library and community college branch on the project site as well as the terms of a TIF to finance certain public infrastructure components of the project.

MDOT anticipates that it will seek BPW approval of an amendment to the MDA during late 2009 or during 2010 that provides for adjustments to the existing MDA, potentially including the use of TIF financing to finance construction of the second commuter garage and the transfer of ownership of both shared commuter garages to MDOT or to the Maryland Economic Development Corporation (MEDCO). The same legislation that was approved by the General Assembly during the 2009 session assisted with enabling these amendments to the MDA.

Agreement Framework: Pursuant to the MDA, MDOT ground leased the entire 43 acre site to the developer in exchange for approximately $500,000 annually in rent and other commitments related to the construction of the TOD. For example, the MDA calls for the developer to construct, own, and operate the two shared commuter garages as well as a mixed-use development. A separate agreement between the County and the developer provided for construction of the County library and community college branch. As part of the MDA, MDOT committed to contribute a $15.1 million grant and the County committed to a $13.1 million grant to support construction of the two shared commuter garages and certain public infrastructure. The developer has also invested substantial equity funding into the first constructed garage.

MDOT has disbursed approximately $9 million of its grant to date to the developer for construction of the first garage and anticipates disbursing the remaining $6 million in conjunction with the construction of the second shared garage and other public infrastructure during FY2010.

Anticipated Action on the Project in FY2010: Like with Savage, the Owings Mills Metro TOD project has been delayed by the national credit crisis which has prevented the developer from obtaining financing for the first private phase of the project on commercially reasonable terms and has prevented the developer and Baltimore County from pursuing the issuance of TIF bonds. In addition, the County and the developer have not concluded an agreement regarding the construction of the planned community college and library on the site.

MDOT anticipates that the developer will break ground on construction of the second shared garage and the first private phase of the development as the credit markets improve.

Odenton MARC Station TOD Project (Anne Arundel County)

Project Status: The project site comprises 22 acres of parking lots owned by MDOT adjacent to the Odenton MARC Station as well as County-owned land adjacent to the lots (the Property). After a competitive process carried out pursuant to the Transportation Public Private Partnership (TP3) regulations, the development team of The Osprey Property Company, The Reliable Contracting Company and The Bozzuto Group was granted an Exclusive Negotiating Privilege in September 2007 by MDOT and Anne Arundel County to pursue agreement on a mixed-used TOD on the site. Since then, the project has been in the planning phase with the parties investigating the site, potential development concepts, and project feasibility. The parties are currently discussing concept plans and business terms for the project. MDOT is hopeful that it will be seeking BPW approval for an MDA during calendar year 2010, which could result in the start of construction in calendar year 2010.

Agreement Framework: The parties have not yet agreed on business terms for the project and, therefore, it is not possible to estimate whether or how much state funding will be requested or needed. The agreement will likely call for the phase-by-phase development of the project, the construction of a commuter parking garage, and the sale or lease by the State and the County of all or a portion of the Property to the developer for construction of a mixed-use TOD.

Anticipated Action on the Project in FY09-10: The parties will continue to work through the predevelopment process in the expectation of reaching terms for an MDA that can be submitted for BPW's consideration during calendar year 2010.

Laurel MARC Station TOD Project (The City of Laurel, Prince George's County)

Project Status: The Laurel MARC Station TOD project site consists of 4.9 acres of MDOT-owned surface parking lots located on either side of the station. In June 2004, MDOT granted a developer an ENP to pursue an agreement for a TOD at the Laurel MARC Station TOD project according to a competitive process governed by the TP3 Program. MDOT allowed the ENP to lapse on June 30, 2008 after four years of negotiations without reaching agreement.

MDOT received an unsolicited proposal from a new developer during fall 2008. Pursuant to the TP3 Program Guidelines, MDOT accepted the proposal for consideration and circulated notice seeking competing proposals. The final proposals under the current solicitation for a developer are due on August 4, 2009.

Agreement Framework: MDOT has not yet selected a developer and, therefore, has not yet begun to negotiate an agreement.

Anticipated Action on the Project in FY2010: MDOT anticipates selecting a developer and entering into an ENP agreement during fall 2009. MDOT anticipates seeking BPW approval of an MDA during calendar year 2010.

Reisterstown Plaza Metro TOD Project
(Baltimore City)

Project Status: The Reisterstown Plaza Metro Station project site is located on MDOT-owned surface parking lots comprising approximately 35 acres adjacent to the station. The United States General Services Administration (GSA) has announced that it has selected a portion of the site as the location of a new Social Security Administration building (SSA). MDOT has worked with GSA to reach agreement regarding disposition of the site to GSA for the new federal office building while simultaneously seeking a developer for the development of a mixed-use TOD on the remaining acreage on the site. The BPW formally surplused the GSA site and will consider a disposition agreement at its August 26, 2009 meeting.

Agreement Framework: A transfer agreement for approximately 12 acres to GSA has been drafted and will be submitted for BPW review and approval in August 2009. The agreement calls for MDOT to sell the property to the GSA for $6 million. The GSA will then either sell or lease it to the developer for the site. The developer will construct the new building and lease it to the SSA.

Anticipated Action on the Project in FY2010: A developer will begin design and permitting of a 538,000 square foot facility on behalf of GSA and its client, SSA. MDOT will consider issuing a solicitation seeking a developer to construct a TOD on the remaining 23 acres at the site in 2010.

U.S. Department
of Transportation

**Federal Highway
Administration**

User Guidebook on Implementing Public-Private Partnerships for Transportation Infrastructure Projects in the United States

**Final Report
Work Order 05-002**

Prepared for:

Office of Policy and Governmental Affairs

Prepared by:

AECOM CONSULT
TEAM

JULY 7, 2007

GLOSSARY OF TERMS

- **Account Servicing:** Monitoring the status of accounts of indebtedness, monitoring records of current debts, billing for amounts due, collecting amounts due, handling debtor correspondence, performing follow-up functions, and providing accurate reporting of debt portfolios.
- **Accrue:** Process of increasing account value, usually associated with interest or other time-related increases in account value.
- **Administrative Costs/Charges:** Additional costs incurred in processing and handling a debt because it has become delinquent. Costs should be based on actual costs incurred or cost analyses which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative costs should be accrued and assessed from the date of delinquency. (See "Delinquency.")
- **Administrative Offset:** Withholding money payable by the federal government to a person or held by the government for a person or entity in order to satisfy a debt that the person or entity owes the government.
- **Advance Construction:** States or local governments independently raise upfront capital required for a federally approved project and preserve eligibility for future federal-aid reimbursement for that project. At a later date, the state can obligate federal-aid highway funds for reimbursement of the federal share. This tool allows states to take advantage of access to a variety of capital sources, including its own funds, local funds, anticipation notes, revenue bonds, bank loans, etc., to speed project completion.
- **Allowance for Uncollectible Accounts:** Account established to reduce receivables for estimates of uncollectible amounts to reflect the assets at their net realizable value.
- **Amortization:** Provision made in advance for the gradual reduction of an amount owed over time.
- **Appraisal:** Formal valuation of property, made by a competent authority.
- **Asset:** Any item of economic value, either physical in nature (such as land) or a right to ownership, expressed in cost or some other value, which an individual or entity owns.
- **Availability Payments:** Periodic (typically annual) payments made by the sponsoring agency to the project delivery team on the basis of the availability of facility capacity, traffic volumes, operations and maintenance expenses, safety, facility condition and appearance, or other factors considered important to the users, in lieu of toll revenues when it is not possible or practical to charge drivers a toll to use the facility.
- **Bad Debt Expense:** Estimated cost of losses which may be realized as a result of a failure to collect on receivables. The loss is recorded when information is available that an asset (in this case, receivables) has probably been impaired or a liability incurred and when the amount can be reasonably estimated. For accounting purposes, the bad debt expense estimate is recorded when the allowance account is established or periodically adjusted.
- **Basis Point:** A shorthand financial reference to one-hundredth of one percent (.01 percent) used in connection with yield and interest rates.

- **Bond Counsel:** A lawyer or law firm, with expertise in bond law, retained by the issuer to render an opinion upon the closing of a municipal bond issue regarding the legality of issuance and other matters including the description of security pledged and an opinion as to the tax-exempt status of the bond.
- **Bond Insurance:** A financial guarantee provided by a major insurance company (usually AAA rated) as to the timely repayment of interest and principal of a bond issue.
- **Book Value:** Net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross nominal amount of any asset or liability minus any allowance or valuation amount.
- **Budget Authority:** Authority provided by law to enter into financial obligations that will result in immediate or future outlays of federal government funds. Budget authority includes the credit subsidy costs for direct loan and loan guarantee programs. Basic forms of budget authority include appropriations, borrowing authority, contract authority, and authority to obligate and expend offsetting receipts and collections.
- **Build/Operate/Transfer:** Public-private partnership arrangement involving private construction, private operation for given period of time, and eventual transfer to public ownership.
- **Build-Own-Operate**: A private contractor constructs and operates a facility while retaining ownership. The private sector is under no obligation to the government to purchase the facility or take title.
- **Call Risk:** Risk to the investor associated with prepayments by the issuer of the principal amount of the bonds prior to the stated maturity date, in accordance with the bonds' redemption provisions.
- **Capital Appreciation Bond:** Long-term bonds which pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs differ from zero coupon bonds in that they are issued at an initial amount and compound in value, in contrast to zeroes, which are issued at a deep-discount and compound to par.
- **Capital Reserves:** Funds that remain in a bank and are not loaned out. These funds can be used to support a variety of credit enhancement tools. Capital reserves also can be used to leverage the lending institution, or borrow against reserves to expand the pool of available loan funds.
- **Capitalization:** Process of depositing various funds as seed capital into a lending institution to enable financial services. This pool of money is distributed, through loans and credit enhancements, in such a way to ensure that payments are made back to preserve the corpus.
- **Capitalized Interest:** A specified portion of the original bond proceeds which will be used to pay interest on the bonds until revenue from planned sources becomes available upon completion of construction.
- **Charge Off:** Alternative term to write-off. Write-off is the preferred term. (See "Write-off".)

- **Claim:** Synonymous with the term "debt," for purposes of this document. (See "Debt.") Alternative meanings of the word "claim" include a request (1) submitted by a lender for government payment of a defaulted guaranteed loan; (2) filed with the Department of Justice for the pursuit of litigation and/or enforced collection of an account; or (3) filed with an agency for the payment of an amount considered due to the submitting individual or organization, such as for medical insurance.
- **Close Out:** Occurs concurrently with or subsequent to an agency decision to write off a debt for which the agency has determined that future additional collection attempts would be futile.
- **Cohort:** Direct loans obligated or loan guarantees committed by a program in the same year even if disbursements occur in subsequent years. Post-1992 direct loans or loan guarantees will remain with their original cohort throughout the life of the loan, even if the loan is modified. Pre-1992 loans and loan guarantees that are modified shall each, respectively, constitute a single cohort. (OMB Circular No. A-11, "Preparation and Submission of Budget Estimates." Executive Office of the President, Office of Management and Budget, hereafter cited as OMB Circular No. A-11.)
- **Collateral:** Any property pledged as security for a loan.
- **Collection Agency:** Private sector entity whose primary business is the collection of delinquent debts.
- **Collection:** Process of receiving amounts owed to the federal government, such as payment on a debt.
- **Commercial:** Adjective used to signify a business activity, regardless of whether that activity has been undertaken by an individual or business.
- **Compromise:** Accepting less than the full amount of the debt owed from the debtor in satisfaction of the debt. Also referred to as "settlement."
- **Concession:** Long-term lease agreement that involves the lease of publicly financed facilities to a private sector concessionaire for a specified time period. Under the lease, the private sector concessionaire agrees to pay an upfront fee to the public agency in order to obtain the rights to collect the revenue generated by the facility for a defined period of time (usually from 25 to 99 years). In addition to the concession fee, the concessionaire agrees to operate and maintain the facility, which may include capital improvements in some instances.
- **Concession Benefits**: Rights to receive revenues and other benefits (often from tolling) for a fixed period of time, including transferring responsibility for increasing user fees to the private sector; generating large up-front revenues for the public agency; transferring most project, financial, operational and other risks to the private concessionaire; and gaining private sector efficiencies in operations and maintenance activities.
- **Construction Manager at Risk**: A hired construction manager (CM) begins work on the project during the design phase to provide constructability, pricing, and sequencing analysis of the design. The CM becomes the design-build contractor when a guaranteed maximum price is agreed upon by the project sponsor and CM.
- **Consumer:** Adjective used to signify a personal activity. For example, a loan to a farmer to buy an automobile for personal use would be considered a consumer loan.

- **Contingencies:** Existing conditions, situations, or circumstances which involve uncertainty and which could result in gains or losses. For example, guaranteed loans represent contingent liabilities which, in the event of default by the borrowers, the federal government would be liable to cover the losses of the guarantors, and thereby sustain the loss itself.
- **Contract Authority:** A form of budget authority that permits obligations to be made in advance of appropriations or receipts. Contract authority therefore is unfunded and requires a subsequent appropriation or offsetting collection to liquidate (pay) the obligations. The federal-aid highway program has operated under contract authority since 1921.
- **Cooperative Agreement:** Written consent between two parties to define the basic structure and purpose of a financial transaction, including the roles the parties involved and the way in which funds will be administered.
- **Corpus:** The corpus refers to all initial funds, additional, and subsequent revenue deposited for bank capitalization. The corpus is essentially a "body" of funds that is available, on a revolving basis, for use in providing financial assistance to borrowers.
- **Coverage Margin:** The margin of safety for payment of debt service on a revenue bond, reflecting the number of times (e.g., 1.2) by which annual revenues after operations and maintenance costs exceed annual debt service.
- **Credit Cycle:** Complete credit process, composed of four phases: credit extension, account servicing, debt collection, and write-off/close out.
- **Credit Enhancement:** Financial guarantees or other types of assistance that improve the credit of underlying debt obligations. Credit enhancement has the effect of lowering interest costs and improving the marketability of bond issues.
- **Credit Enhancement:** Financing tools - such as letters of credit, lines of credit, bond insurance, debt service reserves, and debt service guarantees -that improve the credit quality of underlying financial commitments. Credit enhancements have the effect of lowering interest costs and improving the marketability or liquidity of bond issues.
- **Credit Extension:** Review and approval of requests for short- and long-term credit.
- **Credit Program:** Federal program that makes loans and/or loan guarantees to non-federal borrowers.
- **Credit Reporting Bureau:** Private sector entity which collects financial information on debtors and whose reports on debtors reflect information received from the public and private sectors.
- **Credit Score:** A statistically-based measure of risk of a particular type of loan to a particular borrower.
- **Credit:** Promise of future payment in kind or of money given in exchange of present money, goods, or services.
- **Current Discount Rate:** Discount rate used to measure the cost of a modification with respect to the modification of direct loans or loan guarantees. It is the interest rate applicable at the time of modification on marketable Treasury securities with a similar maturity to the remaining maturity of the direct guaranteed loans, under either pre-modification terms, or post-modification terms, whichever is appropriate.

- **Current Receivable:** A receivable on which payment is due within 12 months of the reporting period.
- **Debt:** Synonymous with the term "claim," for purposes of this document. It refers to an amount of money or property which has been determined by an appropriate federal official to be owed to the U.S. from any person, organization, or entity other than another federal agency. Included as debts are amounts due the U.S. from fees, duties, leases, rents, royalties, services, sales of real or personal property, overpayments, fines, penalties, damages, taxes, interest, forfeitures, and other sources.
- **Debt Collection:** Recovery of amounts due after routine follow-up fails. This activity includes the assessment of the debtor's ability to pay, the exploration of possible alternative arrangements to increase the debtor's ability to repay and other efforts to secure payment.
- **Deed-in-Lieu of Foreclosure:** A voluntary transfer of marketable title to a property to avoid foreclosure.
- **Default:** Failure to meet any obligation or term of a credit agreement, grant, or contract. Often used to refer accounts more than 90 days delinquent.
- **Deficiency:** Portion of a loan which remains outstanding after pledged property has been liquidated (converted to cash) and applied to the outstanding balance.
- **Delinquency:** Failure of the debtor to pay an obligation or debt by the date specified in the agency's initial written notification or applicable contractual agreement, unless other satisfactory payment arrangements have been made by that date. Delinquency would also occur if, at any time thereafter, the debtor fails to satisfy the obligations under payment agreement with the agency.
- **Design-Bid-Build**: The traditional project delivery method where design and construction are sequential steps in the project development process, where one contract is bid for the design phase and then a second contract is bid for the construction phase of the project.
- **Design-Build**: A procurement or project delivery arrangement whereby a single entity (a contractor with subconsultants, or team of contractors and engineers, often with subconsultants) is entrusted with both design and construction of a project. The term encompasses design-build-maintain, design-build-operate, design-build-finance and other contracts that include services in addition to design and construction. Franchise and concession agreements are included in the term if they provide for the franchisee or concessionaire to develop the project which is the subject of the agreement.
- **Developer Financing:** A type of financing where a private party finances the construction or expansion of a public facility in exchange for the right to build residential housing, commercial stores, and/or industrial facilities on the site. This type of financing often takes the form of capacity credits, impact fees, or exactions.
- **Direct Loan:** A disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration. The term does not include the acquisition of federally guaranteed non-Federal loans in satisfaction of default or other guarantee claims or the price-support loans of the Commodity Credit Corporation.

- **Direct Loan Obligation:** A legal or binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower. Acquisitions of federally guaranteed non-Federal loans in satisfaction of default or other guarantee claims are not recorded as direct loan obligations.
- **Direct Loan Subsidy Cost:** Estimated long-term cost to the federal government of direct loans calculated on a present value basis, excluding administrative costs. The cost is the present value of present value of estimated net cash outflows at the time the direct loans are discharged. The discount rate used on the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan, applicable to the time when the loans are disbursed.
- **Discharge:** Satisfying a debt as a legal obligation through the performance of the obligation(s) imposed under the debt instrument, such as to pay the debt in full, or through another action such as a compromise.
- **Discretionary Spending:** Outlays controllable through the congressional appropriation process. Such outlays result from the provision of budgetary resources (including appropriations and obligation limitations but excluding mandatory spending authority) in appropriation acts. The Budget Enforcement Act establishes annual spending limitations or caps on discretionary appropriations and resulting outlays.
- **Equity:** Commitment of money from public or private sources for project finance, with a designated rate of return target.
- **Executive Order 12893:** An executive order issued by President Clinton in January 1994, establishing infrastructure investment as a priority for the Administration and directing federal agencies to establish programs for more effective capital investment from current federal funds.
- **Face Amount:** The par value (i.e., principal or maturity value) of a security.
- **Financing Account:** A non-budget account associated with each credit program account. The financing account holds fund balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the government resulting from post-1991 direct loans or loan guarantees. (OMB Circular No. A-11, and OMB Circular No. A-34, "Instructions on Budget Execution," Part VI, "Credit Apportionment and Budget Execution," hereafter cited as OMB Circular No. A-34.)
- **Forbearance:** The act of a creditor who refrains from enforcing a debt when it falls due. Various government credit programs, under specific conditions, offer borrowers certain protections against foreclosure.
- **Force Majeure:** Events that are beyond the control of a contractor, such as earthquakes, epidemics, blockades, wars, acts of sabotage, and archeological site discoveries.
- **Foreclosure:** Method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights which the mortgagor has in the mortgaged property upon completion of due process through the courts.
- **Forgive:** To grant relief from all or part of a debt under statutory authority. When an agency forgives a debt, or some portion thereof, it is deciding that the amount being waived is not now part of the government's claim.

- **Government Sponsored Enterprise:** A shareholder owned and operated financial institution, chartered by the federal government that facilitates the flow of investment funds to specific economic sectors thereby providing access to national capital markets. The activities of these private entities are not included in federal budget totals. But because of their special relationship to the government, GSEs provide detailed statements as supplementary information for budget presentation. Examples of GSEs include the Federal National Mortgage Association (Fannie Mae), the Student Loan Marketing Association (Sallie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac).
- **Governmental Purpose Bond:** A term in the Internal Revenue Code for a tax-exempt bond which is secured by governmental revenues or whose proceeds are used for a general governmental purpose (as opposed to a private activity bond).
- **Grant Anticipation Notes (GANs):** Short-term debt that is secured by grant money expected to be received after debt is issued. Financial institutions may buy anticipation notes on behalf of project sponsors in advance of receiving other financial assistance, to enable a faster project start. Helps project sponsors advance projects, especially when unable to access capital markets.
- **Guarantee:** A contract(s) in which a financial institution agrees to take responsibility for all or a portion of a project sponsor's financial obligations for a project under specified conditions.
- **Innovative Contracting**: Alternative contracting practices meant to improve the efficiency and quality of roadway construction, maintenance, or operation. Examples of innovative contracting include: A+B contracting, lane rental, the use of warranties, design-build, design-build-operate, design-build-finance-operate-maintain.
- **Innovative Finance:** Alternative methods of financing construction, maintenance, or operation of transportation facilities. The term innovative finance covers a broad variety of non-traditional financing, including the use of private funds or the use of public funds in a new way, e.g., GARVEE bonds or special tax districts.
- **Installment Loan:** An obligation to repay monies borrowed at fixed intervals over time.
- **Institutional Investor:** A financial institution such as a mutual fund, insurance company, or pension fund that purchases securities in large quantities.
- **Insurance:** Type of guarantee in which any agency pledges the use of accumulated insurance premiums to offset the cost of default on the part of borrowers. "Loan insurance" is considered the equivalent of a "loan guarantee."
- **Intelligent Transportation Systems:** The application of advanced electronics and communication technologies to enhance the capacity and efficiency of transportation systems, including traveler information, public transportation, and commercial vehicle operations.
- **Interest Method:** Method used to amortize the premium or discount of an investment in bonds, or to amortize the subsidy cost allowance of direct loans. Under this method, the amortization amount of the subsidy cost allowance equals the effective interest minus the nominal interest of the direct loans. The effective interest equals the present value of the direct loans times the effective interest rate (the discount rate). The nominal interest equals the nominal amount (face amount) of the direct loans times the stated interest rate (the rate stated in the loan agreements).

- **Interest Subsidy:** A subsidy provided by financial institutions (such as multi-lateral lenders, state infrastructure banks, or export credit agencies) to lower overall financing costs for project sponsors. With this tool, project sponsors repay loans at less than current market rates. Market rates may be determined by the cost of borrowing through conventional issues of comparable duration.
- **Interest:** Sum paid or calculated for the use of capital. Financing interest is the charge assessed as a cost of extending credit as distinguished from additional interest which is the charge assessed on delinquent debts in order to compensate the federal government for the time value of money owed and not paid when due. Additional interest is accrued and assessed from the date of delinquency.
- **Internal Rate of Return:** Interest rate that equates the present value of the expected future cash flows net of on-going costs for operations, maintenance, repair, reserve funds, and taxes, to the initial capital cost outlay or investment. This is the rate at which the net present value of the project equals zero.
- **Investment Grade:** Describes the top four rating categories of relatively secure bonds suitable for a conservative investor. Standard & Poor's rating service looks upon all bonds between the AAA and BBB ratings as investment grade. Generally speaking, any bonds rated below BBB are considered to have speculative features and are deemed sub-investment grade or junk bonds.
- **Junior Debt:** Debt having a subordinate or secondary claim on an underlying security or source of payment for debt service, relative to another issue with a higher priority claim. (See Subordinate Claim.)
- **Late Charges:** Amounts accrued and assessed on a delinquent debt; the term includes administrative costs, penalties, and additional interest.
- **Letter of Credit:** A form of loan from a financial institution to be used only in the instance of a shortfall in net revenue for debt service (i.e., a contingent loan). A letter of credit is security provided directly to the lender/bondholders (via a bond trustee), rather than to the borrower/project sponsor.
- **Leverage:** A financial mechanism used to increase available funds usually by issuing debt (typically bonds) or by guaranteeing or otherwise assuming liability for others' debt in an amount greater than cash balances.
- **Leveraging Ratio:** Measures the extent to which a given investment attracts additional capital. In the context of this report, the leveraging ratio of federal funds is equal to the total project costs divided by the budgetary cost of providing federal credit assistance.
- **Liability:** Amount owed (i.e., payable) by an individual or entity, such as for terms received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but not yet earned.
- **Life-Cycle Costs:** The costs of a project over its entire life: from project inception to the end of a transportation facility's design life.

- **Line of Credit:** A form of loan to be used only in the instance of a shortfall in net revenue for debt service or other financial commitments (i.e., a contingent loan). A line of credit, while similar to a letter of credit, is security available directly to the borrower/project sponsor with flexibility in use of the funds.
- **Liquidation:** Process of converting collateral to cash.
- **Liquidity:** Refers to an investor's ability to sell an investment as a means of payment or easily convert it to cash without risk of loss of nominal value.
- **Litigation:** Legal action or process taken for full or partial debt recovery.
- **Loan Guarantee Commitment:** Binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement. (OMB Circular No. A-11).
- **Loan Guarantee:** Contingent liability created when the federal government assures a private lender who has made a commitment to disburse funds to a borrower that the lender will be repaid to the extent of a guarantee in the event of default by the debtor.
- **Loan Guarantee Subsidy Cost:** Estimated long-term cost to the federal government of loan guarantees calculated on a present value basis, excluding administrative costs. The cost is the present value of estimated net cash outflows at the time the guaranteed loans are disbursed by the lender. The discount rate used for the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan guarantees, applicable to the time when the guaranteed loans are disbursed.
- **Loan Servicer:** A public or private entity that is responsible for collecting, monitoring, and reporting loan payments. In the context of this report, a loan servicer would also assist in originating the loan.
- **Loan:** Legally binding document which obligates a specific value of funds available for disbursement. The amount of funds disbursed is to be repaid (with or without interest and late fees) in accordance with the terms of a promissory note and/or repayment schedule.
- **Loan-to-Value Ratio:** Represents the proportion of the amount of a loan to the value being pledged to secure that loan. It is derived as follows: total financing costs (i.e., the market value of the collateral plus the financed portion of any closing costs, insurance premiums, or other transaction-related expenses less the borrower's cash down payment) divided by the market value of the collateral.
- **Mandatory Spending:** Outlays generally not controllable through the congressional appropriation process. Mandatory amounts are budget authority or outlays that cannot be increased or decreased in a given year without a change in substantive law. Entitlement programs (e.g., food stamps, Medicare, veterans' pensions) are chief examples of mandatory programs, whereby Congress controls spending indirectly, by defining eligibility and setting benefit payment rules, rather than directly through the appropriation process. With regard to the federal-aid highway program, mandatory spending refers to outlays resulting from obligations of contract authority programs not subject to annual obligation limitations, such as Minimum Allocation, Emergency Relief, and Demonstration Project spending.

- **Modification:** Federal government action, including legislation or administrative action, that alters the estimated subsidy cost and the present value of outstanding direct loans (or direct loan obligations), or the liability of loan guarantees (or loan guarantee commitments). Direct modifications change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. The term modification does not include subsidy cost re-estimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms.
- **Net Present Value:** Amount by which the total present value of cash inflows, net of on-going costs for operations, maintenance, repair, reserve funds, and taxes and discounted at the cost of capital over the period of the contract, exceed the project's capital cost outlay. (See definition of Present Value below for further explanation of this concept.)
- **Nominal (or Face or Par) Value or Amount:** Amount of a bond, note, mortgage, or other security as stated in the instrument itself, exclusive of interest or dividend accumulations. The nominal amount may or may not coincide with the price at which the instrument was first sold, its present market value, or its redemption price.
- **Non-Current Receivable:** a receivable on which payment will not be due within 12 months of the reporting period.
- **Non-Federal Match:** The commitment of state or other non-federal funds required to receive federal contributions. For example, the U.S. SIB program requires a non-federal match for capitalization funds, which is 25 percent of the amount of federal funds. The match may be lower in states which have a sliding scale rate based on the percentage of federal land in the state.
- **Obligation Authority:** The amount of budgetary resources (including new budget authority, balances of unobligated budget authority carried over from prior years, and obligation limitations) available for obligation in a given fiscal year. With regard to the federal-aid highway program, obligation authority often refers to the amount of federal-aid obligation limitation, established annually by Congress in appropriation acts, that is allocated to the states and controls the amount of apportioned contract authority that can be obligated by the states in a given fiscal year.
- **Original Discount Rate:** Discount rate originally used to calculate the present value of direct loans or loan guarantee liabilities, when the direct or guaranteed loans were disbursed.
- **Outlays:** An outlay represents an official payment of funds.
- **Parity Debt:** Debt obligations issued or to be issued with an equal claim to other debt obligations on the source of payment for debt service.
- **Pay-As-You-Go Financing:** Describes government financing of capital outlays from current revenues or grants rather than by borrowing.
- **Penalty:** Punitive charge assessed for delinquent debts, with the assessed rate capped by law.
- **Personal Property:** Tangible, movable assets, such as automobiles, planes, and boats.
- **Pre-Foreclosure Sale:** The opportunity for borrowers who cannot meet their obligation (repayment of a loan) to sell their property in order to avoid foreclosure. Borrowers who agree to sell their property using this method are generally relieved of their loan obligation.

- **Preliminary Rating:** A credit opinion from a rating agency based on a preliminary assessment assigned to a proposed bond issue.
- **Prepayment:** Partial or full repurchase or other advance deposits of outstanding loan principal and interest by the borrower/debtor. The repurchase may be made at a discount from the current outstanding principal balance.
- **Present Value (PV):** The value of future cash flows discounted to the present at certain interest rate (such as the entity's cost of capital or funds), assuming compounded interest. The GAO definition of present values is as follows: The worth of a future stream of returns or costs in terms of money paid immediately (or at some designated date). A dollar available at some date in the future is worth less than a dollar available today because the latter could be invested and earn interest in the interim. In calculating present value, prevailing interest rates provide the basis for converting future amounts into their "money now" equivalents. Under credit reform, the subsidy cost of direct loans and loan guarantees are to be computed on a present value basis and included as budget outlays at the time the direct or guaranteed loans are disbursed.
- **Principal:** Amount loaned to the borrower and owed to the federal government which excludes interest, penalties, administrative costs, loan fees, and prepaid charges.
- **Program Account:** Budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account.
- **Project Revenues:** All rates, rents, fees, assessments, charges, and other receipts derived by a project sponsor from a project.
- **Public-Private Partnership**: A contractual agreement formed between public and private sector partners, which allows more private sector participation than is traditional. These agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, and/or manage a facility or system. While the public sector usually retains ownership in the facility or system, the private party is often given additional decision rights in determining how the project or task will be completed most cost-effectively. The term public-private partnership defines an expansive set of relationships from relatively simple contracts (e.g., A+B contracting), to development agreements that can be very complicated and technical (e.g., design-build-finance-operate-maintain). In the context of this report, the term public-private-partnership is used for any scenario under which the private sector would be more of a partner than they are under the traditional method of procurement. Further, the broad definition used for public-private partnerships includes many elements that are applied fairly regularly on appropriate projects.
- **Ramp-Up Phase**: The phase in a project's life cycle immediately following construction. It is during this phase, the early years of operation, that a project's revenue stream is established.
- **Purchase Rate:** Total actual and projected dollars purchased, including principal and interest, on a guaranteed loan as a percentage of the total dollars disbursed for a given cohort of loans.

- **Purchase:** If a borrower is in default for at least 60 days (SBA terms), the lender can request the Agency to honor its guarantee by purchasing SBA's pro-rata share of the debt outstanding to the lender. The purchase amount includes principal and up to 120 days (SBA terms) accrued interest.
- **Rate Covenant:** A contractual agreement in the legal documentation of a bond issue requiring the issuer to charge rates or fees for the use of specified facilities or operations at least sufficient to achieve a stated minimum debt service coverage level.
- **Rating Agency:** An organization that assesses and issues opinions regarding the relative credit quality of bond issues. The three major municipal bond rating agencies are Fitch Investors Service, Moody's Investors Service, and Standard and Poor.
- **Real Property:** Tangible, non-movable assets, such as land and buildings.
- **Receivable:** Amount owed to a lender by an individual, organization, or other entity to satisfy a debt or a claim. Examples of receivables generated by government activities include amounts due for taxes, loans, the sale of goods and services, fines, penalties, forfeitures, interest, and overpayments of salaries and benefits.
- **Recourse:** Rights of a holder in due course of a financial instrument (such as a loan) to force the endorser on the instrument to meet his or her legal obligations for making good the payment of the instrument if dishonored by the maker or acceptor.
- **Recovery:** The dollars collected subsequent to a purchase, net of expenses, on a guaranteed loan.
- **Recovery Rate:** The total actual and projected collections net of expenses subsequent to a purchase as a percentage of the total projected dollars purchased for a given cohort of guaranteed loans.
- **Re-estimates:** Estimates of the subsidy costs performed subsequent to their initial estimates made at the time of a loan's disbursement.
- **Repayment Agreement:** Agreement that establishes the terms and conditions governing the recovery of a debt of the lender and borrower when credit is initially extended or a debt is rescheduled. (See "Reschedule.")
- **Reschedule:** Procedure of establishing new terms and conditions to facilitate repayment of a debt. Also called restructuring, refinancing, and reamortizing, rescheduling includes establishing new terms as a result of changes in authorizing legislation (e.g., congressional action allowing farmers to have an additional 5 years to pay off their loans).
- **Revenue Bonds**: Instruments of indebtedness issued by the public sector to finance the construction or maintenance of a transportation facility. Revenue bonds, unlike general obligation bonds, are not backed by the full faith and credit of the government, but are instead dependent on revenues from the roadway they finance.
- **Revolving Loan Fund:** Financing tool that recycles funds by providing loans, receiving loan repayments, and then providing further loans.

- **Risk Category:** Subdivisions of a cohort of direct loans or loan guarantees into groups of loans that are relatively homogeneous is cost, given the facts known at the time of obligation or commitment. Risk categories will group all loans obligated or committed for a program during the fiscal year that share characteristics predictive of defaults and other cost.
- **Salary Offset:** Process of collecting a debt by deducting part or all of the debt from an employee's current pay at one or more officially established pay intervals without his or her consent.
- **Secured Debt:** Debt for which collateral has been pledged.
- **Senior Debt:** Debt obligations having a priority claim on the source of payment for debt service.
- **Servicer:** Entity under contract to a lender or agency to perform account servicing functions.
- **Settle:** Resolving a debt or claim.
- **Shadow Tolling**: Shadow tolls are per vehicle amounts paid to a facility operator by a third party such as a sponsoring governmental entity. Shadow tolls are not paid by facility users. Shadow toll amounts paid to a facility operator vary by contract and are typically based upon the type of vehicle and distance traveled.
- **Soft Loan:** Loan provided to a project sponsor with flexible repayment terms. Soft loans are generally subordinate to other debt, can have variable repayment schedules and extended terms, and subsidized interest rates.
- **Start-Up Project:** A separate, free-standing and new facility dependent on its own revenue stream to generate earnings to cover operating and capital costs.
- **State Infrastructure Bank:** A state or multi-state revolving fund that provides loans, credit enhancement, and other forms of financial assistance to surface transportation projects.
- **State Transportation Improvement Program:** A short-term transportation planning document covering at least a three-year period and updated at least every two years. The STIP includes a priority list of projects to be carried out in each of the three years. Projects included in the STIP must be consistent with the long-term transportation plan, must conform to regional air quality implementation plans, and must be financially constrained (achievable within existing or reasonably anticipated funding sources).
- **State Transportation Plan:** The transportation plan covers a 20-year period and includes both short- and long-term actions that develop and maintain an integrated, intermodal transportation system. The plan must conform to regional air quality implementation plans and be financially constrained.
- **Stress Test:** A financial test applied by rating agencies to assess the claims-paying ability of municipal bond insurers. The stress test subjects a bond insurer's portfolio to a severe and prolonged economic downturn that produces an extraordinary level of bond defaults. In order to receive an AAA rating on its claims-paying ability, a bond insurer must be able to pay all projected claims through the peak years of the stress period and be left with sufficient resources to write new business when more stable economic conditions resume.
- **Subordinate Claim:** A claim on an underlying source of payment for debt service which is junior or secondary to that securing another debt obligation. (see Junior Debt)

- **Subsidy Cost:** The estimated long-term cost to the federal government of providing credit assistance (e.g., direct loans or loan guarantees), calculated on a net present value basis at the time of disbursement and excluding administrative costs.
- **Suspend Collection Action:** Placing collection action temporarily in abeyance due to the existence of a particular set of circumstances.
- **Tax Refund Offset:** Reduction of a debtor's tax overpayments by the amount of legally enforceable debt owed to a federal agency. It is a type of administrative offset.
- **Taxpayer Identification Number (TIN):** Social Security Number (SSN) for individuals or the Employee Identification Number (EIN) for business organizations or non-profit entities.
- **TE-045 Innovative Finance Initiative:** A research program begun by the Federal Highway Administration in 1994 in response to Executive Order 12893. This finance initiative is designed to increase investment, accelerate projects, promote the use of existing innovative finance provisions, and establish the basis for future initiatives by waiving selected federal policies and procedures. This allows specific transportation projects to be advanced through the use of non-traditional finance mechanisms.
- **Terminate Collection Action:** Ceasing active collection of a debt. The act of removing the debt from accounting records is to "write off." A decision to terminate collection action occurs concurrently with the write-off.
- **TIFIA Credit Program:** As part of its 1998 enactment of the Transportation Equity Act for the 21st Century (TEA 21), Congress established a Federal credit program for large transportation projects. Sections 1501 to 1504 of TEA 21, collectively the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), authorize the Department of Transportation (DOT) to provide three forms of credit assistance - secured (direct) loans, loan guarantees and standby lines of credit - to surface transportation projects of national or regional significance. A specific goal of TIFIA is to leverage private co-investment. Because the program offers credit assistance, rather than grant funding, potential projects must be capable of generating revenue streams via user charges or other dedicated funding sources. In general, a project's eligible costs must be reasonably anticipated to total at least $100 million. Credit assistance is available to highway, transit, passenger rail and multi-modal projects. Other types of eligible projects include intercity passenger rail or bus projects, publicly owned intermodal facilities on or adjacent to the National Highway System, projects that provide ground access to airports or seaports, and surface transportation projects principally involving the installation of Intelligent Transportation Systems (ITS), for which the cost threshold is $30 million. The TIFIA credit assistance is limited to 33 percent of eligible project costs. For more information, visit the TIFIA website at http://tifia.fhwa.dot.gov/
- **Title 23 of the United States Code:** Highway title that includes many of the laws governing the federal-aid highway program. The title embodies substantive provisions of law that Congress considers permanent and need not be reenacted in each new highway authorization act.
- **Title 49 of the United States Code:** Transportation title that includes laws governing various transportation-related programs and agencies, including the Department of Transportation, general and intermodal programs, interstate commerce, rail and motor vehicle programs, aviation programs, pipelines, and commercial space transportation.

- **Toll Credits:** Credits are earned when a State, a toll authority, or a private entity funds a capital highway investment with toll revenues from existing facilities. States may increase the use of available eligible Federal funding on a project, up to the normal State/local matching amount, and debit the sum of the toll credits that have been earned by that same amount.
- **Tolling:** The process of collecting revenue whereby road users are charged a fee per roadway use. Tolls may be collected on a flat-fee basis, time basis, or distance basis and may vary by type of vehicle.
- **Turnkey:** A generic term for a variety of public/private partnership arrangements whereby a public sector entity awards a contract to one or more private firms to undertake the development, construction, and/or operation of an infrastructure project for a predetermined period of time before turning the project back over to the public entity. Turnkeys may take various forms, including design-build-transfer and build-operate-transfer.
- **Unobligated Balance:** The portion of obligation authority (including new budget authority and balances of unobligated budget authority carried over from prior years) that has not yet been obligated. With regard to the federal-aid highway program, the term generally refers to balances of apportioned contract authority that the states have been unable to obligate due to annual obligation limitations imposed by Congress.
- **Value for Money:** The estimated project cost savings associated with using a PPP delivery approach, when the project delivery team is paid directly by the sponsoring agency through either availability payments or shadow tolls instead of from the proceeds coming from direct user charges, like tolls, where value is related to the level of tolls patrons are willing to pay to use the facility.
- **Warranty:** When used in public-private partnerships for the construction of roads, warranty clauses guarantee that the roadway will meet a certain level of quality or else repairs will be made at the private contractor's expense. There are currently two types of warranties used in highway construction: (1) materials and workmanship warranties and (2) performance warranties. Under the first type, the contractor is responsible only for defects caused by poor materials and workmanship. Under the latter, the contractor is responsible for the product meeting certain agreed upon performance thresholds, regardless of whether materials and workmanship met State standards.
- **Workout Group:** Group established within an agency, whose sole purpose is to resolve or attempt to resolve troubled debts, including those debts which demand that extreme measures be taken to protect the government's interests.
- **Write-Off:** (Preferred term to "Charge Off") Occurs when an agency official determines, after all appropriate collection tools have been used, that a debt is uncollectible. Active collection on an account creases and the account is removed from an entity's receivables.
- **Zero Coupon Bond:** A bond that is originally issued at a deep discount from its par or face amount and which bears no current interest. The bond is bought at a discount price which implies a stated rate of return calculated on the basis of the bond being payable at par at maturity. (see Capital Appreciation Bond)