



America Fast Forward Transportation Bonds CREATING JOBS THE RIGHT WAY

Now is the Time for Federal Tax Credits for Transportation

A new tax-preferred debt financing program is being proposed that would reduce the interest expense of long-term borrowing. The tax incentive would be obtained by modifying the Internal Revenue Code to establish “America Fast Forward Transportation Bonds,” which would be eligible for annual federal tax credits. This would provide a much deeper federal subsidy than traditional tax-exempt bonds, which are issuable today for transportation purposes but are insufficient for accelerating the construction of highway and transit projects across the nation. While Congress recently has enacted tax credit bond subsidies for other sectors, no such program currently exists for large-scale transportation investments.

A Precedent Exists

Since 1997, Congress has enacted half a dozen separate programs authorizing state and local governments to issue tax-preferred debt at or near zero percent. These programs, totaling in excess of \$36 billion, are for purposes such as public education, clean renewable energy, forestry conservation and energy conservation. The interest subsidies are designed to provide federal buy-downs of 70 percent to 100 percent of borrowers’ interest expense. Each program has a volume cap and maturity limitation associated with it.

A Strong Rationale

Given the substantial “spillover” benefits of major transportation investments—environmental protection, energy self-sufficiency, safety and “livability” in addition to mobility—a strong argument can be made for providing a new zero-interest long-term bond program for transformational transportation investments.

Major transportation projects are long-lived assets, and those that are debt-financed typically issue bonds with maturities of 30 years or more. The existing 100 percent tax credit bond programs generally are for smaller projects. Current tax law sets a maximum bond term today of approximately 20-25 years, which limits the present-value of the federal subsidy to 50 percent of debt-financed project costs. However, the long useful life of transportation improvements and their substantial positive spillover benefits warrant a longer bond maturity and corresponding higher effective subsidy. It is proposed that the maximum maturity of AFF Bonds be 35 years, similar to many long-term tax-exempt bonds as well as TIFIA loans.



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America Fast Forward Transportation Bonds will stimulate greater investment in America's transportation infrastructure and take pressure off of conventional federal transportation grant program.

America Fast Forward Goals:

- > **create jobs** right now by empowering states, cities and transportation agencies to build and renew America's infrastructure
- > **reduce** the federal government's share of funding major capital projects by entering into a fair and equitable cost-sharing partnership with states, cities and transportation agencies
- > **leverage** private capital to create private sector infrastructure jobs nationwide
- > **generate** over 500,000 good paying American engineering and construction jobs that cannot be outsourced
- > **jump-start** construction of major capital projects to take advantage of historically competitive pricing in construction projects
- > **bolster** America's transportation network by providing a new financial tool supporting construction of new state and local transportation projects
- > **flexible** AFF Transportation Bonds may be used on highway or rail projects

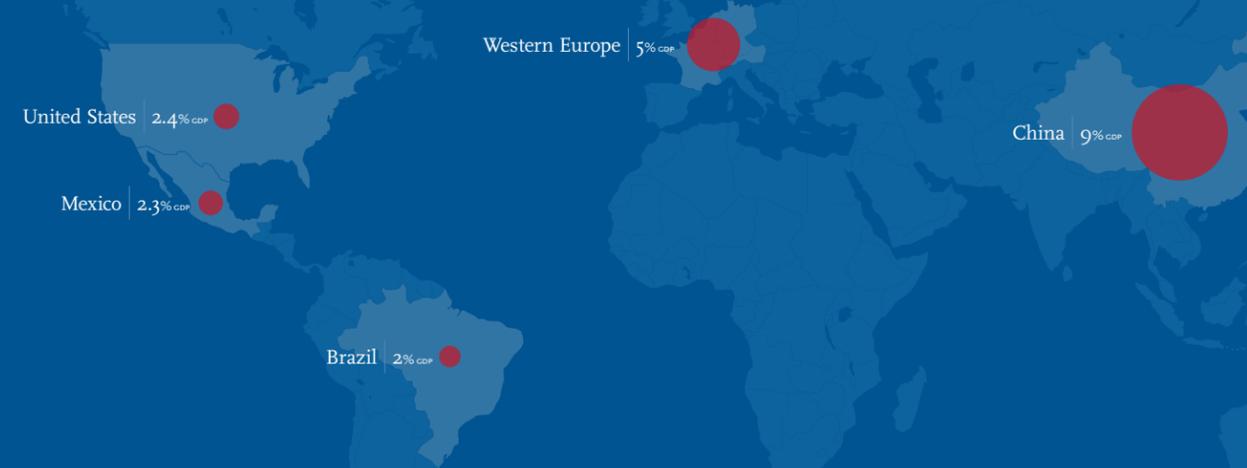
America Fast Forward Core Principals:

1 America Fast Forward allows states, cities and transportation agencies to issue AFF Transportation Bonds to create private sector jobs spurred by borrowing capital on favorable terms.

2 America Fast Forward will dramatically leverage federal tax incentives to create over 500,000 jobs and incentivize states, cities and transportation agencies to invest their funds – in partnership with AFF Transportation Bonds – towards the construction of major capital projects.



American Investment is Falling Behind (TRANSPORTATION INFRASTRUCTURE INVESTING, INCLUDING WATER) AS A % OF GDP



Establishing a New Class of Qualified Tax Credit Bonds

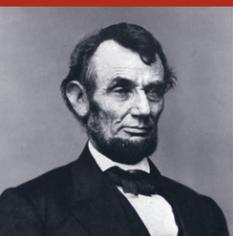
America Fast Forward Transportation Bonds would amend section 54 of the Internal Revenue Code to establish a new class of qualified tax credit bonds. Qualified tax credit bonds are taxable bonds issued by state, local or other eligible issuers where the federal government subsidizes most or all of the interest cost through granting investors annual tax credits in lieu of interest payments. The U.S. Congress to date has authorized qualified tax credit bond programs totaling in excess of \$36 billion for forestry conservation, renewable energy projects, energy conservation, qualified zone academies and new school construction.

America Fast Forward Transportation Bonds would represent a sixth class of such bonds. America Fast Forward Transportation Bonds would be authorized in the amount of \$4.5 billion annually from 2014–2024 in total. The proceeds would be distributed by formula to eligible issuers. Unissued amounts could be carried forward to a future year.

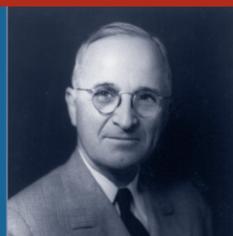
Doubling the Dollar Value Over Traditional Bonds

The U.S. Treasury Department would set the maximum reimbursable rate for the bonds marketed each day, at yield enabling the bonds to be sold at their face (par) amount, without interest cost to the issuer. Every month, the Treasury Department would establish the maximum permitted final maturity that would result in the discounted present value of the bonds equaling 20 percent of the maturity value, provided in no case would the bond maturity extend beyond 35 years. While this is a deeper federal subsidy than the 50 percent present value subsidy for other types of qualified tax credit bonds, it is justifiable based on the long-lived nature of transportation investments and their substantial public benefits (including pollution reduction, energy conservation, job creation and economic development). As proposed, America Fast Forward Transportation Bonds would allow issuers to finance more than *twice* the dollar value of capital improvements than is possible with traditional tax-exempt bonds for any given annual revenue stream.

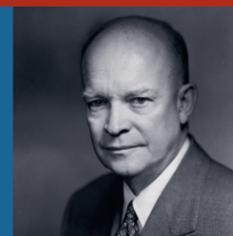
American investment in infrastructure has been supported by presidents throughout history.



President Abraham Lincoln
June 1848
Speech on Internal Improvements
U.S. House of Representatives



President Harry S. Truman
January 14, 1946
State of the Union before U.S. Congress



President Dwight D. Eisenhower
1963
Published Memoirs: Mandate for Change, 1953-1956



President Ronald Reagan
November 27, 1982
Radio Address to the Nation on Proposed Legislation for Highway and Bridge Repair Program

"...let the nation take hold of the larger works, and the states the smaller ones; and thus, working in a meeting direction, discreetly, but steadily and firmly, what is made unequal in one place may be equalized in another, extravagance avoided, and the whole country put on that career of prosperity..."

"...All [federal] loans and grants for public works should be planned and administered in such a way that they are brought into accord with the other elements of the Federal Program. "

"More than any single action by the government since the end of the war, this one would change the face of America... Its impact on the American economy—the jobs it would produce in manufacturing and construction, the rural areas it would open up, was beyond calculation."

"We simply cannot allow this magnificent system to deteriorate beyond repair. The time has come to preserve what past Americans spent so much time and effort to create, and that means a nationwide conservation effort in the best sense of the word. America can't afford throwaway roads or disposable transit systems. The bridges and highways we fail to repair today will have to be rebuilt tomorrow at many times the cost."