

Innovation Profile: GARVEE Financing

Using Innovative Finance to Complete a 60-year Vision in Tulsa, OK



For decades, planning agencies in Oklahoma wanted to complete a vital connection between two interstates — I-44 and I-244 in West Tulsa — to U.S. 412 to improve access to Tulsa’s business district. This section of highway is the only unfinished portion of the original Tulsa Expressway Master Plan, first proposed in 1961. The project, the Gilcrease Expressway, is an example of a planning agency using innovative finance tools to leverage Federal, State and MPO funds to bring about a 60-year vision. Multiple project partners, notably the region’s Metropolitan Planning Organization (MPO), the Indian Nations Council of Governments (INCOG), came together in a robust financing partnership to bring the project to completion.

The Gilcrease Expressway is the first time an MPO pledged future funding allocations to secure additional financing: INCOG committed future funding through the Surface Transportation Program (STP) to help capitalize \$71 million-worth of GARVEE bonds issued by the Oklahoma Department of Transportation (ODOT).

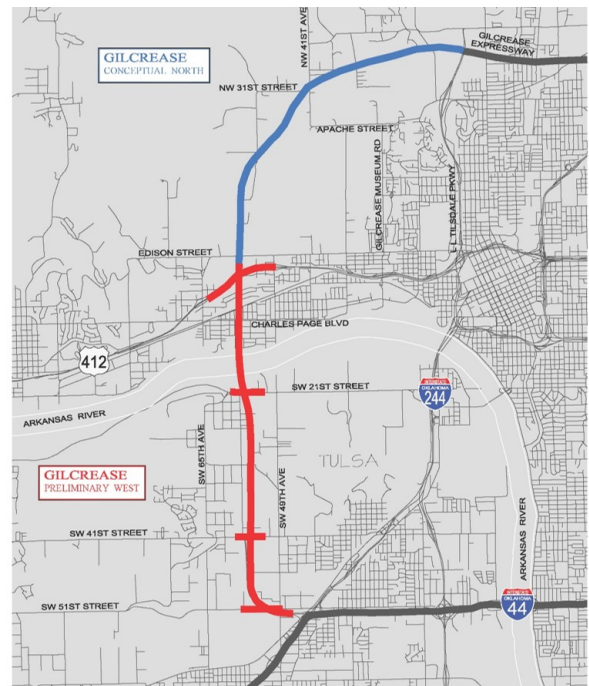


Figure 1: Map displaying the extension and bridges needed for the Gilcrease Expressway, which will connect I-44 and I-244. Image courtesy of ODOT.

Project Highlights

- The Gilcrease Expressway project is FHWA’s first example of a “subrecipient” – i.e., a non-State DOT entity – pledging future Federal-aid shares back to the DOT to secure a GARVEE-backed bond issuance. The project also has many “firsts” for Oklahoma: the first TIFIA project; the first to utilize private sector funding; and the first partnership of its kind in the state’s history. According to some projections, this project would have taken 50 years without access to these financing methods.
- INCOG paid upfront project costs with its own funds to capitalize on additional funding pursued by partner agencies. INCOG included project-funding allocations in commitments for the Tulsa Transportation Management Area Transportation Improvement Program (TIP). Amending the TIP to commit project funding sent a powerful signal to INCOG’s partners of its support for this project.

Grant Anticipation Revenue Vehicles (GARVEEs) is a type of bond or similar financing method issued by a State or State authority that pledges the use of future Federal-aid funds for repayment. GARVEE bonds enable States to borrow on future Federal-aid revenue to fund current infrastructure projects. Contact the FHWA Center for Innovative Finance Support for assistance in issuing GARVEES.

Project Financing

The Gilcrease Expressway is jointly funded through a financial partnership among the Oklahoma Turnpike Authority (OTA), City of Tulsa, Tulsa County, INCOG, ODOT, U.S. DOT, and the private sector. Below is a review of the various tools used in the Gilcrease Expressway project, organized by the entities who managed them.



Entity	Funding Tool	Funding (in millions)
INCOG	Annual STP allocation	\$6/year for 15 years
City of Tulsa and Tulsa County	Right-of-way; preliminary engineering costs	\$22.1
ODOT	GARVEE bonds (using STP funds)	\$71
OTA	TIFIA loan	\$120
OTA	State revenue bonds	\$125
Private	Interim financing	\$125

Figure 2: Table displaying the funding used in the Gilcrease Expressway project. Created by U.S. DOT.

Indian Nations Council of Governments (INCOG): In 2017, INCOG members voted to assign \$6 million per year for 15 years from their annual anticipated budget, via STP funds, to help capitalize \$71 million-worth of GARVEE bonds issued by ODOT. INCOG's actions ended Tulsa's long-standing commitment to match specific funds from INCOG's budget, saving Tulsa's budget about \$1.5 million per year. INCOG planners coordinated with ODOT and OTA to further the issuance of GARVEE bonds, with anticipated Federal allocation of a submitted Surface Transportation Program Block Grant (STPBG) to INCOG.

Oklahoma DOT (ODOT): In May 2018, using MPO dollars through INCOG, ODOT authorized \$71 million in GARVEE bonds. ODOT and OTA created a Memorandum of Understanding (MOU) to identify how OTA can apply proceeds from the GARVEE bonds to project costs. These bonds, accessible by INCOG and with a match provided by OTA, represent about 20% of total project funds.

Oklahoma Turnpike Authority (OTA): In January 2020, the Oklahoma Transportation Commission authorized the Oklahoma Secretary of Transportation to negotiate an agreement with U.S. DOT and OTA for a \$120 million TIFIA loan. OTA will use the loan, approved in May 2020, to pay off private, short-term financing for the project. OTA will repay the TIFIA loan with toll revenue over the next 30 years. A TIFIA loan provides the most favorable payment and interest terms for OTA and its partners. In addition, in November 2018, the Oklahoma Supreme Court granted OTA the authority to issue up to \$125 million in state revenue bonds, issued as tax-exempt Private Activity Bonds (PABs) under the U.S. DOT's special allocation authority.

Private Participation: This is the first Build-Finance project in Oklahoma. The private partner is responsible for constructing the project and providing \$125 million of interim financing during construction.

Challenges and Lessons Learned

- **Complex projects like the Gilcrease Expressway benefit from early efforts to introduce non-traditional, innovative funding mechanisms in the planning phase to guarantee project funding.** INCOG's implementation-focused approach guided the Gilcrease Expressway project through potential hurdles during the planning phase that otherwise might have stalled the project. By leveraging the Federal dollars invested in the Gilcrease Expressway, INCOG and its partners maximized contributions from the State and private sector while raising revenue through tolling to invest in future infrastructure.
- **Planning agencies should consider how the GARVEE program may be used to secure financing that will complement other sources of funding when planning for large-scale, multiyear projects.** Large-scale transportation projects seldom are financed via a single source. Project partners should explore multiple options for complementary finance techniques, some of which they may have never used before. In this case, INCOG and ODOT worked together to create a complementary financing option that ensured the project would be stable: as the debt issuer, ODOT provided long-term stability for the project, which decreased overall risk and enabled other partners to confidently pursue financing opportunities. In turn, INCOG's commitment of funds from their own annual budget (using STP funds) helped capitalize the \$71 million ODOT issued through GARVEE bonds.

