



**STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS**  
**INTRODUCTION OF LEGISLATION TO EXPAND AVAILABILITY OF**  
**MANUFACTURING BONDS**

The United States Senate

Apr 17, 2008

Section 34

**Sen. Olympia Snowe [R-ME]:** [Introducing [S. 2885](#)] Mr. President, I rise today to introduce legislation that would provide State and local development finance authorities with greater flexibility in promoting economic growth that meets the changing realities of an ever more global economy. Specifically, my bill would expand the definition of "manufacturing" as it pertains to the small-issue Industrial Development Bond, IDB, program to include the creation of "intangible" property. I am pleased to be joined by colleagues from both sides of the aisle including Senators KERRY, SMITH, and BROWN, in introducing this critical legislation to promote economic development.

Our Nation's capacity to innovate is a key reason why our economy remains the envy of the world, even during these difficult economic times. Knowledge-based businesses have been at the forefront of this innovation that has bolstered the economy over the long-term. For example, science parks have helped lead the technological revolution and have created more than 300,000 high-paying science and technology jobs, along with another 450,000 indirect jobs for a total of 750,000 jobs in North America.

It is clear that the promotion of knowledge-based industries can be a key economic tool for states and localities. This is especially true for states that have seen a loss in traditional manufacturing. In my home state of Maine, we lost 28 percent of our total manufacturing employment over the last decade. I believe that it critical that we provide states and localities with a wider range of options in promoting economic development. My legislation will do just that by expanding the availability small-issue IDBs to new economy industries, such as software and biotechnology, that have proven their ability to provide high-paying jobs.

These IDBs allow State and local development finance authorities, like the Finance Authority of Maine, to issue tax-exempt bonds for the purpose of raising capital to provide low-cost financing of manufacturing facilities. These bonds, therefore, provide local authorities with an invaluable tool to attract new employers and assist existing one's to grow. The result is a win- win situation for local communities providing them with much needed jobs. Consequently, it only makes since to ensure that these finance authorities have maximum flexibility in options to grow jobs.

In addition, my bill provides some technical clarity to distinguish between the phrases "functionally related and subordinate facilities" and "directly related and acillary facilities." Until 1988, there was little confusion based on Treasury regulations going back to 1972 that made it clear that "functionally related and subordinate facilities" were clearly eligible for financing through private activity tax-exempt bonds.

But, Congress enacted the Technical and Miscellaneous Revenue Bond Act of 1988 that imposed a limitation that not more than 25 percent of tax- exempt bond financing could be used on "directly related and ancillary facilities." While these two phrases appear to be very similar, they are indeed

distinguishable from each other. Unfortunately, the Internal Revenue Service has blurred this distinction between the phrases which has had an adverse impact on the way facilities are able to utilize tax-exempt bond financing. My legislation would make it clear that "functionally related and subordinate facilities" are not susceptible to the 25 percent limitation.

We must continue to encourage all avenues of economic development if Americas to compete in a changing and increasingly global economy and my legislation is one small step in furtherance of that goal. I urge my colleagues to join me in supporting this bill.

Mr. President I ask unanimous consent that the text of the bill be printed in the RECORD.