

# THE BOND BUYER

## PABs expansion proposed for rural broadband

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Members of Congress continue to propose bipartisan bills for expanding the use of tax-exempt private activity bonds in rural America with the latest legislation involving broadband and aggie bonds.

These bills provide evidence of bipartisan support for PABs expansion among rural lawmakers and not just their colleagues who represent big cities where public-private partnerships are most common. It's a positive signal two years after the House Republican leadership initially proposed the termination of the tax exemption for PABs as part of the Tax Cuts and Jobs Act.

A bipartisan Senate bill to expand the use of PABs for rural broadband would also allow state and local governments the option of issuing direct-pay bonds which would provide a 35% federal subsidy to the issuers to help offset their interest costs.

Each state would be guaranteed \$25 million in bonding authority each year, with an additional \$1.25 billion in authority allocated among the states according to rural population.

In addition, the same two senators have a second rural broadband bill that would create a third incentive by establishing a federal Rural Broadband Investment Tax Credit to also help states and localities finance rural broadband projects.



Sen. Shelley Moore Capito, R-W. Va. **Bloomberg News**

The first bill, sponsored by Sen. Shelley Moore Capito, R-W. Va., and cosponsored with Democratic Sen. Maggie Hassan of New Hampshire, is [S.2866](#), the Rural Broadband Financial Flexibility Act.

Hassan, meanwhile, is the lead sponsor of the Rural Broadband Investment Tax Credit Act with Capito as her lead cosponsor.

“I’ve been working every angle to ensure rural areas get reliable, affordable connectivity,” Capito said in a press statement Nov. 15, the day after the bills were introduced.”

“By incentivizing buildout and expanding financing options, these bills work together to help close the digital divide in West Virginia and across rural America,” Capito said.

Hassan cited the similar needs of New Hampshire. “From innovative small businesses owners who need reliable broadband access to kids across our state who need to get online to do their schoolwork, it’s clear that more work needs to be done to ensure that rural communities in the Granite State and across the country have better broadband access,” she said.

Separately, six House members from farm states proposed [bipartisan legislation](#) earlier this month to increase the lending limit for tax-exempt PABs issued for first time farmers to \$543,800 from the current ceiling of \$450,000.

The so-called aggie bonds are issued in about 16 states with Iowa accounting for \$16 million of the approximately \$36.1 million issued in 2017, according to a recent survey by the Council of Finance Development Agencies.

Rep. Abby Finkenauer, D-Iowa introduced the bill earlier this month with Rep. Rick Crawford, R-Ark., as her lead Republican cosponsor. The other original cosponsors are Iowa Democratic Reps. Cynthia Axne and David Loebbeck along with Republican Reps. Steve Watkins of Kansas and Jeff Fortenberry of Nebraska.

The rural broadband bill in the Senate says that a qualified project would be in an area where more than 50% of residential households do not have access to fixed terrestrial broadband service that delivers 10 megabits per second and at least 1 megabit upstream.

A proposed project must deliver “gigabit capable Internet access to residential or commercial locations” where at least 90% of those locations either did not have service or did not meet the minimum speed beforehand.

A [report issued](#) by the Federal Communications Commission in May said the number of Americans without access to high speed internet was 21.3 million at the end of 2017. The FCC’s benchmark definition is a connection offering download speeds of at least 25 Mbps and upload speeds at least 3 Mbps.

“We agree with commenters that we must continue to take concrete steps toward closing the digital divide for all Americans,” the FCC report said.

The FCC estimated 93.5% of the overall population had access to land-based high speed internet at the end of 2017 but 26% of Americans in rural areas and 32% of Americans in tribal lands did not.

On the positive side, the FCC report said “the gap between urban and rural or tribal areas has narrowed each year over the last five years.”