

THE BOND BUYER

Bill would lift caps on PABs used to finance water, sewer infrastructure

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WASHINGTON – Advocates of removing state volume caps for tax exempt private activity bonds used to finance water and sewer projects have once again reintroduced bipartisan legislation in the House.

Reps. John Duncan, R-Tenn., and Bill Pascrell, D-N.J. introduced the Sustainable Water Infrastructure Investment Act (H.R. 3009) on June 22 with seven other cosponsors.



Rep. John Duncan, R-Tenn.

Rep. John Duncan, R-Tenn. listens during a House subcommittee hearing on Capitol Hill on Feb. 13, 2007. Duncan has reintroduced the Sustainable Water Infrastructure Investment Act (H.R. 3009) to lift the cap on private activity bonds for water infrastructure. Photographer: Chris Kleponis/Bloomberg News

No Senate version of the bill has been introduced this year, though there were identical bills cosponsored by Sens. Mike Crapo, R-Utah, and Robert Menendez, D-N.J. in the Senate and Duncan and Pascrell in the House during the previous Congress. Versions of this legislation have been proposed in the House since 2008 and Pascrell has always been a sponsor.

States and territories issue most private activity bonds, including those used for water and sewage projects, under volume caps based on population data from the U.S. Census Bureau and a formula set by the Internal Revenue Service. For 2017, the cap is either \$305.32 million per state or \$100 per capita based on a state's population, whichever is greater.

Nationally the cap for all 50 states, the District of Columbia and Puerto Rico stands \$35.69 billion this year. Nine states have individual caps of more than \$1 billion each with California topping the list with a \$3.93 billion limit.

President Trump campaigned last year on a pledge for a \$1 trillion, 10-year infrastructure initiative that would rely on tax credits to attract private investment.

But the president's fiscal 2018 budget requested only \$200 billion for the federal share of the infrastructure initiative spread out over nine years. Trump also proposed eliminating community block development grants and other programs that provide funds for infrastructure projects.

State and local governments would have to provide matching funds to qualify for some of the \$200 billion in proposed federal funding. But it's still uncertain to what extent there will be a role for tax-exempt bonds, if any, in the plan. Tax-exempt bonds have been the primary way by which states and localities finance infrastructure, including so-called exempt-facility PABs for water furnishing and sewage facilities.

Eliminating the federal cap on PABs for water and sewer infrastructure projects would leverage \$50 billion in private capital investment, the bill's cosponsors said. In addition, they estimate it would create 1.4 million jobs and add \$101.5 billion in tax revenue for federal, state and local governments.

"If we do not start investing in our water infrastructure now, it is going to cost our nation many billions more in the future," Duncan said at the time of the bill's introduction.

The water and wastewater infrastructure projects would help communities comply with safe drinking water and sanitation standards.

"Our deteriorating water infrastructure regularly causes water main breaks in communities across our country, destroying property, disrupting neighborhoods and wasting our limited water supply," Pascrell said. "By encouraging private investment to help fund critical water infrastructure upgrades, we are encouraging stronger investments in our country's future at a reduced cost to the taxpayer."