CDFA 2023 Policy Agenda

The 118th Congress presents a tremendous opportunity for the advancement of essential development finance legislation as the new Congress contains both dynamic politicians with which to partner and new leadership in the House of Representatives. CDFA is committed to fulfilling numerous policy objectives, including the improvement of tax-exempt bonds, passing technical corrections for the SSBCI program, and securing continued support for critical federal financing programs. This agenda is borne out of CDFA's 41 years as a leader in the development finance industry. This agenda identifies critical policy areas crafted to address market-based access to capital challenges. CDFA is prepared to assist with the implementation of the following policy priorities:

Priority #1: Modernize Manufacturing and Agricultural Bonds

Qualified Small Issue Manufacturing Bonds, commonly known as Industrial Development Bonds (IDBs), and First-Time Farmer Bonds, commonly known as Aggie Bonds, are vital financing tools for small manufacturers and first-time farmers. These types of bonds are key economic development tools used by state and local development agencies to finance the small- to mid-sized manufacturing and agricultural sectors.

Unfortunately, the rules governing IDBs and Aggie Bonds have not been modernized in several years, causing stagnation and decline in these respective issuance areas. These bond tools need effective reforms to allow for greater flexibility and usage as the country recovers from the impacts of the global pandemic.

The Modernizing Agricultural and Manufacturing Bonds Act (MAMBA) is a common-sense package of improvements that will modernize IDBs and Aggie bonds. The six practical reforms contained within MAMBA will update the IRC's private activity bond rules for IDBs and Aggie Bonds. The reforms include:

- Expand the outdated definition of "manufacturing facility"
- Eliminate cumbersome restrictions on "directly related and ancillary facilities"
- Increase the maximum IDB size limitation from $10 million to $30 million to track with inflation
- Increase the outdated limitation on small issue bond proceeds for first-time farmers
- Repeal the separate limitation on the use of small issue bond proceeds for depreciable property
- Modify the outmoded definition of "substantial farmland"

MAMBA has been introduced in previous Congresses and has consistently been supported on a bipartisan basis. This common-sense legislation is currently prepared for introduction in the U.S. Senate and U.S. House of Representatives and ready for passage.

Priority #2: Create a Category of Permanent Disaster Recovery Bonds

In the aftermath of catastrophic events, communities find themselves in dire need of federal assistance to enable recovery and rebuild essential infrastructure. Congress has created special tax-exempt bond categories in response to disasters over the past 22 years, including Liberty Bonds after September 11th, GO Bonds and Ike Bonds after hurricanes, and Mid-Western Disaster Recovery Bonds after severe flooding along the Mississippi River. These allocations were extremely impactful, but each required a special act of Congress that took months before capital became available. The delay left communities without the immediate resources needed to begin recovery.

Using prior disaster bond precedent as a guide, CDFA proposes the creation of Disaster Recovery Bonds, a permanent category of tax-exempt private activity bonds that could be issued by the affected communities, states, and territories in the event of a man-made or natural disaster. These bonds would not be subject to federal volume cap restrictions and would become available to the affected areas upon the declaration of a state of emergency by a state's or territory's governor. CDFA recommends an annual maximum federal allocation of $20 billion.

The use of Disaster Recovery Bonds would be authorized only in a Disaster Recovery Zone to finance (i) the acquisition, construction, reconstruction, or renovation of non-residential real property (land, buildings, and fixtures); (ii) the construction and rehabilitation of multi-family rental properties for low- and moderate-income individuals, (iii) the repair or reconstruction of damaged public utilities facilities and transportation infrastructure, and (iv) the immediate repair and mitigation of severe environmental contamination to a public water source. To increase Disaster Recovery Bond demand, this legislation will allow financial institution purchasers to deduct the interest cost of carrying an amount of such bonds not exceeding 2% of the purchaser's assets.

Priority #3: State Small Business Credit Initiative Technical Fix

The State Small Business Credit Initiative (SSBCI), passed as part of the American Rescue Plan Act (ARPA) in 2021, provided $10 billion to deliver flexible, affordable capital to small businesses around the country. However, there are discrepancies in the SSBCI Program's enacting language. All moneys appropriated for the SSBCI Program must be disbursed by 2030, yet the Program is only authorized for seven years. CDFA proposes a technical correction to extend program authorization to 2030 to ensure that all jurisdictions can fully execute their approved plans to strengthen and grow small businesses across the United States. This simple technical correction can be implemented by Congress quickly with no impact to the federal budget.

Priority #4: Bolster Economic Development Financing Tools

CDFA supports restoring local economies, preserving small businesses, investing in underserved communities, and protecting the environment. Numerous federal programs and initiatives continue to have CDFA's unwavering support. As such, CDFA proposes the following policy considerations to unlock capital, expand financing, and achieve our nation's goals:

1. Strengthen the Small Business Administration's Microloan Program
2. Create a bond category for electric vehicle charging stations
3. Reform Opportunity Zones
4. Reinstate advance refundings
5. Create a Federal TIF Bond Guarantee Program
6. Permanently authorize the New Markets Tax Credit
7. Create qualified infrastructure bonds
8. Remove water and sewer bonds from private activity bond volume cap

CDFA has prepared numerous written pieces on these needed changes and is prepared to assist Congress with passage of these measures.

About CDFA

The Council of Development Finance Agencies (CDFA) is a national nonprofit association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private, and non-profit development finance agencies. Members are state, county, and municipal development finance agencies that provide or otherwise support economic development financing programs. The Council was formed in 1982 with the mission to strengthen the efforts of state and local development finance agencies fostering job creation and economic growth. Today, CDFA is the strongest voice in the development finance industry. To learn more about CDFA's advocacy efforts, visit www.cdfa.net.