CDFA 2024 Policy Agenda

CDFA is committed to fulfilling numerous development finance policy objectives in 2024, including the improvement of tax-exempt bonds, reinstatement of the brownfields redevelopment tax incentive, and continued support for critical federal financing programs. This agenda is borne out of CDFA's 42 years as a national leader in the development finance industry and is crafted to address market-based access to capital challenges. CDFA is prepared to assist Congress with 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. Unfortunately, the rules governing IDBs and Aggie Bonds have not been modernized in decades, 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 addresses rising project costs and elevated interest rates.

CDFA's 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- Expand the outdated definition of "manufacturing facility"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, indexed to inflation
- Increase the limitation on small issue bond proceeds for first-time farmers to \$1 million, indexed to inflation
- Repeal the separate limitation on the use of small issue bond proceeds for depreciable property
- Modify the outmoded definition of "substantial farmland"

MAMBA was introduced with bipartisan support in both the U.S. House of Representatives and U.S. Senate in 2023. The remainder of this Congress will be spent pushing for MAMBA's inclusion in either the Farm Bill or a lame duck bill.

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

In the aftermath of catastrophic events, such as the 2023 train derailment in East Palestine, Ohio, or the devastating wildfires in Maui, Hawaii, communities are in dire need of financial assistance to enable recovery and rebuild essential infrastructure. Congress has previously created special tax-exempt bond categories in response to disasters, 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.

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 for specified purposes in the event of a man-made or natural disaster. These bonds would not be subject to federal volume cap restrictions, with a maximum federal allocation of \$20 billion. This financing would become available only in defined Disaster Recovery Zones upon the declaration of a state of emergency by a state's or territory's governor. 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: Reinstate the Brownfields Redevelopment Tax Incentive

CDFA supports the passage of H.R. 6438 – The Brownfields Redevelopment Tax Incentive Reauthorization Act of 2023 – which was introduced with bipartisan support in November 2023. It would reinstate the brownfields redevelopment tax incentive to allow taxpayers to fully deduct the cleanup costs of contaminated property in the year the costs were incurred.

Priority #4: Remove Water and Sewer Bonds from Private Activity Bond Volume Cap

CDFA supports the passage of H.R. 1407 and S. 726 – The Financing Lead Out of Water Act – which provides bipartisan remedies to the prohibition of using private activity bonds to finance the costs of replacing privately owned portions of a lead service line in a public water system. Current law does not allow such funds to replace lead pipes buried on private property.

Priority #5: 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 #6: Reinstate Contributions in Aid of Construction Under 26 U.S. Code § 118

CDFA supports the reinstatement of 26 U.S. Code § 118 as it existed prior to its elimination by the Tax Cuts and Jobs Act of 2017. This provision previously allowed state and local governments to contribute abandoned property or provide remediation or demolition grants to developers for projects that benefited the public. These contributions generally were not considered taxable income to the developer. Reinstatement of the provision would again allow state and local contributions to developers on a largely tax-exempt basis, thus providing additional jobs and greater local tax revenues.

Priority #7: 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. Create a bond category for electric vehicle charging stations
2. Reinstate advance refundings
3. Create a Federal TIF Bond Guarantee Program
4. Permanently authorize the New Markets Tax Credit

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.