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Removing the Impediments to Infrastructure Investment.

Insurers are eager to provide hundreds of billions in capital. There are things governments can do to help that happen.

Nearly every aspect of our nation's infrastructure could benefit from restoration and modernization. If done the right way, these repairs and upgrades can create jobs, boost economic output and raise Americans' living standards.

But improving our infrastructure will be costly. By some estimates, simply updating and maintaining our transportation networks, communications systems, and social- and public-service facilities would cost more than $1 trillion. With limited sources of funding, every dollar will have to be used to maximum effect, including leveraging private financing for public works.

While the Trump administration and Congress have put forth proposals to address our infrastructure challenges at the federal level, much of the activity and heavy lifting happens at the state and local levels. With a few critical steps, state and local leaders can help unlock new levels of capital ripe for infrastructure investment.

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The insurance industry, which includes companies like mine, is eager to invest hundreds of billions of dollars in infrastructure. These projects typically deliver stable, strong returns, often with less risk than some other investment options. A new toll road, utility plant or airport has a long shelf life. And it produces predictable revenue, with a built-in base of users that may increase over time.

Unfortunately, a few things hold back such investment. One is the patchwork of regulatory requirements that apply to infrastructure projects. States and local jurisdictions have a variety of different rules governing the use of public-private partnerships (P3s), and 17 states don't allow P3s at all. Furthermore, projects must go through numerous regulatory reviews, which can be lengthy and duplicative. And political uncertainty may result in the plug being pulled on a project after capital has been expended but before it generates revenue.

A second factor inhibiting infrastructure investment by insurers is the complex and varied processes that state insurance commissioners use to determine valuation and risk in infrastructure projects. These methods often require insurers to maintain capital ratios that are more appropriate for riskier investments.

Finally, tax-policy uncertainty has the potential to restrain insurers' investments. U.S. insurance companies account for about 10 percent of the holdings in the $3.8 trillion municipal bond market that supports many infrastructure improvements. These low-risk investments deliver solid returns due in part to the tax-free treatment of interest earned on them. The recent federal tax reform preserved this exemption. However, with federal budget deficits expected to top $1 trillion annually, there could be pressure to reverse course, which would effectively lower the return on bonds, reduce demand and raise borrowing costs for states and municipalities.

Fortunately, while maintaining our infrastructure requires collaboration and partnership at all levels of government, state and local policymakers are in a position to help remove these impediments. Here are a few key steps they can take:

First, states and municipalities should work together to create more harmony around P3 rules. A national set of rules is unlikely, but some states have developed effective policies that could be a model for others.

Second, governments at all levels should strive to limit duplication of regulatory reviews, which add time and raise costs for both taxpayers and private investors.

Third, the National Association of Insurance Commissioners can work with insurance companies to develop standards for evaluating the risk and quality of infrastructure investments while safeguarding policyholders.

And fourth, state and local leaders should keep up the pressure on Congress and the White House to preserve the tax exemption on municipal bond interest, ensuring that debt financing remains an affordable option for infrastructure projects.

Insurers stand ready to partner with states and municipalities, as well as the federal government, to modernize America's infrastructure. By removing some of the barriers that prevent insurers from increasing investment in infrastructure projects, policymakers at all levels of government can unleash new private capital to spur economic growth and bring much-needed benefits to communities across the country.

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By Larry Chadwick | Contributor
Senior managing director of government relations for TIAA

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