Bond Case Briefs

Municipal Finance Law Since 1971

Separate But Unequal: How Tribes, Unlike States, Face Major Hurdles to Access the Most Basic Public Finance Tools

Economic development benefits communities through job growth, higher standards of living and improved subjective well-being. Fiscal Capacity, which allows governments to deliver programs and services such as health care, education, workforce development and law enforcement, is also a product of growing economies. As a result, state and local governments use an artillery of public finance tools such as subsidized borrowing and tax incentives to spur development. Consistently overlooked and largely underappreciated, the responsibilities of tribal governments mirror those of state and local governments. Yet, unlike these sub-national governments, tribal governments face hurdles when accessing even the most basic forms of public finance tools. This lack of parity is especially harmful today as recent research shows that the COVID-19 pandemic has crippled tribal government revenues and disproportionately impacted American Indian and Alaska Native age-adjusted mortality and prime-age employment. this short article, we summarize three distinct ways in which tribes have been shut out of tax-based economic development tools that are readily available to state and local governments.

State and local governments use sizable amounts of tax-free debt obligations (i.e, municipal bonds) to supply public goods such as highways, bridges, and parks along with private goods such as hotels, golf courses, and sports stadiums. In addition, these governments can issue non-taxable [i] which let the benefits of low-cost borrowing flow directly to the private sector — provided that these bonds are used on specific projects such as airports, educational facilities, and affordable rental . These bonds benefit the public by building economic infrastructure without raising taxes.

Continue reading.

The Brookings Institution

by Matthew Gregg

December 3, 2021