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Rep. Larson: Munis 'The Lifeline of Any Given Community'

WASHINGTON - House Ways and Means Committee member Rep. John Larson considers municipal bonds to be “the lifeline of any given community.”

“Without the ability to use municipal bonds, both municipalities and not-for-profits, 501(c)(3)s, have a very difficult time in funding the projects that they need,” the Democrat from Connecticut said. Munis help cities and towns, including those in rural areas, address issues like infrastructure and housing, he added.

Larson, 66, talked about bonds and other topics in a recent interview with The Bond Buyer, part of an ongoing series of profiles of members of Congress, particularly those with backgrounds in state and local government.

A former teacher and insurance agency owner, Larson previously served on the Board of Education and Town Council of East Hartford, Conn., as well as in the Connecticut State Senate. He was elected to the U.S. House of Representatives in November 1998 and is currently in his ninth term.

The congressman, in 2005, was named to the House Ways and Means Committee which has jurisdiction over tax policy and has co-sponsored bond bills. These include the Municipal Bond Market Support Act, which would have increased the annual issuance limit for issuers of bank-qualified bonds to \$30 million from \$10 million, and the Build America Bonds Act, which would have reinstated the popular direct-pay bond program at lower subsidy rates. Both bills were pending in the last Congress but failed to gain traction.

Larson said he worked closely with Rep. Richard Neal, D-Mass., as well as with Republicans such as Rep. Tom Reed of New York, on the legislation. He said he plans to get the bills reintroduced in the current Congress.

“The concept is that you want to create both capacity and also, in this time of lack of work, you want to be able to help create jobs,” Larson said. “And I think there’s a direct correlation between both creating capacity — and by that I mean what municipalities can borrow — and then also tying it to specific initiatives that are usually primarily infrastructure-related.”

The idea is that, “you’re both enhancing the community’s ability to deliver a service to pay for roads, to build whatever’s necessary, but also making sure that it’s easing the burden on taxpayers as well,” he added.

In any tax reform legislation, Congress should not just protect bonds but also preserve and expand municipalities’ abilities to finance their own projects. But this becomes more difficult to do if tax reform isn’t done through “regular order” and instead Congress votes on bills whose contents are only known by the chairmen of the tax-writing committees, Larson said.

Congressional Democrats want tax reform in “as open and as transparent a manner as you can,” Larson said. He praised former Ways and Means Committee Chairman Dave Camp, R-Mich., for

setting up working groups in 2013 that brought in industry groups to talk about the impacts of tax-code changes. Larson was vice chairman of the working group on financial services.

Larson hopes current Ways and Means chairman Paul Ryan, R-Wis. continues along the same lines. He was not happy that Ryan held votes on making certain expired tax provisions permanent because the legislation would lose revenue that could be used for tax reform.

During the last Congress, Larson was a co-sponsor of the Marketplace Fairness Act, which would allow states to require out-of-state online retailers to collect their sales taxes if the states simplified their sales tax laws. Larson said the online sales tax issue is important to Connecticut Gov. Dan Malloy and Commissioner of Revenue Services Kevin Sullivan.

Currently, states can only require a remote seller to collect its sales taxes if it has a physical presence in the state. While customers are supposed to pay use tax on their remote purchases, they typically don't and this requirement is not well-enforced.

States are losing revenue and their finances will improve if they can recoup the money, Larson said.

Infrastructure

Larson is also an advocate for the federal government helping state and local governments to fund infrastructure.

He has introduced legislation last year called the America's Energy Security Trust Fund Act that would use revenue from a carbon tax to make up for the shortfalls in the dwindling Highway Trust Fund. He plans to reintroduce the bill in this Congress.

He also recently co-sponsored the Bridge to Sustainable Infrastructure Act, H.R. 1846, which would index federal gasoline and diesel taxes to inflation and create a bicameral, bipartisan commission that would be tasked with making recommendations for sustainable transportation funding.

"If you don't have a steady stream of revenue coming in, a predictable stream, then how can any business, or any municipality, or any state plan?" Larson asked.

On the day The Bond Buyer interviewed Larson, groups from a transportation construction coalition met with the congressman. Representatives from the groups were "nearly distraught," Larson said, noting that it will be difficult if "we have to go through another kick-the-can-down-the-road" temporary extension of funding for the HTF.

Don Shubert, the executive director of several of the construction groups that visited the congressman, said Larson is important because of his position on the Ways and Means committee, which is responsible for the funding portion of surface transportation legislation.

When it comes to the benefits of investing in infrastructure, Larson "really understands the whole picture," Shubert said. The groups visit Larson "not to lobby, but to learn," Shubert added.

Ray Oneglia, vice chairman of construction company O & G Industries who also attended the meeting, said Larson is good at bringing people together who are interested in infrastructure. Larson brought House Transportation and Infrastructure Committee Chairman Bill Shuster, R-Pa., the committee's top Democrat Peter DeFazio of Oregon, and others to Connecticut to meet with transportation industry groups, Oneglia said.

The New England Water Environment Association also met with Larson that day to bring attention to

the need to improve water infrastructure, said that group's executive director, Mary Barry.

In the Hartford area, there are levees that are in great need of repair. "There is always going to be the need for federal and state assistance," Larson said.

Lengthy Public Service Career

A life-long resident of East Hartford, Conn., Larson has always had an interest in public service. He learned politics from his mother, who served on the East Hartford Town Council and was active in the Federation of Democratic Women and the Democratic Town Committee. His interest in serving the public also was piqued when John F. Kennedy was president.

Kennedy viewed giving back to the community as an important value and "something that one should aspire to," said Larson, who was sitting near a picture of the former president during the interview.

Larson was a high-school teacher from 1971 to 1976 and then owned a Mom-and-Pop insurance agency until around the time he was elected to Congress. As he was leaving the education profession, there was an opening on the East Hartford Board of Education. "I ran and I got the most votes and the rest is history," he said.

After serving on the Board of Education from 1977 to 1979, Larson then served on the East Hartford Town Council from 1979 to 1983. The two entities are intertwined. The BOE is a "creature of the state," but its members are elected locally. The board develops its budget separately from the town council, but the council has to approve it.

"You get very intimately involved and understand and appreciate the need for the bonding capacity of a town and specifically where it most frequently it comes up is on educational and infrastructure needs," he said.

Larson served in the Connecticut State Senate from 1983 to 1995, and for eight of those 12 years, he served as Senate President Pro Tempore, a position that is third in line to the governor. Following a loss in the 1994 Connecticut gubernatorial Democratic primary election, he returned to the private sector, lectured at Yale University's Bush Center in Childhood Development and Social Policy, now the Edward Zigler Center in Childhood Development and Social Policy, and continued to stay active in community service. He was elected to Congress four years after that election.

When asked how his time in state and local government has influenced his role in Congress, Larson referenced the famous quote from former House Speaker Tip O'Neill: "All politics is local." His background helped him learn about the needs and concerns of municipalities, which are very different from those of the federal government.

"In terms of an education and in terms of understanding at a grassroots level the needs of a constituency, a background first in local government ... puts you in touch at a level where government is most directly in touch with the people," Larson said. "And whenever you are most directly in touch with the people, it creates a greater demand, but also I think gives you better access and better opportunity to understand their needs."

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