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Sen. Hoeven Wants to Help States with Infrastructure Needs.

WASHINGTON — John Hoeven, a Republican senator and former governor of North Dakota, is keeping states' needs in mind with his bill to create Move America Bonds.

"States have real infrastructure needs, so we're trying to actually find ways to help them," said Hoeven, who recently spoke to The Bond Buyer as part of a series of profiles of members of Congress who are focused on municipal bonds.

He said he wants to help states not only with funding from the federal government "but also by enabling them to borrow at a lower cost ... and to bring the private sector into the mix in terms of building the infrastructure they need."

Hoeven, 58, was first elected to the Senate in 2010. Prior to that, he was North Dakota's governor for 10 years and held executive positions at banks in North Dakota for many years.

In May, Hoeven and Sen. Ron Wyden, D-Ore., introduced the Move America Act of 2015. The bill would create Move America Bonds, tax-exempt, private-activity bonds that could finance projects that are privately owned and would not be subject to the alternative minimum tax. They would be subject to new, separate state volume caps that would be equal to 50% of the state volume caps for PABs and could be converted to allocations for a new type of tax credit called Move America Credits.

This is not the first time Wyden and Hoeven have worked together on an infrastructure bond bill. When Congress worked on a multiyear surface transportation bill several years ago, the senators co-sponsored a bill that would have created taxable, tax-credit bonds for infrastructure called Transportation and Regional Infrastructure Project (TRIP) bonds. The senators were unable to get those bonds in the transportation law, Moving Ahead for Progress in the 21st Century Act, enacted in 2012. They introduced a similar bill in 2013, but that failed to gain traction.

Now, as Congress wants to pass a six-year highway bill and states continue to have a lot of infrastructure needs, "we decided to give it another swing," Hoeven said.

Unlike TRIP bonds, Move America Bonds would be tax exempt. Hoeven said they chose to propose tax-exempt bonds this time because they thought that approach would increase the chance the legislation would pass and "be of more benefit to the states."

Hoeven said the best legislative vehicle for the concepts in the Move America Act would be a long-term highway bill. He said he would make sure the proposal would be paid for if it is included in the highway bill so that it doesn't add to the federal deficit.

Hoeven thinks the odds of passage are good since Wyden is the top Democrat on the Senate Finance Committee, which will handle the financing component of the transportation bill. Also, he said he thinks there's a good shot Move America Act provisions will pass because "there are just so many things that we need in terms of infrastructure. It's not just highways. It's everything from bridges to

ports to any kind of infrastructure you can think of.”

The bill “gives states some flexibility to really put some dollars where they need it, and different states have unique needs,” he said. Move America Bonds could be used to finance airports, docks and wharves, mass commuting facilities, railroads, highways and freight transfer facilities, flood diversion projects and inland waterway improvements.

Mike Nicholas, chief executive officer of the Bond Dealers of America, praised Hoeven for making infrastructure one of his priorities.

“Senator Hoeven has consistently demonstrated an interest in rebuilding our country’s transportation infrastructure,” Nicholas said. “His experience as Governor of North Dakota provides a unique perspective to this debate and a keen understanding of the importance of maintaining local governments’ low-cost access to capital, which we believe should include the use of tax-exempt bonds.”

Highway Trust Fund

The current short-term transportation authorization law expires July 31. In addition to possibly including bonds, a long-term highway bill will have to include funding for the Highway Trust Fund, which is nearing insolvency. The HTF reimburses states for surface transportation projects and is primarily stocked with revenues from motor fuel taxes. But those revenues haven’t been sufficient enough in recent years for the HTF to meet all of its obligations.

Hoeven would like to get a six-year highway bill passed by the end of July, but acknowledges that there could be another short-term measure if a funding agreement can’t be reached before then.

The Senator does not support raising the federal gas tax to add revenues to the HTF. He is not opposed to using tax revenue from the repatriation of foreign earnings, but thinks it is unlikely Congress could enact such a proposal by July 31, if it is tied to tax reform. “I think there’s an opportunity to use repatriation as part of funding a highway bill, but if you also tie that up into tax reform, then I’m concerned that could slow it down,” Hoeven said.

A challenge with tax reform is that President Obama wants it to raise revenue and congressional Republicans want it to be revenue neutral.

“That’s a real sticking point,” Hoeven said.

Also, it’s challenging to figure out exactly what changes are going to be made to the tax code as part of a reform, he said.

Some members of Congress have suggested that tax reform that’s just limited to the international taxation could be done along with a highway bill. Hoeven suggested that could be a possibility. At the end of the day, he wants to pass a long-term highway bill promptly.

“What I’d like to do is see it get going. I’m a little worried that people keep kind of dragging their heels. So I’m pushing to get something done,” he said.

A Former Governor

Hoeven, who served as North Dakota’s governor from 2000 to 2010, said that decade has influenced him in Congress.

"I think it's really good background to understand what the states' needs are, and that the country was set up where the states are the laboratories of democracy and that the federal government shouldn't be trying to do everything," Hoeven said. "There are certain things the federal government has to do, like defense of the nation for example, but we really need to do whatever we can to give people in the states more control in trying to reduce some of the size and scope and cost to the federal government."

Infrastructure was important to Hoeven while he was governor, said Shane Goettle, commissioner of North Dakota's commerce department from 2005 to 2010. The governor-turned-Senator understands the importance of infrastructure for job creation, Goettle said.

One of the promises Hoeven made during his first gubernatorial campaign was to widen a highway from Minot to Williston, taking that section of the road in the western part of the state from a two-lane to four-lane highway. He delivered on that promise in 2008. "That is now a key artery for the oil and gas industry in North Dakota," Goettle said.

Hoeven put a lot of emphasis on jobs as governor and worked to keep those raised in North Dakota living there as adults by fostering an environment that would attract business.

"He understands finance and he's always been about jobs and economic development," Goettle said.

While Hoeven was governor of North Dakota, the state's credit rating from Standard and Poor's went from AA-minus to AA-plus, and its rating from Moody's Investors Service went from Aa3 to Aa1 (with the upgrade from Aa2 to Aa1 due to a recalibration). In 2013, S&P gave the state a triple-A rating.

North Dakota has had no general obligation bonds outstanding since fiscal 1998, though some of its authorities have outstanding debt, according to the state's comprehensive annual financial report for fiscal 2014. The state has a low debt burden and tends to fund capital projects on a pay-as-you-go basis, S&P said in reports this year.

Hoeven touted the North Dakota's vast reserves. In 2010, voters approved the creation of a state permanent reserve fund called the Legacy Fund, which receives 30% of oil and gas tax revenue. The fund's principal and earnings can't be spent until after June 30, 2017, with expenditures of principal after that time requiring a two-thirds vote in each house of the state legislature.

Hoeven said the Legacy Fund is helping to put the state in a strong financial position.

"We're bringing a lot of oil revenue and it was to make sure the state was financially strong for generations to come," he said.

Before serving as governor, Hoeven worked in banking. He was executive vice president of First Western Bank in Minot from 1986 to 1993 and then served as president and chief executive officer of the Bank of North Dakota from 1993 to 2000.

The Bank of North Dakota is the only state-owned bank in the United States. State tax collections flow into the bank, and the bank also participates in economic development activities. BND works with private banks to provide financing for economic development in the state and generally makes loans in partnership with private financial institutions. The bank also provides student loans.

Eric Hardmeyer, the bank's current president and CEO, said Hoeven took BND in some new directions that continue to be followed.

When Hoeven was president of the bank, he had it join the Federal Home Loan Bank system. BND buys mortgages from private banks in the state, holds them, and then funds the mortgages by borrowing from the Federal Home Loan Bank at lower interest rates.

“It’s nice to have someone in Congress who understands the banking world,” Hardmeyer said.

Hoeven said that the principles he picked up while working in banking and finance carry through with him now that he’s a senator.

“My background’s finance and accounting, and I think that’s very important because we have to make sure government is financially responsible and financially sound,” he said.

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BY NAOMI JAGODA

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