

# **Bond Case Briefs**

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## **Sen. Ron Wyden's Dream: Munis as Holiday Presents.**

WASHINGTON — It's Christmas morning, and little children make their way down the stairs of their home to find out what gifts they've received.

But instead of finding toys under the tree, their parents have bought them municipal bonds that will help finance the improvement of roads and other infrastructure in their community.

Can't envision this scenario? Sen. Ron Wyden acknowledges it isn't going to happen immediately. But he hopes that one day, parents will give their kids infrastructure bonds for the holidays.

"I think that it's probably a lot better for the economy and the planet than buying a kid another toy that's going to break in 20 minutes," said Wyden, an Oregon Democrat and the ranking minority member of the Senate Finance Committee.

Wyden, 66, is probably one of the most well-known senators to muni market participants. Over the years, he has introduced a number of bond-related proposals, some more liked by market participants than others. He talked about munis and other topics in a recent interview for The Bond Buyer's series of profiles of Congress members.

Wyden said his status as a Westerner has made him particularly sensitive to the importance of municipalities' ability to finance and build infrastructure.

"If you're from the West, you know that most of your state really got built with state and local infrastructure," he said. "I mean, it was just kind-of almost embedded in our chromosomes."

Wyden has held hundreds of town-hall meetings across Oregon. "Whenever you go out to counties and local municipalities, you see that their future to a great extent is about investments they make in infrastructure in states and local projects," he said. Wyden added that he's come away from his travels thinking that bond financing should be allowed as long as it's done in a responsible fashion.

### **Move America Bonds**

Wyden's latest bond bill, the Move America Act of 2015 that he co-authored with Sen. John Hoeven, R-N.D., would create a new type of private-activity bond called Move America Bonds. These bonds could finance infrastructure projects that are publicly and/or privately owned and they would not be subject to the alternative minimum tax. The bonds would be issued under new state volume caps equal to 50% of the volume caps for PABs, and these caps could be converted to allocations of tax credits.

Wyden thinks Move America Bonds are potentially much more appealing than Build America Bonds, direct-pay bonds that the Senator says he created. BABs were authorized by the American Recovery and Reinvestment Act and could be issued in 2009 and 2010.

He said that, with Move America Bonds, "I think there's something for conservatives, particularly the focus on states and on the private sector. Think there's something there for progressives, which

is the public and private investment.”

Muni experts in Washington praised Wyden’s interest in infrastructure and said they view the Move America Act favorably.

“Sen. Wyden has been a leader in promoting infrastructure finance throughout his career. He was an active supporter of Build America Bonds, and his most recent ‘Move America’ program represents an innovative approach to addressing the country’s infrastructure investment shortfall,” said Michael Decker, managing director and co-head of municipal securities at the Securities Industry and Financial Markets Association.

Mike Nicholas, chief executive officer of the Bond Dealers of America, said his group “appreciates Senator Wyden’s efforts to improve investment in transportation, infrastructure, and other community projects. We support his recently introduced legislation to create Move America Bonds, as long as these bonds are used as a supplement to [and not as a replacement for] traditional tax-exempt bonds.”

President Obama’s fiscal 2016 budget also proposes a new type of PAB for infrastructure – qualified public infrastructure bonds — that would not be subject to the AMT. However, there are some differences between the Obama and Wyden proposals. QPIBs could only finance publicly owned projects and would not be associated with tax credits or subject to volume caps.

Wyden said his office talked to administration officials about QPIBs and worked closely with them, but that his bill is more attractive.

“I think that the capacity to be able to sell the credits and create even more motion and even more interest and more players and more private-sector involvement is very appealing to us,” he said.

Senate Finance Committee Chairman Orrin Hatch, R-Utah, is studying the Move America Act, a spokeswoman said.

While the bill hasn’t been introduced in the House yet, Wyden said there are House members on both sides of the aisle that are interested in the proposal. He thinks it will have to have bipartisan support to pass.

“My view is, neither side has enough votes to tell the other side what to do,” Wyden said, so it’s important for members of Congress to find areas of agreement.

## **Tax Reform**

As the ranking minority member, Wyden is the top Democrat on the Senate Finance Committee with jurisdiction over tax reform.

In the past, he has sponsored bipartisan tax-reform legislation that troubled the muni market. A bill he introduced with then-Sen. Judd Gregg, R-N.H., in 2010 and a similar measure he introduced with Sen. Dan Coats, R-Ind., in 2011, would have halted the issuance of tax-exempt bonds in favor of traditional tax-credit bonds that provided investors with tax credits equaling 25% of the interest costs.

Also he and Hoeven in 2011 sponsored a bill to create transportation and regional infrastructure project bonds, tax-credit bonds for infrastructure projects.

But Wyden said he isn’t wedded to the concept of replacing tax-exempts with tax credit bonds.

"This is not some ideological cause for me," he said. "For me, it's about trying to ream every bit of possible value out of the incentives that you end up with."

Still, Wyden said he "will always be concerned about abuses" of munis.

"There have been some, no question about it," Wyden said. He's not a fan of tax-exempt bonds being used to finance professional sports stadiums.

"To me, a public project with publicly funded tax assistance needs to have a public purpose," he said. "Quaint idea, huh?"

Wyden and finance committee chairman Hatch created bipartisan tax-reform working groups on five topic areas that released reports earlier this month. The report from the community development and infrastructure group did not recommend changes to bond provisions.

Asked about the report, Wyden said producing tax-reform legislation is "hard work." He said his first choice would be to do comprehensive tax reform. He also said he would be sympathetic to a long-term transportation bill tied to some type of international tax reform, "but the details count, and we'll have to have a chance to look through and see what the costs are who benefits and who doesn't," he said.

Wyden said he thought Congress made a "big mistake" when it didn't pass a bill he introduced last year — the Expiring Provisions Improvement, Reform, and Efficiency (EXPIRE) Act of 2014 — that would have extended expired or expiring tax provisions through the end of 2015. That bill, which included extenders related to bonds, state and local taxes, and Puerto Rico, stalled after the Senate Finance Committee approved it.

"I think we should have passed it and used it as a two-year bridge to do tax reform," Wyden said. "Instead, the Congress had a tax bill with a shelf life shorter than a carton of eggs."

Congress passed legislation that only extended the provisions through the end of 2014. This year, the House has voted to make some of the provisions permanent, including the deduction for state and local sales taxes. The Senate Finance Committee is scheduled to vote on a two-year extenders bill on Tuesday.

Wyden was an author of the Internet Tax Freedom Act, which prevents state and local governments from taxing consumer Internet access and prevents "multiple or discriminatory" taxes on e-commerce. The moratorium on taxing Internet access went into effect in 1998 and has since been extended several times. The House has passed a bill to make the ITFA permanent. Wyden wants the Senate to take the same action.

Some members of Congress want to tie the ITFA to legislation that would allow states to require out-of state online retailers to collect their sales taxes. But Wyden does not support that legislation.

State and local government groups are major supporter of online sales tax legislation, saying that it would allow states to collect taxes that are already owed. While Wyden said he has "no problem" with jurisdictions collecting taxes already owed, he thinks online sales tax bills shift the burden of collecting the taxes from the states to the retailers.

"To some extent, this is transferring, or efforts to transfer, a state function to online retailer[s]," he said.

## **An Unusual Path**

Unlike many of the main sponsors of muni-related legislation in Congress, Wyden doesn't have a background in state and local government. In fact, he had never run for any elected office before running for Congress.

"It was not the usual path," he said.

When he was younger, Wyden dreamed not about being a Senator but about being a professional basketball player. His love of the sport was evident in his Capitol Hill office, where a basketball rested on a coffee table and another was in a bookcase.

"I went to school on a basketball scholarship. All I wanted to do is play in the NBA, and that was a little delusional, 'cause I was too small and I made up for it by being slow," Wyden said. So after playing for two seasons at the University of California, Santa Barbara, he gave up his hoops dreams and transferred to Stanford University. He then went to the University of Oregon for law school and worked with the elderly, co-founding the Oregon chapter of the Gray Panthers.

In 1980, at the age of 31, Wyden was elected to the House. He defeated the incumbent, former Rep. Bob Duncan in the Democratic primary and Republican Darrell Conger in the general election. "Portland had a Congress person, not a[n] evil, horrible person, but he just wasn't involved very much," Wyden said.

In 1996, Wyden was elected to the Senate, becoming Oregon's first Democrat in that chamber in nearly 30 years. He succeeded Bob Packwood, who resigned amidst allegations of sexual misconduct.

Packwood had served as Senate Finance Committee chairman during the 1986 tax reform process, and Wyden would later hold that position for less than a year. Wyden took the helm of the committee in February 2014, after the Senate confirmed then-Sen. Max Baucus, D-Mont., as U.S. Ambassador to China, only to lose the post in 2015 when Republicans gained control of the Senate.

Wyden, who is seeking re-election in 2016, said he'll work in a bipartisan manner no matter which political party has a majority in the Senate.

"I'd obviously rather be in the majority, but I've always been attuned to trying to find common ground," he said.

Susan Collet, president of H Street Capitol Strategies, said Wyden is "someone willing to innovate and reach across the aisle to make deals." He is willing to change what he proposes to get the political support needed to move debate forward, she said.

Howard Gleckman, a fellow at the Urban Institute, said Wyden is a "throwback to an older time in the Senate" when it was better to get a good bill than to fail to get a perfect bill.

Wyden said he feels strongly about a concept he calls "principled bipartisanship."

"Principled bipartisanship is not taking each other's bad ideas. It's about taking good ideas," he said.

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