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Infrastructure Week: Should Cities Be at the Center of Infrastructure Discourse?

Local government leaders discussed the current administration's trend toward financing infrastructure projects through public-private partnerships and eliminating tax-exempt municipal bonds.

As Infrastructure Week, held May 15-19 in Washington, D.C., began to wind down, local government leaders remained hopeful that the pressure for a renewed interest in rebuilding America's roads, bridges and the rest of the system would persist.

The initiative — a national week of education and advocacy that brought together American businesses, workers, elected leaders and everyday citizens around one message: It's time to build — sponsored several events held in conjunction with local and state government groups that represent shared interests in the federal government. The National League of Cities (NLC) hosted a panel discussing infrastructure financing, successful projects and tools local governments need to maintain and develop infrastructure nationwide.

While the idea of investing resources in infrastructure garner widespread bipartisan support, recent revelations that the Trump administration and Congress' tax reform may scrap the tax-exempt status of municipal bonds has been met with resistance.

"You can't be for infrastructure, if not for tax-exempt municipal bonds," said Oklahoma City Mayor Mick Cornett, who also serves as president of the U.S. Conference of Mayors.

Speaking passionately about the necessity of tax-exempt bonds, all members of the panel expressed their disapproval over the idea of cutting the provision. "The need has never been greater for infrastructure investment," said Cleveland Council Member and NCL President Matt Zone.

In a [joint statement](#) released in late April by the National Governors Association, National Association of Counties, NLC, U.S. Conference of Mayors, International City/County Management Association, National Conference of State Legislatures and the Council of State Governments, the organizations urged Congress to preserve the tax-free municipal bonds.

"Tax-exempt municipal bonds were part of the original tax code in 1913 and have long served to meet critical needs in our communities," reads the statement. "These essential components of the tax code support vital investments in infrastructure, public safety and education, encourage economic growth and provide states and local governments with the flexibility to deliver essential services to our residents."

The panel also pushed back on the idea that private investment could help fill the void if local governments would have to spend part of the funding on taxes. The current administration has given several indications that rather than finance most projects through direct federal financing, municipalities are encouraged to utilize a public-private partnership model wherever possible.

While testifying in front of the Senate Environment and Public Works Committee, U.S. Secretary of Transportation Elaine Chao mentioned that the administration is hoping to release by the end of the month a set of principles for the oft-talked-about infrastructure package. The list is heavily anticipated by state and local leaders across the country.

"The proposal will likely include \$200 billion in direct federal funds, which will be used to leverage \$1 trillion in infrastructure investment over the next 10 years," Chao told senators. She also acknowledged that "not every project ... is a candidate for private investment."

Zone still had concerns over the possible reliance on P3s. "Over last two decades, about 93 percent of projects that have been funded would not have been eligible for P3 partnership," he said, adding that focusing on public-private partnerships as a uniform strategy "doesn't really work."

In order for P3s to work, Cornett explained, the conditions have to be just right. The best environment for successful partnerships takes are highly dense cities with extremely busy areas. Private partners are not interested in building rural roads, which are needed in Oklahoma, he explained.

There is also a danger that relying on private partners could leave behind traditionally underserved populations. As local leaders, Zone said, we have "an ethical and moral obligation to make sure that we look out for every citizen we represent." All projects should be looked at with an "equity lens" to make sure the most vulnerable and marginalized populations are provided for.

Although there is a lot of focus on what's happening at the federal level, it is important to keep in mind the role local and state governments play in not only financing transportation projects, but also operating expenses. More than 75 percent of all public roads and 50 percent of bridges are owned by local governments, which also operate 93.7 percent of all public transit agencies.

"Real action is happening outside of Washington in cities, states and metropolitan areas across the country," said Eno Center for Transportation President and CEO Robert Puentes, who moderated the panel.

FUTURESTRUCTURE

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