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Shield Exemption, Spend More on Infrastructure, Congress Told.

PHOENIX – Tax-exempt bonds and other infrastructure financing tools need to be protected even though they are insufficient to support America's surface transportation needs, stakeholders told a House panel Wednesday.

Witnesses representing issuers and manufacturers made that case to lawmakers during a hearing of the House Committee on Transportation and Infrastructure's subcommittee on highways and transit. The session was called as part of a series of hearings to solicit stakeholder views on 21st century infrastructure. Those witnesses told committee members that state and local spending is important but doesn't substitute for federal spending.

Patrick McKenna, director of the Missouri Department of Transportation, representing the American Association of State Highway and Transportation Officials, told lawmakers that AASHTO supports federal grant programs over expanded financing options. The group denies that merely incentivizing local investment or public-private partnerships, as the Trump administration has proposed, will be enough to deliver on the country's infrastructure needs, he said.

"AASHTO and its members disagree with any notion that federal transportation funding displaces or discourages state and local investment," McKenna said. "Financing instruments such as subsidized loans, tax-exempt municipal and private activity bonds, and infrastructure banks are insufficient to meet most types of infrastructure investment needs."

Ray McCarty, president and chief executive officer of the Associated Industries of Missouri, representing the National Association of Manufacturers, stressed the importance of protecting the tax exemption for munis as lawmakers consider tax reform, rather than letting less traditional financing methods crowd bonds out.

"Tax-exempt municipal bonds should be protected as policymakers consider ways to expand the funding and financing toolbox with public-private partnerships and leveraging opportunities,"

McCarty told lawmakers. When asked to expand on that point by committee member Rep. Bob Gibbs, R-Ohio, McCarty said that scrapping the tax exemption would make bonds less desirable for investors and eliminate that tool from the funding toolbox.

"As tax reform is being considered, we think it's very important that we preserve the ability to deduct the interest from those municipal bonds," McCarty said.

Trump campaigned on a ten-year $1 trillion infrastructure plan, but subsequently proposed only $200 billion of total federal infrastructure spending from fiscal 2018-2027 to support that $1 trillion. Though the administration initially indicated that private investment in infrastructure would be a major driver of the plan, Trump last month told lawmakers that public-private partnerships do not work.

An angry Rep. Peter DeFazio, D-Ore., the senior Democrat on the transportation committee, said Congress was making seemingly no progress on the infrastructure front despite the general agreement that it is a bipartisan issue.

“All we’re doing around here is talking,” DeFazio said.

Rep. Bill Shuster, R-Pa., who chairs the full transportation committee, urged consideration of a variety of funding means, including foreign investment in U.S. infrastructure.

Congressional leaders have indicated that tax reform is the next major agenda they will tackle, and lobbyists have said they generally expect more robust infrastructure discussions to take place after that.

By Kyle Glazier

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