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How Bill Would Help Muni Bond Financing of Water, Sewer Projects.

WASHINGTON – Private activity bonds issued to finance water and sewer infrastructure projects would be exempted from state PAB volume caps under a bipartisan bill introduced this week by two Senators.

The "Sustainable Water Infrastructure Investment Act" (S. 3358) was introduced on Tuesday by Sens. Bob Menendez, D-N.J. and Mike Crapo, R-Idaho. They have introduced similar bills in past years.

The legislation has been referred to the Senate Finance Committee, on which both senators are members.

The bill is similar to one introduced in the House last year by Reps. John Duncan, R-Tenn., and Bill Pascrell, D-N.J. The two congressmen offered that bill, also called The Sustainable Water Infrastructure Investment Act (H.R. 3009), on June 22 of last year.

The bill in the House has seven other cosponsors and has been referred to the House Ways and Means Committee, on which Pascrell is a member.

The National Association of Water Companies applauded the bills in a release about the one offered by Menendez and Crapo.

"There's widespread consensus that our nation's water infrastructure needs an investment boost. And there's no doubt that investment is also good for our economy," said NAWC President and Chief Executive Officer Robert Powelson. "If enacted into law, this legislation could bring billions in new water infrastructure investment and help create and support more than 1.4 million jobs."

"Eliminating the volume cap on water infrastructure will lead to new drinking water and wastewater infrastructure investment, while allowing the issuance of exempt facility bonds to provide municipalities with a lower cost financing option," Powelson said, adding, "All of this adds up to a major win for our water systems, communities and each and every American."

The NAWC estimated that eliminating the PAB volume cap on water infrastructure and other regulatory changes could lead to an additional $43 billion in incremental private water infrastructure investment and $15 billion to $25 billion in incremental private wastewater infrastructure investment. It also could generate a potential $20 billion from public-private partnerships, the group said.

NAWC represents regulated water and wastewater companies, as well those engaging in partnerships with municipal utilities. NAWC members provide 73 million Americans with water service every day. Its six largest members collectively invest $2.7 billion each year in their water and wastewater systems, the group said.

PABS are typically issued by state, local, and territorial governments that want to partner with, and/or loan the proceeds to, private parties in conduit transactions to finance public needs.

Bonds are PABs most often if more than 10% of the proceeds are used by private parties and more than 10% of the debt service is paid or secured by private parties. PABS are tax-exempt only if the projects they finance fall within certain categories such as multi-family housing or so-called exempt facilities that include water and sewer projects.

PABs are issued under state volume caps, which are based on population figures from the U.S. Census Bureau and an Internal Revenue Service formula. In 2018, state and territorial volume caps will be $105.00 per capita or $311. 375 million, whichever is greater.

By Lynn Hume

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