

# **Bond Case Briefs**

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## **Expectations for Municipals and Infrastructure.**

Congress continues to take steps towards introducing bipartisan infrastructure legislation. This week, Senators are expected to meet and discuss potential pay-for planning to finish drafting the legislative package by next week. News of some [muni provisions being included](#) in the initial outline is a step in the right direction, however many questions remain regarding the potential legislation's reliance on private and state, and local investment as well as what additional provisions may be added to the draft.

While this likely package presents a great opportunity to advance BDA and MBFA priorities, it is potentially the [first of many infrastructure spending bills](#) that Congress will work to pass during the remainder of 2021.

**What does this mean for municipals in 2021? Below is a legislative update of the status of individual muni priorities.**

### **Expectations for Municipal and Infrastructure**

#### **New Direct Pay Bond Exempt from Sequestration**

Included in the bipartisan infrastructure agreement, a new category of tax-preferred financing for state and local governments to be known as American Infrastructure Bonds (AIBs). Similar to the previous Build America Bonds program, AIBs would be an alternative to tax-exempt financing. The Senate American Infrastructure Bond is exempt from sequestration and has a flat 28% reimbursement rate while the House is not while varied reimbursement. There is a general consensus that the new AIB will be included in any infrastructure package passed, however, sequestration provisions remain in flux.

**\*\*Included in Bipartisan Infrastructure Agreement**

#### **Expand the Usage of PAB's**

As a priority for the Administration, the expansion of PABs for transportation purposes was included in the initial bipartisan agreement. This follows the calls from the Biden Administration for an increase in the PAB limit for transportation infrastructure, doubling the limit to \$30 billion dollars. There is legislation in the Senate that would expand the usage of affordable housing amongst other provisions. PABs for GSE use has also been a popular discussion item, but little legislative text has been produced and this has yet to be tied to the existing proposal.

**\*\* Included in Bipartisan Infrastructure Agreement**

#### **Restoration Tax-Exempt Advance Refundings**

As a top legislative priority for the municipal market, the restoration of tax-exempt advance refundings remains in a strong position for advancement this year. The legislative text was reintroduced by the House Municipal Finance Caucus earlier this year (the bill was identical to the

version introduced in the 116th Congress) and absorbed in the later introduced LIFT Act. Following the House release, Senators Wicker (R-MS) and Stabenow (D-MI) introduced the LOCAL Infrastructure Act which much like the House companion, would fully restore tax-exempt advance refundings to their pre-2018 form.

**\*\*Not Included in Bipartisan Infrastructure Agreement-Slight Possibility for Inclusion in Final Draft-Stronger Likelihood for Inclusion in Additional Infrastructure Package**

### **Raise BQ Debt Limit**

Much like AR, legislation was introduced in the House this Congress and absorbed into the LIFT Act. However, there has yet to be a Senate companion introduced, a potential hurdle in advancement.

**\*\*Not Included in Bipartisan Infrastructure Agreement-Slight Possibility for Inclusion in Final Draft-Average Likelihood for Inclusion in Additional Infrastructure Package**

### **Bond Dealers of America**

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