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The Infrastructure Bill Shows Why Congress Must Stop Enabling Bad Behavior by Cities and States.

Under America's constitutional system, states and cities are responsible for maintaining public infrastructure such as streets, schools, parks, and water and sewer facilities. Yet even as Congress moves ahead with the $1 trillion Infrastructure Investment and Jobs Act, and even as calls increase for more federal assistance to ease burdens on local taxpayers, it's clear that the legislative branch largely fails to understand how states and municipalities manage their budgets.

This lack of understanding—or willful ignorance—is a critical shortcoming that should be addressed promptly, given the enormous amount the federal government already spends to subsidize state and local governments. In 2019, such subsidies accounted for 22% of those governments' operating expenditures of $3.5 trillion, according to U.S Census data. Federal tax deductions on interest on most municipal bonds, the financing vehicles that cities and towns use to build roads, bridges, and schools, will cost $334 billion in forgone federal revenue from 2021 to 2030, U.S. Treasury projections show. Federal aid and tax breaks also help support the jobs of 19 million schoolteachers, police officers, firefighters, public health workers, and other state and local employees whose roles have been so critical during the COVID-19 crisis.

If the infrastructure bill and a proposed $3.5 trillion budget resolution become law, federal assistance to states and municipalities will swell even further, with Congress on the hook for much of the cost of everything from roads and bridges to broadband Internet installations, in the process helping states and localities avoid taking on massive amounts of new debt beyond the $4 trillion they have already borrowed.

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by William Glasgall & Richard Ravitch

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