Over the next decade, state and local governments are on track to make more than $3 trillion in tax-exempt bond financed investments in roads, bridges, water systems, schools, hospitals, public power systems, and other key infrastructure. This follows the $2.3 trillion in such tax-exempt bond financed investments made in the previous 10 years. Public power utilities alone are making nearly $6 billion a year in investments in their generation, transmission, and distribution systems using tax-exempt bonds.

Looking ahead, recent enactment of the Infrastructure Investment and Jobs Act will provide billions of dollars of federal infrastructure funding, including for grid resilience, electric power transmission, and electric vehicle charging stations. However, such legislation failed to address infrastructure financing, including tax-exempt financing.

A bond modernization agenda could provide the first fundamental review of tax-exempt financing since the 1986 Tax Reform Act. Such an agenda could complete Congress’ unfinished work by enhancing and simplifying this powerful financial tool. Foremost, such an agenda could reinstate the ability to issue tax-exempt advance refunding bonds. It could also make it easier for more smaller counties, towns, and villages to sell their bonds to banks by increasing the $10 million small-issuer exception, a limit which has not been updated since 1986. It could also revisit private-use rules created more than 30 years ago that are needlessly complex and punitive toward public power. Finally, a bond modernization agenda could also end the sequestration of tax credit payments to direct payment bond issuers.

All the elements of this agenda are consensus proposals developed by the American Public Power Association and other state and local stakeholders. For example, the Government Finance Officers Association proposed and adopted such a bond modernization agenda at its 2019 Winter Meeting. Likewise, most were included in early drafts of the Build Back Better Act that were considered by the U.S. House of Representatives in 2021.

NOW, THEREFORE, BE IT RESOLVED: That the American Public Power Association (APPA) strongly believes that tax-exempt municipal bonds have been, and will remain, the most powerful and effective tool for financing public investments in public infrastructure;
BE IT FURTHER RESOLVED: That APPA believes that insofar as Congress wants to incentivize further investments in infrastructure, it should focus on improving this incredibly powerful financing tool with a municipal bond modernization agenda; and

BE IT FURTHER RESOLVED: That APPA believes that a municipal bond modernization agenda should reinstate tax-exempt advanced refunding bonds, increase the small-issuer exception from $10 million to $30 million, exempt payments to Build America Bond issuers from federal budget sequestration, and repeal outdated private-use rules.

Adopted at the Legislative & Resolutions Committee Meeting
March 1, 2022
Sunsets in March 2030