LOCAL INFRASTRUCTURE ACT

Lifting Our Communities through Advance Liquidity for Infrastructure (LOCAL Infrastructure) Act
Senator Roger F. Wicker (R-MS) and Senator Debbie Stabenow (D-MI)

The COVID-19 crisis continues to place financial pressure on the revenue streams of state and local budgets. State and local governments should have the ability to use **advance refunding** to free up immediate and flexible cash flow for projects essential to communities.

Advance Refunding of Tax-Exempt Bonds

- State and local governments issue their debt as municipal bonds to fund education, healthcare, infrastructure, and other capital improvement projects important to the overall economic well-being of local communities.
- Typically, municipal bonds are federally tax-exempt.
- When interest rates fall, municipalities may seek to refinance their outstanding bonds at a lower rate.
- Advance refunding allows state and local governments the one-time option to refinance outstanding municipal bonds to more favorable borrowing rates or terms. This tool provides state and local governments with greater flexibility to generate savings.
- The advance refunding of bonds saved state and local governments billions of dollars over decades, subsequently saving money for local taxpayers.
- Since the repeal of advance refunding, there has been a significant drop in the refinancing of municipal bonds even though interest rates continue to trend downward.
- The elimination of advance refunding has imposed substantial financial costs on states and local governments.
- Reinstatement of advance refunding does not require any direct appropriation of federal dollars.

The LOCAL Infrastructure Act

The Local Infrastructure Act would amend Section 149(d) of the Tax Code to reinstate advance refunding to free up much needed capital for state and local governments and assist in the long-term economic recovery following the COVID-19 crisis.

Support: Securities Industry and Financial Markets Association (SIFMA), The Airports Council International – North America, American Hospital Association, American Public Gas Association, American Public Power Association, American Public Works Association, American Society of Civil Engineers, American Water Works Association, Association of American Medical Colleges, International Municipal Lawyers Association, International Public Management Association for Human Resources, Large Public Power Council, National Association for County Community and Economic Development, National Association of Bond Lawyers, National Association of College and University Business Officers, National Association of Counties, National Association of Health and Educational Facilities Finance Authorities, National Association of Local Housing Finance Agencies, National Association of Municipal Advisors, National Association of Regional Councils, National Association of State Auditors, Comptrollers and Treasurers, National Association of State Treasurers, National Association of Towns and Townships, National Community Development Association, National Council of State Housing Agencies, National School Boards Association, The Government Finance Officers Association, The National League of Cities, The United States Conference of Mayors, International City/County Management Association, American Metropolitan Water Association, Water Environment Federation, Bond Dealers of America, National Association Clean Water Agencies, American Planning Association, National Conference of State Legislatures, American Public Transportation Association, Association of Public and Land-grant Universities, American Council on Education, National Association of Independent Colleges and Universities, The School Superintendents Association (AASA), Association of School Business Officials International (ASBO).

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