



# Muni market participants push for advance refunding, direct-pay on the Hill

By Sarah Wynn

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Muni market participants pushed the reinstatement of tax-exempt advance refunding and direct-pay bonds to congressional staffers at a well-attended Capitol Hill event in hopes that those provisions could be attached to an infrastructure bill.

Rep. Steve Stivers, R-Ohio, made an appearance Tuesday afternoon at an infrastructure roundtable hosted by the Public Finance Network and Bond Dealers of America.

Stivers made the argument for bringing back tax-exempt advance refunding, which was deleted in the 2017 Tax Cut and Jobs Act. Since municipalities say they have lost out on money needed for crucial infrastructure. Stivers, who is co-chair of the Municipal Finance Caucus, said he was still looking for a bill to attach advance refunding to.

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"We're still looking for a great vehicle to get the advance refunding change added so that municipalities can manage their debt the way we want to," Stivers said. "We're hopeful that we can make something happen on that maybe through an appropriations bill or something like that."



**Muni bond participants were on the Hill on Tuesday to push for advance refunding, to help municipalities push to maintain and build infrastructure.** *Bloomberg News*

An advance refunding bill was proposed in May with 10 bipartisan cosponsors.

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Advance refunding helps put money back into the community, said Kendel Taylor, director of finance in Alexandria, Virginia.

Between 2012 and 2017, Alexandria did eight refundings totaling some \$300 million of par value, Taylor said. That allowed the city to save a projected \$25 million over 20 years.

During that time, the city built two fire stations that were about \$25 million, Taylor said.

"By having the advance refunding where I can just use our outstanding debt to put back into the community is amazing," Taylor said.

Muni market participants also want Congress to support and protect tax exemption and want to bring direct-pay bonds back into the discussion, though some are concerned about the credibility of direct-pay programs.

Federal subsidy payments made to issuers of direct-pay bonds, such as Build America Bonds, have been cut under sequestration.

Jolene Thompson, executive vice president of member and external affairs at American Municipal Power, said her organization issued a significant amount of debt as part of the BAB program.

From 2013 on, that 35% subsidy that issuers were to be paid for issuing the bonds has been cut each year by amounts ranging from 5% to 7%.

"As an issuer, we've already seen cuts of \$34 million in subsidy payments that we were to receive," Thompson said.

The sequestration goes on until 2029, and Thompson estimates \$40 million more in cuts.

"We have real concerns about creating a new direct-pay bond in any sort of infrastructure package that doesn't have some side rails on it from preventing this from happening again," Thompson said.

Build America Bonds have a credibility issue, said Kevin Boyce, commissioner of Franklin County, Ohio, which includes Columbus.

"When the sequestration happened, the impact was substantial to their (issuers) bottom line," Boyce said.

"As Congress is considering a new Build America Bond model, there is a credibility issue with municipalities and investors because they worry about their ability to peel back that subsidy," Boyce later said. "History shows that if a recession happens, that is what they're going to do."

Boyce said negative impacts on the economy create a favorable environment for bonds and that moves on muni bonds such as advance refunding need to be done now.

"When private equity goes down, the value of bonds go up," Boyce said. "It becomes the perfect time to issue debt to get your lowest rates possible because of demand."

**Sarah Wynn** Reporter 



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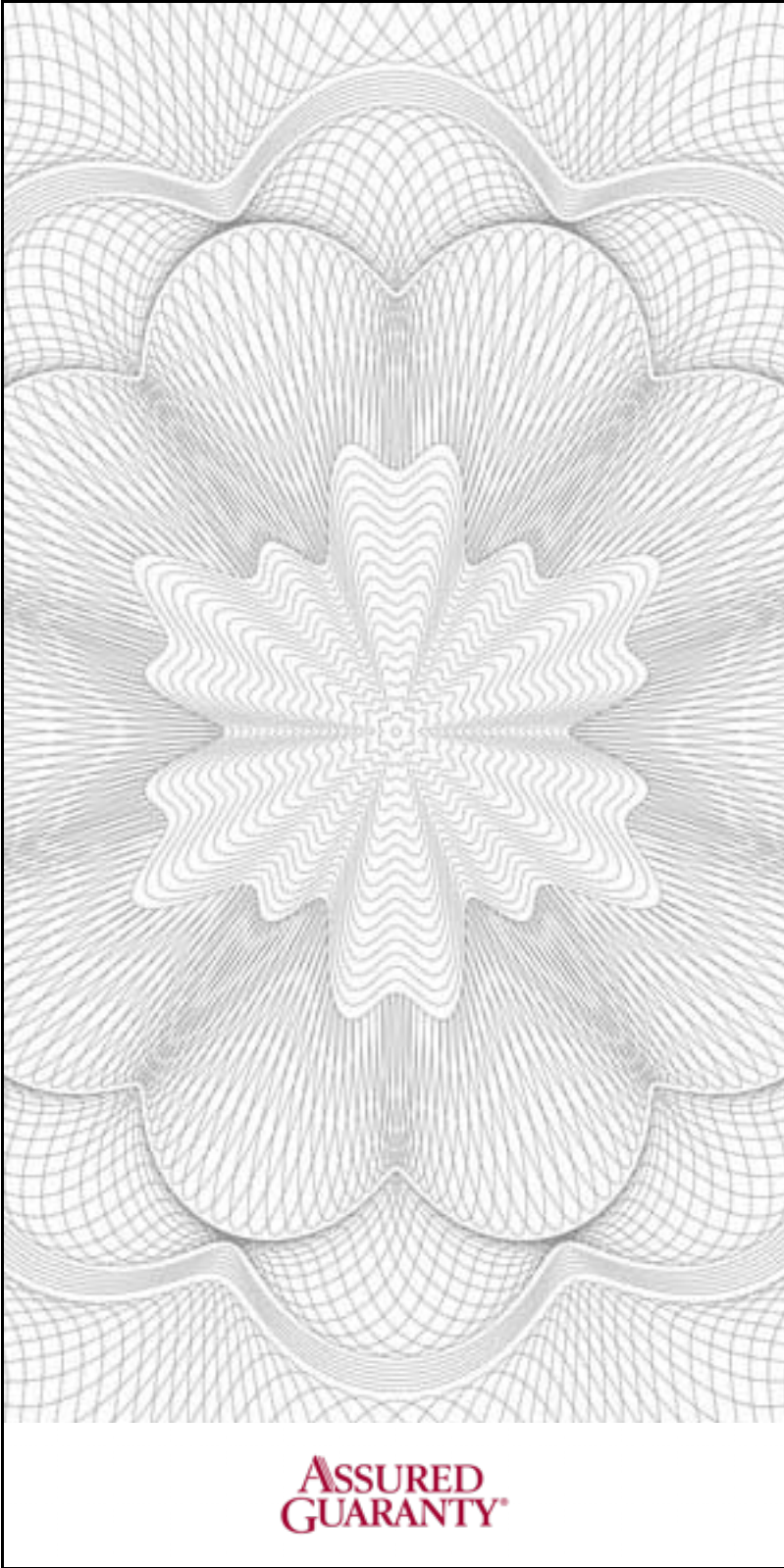
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