



## **Policy Recommendation for Addressing Water/Wastewater Project Financing Needs August 10, 2009**

The National Council for Public-Private Partnerships (NCP PP) recommends policy positions that will increase the ability of public sector water/wastewater agencies to engage the private sector in achieving efficient project delivery as well as asset maintenance. To achieve this goal, the NCP PP recommends the removal of the cap on the number and value of Private Activity Bonds (PABs) allowed under United State tax code for water related projects. This policy change will enhance the public sector's ability to provide tax-exempt incentives to the private sector in the construction of water/wastewater facilities.

Private activity bonds, regulated by the Internal Revenue Code under existing law, are tax-exempt bonds issued by a public entity to fund a private entities' development of water/wastewater infrastructure projects. The current tax code, however, limits the issuance of these bonds, thus limiting the positive impact of these innovative financing tools in improving the nation's water/wastewater systems. The present volume cap impedes water/wastewater agencies' abilities to adequately leverage their full financing power to the private sector, whose investment is critical to relieving some of the crippling costs of maintaining and improving the country's water/wastewater systems.

The NCP PP, and the Council' expert-driven Water Institute fully support efforts aimed at removing the existing cap for water/wastewater private activity bonds. Given the condition of water-related infrastructure in the United States today, and budget shortfalls facing public sector water/wastewater system managers, private activity bonds provide a viable financing option. In the current economic environment, struggling water/wastewater systems are finding that they must move beyond the restrictions of publicly-generated funding mechanisms. Water/wastewater systems focused private activity bonds are a simple solution to this project financing problem. The National Council for Public-Private Partnerships suggests that federal leaders move to empower local water/wastewater system officials to be able to tap into the resources of the private sector to achieve they critical mission.

If you have any questions, or would like additional information please contact:

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