



Submitted for the Record for the
Select Revenue Subcommittee Hearing
on HR 1708 re. Tax-Exempt Bonds
Thursday, March 16, 2006

by The National Council for Public-Private Partnerships (NCP PP)

The National Council for Public-Private Partnerships (NCP PP) is a non-profit, non-partisan educational organization founded in 1985 for the purpose of providing a forum for the innovative ideas and best practices for public-private partnerships. Members of the Council are from both the public and private sectors. NCP PP wishes to respectfully submit this testimony for the March 16 hearing by the Select Revenue Subcommittee on HR 1708, the Clean Water Investment and Security Act, to remove the cap on Private Activity Bonds (PABs) for water/wastewater projects.

Private Activity Bonds (PABs) are an important tool in the financing of critical water/wastewater infrastructure. However, current federal tax law imposes caps on PABs for these projects despite the dramatic needs of the nation for the construction and restoration of its water infrastructure.

The “unified volume cap” that restricts the amount of PABs that states and localities may issue in any given year hampers their ability to address budget shortfalls in providing the public with critical water infrastructure. While other activities have been exempt from such caps, the alternative method for investment using PABs for water related projects continues to be limited by current federal tax laws.

By removing the unified volume cap on PABs, communities can gain access to more affordable interest rates as well as an important financial tool to deal with substantial funding shortfalls for the construction of critical water and wastewater treatment facilities. Through the exemption of water infrastructure projects from the bond cap, state and municipal governments would have greater flexibility and additional options to partner with the private sector in the developing, financing, owning and operating water and wastewater infrastructure, should they choose to do so.

This is also a step towards enabling state and local governments to obtain sustainable funding for the construction and operation of water infrastructure on a full life-cycle basis. This is as opposed to the limited and sometimes untimely availability of public program funds, which has been anticipated to be over \$11.4 billion dollars short in the FY06 budget.

In summary, NCP PP encourages Congress to extend the list of tax-exempt private activity bonds volume cap exemptions to include water and wastewater projects as proposed in H.R. 1708.

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