

April 5, 2021

The Honorable Richard Neal  
Speaker of the House  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Kevin Brady  
Minority Leader  
United States House of Representatives  
1139 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady,

The National Utility Contractors Association (NUCA) represents represent construction contractors, manufacturers, and distributors who build and maintain a wide range of underground facilities, including water and wastewater infrastructure. As the House Committee on Ways and Means continues to put together legislative language addressing tax provision in a pending infrastructure package, NUCA encourages inclusion of provisions that would remove the state volume cap on “exempt facility bonds” (also known as private activity bonds) that help fund critical water and wastewater infrastructure projects.

NUCA has long maintained that while increased public investment in our environmental infrastructure is needed, there is certainly a role for investment from the private sector. Tax exempt facility bonds (EFBs) are a very effective tool for financing long-term, capital-intensive infrastructure projects by encouraging state and municipal governments to collaborate with sources of private capital to meet a public need, such as building a water treatment facility through a public-private partnership. This approach makes infrastructure construction more affordable for municipalities and ultimately for end users.

EFBs utilize private capital instead of public debt and shift the risk and long-term debt from the municipality to the private partner, and the lower cost financing that results is often translated to lower costs for the customer. Unfortunately, exempt facility bonds have historically been issued to fund more politically attractive, short-term initiatives such as housing projects and providing student loans. This is in part because of the annual volume cap subject to EFBs which undermine their use for water and wastewater infrastructure. As a result, on average less than five percent of exempt facility bonds are issued to water and wastewater projects annually.

Last year, language was included in coronavirus relief legislation that would have revised the Internal Revenue Code to provide that wastewater infrastructure would no longer be subject to state volume cap limits subject to exempt facility bonds. Although the legislation (HR 2) failed to advance in the Senate, the EFB provision has bipartisan support and would take significant steps to open the door to private investment in water and wastewater infrastructure projects.

As your committee continues to assemble tax provisions for consideration in comprehensive infrastructure legislation, NUCA strongly encourages you to consider including provision that would remove both wastewater *and* water infrastructure from state volume cap limitations subject to tax exempt bonds. We thank you for your consideration.

Regards,



Doug Carlson  
Chief Executive Officer