

# LOCAL INFRASTRUCTURE ACT

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## **Lifting Our Communities through Advance Liquidity for Infrastructure (LOCAL Infrastructure) Act Senator Roger F. Wicker (R-MS) and Senator Michael Bennet (D-CO)**

State and local governments should have the ability to use **advance refunding** to free up immediate and flexible cash to fund projects of value to their communities.

### **Advance Refunding of Tax-Exempt Bonds**

- State and local governments issue their debt as municipal bonds to fund education, health care, 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 greater flexibility to generate savings.
- The advance refunding of bonds saved state and local governments billions of dollars over previous decades, which in turn saved 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.

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