

# Bonding

## BACKGROUND

Bonding is the primary way many major infrastructure projects are funded, either through a direct earmark, or indirectly through grant and loan programs financed through state-issued bonds. Municipal utilities, particularly those with water and/or wastewater facilities can benefit from either or both. Bonding can also assist border to border broadband efforts, and may prove useful for some new carbon reduction efforts expected to be introduced during the 2021 session. While a bonding bill was passed during the fifth special session of 2020, that bill barely made a dent in the total amount of needed funds.

## CURRENT STATUS

- Over \$5 billion worth of requests were received during the 2019-2020 legislative biennium and only \$1.9 billion worth of new bonding was authorized.
- Supplemental bonding bills have become very common in the “budget” year of the legislative biennium.
- Interest rates remain low making it a better time to borrow.
- Bonding bills are generally viewed as assisting in the creation of jobs. An advanced job market would generate enhanced tax revenues collected by the state, which in turn would help addresses the forecasted budget deficit
- Many municipal water and wastewater utilities will be facing the need to upgrade their wastewater and drinking water facilities to address ever-increasing regulatory requirements as well as to replace aging infrastructure. These projects will not be affordable without state financial assistance from a bonding bill.

## REQUESTED ACTION

MMUA encourages the State Legislature to maximize the investment in infrastructure projects and supports funding to the PFA for grants and loans to municipal utilities.