

InRecap

May 6, 2021

Thomas A. Barthold
Chief of Staff
The Joint Committee on Taxation
502 Ford House Office Building
Washington, DC. 20515

Re: Updating WIFIA Loan Program Assumptions for Legislative Scoring of Federal Revenue Impact

Dear Mr. Barthold:

InRecap focuses on technical aspects of federal infrastructure loan programs. I served as an EPA SGE in 2018-2020, primarily developing financial benefit-cost analyses for the WIFIA Loan Program. My interest in WIFIA has continued at InRecap because I believe that the Program is a potentially transformational model for federal infrastructure finance.

I've seen that the JCT scores the federal tax revenue impact of changes in WIFIA legislation, most recently in the 2018 WRDA bill, S.2800. From my review of WIFIA loans to date, your assumption that WIFIA loans will influence the amount of tax-exempt bonds issued is completely correct. The vast majority of WIFIA borrowers are highly rated public water systems that typically finance their infrastructure projects in the municipal bond market.

However, JCT's specific assumption in S.2800 scoring that WIFIA loans *increase* the amount of tax-exempt debt issued is demonstrably incorrect. Although this assumption would be consistent with the Program's original policy intent of enabling water infrastructure projects that otherwise would not have proceeded, in reality WIFIA has developed quite differently. Most if not all WIFIA loans are for basic and non-optional infrastructure projects that will proceed regardless of the loans' relatively minor (though welcome) financial benefits. In the absence of the Program, WIFIA's borrowers would most likely issue the equivalent amount in tax-exempt bonds instead. Results so far indicate that WIFIA loans actually *displace* tax-exempt debt.

Per my understanding of JCT's scoring methodology for tax-exempt debt, the fact that WIFIA loans displace tax-exempt bonds should result in a projection of *increased* federal revenues, not a decrease, as was scored in S.2800. The scale of this correction (possibly as much as \$5 billion in S.2800's score) is very significant relative to the level of WIFIA's authorization and appropriations.

Accurate and data driven scoring of WIFIA's impact on federal tax revenues will be a critical factor in any future Congressional consideration of legislation concerning the Program. I would encourage the JCT to revisit and update your assumptions with data from WIFIA's four years of operational results.

Sincerely yours,



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cc: Committee Members of the Joint Committee on Taxation