ML STRATEGIES

Municipal Finance Proposals to Watch During the Final Months of the 119th Congress

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Several legislative proposals affecting municipal bonds and infrastructure finance have been introduced or reintroduced in the 119th Congress. Although these measures are not currently at the forefront of the congressional agenda, they represent long-standing bipartisan priorities within the public finance community and could be candidates for consideration if tax or infrastructure legislation moves forward later this year.

Enhancing Municipal Finance Tools

Bipartisan legislation has been introduced in both the House and Senate to restore tax-exempt advance refunding, an effective financing tool that is currently unavailable to state and local governments. In the Senate, Sens. Roger Wicker (R-MS) and Michael Bennet (D-CO) have introduced the **LOCAL Infrastructure Act (S. 1481)**, while in the House, Reps. David Kustoff (R-TN), Rudy Yakym (R-IN), Gwen Moore (D-WI), and Jimmy Panetta (D-CA) have introduced the **Investing in Our Communities Act (H.R. 1255)**. Congressman Yakym serves as Republican co-chair of the Congressional Municipal Finance Caucus. Together, these bipartisan bills would reinstate the ability of municipal issuers to refinance outstanding bonds earlier, at lower interest rates, helping communities reduce debt-service costs and redirect savings toward infrastructure, schools, hospitals, affordable housing, water systems, transportation networks, and other public priorities. Supporters view the legislation as a proven way to strengthen the municipal bond market, provide greater flexibility to state and local governments, and support long-term economic growth.

Rep. Terri Sewell (D-AL), a former bond lawyer and Democratic co-chair of the Congressional Municipal Finance Caucus, has also reintroduced the **Local Infrastructure Financing Tools (LIFT) Act (H.R. 8864)**. In addition to restoring advance refunding, the bill would increase bank-qualified debt limits for smaller borrowers, including nonprofit health systems, colleges, universities, and other mission-driven organizations. The legislation also would create a new direct-pay taxable American Infrastructure Bond, modeled on the successful Build America Bonds program from the Obama administration, allowing issuers to receive a direct federal subsidy to offset a portion of their interest costs. Together, these provisions are intended to expand access to affordable capital and increase investment in infrastructure and community development projects.

Expanding Access to Credit Enhancement

Another bipartisan proposal aimed at reducing financing costs is the **Municipal Investment and Neighborhood Transformation (MINT) Act**, introduced by Sens. Catherine Cortez Masto (D-NV) and Todd Young (R-IN) and by Reps. Lisa McClain (R-MI) and Sam Liccardo (D-CA). The MINT Act would restore and make permanent the authority for Federal Home Loan Banks (FHLBanks) to support tax-exempt municipal bonds through letters of credit for a broader range of community development projects. By allowing municipalities to partner with local financial institutions and leverage the strong credit profile of the FHLBank system, the legislation would help lower borrowing costs for projects such as water and sewer systems, hospitals, schools, transportation infrastructure, and other essential public facilities. Supporters argue that the bill would expand access to affordable financing, particularly for smaller and underserved communities, while creating additional opportunities for local lenders to participate in infrastructure investment.

Increased Scrutiny of Tax-Exempt Hospitals

Congress is also considering legislation with potentially significant implications for nonprofit health care providers. The **Tax-Exempt Hospital Transparency Act (H.R. 9504)**, introduced by Rep. Greg Murphy (R-NC) and cosponsored by Rep. Lloyd Smucker (R-PA), would expand reporting requirements for nonprofit hospitals to provide greater transparency around the benefits they deliver in exchange for their tax-exempt status. The bill would require hospitals to disclose facility-specific data on financial assistance provided and financial assistance applications received, approved, and denied. Larger tax-exempt hospitals would face additional reporting requirements related to community benefit spending and efforts to address identified community health needs, while hospitals with more than 100 beds and $100 million in net patient revenue would be required to report information related to advertising expenditures, service lines, and participation in the 340B drug pricing program.

While supporters view the legislation as a way to improve accountability and transparency, critics have raised concerns that the new reporting requirements could impose significant administrative and compliance burdens, particularly for health systems that operate multiple facilities, and may not fully capture the range of community benefits provided by nonprofit hospitals. The bill was approved by the House Ways and Means Committee on July 1 and awaits action by the full House of Representatives.

Looking Ahead

ML Strategies continues to engage with congressional offices, industry stakeholders, and coalition partners in efforts to preserve and strengthen tax-exempt financing tools, including tax-exempt bonds that support nonprofit health care, higher education, affordable housing, and other essential community infrastructure. As Congress considers tax and infrastructure legislation during the remainder of the 119th Congress, we will continue to monitor opportunities to advance municipal finance priorities.

Organizations with an interest in these issues should remain engaged, as developments in Washington could have significant implications for long-term financing costs and access to capital. ML Strategies and Mintz stand ready to assist organizations in evaluating these developments and engaging with policymakers on issues affecting their interests.

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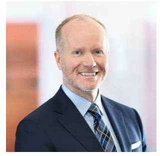

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Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal agencies.