

# THE BOND BUYER

## INFRASTRUCTURE

# Issuer group urges Congress to create permanent disaster recovery bonds

By [Caitlin Devitt](#) October 07, 2024, 11:57 a.m. EDT 3 Min Read



As the [southeast region reels from Hurricane Helene](#) and as another potential major storm bears down on Florida this week, a group of finance agencies is urging Congress to create disaster recovery bonds that would give cities, towns and states immediate access to low-cost financing after a natural or manmade disaster.

The Council of Development Finance Agencies is urging its more than 500 members to lobby federal lawmakers to craft and pass legislation that would allow issuers to float tax-exempt private activity bonds, not subject to the volume cap, when a state of emergency has been declared.

It's not the first time the CFDA or other municipal market participants have [pushed for expanded disaster-relief financing tools](#). But the level of destruction left in the wake of Hurricane Helene and the threat of fresh storms illustrate the stark need for more tools, said CDFA president and CEO Toby Rittner.

"We do have interest in it from House and Senate members, but you have to get the right situation, and now what we're seeing down south with the hurricane and another one coming, we wanted to renew the idea," he said. "This time is definitely different."

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Congress has created disaster recovery PABs in the past, but those were written into special spending bills aimed at specific disasters. They include the creation of Liberty Bonds after September 11, 2001; Gulf Opportunity Zone Bonds and Hurricane Ike Disaster Area Bonds following Hurricane Katrina and Hurricane Ike in 2005 and 2008; and Midwestern Disaster Area Bonds, the CDFA said.



President Joe Biden meets with his cabinet to discuss the federal response to Hurricane Helene.  
*Bloomberg*

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For the past decade or so, Congress has not passed spending packages aimed at specific disasters, Rittner said.

"They're starting to see when don't do these spending packages, the private sector can't get the capital, the FEMA money isn't enough and if there is disaster money it takes years for it to get out," he said.

The permanent disaster recovery bonds would be available for cities and states to use "instantly" for their rebuilding efforts without the need for Congressional action, he said.

The CDFA is urging its members to sign a [letter](#) to top lawmakers outlining the disaster bond proposal.

Hurricane Helene and "the historic floods it produced marks the latest major disaster spotlighting the need for an innovative, permanent emergency response solution that provides resources to begin the recovery process in a timely manner, including rebuilding essential infrastructure," the letter said.

The debt should not be subject to volume cap and would be made available only in a disaster recovery zone, according to the CDFA's [policy proposal](#).

Proceeds would be used to finance the construction or renovation of non-residential real property; the building or renovation of multi-family rental property for low- and moderate-income renters; the repair of damaged public utilities and transportation infrastructure; and the immediate repair and mitigation of severe environmental contamination to a public water source.

The group suggests a maximum annual allocation of \$20 billion.

The death toll from Hurricane Helene, which came onshore on Sept. 26, had reached 227 as of Saturday while many people remain missing. It is the deadliest hurricane to hit the U.S. since Hurricane Katrina in 2005. Meanwhile, Florida began on Monday to prepare for Hurricane Milton,

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Noting the "series of devastating natural disasters" that have hammered cities recently, the National League of Cities Friday [urged Congress to pass an emergency supplemental appropriations bill](#) before the end of the year to provide funds for affected communities.

In an [Oct. 1 letter to Congressional leaders](#), the NLC asked for more money in the supplemental as well as action on replenishing the Federal Emergency Management Agency funds.

"We are concerned that without passing full-year appropriations, critical programs may remain underfunded, creating uncertainty around federal disaster response efforts," the group said. "Of particular concern is the potential for FEMA to run out of funds, which would severely hamper both short-term and long-term recovery efforts for the many cities and towns still grappling with the aftermath of these catastrophic events."

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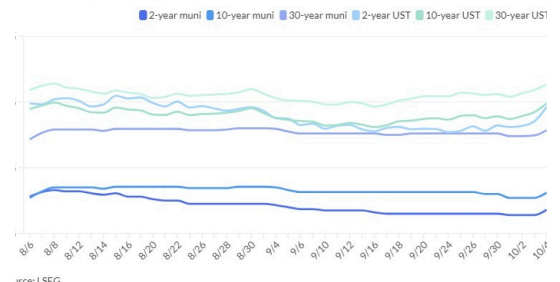


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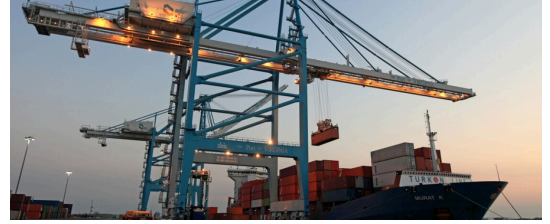




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