Government Finance Officers Association
The United States Conference of Mayors
National Association of Counties
National League of Cities
International City/County Management Association
National Association of Towns and Townships
National Association of State Auditors, Comptrollers and Treasurers
Airports Council International – North America
American Association of Port Authorities
American Hospital Association
American Planning Association
American Public Power Association
American Public Transportation Association
American Public Works Association
American Society of Civil Engineers
American Water Works Association
Association of American Medical Colleges
Association of Public and Land-grant Universities
Association of Metropolitan Water Agencies
Water Environment Federation
WateReuse Association
National Association of Clean Water Agencies
Council of Infrastructure Financing Authorities
Council of Development Finance Agencies
International Municipal Lawyers Association
International Public Management Association for Human Resources
Large Public Power Council
National Association of Municipal Advisors
National Association of Bond Lawyers
National Association of College and University Business Officers
National Association of Health and Educational Facilities Finance Authorities
National Association of Regional Councils
National Community Development Association
National Council of State Housing Agencies
National School Boards Association

December 6, 2017

VIA Electronic Mail

The Honorable Mitch McConnell
Majority Leader
U.S. Senate

The Honorable Charles Schumer
Minority Leader
U.S. Senate

The Honorable Paul Ryan
Speaker
U.S. House of Representatives

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives

Dear Majority Leader McConnell, Speaker Ryan and Minority Leaders Schumer and Pelosi:

On behalf of the national organizations listed above, representing hundreds of thousands of members of the municipal bond issuer and user community, and professionals who work for issuers, we write to express our deep concerns about the proposed federal income tax treatment of private activity bonds (PABs) and advance refunding bonds that are contained in the House and Senate versions of the *Tax Cuts and Jobs Act*. These financing tools are very important to the local communities you represent. PABs and advance refunding bonds are financing tools utilized by state and local governments, schools, local water systems, hospitals, airports, seaports, special districts, providers of student loans, and other public sector entities to provide efficient and low-cost financing of critical investments in infrastructure that will move this country forward.

Our support of all tax-exempt bonds is grounded in the harsh reality that a loss or restriction of the tax-exemption of interest on these bonds would immediately increase costs to state and local governments and nonprofit organizations (such as nonprofit hospitals, universities, and schools), in financing needed public services and the vital infrastructure that supports the economy. This increase in cost will ultimately be borne by taxpayers, homeowners, renters, students, healthcare patients, commuters, air travelers, businesses relying on seaports, and other constituents.

The utility of PABs goes beyond their importance to building traditional infrastructure such as roads and bridges. PABs provide lower cost funding for crucial elements of society that directly benefit your constituents by offering affordable options for the public in general and for those most vulnerable. By eliminating or reducing PABs, the federal government will undermine vital projects in numerous public service sectors including housing, hospitals, local water systems, airports, seaports, non-profit educational facilities including universities and charter schools, and other projects, many of which are ready for or under construction. If Congress were to follow through with this legislation, it would put into jeopardy job creation and economic growth. Thus, we urge you to protect in full, the current federal income tax treatment of PABs as envisioned by S. 1. Any effort to restrict or reduce the current federal income tax treatment of PABs will directly affect the availability and affordability of vital projects for which your constituents depend, including in some cases, your most vulnerable constituents.

Under current law, governmental bonds and 501(c)(3) bonds are permitted a single advance refunding. This allows public issuers to take advantage of reductions in interest rates to realize billions of dollars in savings, which ultimately benefits taxpayers. In fact, the Government Finance Officers Association (GFOA) best practices recommend an advance refunding should produce a minimum savings threshold on a present value basis of 3-5 percent. In 2016, the advance refunding of more than $120 billion of municipal securities saved taxpayers at least $3 billion, and this money stays in the pockets of your voters. The characterization of advance refunding bonds as an “abuse” fails to acknowledge the substantial savings to taxpayers this financing tool provides.

State and local governments and nonprofit users discovered that advance refunding bonds may be eliminated when H.R. 1 was released on November 2, 2017. This provided less than two months’ notice for bond users to accelerate financing plans with respect to planned advance refundings of outstanding bonds. For many local jurisdictions and other users, this is an insufficient amount of time to responsibly undertake a financing, taking into account local procurement and bond approval procedures that must be followed. Therefore, we are asking you to support delaying the effective date of the advance refunding provision to December 31, 2018, or to limit the provision to the advance refunding of bonds issued after December 31, 2017, thereby preserving to state and local governments the opportunity to achieve debt service savings for their taxpayers. This would be of immense help for planning and budgeting purposes for the local communities you represent, and the constituents we all put first.

For the above reasons, we urge you to oppose any change in the current federal income tax treatment of private activity bonds and to adjust the implementation provisions for advance refunding bonds.

Sincerely,

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The United States Conference of Mayors, Larry Jones, 202-861-6709
National Association of Counties, Jack Peterson, 202-661-8805
National League of Cities, Mike Wallace, 202-626-3023
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National Association of Towns and Townships, Jennifer Imo, 202-454-3947
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451
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American Association of Port Authorities, Susan Monteverde, 703-684-5700
American Hospital Association, Mike Rock, 202-638-1100
American Planning Association, Jason Jordan, 202-349-1005
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International Public Management Association for Human Resources, Neil Reichenberg, 703-549-7100
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National Association of Municipal Advisors, Susan Gaffney, 703-395-4896
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National Association of College and University Business Officers, Elizabeth Clark, 202-861-2553
National Assoc. of Health and Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311
National Association of Regional Councils, Leslie Wollack, 202-618-6363
National Community Development Association, Vicki Watson 202656-9552
National Council of State Housing Agencies, Garth Rieman, 202624-7710
National School Boards Association, Deborah Rigsby, 703-838-6208

CC: Members of the United States House of Representatives
Members of the United States Senate