June 24, 2016

Dear Senator Menendez:

The groups listed above strongly support the introduction of the Municipal Bond Market Support Act of 2016. This legislation is critical to communities across the United States and it mirrors bi-partisan legislation previously considered in the Senate, S. 1016, the Municipal Bond Market Support Act of 2011.

Companion legislation, HR 2229, has been introduced in the House where it also enjoys bi-partisan support.

The Municipal Bond Market Support Act of 2016 provides municipal governments increased access to bank-qualified debt by permanently raising the annual issuer limit from $10 million to $30 million annually, and allowing the benefit to apply at the borrower rather issuer level. The current $10 million limit was set in the Tax Reform Act of 1986 an amount equal to $5.4 million today. Bank qualified debt allows small governments and entities, to place their debt with local and community banks and by doing so, gives these communities access to the lower cost borrowing to build schools, roads, bridges, education, health facilities, and other public purpose projects. Selling bank-qualified bonds directly to local and community banks decreases debt issuance costs for governments by an estimated 25 – 40 basis points for several reasons – (1) Smaller, less-frequent issuers do not have to pay higher yields to investors due to investor unfamiliarity with the issuer’s jurisdiction and (2) Bank-qualified debt issuers do not have to pay transaction costs associated with traditional bond sales. A 25 – 40 basis points cost savings on a 15-year, $10 million bond at current interest rates ranges from $232,000 to $370,000, which is a substantial savings to smaller, less frequent issuers. The legislation is also helpful for local health and education facilities by allowing them to benefit from placing debt directly with banks.

Permanently increasing the cap to $30 million enables governments to more efficiently and effectively issue debt and be able to pass along the savings to taxpayers. Municipal Bond Market Support Act of 2016 represents significant progress in providing sensible, cost-effective financing solutions for many local governments and authorities, which the above associations representing state and local governments have called on for years.
Thank you for introducing this important legislation. We stand ready to assist you in getting it enacted into law.

Sincerely,

National League of Cities, Carolyn Coleman, 202-626-3023
National Association of Counties, Deborah Cox, 202-942-4286
The United States Conference of Mayors, Larry Jones, 202-861-6709
International City/County Management Association, Elizabeth Kellar, 202-962-3611
Government Finance Officers Association, Emily Swenson Brock, 202-393-8467
National Assn. of State Auditors, Comptrollers & Treasurers, Cornelia Chebinou, 202-624-5451
Council of Infrastructure Financing Authorities, Rick Farrell, 202-547-1866
National Assn. of Health & Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311
National Association of College and University Business Officers, Elizabeth Clark, 202-861-2553
National Council of State Housing Agencies, Garth Rieman, 202-624-5899
American Public Power Association, John Godfrey, 202-467-2929
American Hospital Association, Michael Rock, 202-638-1100
Bond Dealers of America, Jessica Giroux, 202-204-7905