

**Government Finance Officers Association
International City/County Management Association
International Municipal Lawyers Association
National Association of Counties
National Association of State Auditors, Comptrollers, and Treasurers
National Association of State Treasurers
National League of Cities
U.S. Conference of Mayors**

**American Public Power Association
Council of Development Finance Authorities
National Association of Local Housing Finance Agencies
National Association of College and University Business Officers
National Association of Health and Educational Facilities Finance Authorities**

**American Hospital Association
Bond Dealers of America
National Association of Bond Lawyers
National Association of Independent Public Finance Advisors
Securities Industry and Financial Markets Association**

May 4, 2012

The Honorable Barbara Boxer
Chairman
Committee on Environment and Public Works
United States Senate
410 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Mica
Chairman
Committee on Transportation and Infrastructure
U.S. House of Representatives
2165 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Boxer and Chairman Mica:

The organizations listed above support Section 40201 of S. 1813, the Senate *Highway Investment, Job Creation and Economic Growth Act of 2012*, and ask the conference committee to ensure its inclusion in the conference agreement to this legislation. This section is critical to communities across the United States and it mirrors the intent of bi-partisan legislation introduced by Senators Bingaman and Crapo last year, S. 1016, the *Municipal Bond Market Support Act of 2011*.

Section 40201 provides smaller municipal governments and nonprofit health and education facilities, increased access to bank-qualified debt by raising the annual issuer limit from \$10 million to \$30 million annually. Bank-qualified debt is a critical form of financing where small governments and authorities directly involve local and community banks in the infrastructure financing process. Many times, this allows these issuers to bypass the costly administrative process of issuing bonds in the open market and can lower the borrowing costs on their debt by as much as 50 basis points. In return, local and community banks invest in infrastructure projects, including transportation projects, in their communities — projects that local banks are familiar with from both a management and fiscal perspective. Banks that provide capital through bank-qualified debt are exempt from having a portion of their interest expense related to tax exempt bond purchases disallowed under the Internal Revenue Code. This joint effort results in millions of dollars of savings that has a direct positive effect of generating jobs and providing critical infrastructure improvements in thousands of communities across the country.

Section 40201 increases the “bank qualified” debt limit to \$30 million annually and applies the limit on a borrower-by-borrower basis (the latter so that issuers can assist small governmental and nonprofit borrowers). The provision would apply to bank-qualified debt issued after June 30, 2012 and before July 1, 2013. The existing \$10 million limit was created in *The Tax Reform Act of 1986* and was not indexed for inflation effectively setting it at only \$5.4 million today. For over 25 years our organizations have called on Congress to increase the bank qualified limit and index it to inflation. This amendment will achieve this goal in the short-term, while S. 1016 would make these changes permanent.

We strongly encourage you to include this important provision in the conference agreement. This will ensure that smaller governments and authorities are able to easily and more affordably access the capital markets.

Sincerely,

Government Finance Officers Association, Susan Gaffney, 202-393-8468
International City/County Management Association, Elizabeth Kellar, 202-962-3611
International Municipal Lawyers Association, Chuck Thompson, 202-742-1016
National Association of Counties, Mike Belarmino, 202-942-4254
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451
National Association of State Treasurers, Peter Barrett, 202-624-8592
National League of Cities, Lars Etzkorn, 202-626-3173
U.S. Conference of Mayors, Larry Jones, 202-861-6709

American Public Power Association, John Godfrey, 202-467-2929
Council of Development Finance Agencies, Toby Rittner, 216-920-3095
National Association of Local Housing Finance Agencies, John Murphy, 202-367-1197
National Association of College and University Business Officers, Elizabeth Clark, 202-861-2553
National Assn. of Health and Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311

American Hospital Association, Mike Rock, 202-638-1100
Bond Dealers of America, Michael Nicholas, 202.204.7900
National Association of Bond Lawyers, Bill Daly, 202-503-3300
National Association of Independent Finance Advisors, Colette Irwin-Knott, 317-465-1504
Securities Industry and Financial Markets Association, Michael Decker, 202-962-7430

cc: Conferees, Transportation Authorization legislation