November XX, 2021

The Honorable YY

U.S. Senate

ZZ Senate Office Building

Washington, DC 20510

**RE: Municipal Bonds and Infrastructure Investment**

Dear Senator(s) YY,

On behalf of [Name of Jurisdiction], we write in support of the federal partnership represented by the tax-exemption for municipal securities and the effective use of that tax exemption for communities across the country like ours. Tax-exempt bonds are the primary mechanism through which state and local governments, like [Name of Jurisdiction], raise capital to finance a wide range of essential public projects. For our city/county/etc., we have issued [If available insert issuance data for your jurisdiction over a 5 or 10-year period] to address our capital needs, etc. For over 100 years, the municipal bond market has worked fairly and efficiently to address those needs, as it has for other communities whether rural or urban.

We appreciate the focus on Capitol Hill in recent months on infrastructure, in particular given the critical developments recently. Now is the time to enhance the finance tools available to spur public investment in infrastructure because our country’s needs were amplified by the COVID-19 pandemic. As the broad diversity of funding the recently enacted federal infrastructure legislation demonstrates, municipal bonds finance infrastructure projects that go well beyond just roads and bridges. Everything from the construction and preservation of roads, airports, highways, bridges, public transportation, affordable housing, water and wastewater, schools, libraries, town halls, nonprofit hospitals and universities, and electric power and gas facilities are just a few examples among a multitude of public projects that rely on tax-exempt municipal bonds. In our jurisdiction alone [Insert infrastructure projects financed whole or in part] and their impact or how they address a local need.

**Above all else, we underscore our commitment to preserving the tax exemption on municipal bonds.** Elimination, reduction, or capping of the tax exemption would pose immediate increased costs to the critical projects financed by state and local issuers. Added costs to capital projects would force state and local governments, already budget-strained by the ongoing pandemic, to make difficult and pro-recessionary choices. Furthermore, increased costs would ultimately be borne by the American taxpayer.

There is broad bipartisan support in Congress to enhance municipal bonds for state and local governments, thereby providing a more powerful, cost-effective way to drive further investment and economic growth. We urge members of Congress to join in supporting these bipartisan provisions that would further unlock the potential of the critical federal funding included in recently enacted legislation.

In particular, budget legislation still under debate previously included the following provisions in the section marked up by the House Ways and Means Committee in September. We strongly urge for their inclusion in the legislation moving forward:

**Restore the Tax-Exemption for Advance Refunding Bonds**: Before January 1, 2018, municipal issuers were able to issue single tax-exempt advance refunding bonds prior to 90 days before call. This critical tool allowed state and local governments to effectively refinance their outstanding debt in order to take advantage of more favorable interest rate environments or covenant terms. Advance refunding bonds frequently provided issuers with the flexibility to lower debt servicing charges that would otherwise be a fixed cost. The Government Finance Officers Association (GFOA) found that between 2007 and 2017, there were over 12,000 tax-exempt advance refunding issuances nationwide which generated over $18 billion in savings for tax and ratepayers over the ten-year period. [INSERT For our city/county/etc., the ability to issue tax-exempt advance refunding bonds saved us $AA over a BB year period. The savings experienced allowed us to...]

Prior to their elimination in the Tax Cuts and Jobs Act (“TCJA”) (P.L. 115-97), advance refunding bonds made up approximately 27 percent of issues in 2016. Restoration of this tax exemption would require an act of Congress, but would be one of the most effective actions to provide state and local governments with more financial flexibility to weather downturns and increase infrastructure investment.

**Support Small Issuers:** [Include this section if applicable to your jurisdiction, and personalize with any data/info you can provide] We recommend exploring additional ways to enhance the ability for smaller issuers to access capital. We believe that targeted easing of capital requirements along with minor changes to the U.S. Tax Code would further strengthen access to bank loans and lines of credits for smaller issuers and borrowers in the case of nonprofits. Often in smaller communities, the relationship between an issuer and the community bank is the primary source of capital. Limitations on the deductibility of carrying costs, as well as stressed capital requirements and asset caps placed on banks, constrain their ability to meet the credit needs of small issuers. There are current bipartisan legislative efforts on Capitol Hill that many of our groups support to expand the number of small governments and nonprofits eligible to benefit from “bank qualified debt” and provide an enhanced purchaser in our markets to further diversify sources of credit to state and local governments.

We are happy to answer any questions you or your staff might have and have included the contact information for our staff. We look forward to hearing from and working with you.

Sincerely,