

**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,

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cc: Conferees, Transportation Authorization legislation