

March 19, 2013

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader Reid and Minority Leader McConnell:

As the Senate prepares to consider the fiscal year 2014 Concurrent Budget Resolution, we are writing to raise a serious concern regarding the future treatment of tax-exempt municipal bonds as part of any upcoming tax reform efforts. The current Senate Budget Resolution suggests the possibility of a cap being placed on tax expenditures – which could include the exemption for interest earned on municipal bonds.

Tax-exempt municipal bonds were included in the United States tax code in 1913. They remain the primary method used by states and local governments to finance public capital improvements and public infrastructure projects that are essential to creating jobs, sustaining economic growth and improving the quality of life for Americans in every corner of this country.

Tax-exempt municipal bonds are the main financing tool used to meet public infrastructure needs – including highways, bridges, local streets, public transit, airports, water and sewer, general acute-care hospitals, primary and secondary schools, and county jails.

Please consider the following:

- **Muni bonds are currently funding over \$3.7 trillion worth of essential infrastructure.** Ninety (90) percent of infrastructure muni-bonds financing went to schools, hospitals, water and sewer facilities, public power utilities, roads and public transit over the last 10 years
- In 2012 alone, more than 6,600 tax-exempt municipal bonds financed more than \$179 billion worth of infrastructure projects

Eliminating the deduction or including it as part of any cap on deductions would increase the borrowing costs that public entities will have to pay for infrastructure improvements. The effect will be increased costs to the public for infrastructure and therefore less funding for teachers, fire and police officers, hospital workers, librarians, and construction and maintenance workers. Any change to the tax-exempt status of municipal bonds will ultimately result in less overall infrastructure spending, fewer jobs and dampened economic activity.

The Federal government plays a critical role in the financing of public infrastructure projects through municipal bonds – an appropriate role given the public benefits that result from these projects. **Therefore, as you consider the fiscal year 2014 Concurrent Budget Resolution, we urge you to make clear that any comprehensive tax reform does not eliminate or cap the current tax-exempt deduction of municipal bond interest.**

Airports Council International – North America
American Association of Airport Executives
American Association of State Highway and Transportation Officials
American Concrete Pavement Association
American Concrete Pressure Pipe Association
American Council of Engineering Companies

American Federation of State County and Municipal Employees
American Federation of Teachers
American Public Power Association
American Public Transportation Association
American Public Works Association
American Road and Transportation Builders Association
American Society of Civil Engineers
American Sport Fishing Association
American Traffic Safety Services Association
Associated Equipment Distributors
Association of Equipment Manufacturers
Association of Metropolitan Planning Organizations
Chesapeake Bay Foundation
Construction Management Association of America
Council of Infrastructure Financing Authorities
Distribution Contractors Association
Food and Water Watch
Government Finance Officers Association
International City/County Management Association
International Economic Development Council
International Public Management Association of Human Resources
International Union of Operating Engineers
Laborers' International Union of North America
National Asphalt Pavement Association
National Association for County Community and Economic Development
National Association of Clean Water Agencies
National Association of Counties
National Association of County and City Health Officials
National Association of County Behavioral Health And Developmental Disability Directors
National Association of County Collectors, Treasurers and Finance Officers
National Association of County Engineers
National Association of Development Organizations
National Association of Federally Impacted Schools
National Association of Health and Educational Facilities Finance Authorities
National Association of Local Housing Finance Agencies
National Association of Regional Councils
National Association of State Auditors, Comptrollers and Treasurers
National Association of State Treasurers
National Association of Towns and Townships
National Community Development Association
National Council of State Housing Agencies
National Latino Farmers and Ranchers Trade Association
National League of Cities
National School Boards Association
National Urban League
National Utility Contractors Association
National Waterways Conference, Inc.
Portland Cement Association
The Associated General Contractors of America
The Council of State Governments
The National Grange
U.S. Conference of Mayors
Water Environment Federation