

**Government Finance Officers Association**  
**Airports Council International-North America**  
**American Public Gas Association**  
**American Public Power Association**  
**American Public Works Association**  
**American Society of Civil Engineers**  
**American Water Works Association**  
**Association of Metropolitan Water Agencies**  
**Council of Infrastructure Financing Authorities**  
**International City/County Management Association**  
**Large Public Power Council**  
**National Association of Health and Educational Facilities Finance Authorities**  
**National Association of State Auditors, Comptrollers and Treasurers**  
**National Association of Clean Water Agencies**  
**National Association of College and University Business Officers**  
**National Association of Counties**  
**National Association of Regional Councils**  
**National Association of State Treasurers**  
**National Community Development Association**  
**National League of Cities**  
**National Association of Towns and Townships**  
**National Council of State Housing Agencies**  
**National School Boards Association**  
**The United States Conference of Mayors**  
**Water Environment Federation**

January 28, 2021

The Honorable Janet L. Yellen  
United States Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**RE: Congratulations from the Public Finance Network**

Dear Secretary Yellen,

On behalf of the municipal issuer representative groups listed above, we offer our congratulations on your confirmation to serve as Secretary of the United States Treasury. We have long shared a robust partnership with various administrations and the career staff of the U.S. Treasury to further our shared goal of building stronger, healthier communities. We offer our members and our professional staff to serve as resources to

you, your team and the staff of the U.S. Treasury, as you set out to address the fiscal and monetary challenges facing our nation.

Members of our collective groups rely significantly on the federal partnership represented by the tax-exemption for municipal securities and the effective use of that tax exemption for their own communities. Tax-exempt bonds are the primary mechanism through which state and local governments raise capital to finance a wide range of essential public projects. The volume of municipal bond issuance for the period from 2009 to 2019 amounted to **\$4.2 trillion**. Communities across the country depend on strong, substantive federal tax policy for state and local governments to meet their capital needs. For over 100 years, the municipal bond market has worked fairly and efficiently to address these needs, whether it is in our largest states and cities or the rural areas across the United States.

It is that shared priority that brings us together today to write to you. We welcome the chance to meet with you and your team as individual organizations or as a collective group. We also wish to broadly outline our shared priorities and recommendations for your consideration.

Preserve the Tax-Exemption on Qualified Municipal Securities: Above all else, our cohesion is centered around our commitment to preserving the tax exemption itself 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.

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. 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: 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. 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. GFOA, USCM, NLC, NACo, ICMA, NAHEFFA and APPA have supported bipartisan legislative efforts like the “Municipal Bond Market Support Act of 2019” (H.R. 3967), which would greatly expand the number of small issuers eligible to issue “bank qualified debt” and provide an additional purchaser in our markets to further diversify sources of credit to state and local governments.

Provide Direct Fiscal Support: We have consistently and strongly urged Congress to provide additional aid to state and local governments throughout the COVID-19 pandemic. Managing the implementation of the already-appropriated funds such as the Coronavirus Relief Fund and the Emergency Rental Assistance Program has taken significant work by the Office of the General Counsel and the Office of the Inspector General of the U.S. Treasury. We appreciate the outreach of the ongoing and newly appointed staff in the beginning stages of the transition and their attention to administrative detail in implementing as the impact COVID-19 has had on state and local governments has been extraordinary. Providing services to communities while simultaneously responding to the ongoing public health crisis, which persists without an end date, increases the need for clear, effective communication from the U.S. Treasury as well as additional flexible funding for state and local governments to ensure the stability of our nation.

Support the Office of State and Local Finance and Designate a Dedicated Municipal Bond Expert to the Tax Policy Team: One of our closest relationships with the U.S. Treasury has been the Office of Tax Policy. For many years, issuers turned to dedicated staffers on the team for expertise in the federal tax issues relating to state and local bonds. This expertise in the tax rules for qualified municipal securities and the manner in which the municipal bond markets operate had long been effective in drafting and implementing tax policy in the tax-exempt domain. While we maintain a strong relationship with, and appreciate the tremendous work of the Office of Tax Policy, there has not been a dedicated staffer working on issues in this area since it was vacated in 2019. Filling this role would allow Treasury to better meet the diverse needs of municipal issuers. Additionally, since the creation of the Office of State and Local Finance, communities have recognized that it has been a useful line of communication from the U.S. Treasury to state and local governments. The public finance community appreciates their outreach and research efforts and we look forward to continuing this going forward.

Finally, we would like to reiterate that as a collective group, and through our individual organizations we are here to serve as resources for you and your team. If you should need issue area expertise on specific sectors of our markets, we have included the contact information for the policy directors of the signing organizations. Congratulations on your confirmation and we look forward to hearing from and working with you.

Sincerely,

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Members of the US Senate Finance Committee