

**Government Finance Officers Association
International City/County Management Association
National Association of Counties
National Association of State Auditors, Comptrollers and Treasurers
National League of Cities
U.S. Conference of Mayors
American Association of School Administrators
American Public Power Association
Council of Development Finance Agencies
Council of Infrastructure Financing Authorities
Education Finance Council**

December 18, 2008

The Honorable Richard Neal
U.S. House of Representatives
2208 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Neal:

The organizations listed above wish to thank you for introducing legislation that helps state and local governments across the nation. H.R. 7336 would provide welcome and needed relief to entities that issue private activity bonds, as well as to the broader municipal securities market. As state and local governments continue to face the challenges brought on by the global credit crisis, legislative actions such as this will help attract more buyers to the market, resulting in interest savings for issuers, and ultimately, taxpayers. On behalf of our tens of thousands of members, we strongly support this legislation.

The application of the AMT on private activity bonds forces the bonds to be issued at higher yields. Under normal market conditions, experts estimate that it costs an issuer 25-30 more in basis points when issuing an AMT bond compared to a non-AMT bond. However, with the recent freezing of the municipal credit market, those numbers have risen to as high as 100 basis points. This correlates to increased costs for various infrastructure projects including airports, docks and other transportation-related facilities; water, sewer and other utility facilities; and solid and hazardous waste disposal facilities. .

In addition, the interest on traditional governmental bonds - as well as private activity bonds--is included for purposes of certain corporate AMT calculations. Thus, the impact of the corporate AMT also makes these securities less attractive to buyers. The *Housing and Economic Recovery Act of 2008* partially addressed this issue by eliminating any application of the corporate AMT to private activity bonds for housing. Therefore, we would suggest that the legislation be further enhanced by eliminating application of the corporate AMT penalty that currently exists on all governmental and private activity bonds in order to provide the greatest benefit to state and local governments, and to eliminate any disparity between housing bonds, governmental bonds, and other private activity bonds.

As Congress looks for ways to spur economic growth and create jobs, allowing for greater efficiencies in the municipal debt market – as encompassed in H.R. 7336 as well as the *Municipal Bond Market Support Act of 2008* (H.R. 6333) - will provide better funding options for essential infrastructure projects and create jobs across the country. We look forward to working with you and your staff on these and other issues of importance to state and local governments, and greatly appreciate your continued leadership on issues that are important to the municipal bond market.

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