

# THE FIGHT TO PRESERVE TAX-EXEMPT BONDS



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The development finance industry has been tested this year, and CDFA is working hard to demonstrate the resiliency of this industry. Tax-exempt bonds are facing market and investment challenges and Congressional attacks. Congress and the White House are

actively considering alternative and largely unproven bond finance structures, and one think tank recently suggested that tax-exempt bonds were inefficient, despite a 30-year record of investment and job creation.

We have heard rumblings of tax reform and calls for the elimination of tax-exempt bonds. In August, the debt ceiling and deficit reduction deal called for the creation of a bipartisan, 12-person panel tasked with finding an extra \$1.2 trillion in spending cuts, and CDFA sources indicated that the panel would consider the elimination of tax-exempt bonds. In September, the President proposed a jobs bill placing limits on tax-exempt bond interest exemptions, virtually eliminating one-third of the investor pool for tax-exempt bonds and affecting state and local government considerably.

These events have made CDFA stand taller and fight harder.

CDFA began its tax-exempt bond preservation campaign in June and has continued to rally the

development finance community behind preserving tax-exempt bonds. See the sidebar for more on CDFA's campaign to preserve tax-exempt bonds.

## CDFA *Built by Bonds* Publication

CDFA's campaign to preserve tax-exempt bonds is highlighted by a special publication titled, *Built by Bonds*. This publication provides the definitive defense of tax-exempts and profiles three projects from all 50 states. The 150 project snapshots emphasize investment and job creation. We have reached over 15,000 finance professionals with the publication and have hand-delivered copies to members of Congress with the help of dedicated CDFA members.

It is true that over the past three years, during the economic recession, tax-exempt bonds have faced challenges. Volume for tax-exempt bonds is at a decade low for reasons including the uncertainty of the national economic outlook and pressures on state and local budgets. Bond volume is tied to overall market health, and it makes sense that volume in the current bond market is diminished as uncertainties are affecting issuer, underwriter, and investor decision making.

Nonetheless, the value of tax-exempt bonds cannot be underscored enough. Interest rates for tax-exempts are at an all-time low, making tax-exempt borrowing extremely attractive to state and local governments with pent-up capital needs. The rate environment also provides options for private borrowers, including greater flexibility compared to conventional lending. In addition, the appetite for tax-exempt bonds remains strong from investors.

If eliminated, the interest rates on what would now amount to taxable bonds would rise dramatically, almost certainly resulting in a period of stagnation within state and local governments. Important infrastructure, education, health care, and community amenity projects would be delayed, scaled back, or eliminated.

Hundreds of organizations, issuers, underwriters, bankers, bond counsels, and other advocates have assisted CDFA in our

efforts to preserve tax-exempt bonds. To learn more about CDFA's legislative efforts visit [www.cdfa.net](http://www.cdfa.net)

## The CDFA campaign to preserve tax-exempt bonds has included the following activities:

### June

- Letter sent to each member of Congress supporting tax-exempt bonds
- Call to Action: CDFA began collecting case studies from all 50 states

### July

- CDFA continued collecting tax-exempt bond case studies
- Research efforts began for CDFA's new *Built by Bonds* publication
- Call for support of new publication

### August

- CDFA continued collecting tax-exempt bond case studies
- Research and writing of new *Built by Bonds* publication
- Letters sent to each member of the Super Committee supporting the preservation of tax-exempt bonds
- Early mobilization efforts among 22 national organization to preserve tax-exempt bonds
- Announced Capitol Hill Day

### September

- Signed on to letter sent to Super Committee with 22 organizations supporting the preservation of tax-exempt bonds
- Continued drafting *Built by Bonds* articles and case studies
- Completed numerous meetings on the Hill with Super Committee members
- Continued meetings with other public finance agencies on efforts
- Sent letters to all members of Congress supporting tax-exempt bonds
- Briefed attendees at conferences in California and Washington, DC on threat to tax-exempt bonds

### October

- Completed *Built by Bonds* publication
- Sent publication to over 15,000 bond finance industry stakeholders including members of Congress and the administration

### November

- Released *Built by Bonds* publication on Capitol Hill
- Completed Capitol Hill Day with numerous constituents
- Held briefing with Congressional staffers about the importance and preservation of tax-exempt bonds