

2012 POLICY AGENDA



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CDFA is one of the strongest voices on Capitol Hill advocating for issues that affect the development finance industry, and every year the Council releases an updated comprehensive policy agenda to help guide these efforts.

Last year, the Council was heavily focused

on defending and preserving tax-exempt bonds and the important federal financing tools in our toolbox. CDFA was successful in 2011 in these efforts with the release of the highly acclaimed *Built by Bonds*, which ensured the preservation of tax-exempt bonds going forward.

The CDFA Legislative Committee and CDFA Board of Directors are proud to announce the 2012 CDFA Policy Agenda. This year's agenda builds on the success of last year's efforts and presents concrete legislative solutions for making tax-exempt bonds and federal financing programs more effective. For 2012, CDFA will focus on the following overarching policy areas and subsequent direct legislative priorities.

Policy Area 1: Maximize & Improve Private Activity Bonds (PABs)

Private Activity Bonds (PABs) represent one of the most effective financing tools used by state and local governments to support capital improvements and encourage private investment. Over the past three decades, PABs have spurred job creation, manufacturing expansion, infrastructure investment, renewable energy development, health care expansion, educational advancements, and a vast amount of local economic development growth. To support this policy area, CDFA continuously works to improve the use of PABs through legislative improvements to the laws governing this important financing tool.

Industrial Development Bonds (IDBs) and 501(c)(3) Bonds are two particular areas of PABs that require immediate attention by Congress. To address outdated provisions related to IDBs and 501(c)(3) Bonds, CDFA has outlined the following priorities:

1. Renew the expanded definition of manufacturing for the use of IDBs to include tangible and intangible production.
2. Renew the allowance for "functionally related and subordinate" components to be eligible for IDB financing.
3. Expand 2% de minimus rule to financial institutions in relationship to IDBs.
4. Increase the capital expenditure limitation for IDBs from \$20 million to \$40 million, or remove this limitation entirely.
5. Eliminate the restriction on the use of accelerated depreciation by companies using IDB financing.
6. Increase the maximum IDB bond size limitation from \$10 million to \$30 million.



7. Expand and raise the small issuer limit for bank deductibility on IDBs and 501(c)(3) bonds to \$30 million from \$10 million and allow the limit to be applied to the borrower instead of the conduit issuer.
8. Permanently authorize the elimination of the alternative minimum tax (AMT) for tax-exempt bonds.

To address regulatory issues related to general PAB use, CDFA has outlined the following priorities:

1. Establish a strong working relationship with the Municipal Securities Rulemaking Board (MSRB) to enhance issuer and underwriter understanding of municipal bond financing.
2. Establish a strong working relationship with the Internal Revenue Service Tax Exempt Bond (TEB) division to enhance issuer and underwriter understanding of municipal bond financing.
3. Establish a strong working relationship with the U.S. Securities and Exchange Commission (SEC) to enhance issuer and underwriter understanding of municipal bond financing.

Policy Area 2: Advocate for Energy Financing Programs & Infrastructure

CDFA is an advocate for the continued development of financing tools that support renewable energy production and infrastructure. However, the federal development finance toolbox for supporting local renewable energy projects has diminished, and new federal programming is necessary to spur ongoing investment in this industry. To support this policy area, CDFA has identified the following legislative goals aimed at expanding these types of financing programs:

1. Create a new qualifying purpose for the exempt facilities category of PABs under the Internal Revenue Code named “renewable energy facilities” that includes allowances for assisting manufacturers with projects that encompass energy generation, transmission, and the sale of power.
2. Support the permanent renewal and extension of federal tax credit programs for energy production and investment.

3. Support the extension and increased authority of both the Qualified Energy Conservation Bond (QECB) and Clean Renewable Energy Bond (CREB) programs.
4. Recommend and suggest new financing structures and/or improved methodology that can enable the federal government to support local renewable energy development, such as infrastructure banks, Property Assessed Clean Energy (PACE) bonds, and loan guarantee programs.

Policy Area 3: Advocate for Sound Practices in the Use of Tax Increment Finance (TIF)

CDFA has established the national Tax Increment Finance Coalition (TIFC), which has become the leading advocate for the sound use of TIF. The TIFC will continue to:

1. Provide a national forum for tax increment finance users, service providers, and industry experts to share ideas, provide education, exchange knowledge, and promulgate best practices for this transformational tool.
2. Continue to develop and enhance CDFA's resource collection related to TIF, which provides one singular clearinghouse of resources, publications, research, documentation, state statutes, etc. on this topic.

Policy Area 4: Support Federal Financing Programs

The federal government provides a wide variety of financing opportunities for state and local development finance needs. To support the ongoing ability of the federal government to offer these programs, CDFA has established the following priorities to support in 2012:

1. Support and work with industry partners to extend and permanently reauthorize the highly popular and successful federal New Markets Tax Credit (NMTC) program.
2. Support and work with industry partners to extend and permanently reauthorize the successful and growing Immigrant Investor Program, more commonly known as EB-5.

3. Firmly establish the Federal Economic Development Finance Working Group as a collaborative initiative between public, private, and non-profit institutions in the development finance industry.
4. Update, on an ongoing basis, the CDFA Federal Financing Clearinghouse for CDFA members to access information on all federal development finance programs.
5. Support the programming and funding efforts of the DOE, HUD, EDA, USDA, CDFI, SBA, DOL, EPA, and other federal agencies, as well as the efforts of the federal government to update and improve the programming offered by these agencies.

In 2012, CDFA is planning an aggressive campaign to address development finance at the federal level. Through our Capitol Hill Days and ongoing legislative work with Congress, the Council is poised to make a positive impact on the development finance industry. As part of these efforts, CDFA will be awarding its first ever CDFA Federal Development Finance Leadership Award to an individual within the federal government who has advanced the cause of our industry. To nominate an individual, visit www.cdfa.net today.

Contact Erin Tehan at etehan@cdfa.net to get engaged.

Support Legislative Affairs in 2012

CDFA has a rich history of affecting change on Capitol Hill, and we need your help in 2012. Get engaged:

Legislative Committee – Members are encouraged to join the CDFA Legislative Committee to be part of the action.

March 14 – Capitol Hill Day
August 1 – Capitol Hill Day