

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **GFOA: August Recess Is Here - Are you Ready?**

Throughout the month of August, your congressional delegation typically puts business on hold in Washington D.C. and heads home. The August Recess is designed to give members of Congress and their staff some time to reorient themselves, so it's one of the very best times for constituents to meet with their members of Congress. Your advocacy during this period of time means the most because it allows your Congressional member to come face-to-face with the impact of federal preemption legislation, especially because of the deep fiscal impacts these have on localities within their districts. In the next several weeks, please consider meeting with your members of Congress and discussing the key 2016 issues below.

### **Bank-Qualified Debt Legislation**

Bank-qualified bonds were created in 1986 to encourage banks to invest in tax-exempt bonds from smaller, less-frequent municipal bond issuers, and to provide municipalities with access to the lower-cost borrowing that they need in order to provide services and invest in schools, roads, bridges, and other projects. Governments issuing \$10 million or less in bonds per calendar year can designate those bonds as bank-qualified, which allows them to bypass the traditional underwriting system and sell their tax-exempt bonds directly to local banks. But since bank-qualified bonds were created in 1986, the program's \$10 million cap has not kept pace with inflation or the cost of labor, land, and materials associated with most public infrastructure projects. Increasing the cap to \$30 million not only brings the program into the modern age but also enables governments to increase the amount of bank-qualified bonds they can issue and realize corresponding cost savings. For example, a cost savings of 25 to 40 basis points on a 15-year, \$30 million bond at current interest rates ranges from \$696,000 to \$1.1 million.

[Senator, SUPPORT & COSPONSOR S3257, the Municipal Bond Market Support Act of 2016](#)  
[Representative, SUPPORT & COSPONSOR HR2229, Municipal Bond Market Support Act of 2015](#)

### **Preservation of the Tax Exemption on Municipal Bonds**

On November 8, 2016, voters across the United States will not only elect a new president but will also fill 34 Senate seats and all 435 House seats. Moving into the 115th Congress, elected officials are thinking about which proposals will make a significant impact in the post-election season. Now is the time for state and local governments to make sure Congress understands the issues that are of crucial importance to their communities—such as preserving the tax exemption on municipal bonds. The tax exemption on municipal bonds is an essential tool for jurisdictions across the United States for the creation and maintenance of infrastructure.

What needs to be communicated to senators and representatives: 1) it is essential for my jurisdiction that you preserve this critical public financing tool to promote job creation and improve the nation's infrastructure; and 2) We request that you ensure that state and local governments retain the authority to set their own tax policies.

**What can I do?**

**Step 1:** Figure out where your member of Congress will be and when during August. They often travel around the district while at home. Be sure to ask to set an appointment, preferably when you can get to sit down in a relaxed setting. [This link](#) will direct you to your senators' and representative's local contact information.

**Step 2:** Draft an op-ed and send it to your local newspaper. Your local paper is an extremely powerful mode of communication, and an op-ed piece that articulates your position on current legislation will be widely distributed for your entire district to read. GFOA's suite of advocacy materials, available on GFOA's Federal Government Liaison webpage, provides information you can use to craft a general message—but make sure to emphasize the infrastructure unique to your jurisdiction.

**Step 3:** If you do schedule an appointment with your member of Congress or his or her staff, or if you plan to see him or her at a local event, glance at the [talking points for Bank-Qualified Debt](#) and the talking points for [preserving the tax exemption](#), and feel free to add in as many district-specific descriptive details as possible.

Please let [Emily Brock](#), director of the Federal Liaison Center, know if you need any additional information, when your op-ed goes to print, and if you do have a discussion with your member of Congress. We look forward to working with you during the August Recess.

GOVERNMENT FINANCE OFFICERS OF AMERICA

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