November 8, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

Today we write in strong support of maintaining the tax-exempt status for Private Activity Bonds (PABs). As you are aware, Section 3601 of the House bill, the Tax Cuts and Jobs Act (H.R. 1), calls for the termination of tax-exempt private activity bonds. This provision severely conflicts with the need to deploy all types of funding sources for infrastructure improvements, including private capital. Ultimately, it would raise costs for most such projects, regardless of how they are financed.

In a time when all levels of government are struggling to meet their infrastructure needs, PABs are a crucial financing tool. PABs are traditionally the means of tax exempt financing for surface transportation projects, airports, port facilities, water and wastewater facilities, multi-family housing projects and certain other exempt facility bond projects. PABs also include bonds for schools, universities, and hospitals. In total states can issue PABs to a subset of 22 activities. Removing this tool will have a far reaching impact across all classes of infrastructure.

Terminating PABs is ill-advised as their issuance has steadily increased from the $10-$15 billion range that was the commonplace since 2008. In fact, according to the Council of Development Finance Agencies, total private activity bond issuance in 2016 increased significantly over 2015, from $12.98 billion to $20.38 billion. Preserving PABs, enhancing them for certain infrastructure projects and expanding them to public buildings should be the priority in tax reform, rather than terminating them.

Abruptly ending this incentive for private sector financing would further constrain available funding for certain infrastructure projects. It is therefore likely that many future projects would never be built or would cost significantly more. Thus, the public would never fully enjoy the economic, quality of life and other benefits from these projects. Moreover, the absence of PABs could increase funding pressures on states, leading to the elimination or delay of all manner of planned projects, including those to be funded exclusively with public dollars.

It is also important to note that, while the Trump Administration has not yet released a detailed infrastructure proposal, it has publicly stated that its parameters will include $200 billion in new funding, which will be meant to leverage $800 billion in additional investment, including private capital. In fact, the Administration’s FY 2018 budget proposal recommended lifting the $15 billion cap on the use of PABs for surface transportation projects, and expanding PABs’ eligibility. Any objective assessment would conclude that terminating the use of PABs will make these levels of infrastructure investment much more difficult to achieve, if not impossible.

For all these reasons, we respectfully urge you to preserve the tax-exempt status for PABs or even enhance them for certain infrastructure projects, including transportation and water and waste water
projects, as well as expanding them to public buildings. Thank you for considering our views at this important time.

Sincerely,

Airports Council International – North America
American Association of Port Authorities
American Concrete Pipe Association
American Council of Engineering Companies
American Highway Users Alliance
American Institute of Steel Construction/National Steel Bridge Alliance
American Investment Council
American Iron and Steel Institute
American Public Transportation Association
American Road & Transportation Builders Association
American Society of Civil Engineers
American Traffic Safety Services Association
Associated Equipment Distributors
Associated General Contractors of America
Association for the Improvement of American Infrastructure
BPC-Action
Building America's Future
Design-Build Institute of America
International Union of Operating Engineers
Laborers International Union of North America
National Alliance for Public Charter Schools
National Association of Water Companies
National Council for Public-Private Partnerships
National Electrical Contractors Association
National League of Cities
National Stone, Sand and Gravel Association
National Utility Contractors Association
Portland Cement Association
Reason Foundation
Rebuild America's Schools

cc: Senate Finance Committee Members