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July 6, 2016

The Honorable Robert Menendez
United States Senate
528 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Menendez:

I am writing on behalf of the National Association of Bond Lawyers (NABL) to express our support for the *Municipal Bond Market Support Act of 2016*. NABL members represent thousands of issuers of governmental bonds nationally, many of them smaller jurisdictions that would particularly benefit from the market-broadening effect of the bill.

Smaller issuers of tax-exempt bonds have greater difficulty selling their bonds in the public markets than larger issuers because many investors are not willing to invest in the projects of smaller issuers when there are larger, better known issuers. In addition, the costs of selling bonds in the public markets represent a larger proportion of a $10 million issue than of a $250 million issue. This makes it more expensive for smaller issuers, including governments, nonprofit hospitals, nonprofit colleges and secondary (*e.g.*, K-8 or K-12) schools and cultural institutions, to finance the infrastructure they need to provide services to their constituents.

Congress, in the *Tax Reform Act of 1986*, recognized this problem and provided a special rule to encourage banks, often local community banks, to purchase the bonds of smaller issuers. Congress set the limit at $10 million of bonds issued per year but did not provide for that amount to be indexed for inflation. In terms of impact, $10 million today purchases less than half of what it did in 1986. The *Municipal Bond Market Support Act of 2016* would remedy this problem by increasing the limit to $30 million per year and indexing it for inflation going forward.

The *Municipal Bond Market Support Act of 2016* would improve upon current law in other ways. First, for “qualified 501(c)(3) bonds” generally, the bill would treat the 501(c)(3) organization as the issuer of the bond, thus removing an ambiguity in current law and making clear that these charitable organizations have the benefit of the provision.

Second many smaller borrowers, including nonprofit hospitals, colleges and secondary schools, and small local governments, finance their capital improvements through pooled issuances, where a larger bond issue is sold to make individual loans to the smaller borrowers to finance their capital projects. Under current law, if the overall size of the issue exceeds $10 million, the issue is ineligible for the favorable bank-qualified treatment. The *Municipal Bond Market*

Support Act of 2016 would provide that the limit be applied to each "qualified portion" of the larger pooled bond issue, each such portion being defined based on the ultimate borrower of the bond proceeds.

The National Association of Bond Lawyers was organized in 1979 for the purposes of educating its members and others in the law relating to state and municipal bonds, providing a forum for the exchange of ideas as to law and practice, and providing advice and comment at the federal, state and local levels with respect to legislation affecting state and municipal obligations. Currently, NABL has approximately 2,800 members throughout the United States. If you have any questions, please contact NABL's Director of Governmental Affairs, Bill Daly, at bdaly@nabl.org or 202-503-3303.

Sincerely,

Kenneth R. Artin