

**American Hospital Association
Council of Development Finance Agencies
Government Finance Officers Association
International City/County Management Association
National Association of Bond Lawyers
National Association of College and University Business Officers
National Association of Counties
National Association of Health and Educational Facilities Authorities
National Association of State Auditors, Comptrollers and Treasurers
National League of Cities
Regional Bond Dealers Association
Securities Industry and Financial Markets Association
U.S. Conference of Mayors**

May 7, 2010

The Honorable Sander M. Levin
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard E. Neal
Chairman, Select Revenue Measures Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1136 Longworth House Office Building
Washington, D.C. 20515

The Honorable David Camp
Ranking Minority Member
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Patrick J. Tiberi
Ranking Minority Member, Select Revenue Measures Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1136 Longworth House Office Building
Washington, D.C. 20515

RE: Critical Need to Extend ARRA's Bank Qualified Provisions, IRC Section 265

Dear Chairman Levin, Subcommittee Chairman Neal, Representative Camp, and Representative Tiberi:

We wrote to you on March 12, 2010 about preventing the expiration of the valuable "bank qualified" provisions for small local governments, hospitals and colleges. As you work with the Senate to complete the small business jobs bill (H.R. 4849) and a new extenders package (H.R. 4213), we respectfully urge you to include an extension of the highly effective bank qualified debt program. Without this extension, we fear that many small communities and authorities, as well as many small 501(c)(3) borrowers, will be denied access to capital and local services will be adversely affected.

As you know, under your leadership, the provision that was included in the *American Recovery and Reinvestment Act* increased the bank qualified debt limit to \$30 million from \$10 million until Dec. 31, 2010. This is the first increase in the BQ debt limit since 1986 and it was greatly needed. Bank qualified debt allows small governments and authorities to directly place their debt with banks, mostly community banks, which are then able to deduct a percentage of the carrying costs for purchasing these bonds. This allows small governments to pay lower borrowing costs for their debt, sometimes as much as 0.5 percentage points lower, and it has had a significant and direct stimulative effect on jobs and needed infrastructure improvements for thousands of communities across the country.

The success of this program is clear – the BQ market more than doubled between 2008 and 2009 from \$15 billion to \$33 billion, with billions of dollars of savings to state and local governments. For example, in Michigan the amount of BQ issuance went from \$565 million in 2008 to \$832 million in 2009; in Massachusetts, the BQ issuance levels increased from \$301 million in 2008 to \$863 million in 2009; and in Ohio the levels increased from \$405 million in 2008 to \$916 million in 2009.

Last year's legislation also contained a critical provision in which the \$30 million can be applied to the borrower rather than the issuer, thereby allowing many state and local government bond issuing authorities to provide access to bank qualified debt to small governments and nonprofit schools, colleges and health facilities.

We know that you are acutely aware of the continuing fiscal difficulties for states, localities, and the economy as a whole. Therefore, we urge you to include the BQ provisions in the tax and jobs legislation that Congress is currently debating.

Sincerely,

American Hospital Association, Mike Rock, 202-626-2325

Council of Development Finance Agencies, Toby Rittner, 216-920-3072

Government Finance Officers Association, Susan Gaffney, 202-393-8468

International City/County Management Association, Elizabeth Kellar, 202-962-3611

National Association of Bond Lawyers, Victoria P. Rostow, 202-682-1498

National Association of College and University Business Officers, Matt Hamill, 202-861-2529

National Association of Counties, Stephen Traylor, 202-942-4254

National Association of Health and Educational Facilities Authorities, Chuck Samuels, 202-434-7311

National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451

National League of Cities, Lars Etkorn, 202-626-3173

Regional Bond Dealers Association, Bill Daly, 202-509-9670

Securities Industry and Financial Markets Association, Michael Decker or Leslie Norwood, 202-962-7430

U.S. Conference of Mayors, Larry Jones, 202-861-6709