



**American Hospital  
Association**

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August 1, 2012

The Honorable Scott Garrett  
2244 Rayburn House Office Building  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Garrett:

On behalf of the American Hospital Association's (AHA) more than 5,000 member hospitals, health systems and other health care organizations, and our nearly 40,000 individual members, I am writing to express support for your efforts to clarify provisions of the *Dodd-Frank Act* concerning the registration of municipal advisors. In particular, the AHA supports Representative Robert Dold's legislation, H.R. 2827, as amended by the Hurt Amendment and reported by your Subcommittee on Capital Markets and Government Sponsored Enterprises.

A majority of the AHA's member hospitals are tax-exempt and routinely turn to the municipal bond market to raise needed capital. The AHA estimates 60,000 trustees currently serve on tax-exempt hospital governing boards. Some hospitals are organized as "municipal entities," and almost all hospitals and health systems are "obligated persons."

Under the Security and Exchange Commission's (SEC) proposed rules implementing Dodd-Frank, hospitals that use municipal bond financing and are committed to support the payment of all or any part of a bond issue would be considered obligated persons, subject to the various applicable requirements of the rule.

It is unclear what additional benefit would flow to the community by requiring board members to fulfill a costly, burdensome, periodic and voluminous registration requirement with the SEC. This requirement, and the civil and criminal penalties attached for failure to comply, would act as a powerful deterrent to voluntary service and could result in the loss of many talented and dedicated community leaders. As a practical matter, trustees currently are bound by fiduciary duties to conduct their activities in good faith, with reasonable care, and in the best interests of the hospital and community they serve. Each trustee who fails in these basic, critical duties can be subject to legal action. Furthermore, as trustees of tax-exempt entities, hospital board members are subject to Internal Revenue Service (IRS) rules and oversight. The IRS has issued guidance for governing boards to help ensure that trustees understand their roles and responsibilities and actively promote good governance practices. Relevant to this SEC-proposed rule, the IRS guidance addresses requirements related to due diligence, conflict of interest, transparency, financial audits and document retention.



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August 1, 2012

Page 2 of 2

The AHA supports the application of these rules to third-party, professional financial advisors to hospitals and bond issuing authorities. However, the AHA believes that the individuals who serve on hospital governing boards, hospital employees who seek bond financing from state or local authorities, and all individuals who serve on the boards of bond issuing authorities should be excluded from the definition of “municipal advisor” under the proposed rule.

Representative’s Dold’s legislation, H.R. 2827, as reported by your Subcommittee, would accomplish this exclusion, and we urge its adoption by the full Financial Services Committee.

Sincerely,

Rick Pollack  
Executive Vice President