January 31, 2025

The Honorable John Thune
Majority Leader, U.S. Senate
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader, U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Mike Johnson
Speaker, U.S. House of Representatives
568 Cannon House Office Building
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader, U.S. House of Representatives
2433 Rayburn House Office Building
Washington, DC 20515

RE: Protecting Tax-exempt Municipal Bonds

Dear Senators and Representatives,

On behalf of the Public Finance Network (PFN), we want to welcome you to the 119th Congress. For more than a century, states, local governments, and nonprofits have financed infrastructure and community improvement projects using tax-exempt municipal bonds. This infrastructure makes possible nearly every aspect of daily life and is critical in building and maintaining a strong economy for every citizen and business in the country.

For the following reasons we believe in protecting and bolstering the tax-exempt municipal bond market:

- Tax-exempt municipal bonds are an incredibly efficient financing tool. Market data from 2023 shows tax-exempt municipal bonds reduced state and local borrowing costs by 210 basis points; e.g. from 6.1% to 4%. Elimination of the tax-exemption would correspondingly raise borrowing costs over $823 billion, a cost that would be passed on to American residents and businesses and amounts to an over $6,500 tax and rate increase for every American household and business.[1]
- State and local governments bear 90% of the annual value of public-sector construction put in place – most of which is financed with tax-exempt municipal bonds, resulting in a 10-year volume of issuance in excess of $4 trillion.[2] While these include some of the nation's largest infrastructure projects, the majority fund routine, but critical investments made by small towns and rural communities, with 61,914 projects costing less than $10 million financed by tax-exempt bonds in the last decade alone. These investments make our communities livable and commerce possible.[3]
- Municipal bonds are a dependable fixed-income investment for a specific investor base – those 65 and older. In exchange for the interest being exempt from federal tax, investors agree to receive a lower rate of return – a 210 basis point savings to state and local governments as noted above. But investors also benefit from an extremely well understood, well regulated, and dependable fixed-income financial investment. With a default rate of less than 0.1%, nearly 60 percent of tax-exempt bond interest earned by individuals goes to those age 65 and older.[4]

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[1] Protecting Bonds to Build Infrastructure and Create Jobs
[2] U.S. Census Bureau, Construction Spending, December 2, 2024
[3] LSEG (January 17th, 2025). "Municipal v Corporate Bond Issue Size (2014-2023)." (LSEG Workspace)
[4] Understanding Financing Options Used for Public Infrastructure: A Primer

Finally, we would like to reiterate that all the undersigned organizations are here to serve as resources for you and your team.

We look forward to working with you.

Government Finance Officers Association, Emily Swenson Brock, 202-393-8467
Airports Council International – North America, Annie Russo, 202-293-4544
American Hospital Association, Jocelyn Francis, 202-638-1100
American Planning Association, Jason Jordan, 202-349-1005
American Public Gas Association, Joshua St. Pierre, 202-407-0015
American Public Power Association, John Godfrey, 202-467-2929
American Public Transportation Association, Ward McCarragher, 202-819-4895
American Public Works Association, Andrea Eales, 202-218-6730
American Securities Association, Jessica Giroux, 518-469-1565
American Society of Civil Engineers, Eleanor Lamb, 202-789-7847
American Water Works Association, Nate Norris, 202-236-6122
Association of Metropolitan Water Agencies, Dan Hartnett, 202-505-1565
Association of Public and Land Grant Universities, Craig Lindwarm, 202-478-6032
Association of School Business Officials International, Elleka Yost, 866-682-2729
Bond Dealers of America, Brett Bolton, 850-393-3728
Council of Development Finance Agencies, Toby Rittner, 614-705-1300
Education Finance Council, Gail daMota, 202-552-8505
International City/County Management Association, Amber Snowden, 202-460-2280
Large Public Power Council, Tom Falcone, 202-417-8836
National Alliance for Public Charter Schools, Christy Wolfe**,** 571-294-5237
National Association of Bond Lawyers, Brian Egan, 202-503-3290
National Association of Clean Water Agencies, Kristina Surfus, 202-833-4655
National Association of College and University Business Officers, Ashley Jackson, 202-861-2552
National Association of Counties, Paige Mellerio, 202-942-4272
National Assoc. of Health and Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311
National Association of Municipal Advisors, Susan Gaffney, 703-395-4896
National Association of Regional Councils, Erich Zimmerman, 202-618-5697
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-989-6801
National Association of State Treasurers, Dillon Gibbons, 916-290-3741
National Association of Towns and Townships, Jennifer Imo, 202-331-8500
National Community Development Association, Vicki Watson, 540-656-9552
National Conference of State Legislatures, Brian Wanko, 202-624-8197
National Council of State Housing Agencies, Garth Rieman, 202-624-7710
National League of Cities, Dante Moreno, 202-626-3058
National Special Districts Association, David Ulbricht, 503-472-9965
Securities Industry and Financial Markets Association, Nick Key, 202-962-7330
The Council of State Governments, Jamal Nelson, 202-624-5460
The United States Conference of Mayors, Dave Gatton, 202-957-6530