



Municipal
Bonds for
America

2017

MBFA

Year in Review



2017 MBFA End of Year Report

A message from MBFA Executive Chairman, Mayor Benjamin:

Since the inception of our organization over five years ago, the Municipal Bonds for America (MBFA) coalition adopted one core mission: to fully preserve the tax-exempt status of the municipal bonds. As a direct result of your tireless educational, lobbying and grassroots efforts, MBFA was successful in achieving our goal of maintaining the current tax treatment of municipal bonds in the *Tax Cuts and Job Act*! Each and every one of you were an instrumental part of this fight and I am truly grateful for your commitment and service on behalf of the coalition.

2017 was a whirlwind and transformative year for tax reform legislation. Since the first markup on the *Tax Cuts and Job Act* in the House Ways and Means Committee on November 6th to President Trump signing the bill into law on December 22nd, MBFA launched an all hands-on deck advocacy approach to preserve the tax-exempt status of governmental municipal bonds and private-activity bonds (PABs), as well as the preservation of advance refundings. Despite all our valiant efforts, the final tax bill repealed municipal advanced refundings.

So, our hard work is not yet done! In 2018, MBFA, along with our partners, will work towards a fiscally responsible policy solution to alleviate the burden of a full repeal of municipal advance refundings.

In addition, as the Administration and Congress looks to advance a major national infrastructure package, its funding and financing will be derived from a variety of sources—some of it may come from modifications to the tax-exempt status for PABs.

For over 100 years, municipal bonds have served as the primary financing mechanism for public infrastructure. Nearly three-quarters of the nation's core infrastructure is built by state and local governments and imposing an unprecedented federal tax on municipal bonds, including private activity bonds, would make these critical investments more expensive while shifting federal costs onto state and local governments, and the people they serve.

While MBFA is well positioned on PABS from the tax reform debate, we will have to make it clear that various infrastructure-financing tools may complement, but should not be offered as a replacement for traditional municipal bonds. I am more confident than ever that together we can reach our goal to once again prove to the Administration and Congress that preserving tax-

exempt municipal bonds will be one of the wisest and cost-effective investments they can make to build our nation's infrastructure.

I look forward to continuing our work to promote the good work of municipal bonds in 2018!

Please find a list of our activities and accomplishments for 2017 below.

Regards,

A handwritten signature in blue ink that reads "Steve Benjamin". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Steve Benjamin, Mayor - Columbia, SC
MBFA Executive Chairman

COALITION LETTERS

385 Organizations Sign Letter to Save the Muni-Exemption

On February 21, 2017, the Municipal Bonds for America (MBFA) Coalition sent a new letter to the [House](#) and [Senate](#) Leaders, including House Ways and Means and Senate Finance Committee leaders, urging them to retain the current law status on municipal bonds as a part of their ongoing debate on comprehensive tax reform. The letter was signed by 385 organizations from across the United States, representing almost all 50 states. This letter demonstrates the overwhelming value that municipal bonds provide as the most effective and time-tested method of financing ongoing infrastructure needs for state and local governments and ultimately, the constituents of all Congressional representatives.

MBFA Submits Comments for the Record to the U.S. House Ways and Means Committee Hearing on How Tax Reform Will Grow Our Economy and Create Jobs

On May 19, 2017, the MBFA Coalition submitted a statement to the House Ways and Means Committee hearing on “How Tax Reform Will Grow Our Economy and Create Jobs.” While the hearing didn’t specifically address the coalition’s concerns on preserving the tax exemption for muni bonds, MBFA continued to raise the awareness of how the exemption and muni bonds work to meet the objectives that were discussed in the hearing: job creation and growing the economy.

MBFA’s statement focused on the vital importance of maintaining the tax-exempt status of municipal bonds and the potential impact on the municipal market, investors, and issuers if the tax exemption for municipal bonds is altered, replaced or eliminated.

The Bond Buyer covered the MBFA’s statement which can be found,

[here](#).

MBFA Submits Comment Letter to Senate Finance Committee Chair Hatch on Tax Reform

On July 17th, the MBFA Coalition submitted its comment letter and policy recommendations in response to Senate Finance Chairman Orrin Hatch's (R-UT) request for expert and stakeholder input on tax reform. The MBFA's letter was endorsed by local Utah leaders including Mayor Ben McAdams (Salt Lake County) and Amy Rowland (Utah Director – National Development Council). You can view the MBFA's comment letter, [here](#).

MBFA Submits Comment Letter on the Proposed IRS Political Subdivision Rule

On August 7th, the MBFA submitted a [comment letter](#) on the IRS' proposed political subdivision rule, which is currently being reviewed per the requirements of Executive Order 13789. The letter urges the Treasury to rewrite or re-propose the rule as it will add undue complexity and confusion to Federal Tax law for purposes of tax-exempt municipal bonds.

Specifically, [Executive Order 13789](#) instructs the Treasury to submit a report to the President by September 18, 2017 with recommendations for action on the identified regulations which would:

- Impose an undue financial burden on U.S. taxpayers
- Add undue complexity to the Federal Tax law
- Exceed the statutory authority of the IRS

The proposed rule to redefine “political subdivision” was one of eight regulatory actions identified in the executive order for further review based on the criteria noted above.

MBFA Letter to the Senate and House Leaders

On November 3rd, the MBFA coalition submitted a letter in support of private activity bonds (PABS) and advance refundings to House and Senate leaders in response to provisions in Tax Cuts and Jobs Act that would repeal these valuable financing tools for state and local governments. 20 coalition members signed the letter in support of the MBFA's position to preserve the tax-exempt status of PABS and advanced refundings. You can view a copy of the letter, [here](#).

MBFA Letter to Senate Finance Chairman Hatch

On November 13th, the Municipal Bonds for America (MBFA) Coalition submitted a letter to Senate Finance Chairman Orrin Hatch (R-UT) and other members of the Senate Finance Committee to show its appreciation for protecting the underlying tax exempt status on municipal bonds, including private activity bonds (PABs). However, the Coalition strongly objected to the inclusion to repeal advance refunding bonds. You can view a copy of the letter, [here](#).

MBFA Chair Submits Letter to Sen. Cardin on Amendment to Strike Advance Refunding Provision

On November 14th, Steve Benjamin, Mayor of Columbia, SC, and Chairman of the Municipal Bonds for America (MBFA) Coalition, submitted a letter showing support for Sen. Cardin's amendment, which would strike the repeal of advance refunding bonds in the Tax Cuts and Jobs Act. You can view a copy of the letter, [here](#).

Congressman Randy Hultgren Leads Letter Sent to House and Senate Leadership Stressing Importance of Advance Refundings of Municipal Bonds.

On November 30th, Representative Randy Hultgren (R-IL), Co-Chair of the Congressional Municipal Finance Caucus, led 20 of his Republican colleagues in sending a letter to House and Senate leadership urging them to preserve the tax-exempt status of private activity bonds in any tax reform package. The letter also stressed the

importance of maintaining advanced refundings of municipal bonds, which allow state and local governments to maintain market interest rates through refinancing. The MBFA coalition was instrumental in whipping the letter to other House members that led to 20 of Rep. Hultgren's colleagues to sign the letter. You can view a copy of the letter, [here](#).

COALITION PRESS

MBFA Chair Featured in The Hill: The Case for Tax-Exempt Municipal Bonds for 21st Century America

On February 22nd, Steve Benjamin, Mayor of Columbia, SC and Chair of the Municipal Bonds for America (MBFA) Coalition, contributed to an op-ed in The Hill, advocating for why preserving the current law status of municipal bonds is essential to rebuilding our nations economy and infrastructure. You can read the article online, [here](#).

Specifically, the article highlights:

- How municipal bonds play a vital economic role in small towns and large cities all across America;
- The impact state and local governments may face if the municipal tax-exemption is capped or removed altogether; and
- How roughly two-thirds of America's core infrastructure is built by state and local governments using tax-exempt municipal bonds.

Podcast with the Bond Buyer: Recognizing the Key Role Munis Play in Infrastructure Development

On May 18th, MBFA Executive Chair and Columbia, SC Mayor Steve Benjamin recorded a Podcast with the Bond Buyer on the key role municipal bonds play in infrastructure development. You can listen to the podcast, [here](#).

MBFA Chair Contributes Op-Ed in The Hill

On September 14th, Steve Benjamin, Mayor of Columbia, SC and Chair of the Municipal Bonds for America (MBFA) Coalition, contributed an op-ed in The Hill, which can be read [here](#). The article focused on how those faced with the devastation left behind by Hurricanes Harvey and Irma can look to the traditional bond market to rebuild stronger, smarter and more resilient communities.

Specifically, the Op-Ed Highlights:

- How the city of Columbia, SC, can be a blueprint for cities and communities to rebuild using tax-exempt municipal bonds after being faced with an historic flood in October 2015;
- What the impact to state and local governments would be if the municipal tax-exemption is capped or removed altogether; and
- That members of Congress and the administration should support the tax-exemption of municipal bonds as they consider infrastructure and tax reform proposals in their upcoming debates.

MBFA Chair Featured in CNBC Interview

On August 1st, Steve Benjamin, Mayor of Columbia, SC and Chair of the Municipal Bonds for America (MBFA) Coalition was featured on a CNBC interview and discussed the importance of the tax-exemption of municipal bonds on the need for local communities to partner with the federal government for health care and infrastructure. You can view the interview online, [here](#).

MBFA Quoted in the Bond Buyer

- **February 23rd** – “Mnuchin Sees Tax Reform by August as Groups Press for Muni Tax Exemption”
- **May 24th** – “MBFA to House tax panel members: support tax-exempt bonds”
- **June 6th** – “White House staffer says tax plan will do no harm to tax exemption for munis”
- **November 6th** – “Muni groups urge lawmakers to spare advance refundings, PABs”
- **November 9th** – “Senate bill saves, enhances PABs, but eliminates advance refundings”
- **November 30th** – “Brady open to keeping PABs, limiting their uses”

COALITION ACTIVITIES

Mismeasurement of the Efficiencies of the Municipal Tax-Exemption – A Webinar Hosted by MBFA in partnership with Court Street Group Research LLC

On March 9th, approximately 50 industry groups representing issuers, investors, and state and local governments, participated in the MBFA/Court Street Group Research webinar on the Mismeasurement of the Municipal Tax-Exemption. The Powerpoint presentation with audio can be viewed [here](#).

The webinar featured the commentary of:

- Ron Bernardi, President & CEO, Bernardi Securities

- George Friedlander, Managing Partner, Court Street Group Research
- John Godfrey, Senior Government Relations Director, American Public Power Association

The webinar focused on the rhetoric from Hill meetings and reports around Washington on the purported inefficiencies of the tax-exemption. Our experts discussed why the municipal tax exemption is efficient, what the potential implications for removing the tax-exemption, and prospects for maintaining the tax-exemption in tax reform legislation.

MBFA Hosts Fundraiser for Representative Peter Roskam (R-IL)

On Tuesday, June 6th, the MBFA Coalition along with our supporting organizations, including the American Public Power Association's PowerPAC, the Bond Dealers of America PAC, the Investment Company Institute's PAC, and TIAA's PAC hosted Chairman of the House Ways and Means Subcommittee on Tax Policy, Rep. Peter Roskam, for a fundraising reception at the historical townhouse of Mr. & Mrs. David Weiman. The coalition was able to raise over \$8,000 for Rep. Roskam during this event.

MBFA Hosts Muni Bonds Educational Seminar on Capitol Hill

On June 7th, the MBFA Coalition held a "201" seminar on Capitol Hill for congressional staff and interested parties on the importance of preserving the tax-exemption for municipal bonds. Representative Dutch Ruppersberger (D-MD) and Rep. Randy Hultgren (R-IL), co-chairs of the Congressional Municipal Finance Caucus, presented opening and closing remarks, supporting the benefits of the municipal bond market and the tax-exemption with staff members from key congressional committees and personal offices involved in the debate on comprehensive tax reform.

The seminar featured:

- **Steve Benjamin**, Mayor – Columbia, SC & MBFA Coalition Chair
- **John Godfrey**, Senior Government Affairs Director – American Public Power Association
- **Annie Russo**, VP Government Affairs – Airport Council International-North America
- **Stephen Winterstein**, Chief Municipal Strategist – Wilmington Trust

The panelists' discussion focused on the impact that municipal bonds play in our daily lives, the economic efficiency of the municipal exemption, and the important role that PABs play in America's infrastructure investment.

MBFA Executive Committee Participates in Lobby Day and White House Meeting

In addition to holding the educational seminar on June 7th, the MBFA coalition held 23 meetings with key members of congress and their staffs who have influential voices in the tax reform and infrastructure debates. Members of the MBFA's Executive Committee also visited the White House to advocate for maintaining the current law status of the municipal bond tax-exemption. The delegation led by Mayor Benjamin, highlighted that municipal bonds are the original public-private partnership and tax-exempt bonds are used for core local government infrastructure that is the foundation for our nation's economy, day-to-day life and public health.

Tax Reform: What it means for Main Street, Wall Street, and K Street – A Webinar Hosted by MBFA in Partnership with Court Street Group Research LLC

On September 21st, the MBFA held a webinar featuring experts that discussed the prospects for tax reform, the potential changes to the municipal bond market, and how these changes could impact K

Street, Wall Street and Main Street. You can view a recording of the webinar, [here](#).

The webinar featured the commentary of:

- **Robert Kyle**, Hogan Lovells
- **George Friedlander**, Court Street Group Research
- **Alan Polsky**, Dougherty & Co., LLC
- **Matt Posner**, Neighborly

The content of this webinar focused on the political and economic dynamics of tax reform and infrastructure proposals and how prospective changes could impact municipal bond markets.

MBFA Visits Representative Randy Hultgren in Harvard, IL

On October 16th, the MBFA traveled to Rep. Randy Hultgren's district in Harvard, IL. Rep. Hultgren is a co-chair of the Congressional Municipal Finance Caucus and has shown strong support for the traditional municipal bond market. The purpose of the event was to highlight the important role municipal bond financing plays in building infrastructure projects and creating jobs in communities across the country. During the visit, attendees toured the new Pedigree Ovens 210,000 square foot facility on 22 acres of land, a project estimated at \$27 million. This project was underwritten by Bernardi Securities with financing initiated by the City of Harvard 2016 Bonds.

With over 15 industry participants in attendance, the event concluded with a presentation by Bernardi Securities, and a roundtable discussion at Rush Creek Distillery.

Executive attendees of the event, included:

- **Ron Bernardi**, Bernardi Securities
- **Rep. Randy Hultgren**
- **Mayor Michael Kelly**, Mayor of Harvard
- **Rich Frampton**, Illinois Finance Authority

- Jack Franks, County Executive, McHenry County

MBFA Chair Participates in National Development Council Academy

On October 23, MBFA Executive Chair and Columbia, SC Mayor Steve Benjamin was a featured panelist on a discussion about how local governments can fully utilize federal, state and local development finance tools, including governmental municipal bonds and private activity bonds to invest in homes, jobs, and communities. The conference agenda can be viewed, [here](#).

CONTINUED EFFORTS IN 2018

- MBFA will meet on a regular basis with Members and staff in both the House and Senate to educate and gain support for retaining the tax-exemption for governmental municipal bonds and private activity bonds.
- MBFA will update and develop position papers, data sheets, and talking points in defense of the exemption. These resources will be made available to all MBFA members and, when appropriate, distributed to congressional staff and media.
- MBFA will develop and increase grassroots efforts in Congress and the Administration to continue to gain support for all tax-exempt municipal bonds by leveraging the local leadership of coalition members.
- MBFA will increase public and private sector coalition membership and recruit prominent bond market professionals and leaders to participate in the Coalition.

