



The Importance of Legislative Advocacy

Fall Conference | Bozeman, MT
September 15, 2022

Barry Fick
President, NAHEFFA

Eric Gutshall
Advocacy Chair, NAHEFFA

Neal Martin
Washington Advocate, ML Strategies



NAHEFFA IN WASHINGTON DC

- Reintroduce NAHEFFA
- Establish and renew relationships with Congressional staff
- Discuss topics of interest to NAHEFFA and its member authorities
- Offer future assistance, foster communication, keep communications open



NAHEFFA is the national association representing conduit issuers of federally tax-exempt bond debt on behalf of nonprofit institutions for health care, education, cultural and other charitable purposes. Federally tax-exempt conduit bond financing for not-for-profits is a proven private-public financing tool, an established delivery system for quantifiable economic and social benefits under the federal tax code with decades-long record of success of lowering the cost of essential public benefits and strengthening communities. Our legislative priorities include:

Restoration of Advance Refunding

Tax-exempt advance refunding bonds allowed states and localities to refinance existing debt with the greatest flexibility, resulting in substantial reductions in borrowing costs. The elimination of advance refundings in the 2017 Tax Cuts and Jobs Act (TCJA) as a cost-savings tool for state and local governments has limited the options to refinance debt, especially since interest rates will certainly fluctuate over the lifetime of outstanding governmental bonds (which in many cases is 30 years). Advance refundings represented 27% of municipal bond market activity in 2016 and 19% in 2017. As a result, state and local governments are now paying more in interest, a cost that must be paid by state and local residents.

Enhancement of Small Borrower Rules

Enhancement of the small borrower, also referred to as “bank qualified”, rules which would benefit many small nonprofit health and educational institutions and other small charities, as well as many small local governments. We support increasing the maximum bond issuance of eligible bonds to \$30 million from the current level of \$10 million. Further, applying the cap to the borrower instead of the issuer will allow our governmental conduit issuers to issue these conduit bonds on behalf of small institutions. The point of the cap is to limit the benefits of the small borrower/bank qualified bonds to smaller governments and charities.

Direct Subsidy Bonds

We support the creation of a new American Infrastructure Bond similar to the previous Build America Bonds program which was limited to governmental bonds and did not apply to nonprofit institutions. There is interest in the nonprofit and charitable sectors to include these vital institutions in any revival of the program. If 501(c)(3) entities are included, it is critical that their inclusion is effectively implemented at both the federal and state level as well as to allow for local decision-making consistent with basic precepts of federalism. There are federal tax and securities requirements that would apply, similar to those that apply to conduit tax-exempt financings, and numerous state and local legal and policy considerations. This would be accomplished by making clear that, just as with federally tax-exempt conduit bonds, a state law authorized issuer for these financings is required.

WASHINGTON MEETINGS

House Meetings

- Ways and Means Committee – Democratic and Republican staff
- Rep. Mike Kelly (R-PA) – Ranking Member, House Tax Subcommittee
- Rep. Dutch Ruppersberger (D-MD) – Co-Chair, House Municipal Finance Caucus
- Rep. Jackie Walorski (R-IN) – Co-Chair, House Municipal Finance Caucus

Senate Meetings

- Senate Finance Committee – Republican staff
- Sen. Pat Toomey (R-PA)
- Sen. Amy Klobuchar (D-MN)
- Sen. Tina Smith (D-MN)





FUTURE ADVOCACY TOPICS?

- Financial Reporting Format
- Continuing Disclosure updates
- MSRB actions
- Others?



QUESTIONS?