November 10, 2017

The Honorable Paul Ryan

Speaker

U.S. House of Representatives

Washington, D.C. 20510

The Honorable Kevin Brady

Chairman, Committee on Ways and Means

U.S. House of Representatives

Washington, D.C. 20510

The Honorable Kevin McCarthy

Majority Leader

U.S. House of Representatives

Washington, D.C. 20510

The Honorable Richard Neal

Ranking Member, Committee on Ways and Means

U.S. House of Representatives

Washington, D.C. 20510

The Honorable Nancy Pelosi

Minority Leader

U.S. House of Representatives

Washington D.C., 20510

Dear Representatives,

**The Association of School Business Officials International (ASBO) is a nonprofit organization that, through its members and affiliates, represents approximately 30,000 school business professionals worldwide.** ASBO International members include school district CFOs, treasurers, business managers, and other education leaders who support student achievement through effective resource management. ASBO members represent every aspect of K–12 support services, from school finance and operations, to facilities management and procurement, to food services and transportation and more.

**We are concerned about tax provisions in H.R. 1, “The Tax Cuts and Jobs Act”** and other proposals under discussion that would harm our nation’s students and schools. We are concerned about and strongly oppose **1) fully or partially eliminating the state and local tax (SALT) deduction, and 2) limiting state and local government and school district authority to issue tax-exempt bonds.**

Partially or fully eliminating the SALT deduction will jeopardize state and local government financing, as state and local governments have established tax rates that assume taxpayers can deduct their taxes at the federal level. Doing away with the deduction in whole or part will pressure state and local governments to lower taxes, which will limit their ability to provide essential public services, including education. State and local property, income, and sales tax revenues account for more than 90% of K–12 school funding in every state, and a full or partial elimination of SALT will reduce the tax revenues available for funding public schools.

As states and districts are still recovering from the recession, SALT revenues are more critical than ever. Any tax plan that would directly or indirectly reduce local revenues for funding public schools is bad policy, and will result in a lower-quality education for our students. To “Make America Great Again,” we must start by investing in our children. Schools have long been challenged to “do more with less” and cannot afford further funding cuts. Less funding translates into fewer teachers, fewer nurses and counselors, and fewer class and program offerings for our students. **Preserving the SALT deduction is key to ensuring our schools have the resources they need to support student learning and achievement.**

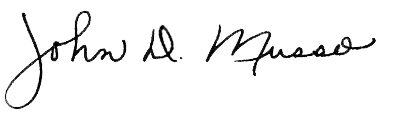
In addition, Congress is also considering bond reforms that would significantly hurt state and local government and school district financing options for issuing and refinancing debt. H.R. 1 proposes repealing the authority of state and local government (and school districts) to issue tax-exempt advance refunding bonds and tax-credit bonds (e.g., Qualified Zone Academy Bonds [QZABs]) after 2017. H.R. 1 would only allow current refunding bonds to remain tax-exempt; future advance refunding bonds would be taxable (and have higher interest rates). **If these bond reforms are enacted, school districts will have significantly fewer options to 1) affordably finance capital projects to construct, renovate, and repair school facilities, and 2) cost-effectively refinance outstanding debt.**

By restricting school districts’ authority to issue tax-exempt or tax-credit bonds, they will have to either borrow money at a higher cost or delay or cancel the school construction and renovation projects they planned to use those funds for. Districts will have to borrow from investors at higher interest rates (and pay more at taxpayers’ expense) since investors will only lend at lower rates if their interest income is tax-free. Raising borrowing costs will divert already scarce school funding away from students to building repair bills and debts. Districts may have to delay or cancel planned construction and renovation projects if no investors will buy their bonds since they’re no longer tax-exempt. Investors consider school-issued bonds lucrative because they are tax-free; without this incentive, investors will buy higher-interest, higher-yield corporate bonds instead if they have to pay taxes regardless. If school districts have to cancel or delay construction or repairs, public health risks will increase for students and school staff, especially if the project involves treating lead-in-water issues, mold, asbestos, or removing other harmful, toxic substances.

By preventing school districts from issuing tax-exempt advance refunding bonds, H.R. 1 severely limits their ability to refinance public debt at lower interest rates (and to the taxpayer’s benefit). Districts rely on current and advance refunding bonds to refinance and pay off outstanding debt much in the same way that individuals take out lower-interest loans to pay off their higher-interest debt. Current refunding bonds can only be issued 90 days before the outstanding bond’s (refunded bond’s) first call date to pay off the refunded bond, whereas an advance refunding bond can be issued more than 90 days prior to the call date. Advance refunding provides districts with a wider timeframe to take advantage of falling interest rates, cost-effectively refinance their debt, and capture more savings than what a current refunding bond can achieve. Advance refunding bonds are a vital financial tool for school business officials to leverage to ensure taxpayer dollars are wisely allocated when every dollar counts to boost students’ chances for success.

**We urge you to oppose H.R. 1, and any other tax plan that hurts local education funding (e.g., by fully/partially eliminating the SALT deduction and by restricting the issuance of tax-exempt school bonds).** Please feel free to contact me with any questions or comments at 866.682.2729 x7061 or email [jmusso@asbointl.org](mailto:jmusso@asbointl.org).

Thank you,



John D. Musso, CAE, RSBA

Executive Director

ASBO International