November 13, 2017

The Honorable Mitch McConnell

Majority Leader

U.S. Senate

Washington, D.C. 20510

The Honorable Orrin Hatch

Chairman, Committee on Finance

U.S. Senate

Washington, D.C. 20510

The Honorable Chuck Schumer

Minority Leader

U.S. Senate

Washington D.C., 20510

The Honorable Ron Wyden

Ranking Member, Committee on Finance

U.S. Senate

Washington, D.C. 20510

Dear Senators,

**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 the chairman’s mark of H.R. 1, “The Tax Cuts and Jobs Act” that would harm our nation’s students and schools—tax provisions that would, in whole or part, 1) eliminate the state and local tax (SALT) deduction and 2) limit state and local governments’ and school districts’ 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. 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 achievement.**

While we are grateful that the chairman’s mark of H.R. 1 preserves tax-exempt Qualified Zone Academy Bonds (QZABs), we are concerned that it would still repeal the authority to issue tax-exempt advance refunding bonds. Repealing state and local government (and school district) authority to issue advance refunding bonds will limit their options for issuing and refinancing public debt, which will cost taxpayers more in the long-term. The proposal would allow only current refunding bonds to remain tax-exempt, while future advance refunding bonds would be taxable (and have higher interest rates). **Without tax-exempt advance refunding bonds, school districts will have 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 bonds, districts will have to borrow money at a higher cost, or delay/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 interest at taxpayers’ expense) since investors will lend cheaply only 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 infrastructure 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 if they must 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, mold, asbestos, or other toxic substances.

Prohibiting school districts from issuing tax-exempt advance refunding bonds also 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 refunded bond’s call date. Advance refunding provides districts with more time to take advantage of falling interest rates, cost-effectively refinance their debt, and capture more savings than what a current refunding bond can achieve. These tax-exempt bonds are a vital financial tool for school business officials to leverage and ensure that taxpayer dollars are wisely allocated, and when every dollar counts to help boost our students’ chances for success.

**We urge you to oppose any tax plan that would hurt local education funding, such as eliminating the SALT deduction and repealing tax-exempt advance refunding bonds.** Please feel free to contact me with any questions or comments at 866.682.2729 x7061 or email jmusso@asbointl.org. We appreciate your leadership on this issue.

Thank you,



John D. Musso, CAE, RSBA

Executive Director

ASBO International