



February 4, 2010

Subject: **Letter of Support for Continuation of the Build America Bonds Program**

Dear Senator:

When the credit crunch arrived during the economic recession in the fall of 2008, states and localities faced great difficulties in financing capital projects. The passage of the American Recovery and Reinvestment Act (ARRA) provided relief through direct infrastructure investments as well as a new credit program called Build America Bonds. By lowering borrowing costs for states and municipalities, Build America Bonds have allowed these entities to contribute to the economic recovery.

According to the Department of the Treasury, the Build America Bonds have been effective in helping to repair a severely damaged municipal finance market, making much needed credit available at lower borrowing costs for projects that create jobs. In fact, the Build America Bonds program has expanded the market for state and local governmental debt to the point where it comprised 16% of total municipal issuances in 2009. Between April 2009 and January 2010, there have been 878 issuances of Build America Bonds worth \$71 billion—financing job-producing road, bridge, school, medical facility, and water system projects that may not have gone forward otherwise.

This program has also helped to tap into a broader market for investors such as pension funds that do not typically invest in the municipal tax-exempt market, thereby expanding the pool of capital available to states and local governments. In addition, according to a recent joint report by the Congressional Budget Office and the Joint Committee on Taxation, Build America Bonds deliver an efficient Federal subsidy directly to state and local governments rather than through third-party investors, which enables the Federal subsidy level to closely match the public benefits being gained.

With all of these benefits, the Build America Bonds program has quickly established itself as a vital tool for states and local governments. We are aware that this jobs-saving program is set to expire at the end of 2010. To allow for sustained investment in our infrastructure, we urge you to extend this important infrastructure financing program beyond this year.

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS
NATIONAL ASSOCIATION OF COUNTIES
NATIONAL ASSOCIATION OF MANUFACTURERS
NATIONAL CONFERENCE OF STATE LEGISLATURES
US CHAMBER OF COMMERCE