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April 30, 2013

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219 Dirksen SOB  
Washington, DC 20510

Chairman Dave Camp  
1102 Longworth HOB  
Washington, DC 20515

Ranking Member Orrin G. Hatch  
219 Dirksen SOB  
Washington, DC 20510

Ranking Member Sander Levin  
1106 Longworth HOB  
Washington, DC 20515

Dear Chairman Baucus, Ranking Member Hatch, Chairman Camp, and Ranking Member Levin:

As mayors of major economic hubs throughout the country, we recognize that our nation faces a series of difficult economic challenges. To protect our nation's long-term fiscal health and reduce the federal deficit, we must create jobs by investing in critical transportation infrastructure. There is a significant demand for major transportation projects now at a period when early construction of these projects can be done at a much lower cost and result in the immediate infusion of higher paying jobs into our national, local, and regional economies.

As you develop tools to maximize infrastructure investment, we urge you to consider public-private financing mechanisms, such as the proposed America Fast Forward (AFF) Transportation Bonds. AFF Transportation Bonds would serve as a new tax credit bond program designed to stimulate greater investment in surface transportation infrastructure projects. These bonds could be a meaningful supplement to the Highway Trust Fund and an innovative financing tool in which states and local governments utilize local funds to finance projects of regional and national significance. It is estimated that AFF Transportation Bonds would leverage private capital to create over 550,000 private sector jobs nationwide including over 165,000 engineering and construction jobs.

We believe these program improvements based on strong private and local commitments will accelerate the financing of infrastructure projects and contribute significantly to increasing jobs and federal, state, and local revenues. We look forward to working with Congress and the Administration to advance these innovative financing approaches.

Sincerely,

Michael A. Nutter  
Mayor of Philadelphia, PA  
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# AFF Transportation Bonds

## Summary of the Proposal

- \$45 billion Qualified Tax Credit Bond (QTCB) program for surface transportation (highways, transit, rail):
  - Congress has already authorized over \$35 billion of QTCBs in recent years for other purposes.
- \$4.5 billion per year annual volume cap:
  - Partial discretionary allocation to major projects and partial formula distribution to states for state/local projects to ensure that all states receive a portion of funding.
- Issuance by state and local governments; can include Public-Private Partnerships (P3's).
- Estimated scored cost of ~\$10 billion in tax expenditures (20-25% of face value of bonds) over 10-year budget window.

## Policy Rationale for AFF Transportation Bonds

- AFF Transportation Bonds can meaningfully address the nation's infrastructure investment gap *without relying on spending increases to fund more grants or loans*.
- Supplements the federal Highway Trust Fund (HTF) without increasing the federal fuel taxes or relying on more General Fund transfers to the HTF.
- Leveraging potential of AFF Transportation Bonds will encourage state and local project sponsors to *generate new revenues* (user fees and dedicated taxes to repay the bond principal) for infrastructure investment.
- Involves private and other *non-federal* capital investment (potentially including pension funds).

## Potential Impact of AFF Transportation Bonds

- A state or local project sponsor could more than double the amount of capital investment supportable by its dedicated revenues compared to conventional tax-exempt bonds.
  - An issuer can invest in 2.39x more infrastructure with AFF Transportation Bonds.
- A national program of \$45 billion would be a significant supplement to the federal HTF and would create an estimated 560,000 jobs.
- The federal budget score, based on Joint Committee on Taxation cost estimates for similar proposals, would be about 20-25 percent of the face value of the program authorization or about [\$10] billion over the 10-year budget window.