December 5, 2017

Hon. Charles E. Schumer
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Senator Schumer:

We write to express our strong opposition to the provision in H.R. 1, the "Tax Cuts and Jobs Act," that would repeal existing sections of law that authorize certain school bonds and other tax-exempt financing.

The destructive impact of the proposed repeal (or cap) of the state and local tax (SALT) deduction has rightly generated much attention and condemnation. But the possible repeal of school bond programs has the potential to significantly harm school districts' finances as well. According to the Congressional Joint Committee on Taxation (JCT), the proposal would do the following for bonds issued after December 31, 2017:

- Repeal the tax-exempt status on advance refunding bonds, making the interest taxable;
- No longer allow bond issuers to issue tax-credit bonds, including tax-credit qualified zone academy bonds (QZABs) and qualified school construction bonds (QSCBs); and
- Repeal the tax-exempt status from qualified private activity bonds (PABs), making the interest taxable.

By repealing federal programs that provide affordable borrowing options for school construction projects, enactment of H.R. 1 in its current form may result in increased borrowing costs for districts or the loss of access to the bond market entirely. Either of those possibilities would have a devastating impact on schools, school districts, local taxpayers and, most significantly, our students. That impact would be felt most dramatically by districts in poverty; in other words, the districts that would be hurt most are those that can least afford it.

Additionally, repeal of the current bonding provisions may reduce the overall level of school construction undertaken throughout the State and the country, resulting in fewer construction jobs and further damage to the economy – locally, at the state level, and nationally. Again, those schools that have the least ability to raise and borrow funding are the very ones that will be harmed most by the proposed changes.

Repeal of the law’s existing bonding provisions will likely harm our economy; harm districts’ ability to borrow for important construction projects; and, ultimately, harm our students – especially those who attend school in high need districts. We therefore urge you to work to eliminate these bonding provisions from the tax reform legislation that is expected to be acted upon in the coming weeks.

Sincerely,

Betty A Rosa
Chancellor
New York State Board of Regents

MaryEllen Elia
Commissioner
New York State Education Department