

# Coalition for America's Gateways and Trade Corridors

AECOM

Alameda Corridor-East  
Construction Authority

Broward County's  
Port Everglades

California Department  
of Transportation

Cambridge  
Systematics, Inc.

Canaveral Port Authority

Cascadia Center

Chicago Metropolitan  
Agency for Planning

City of Chicago

COMPASS – Community  
Planning Association of  
Southwest Idaho

Dewberry

Economic Development  
Coalition of  
Southwest Indiana

Florida Department  
of Transportation

Florida East  
Coast Railway

Florida Ports Council

Freight Mobility Strategic  
Investment Board  
(Washington State)

Gateway Cities Council of  
Governments

HERZOG

HNTB Corporation

Illinois Soybean  
Association

Intermodal Association  
of North America

Kootenai Metropolitan  
Planning Organization

Los Angeles  
County Metropolitan  
Transportation Authority

Majestic Realty Co.

Maricopa Association of  
Governments

Memphis Chamber of  
Commerce

Metropolitan  
Transportation  
Commission

Moffatt & Nichol

November 20, 2017

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Paul Ryan  
Speaker of the House  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Majority Leader McConnell and Speaker Ryan,

On behalf of the Coalition for America's Gateways and Trade Corridors (CAGTC), I am writing to respectfully encourage you to maintain the tax exempt status of Private Activity Bonds (PABs) as Congress contemplates tax reform legislation. By way of background, CAGTC is a diverse group of public and private organizations from across the nation dedicated to bringing national attention to the need to significantly expand U.S. freight transportation infrastructure and to work toward solutions for this growing national challenge.

There is an estimated \$2 trillion infrastructure shortfall<sup>1</sup>. A wide variety of funding and financing tools must be available to project developers in order to address this discrepancy. PABs are financing instruments that allow private sector project sponsors to benefit from the lower financing costs of tax-exempt municipal bonds, attracting private investment for projects yielding public benefit. Giving private entities access to tax-exempt interest rates significantly reduces the cost of capital and enhances investment prospects<sup>2</sup>. While PABs have been available to transportation projects for just 12 years, around 20 percent of the PAB market is comprised of transportation projects, demonstrating their utility and effectiveness<sup>3</sup>.

Section 3601 of the House's Tax Cuts and Jobs Act proposes eliminating the tax exemption for interest on newly issued PABs. Eliminating this tax exemption would raise bond interest rates, reducing the private sector's incentive to participate in public infrastructure projects. While public-private partnerships will not be the solution to all infrastructure needs, they can help advance the nation's most important, regionally significant projects.

<sup>1</sup> "2017 Infrastructure Report Card," *American Society of Civil Engineers*, March 2017, <https://www.infrastructurereportcard.org/wp-content/uploads/2017/10/Full-2017-Report-Card-FINAL.pdf>

<sup>2</sup> "Private Activity Bonds," *Build America Bureau*, May 2017, <https://www.transportation.gov/buildamerica/programs-services/pab>

<sup>3</sup> "CDFA Annual Volume Cap Report," *Council of Development Finance Agencies*, September 2017, [https://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201708-2016VolumeCapReport.html/\\$file/Volume%20Cap%202017%209.12.pdf](https://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201708-2016VolumeCapReport.html/$file/Volume%20Cap%202017%209.12.pdf)

National Railroad  
Construction and  
Maintenance  
Association

NASCO – North  
American Strategy for  
Competitiveness

The Northwest  
Seaport Alliance

Nossaman LLP

Ohio Kentucky Indiana  
Regional Council of  
Governments

Orange County  
Transportation Authority

Oregon Department of  
Transportation

Parsons

Port Authority of  
New York & New Jersey

Port Newark Container  
Terminal

Port of Hueneme

Port of Long Beach

Port of Los Angeles

Port Miami

Port of Oakland

Port of Portland, OR

Port of San Diego

Port Tampa Bay

Port of Vancouver USA

Prime Focus, LLC

Puget Sound Regional  
Council

RAILCET

SANDAG - San Diego  
Association of  
Governments

Southern California  
Association of  
Governments

Tampa Hillsborough  
Expressway Authority

Tennessee Department  
of Transportation

Washington State  
Department of  
Transportation

Will County Center for  
Economic Development

WSP

While the \$2 trillion infrastructure deficit must be reversed to meet *current* system needs, the demand for infrastructure will continue to grow: by 2045, freight volume is expected to increase by more than 40 percent<sup>4</sup>. Additional investment is required to capitalize on this economic opportunity, and a partnership with the private sector is essential to network expansion and enhancement. Federal funding should leverage private participation and provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently. While some benefits from these projects will flow to private entities, there will be a broader range of public benefits through economic and environmental improvements.

Roughly 44 million U.S. jobs are directly supported by the multimodal freight network<sup>5</sup>. When the freight network is congested, unreliable, and unsafe, American businesses struggle to remain competitive. We ask Congress to maintain the tax exempt status of PABs and continue seeking long-term funding and financing solutions to address the nation's growing infrastructure needs.

Sincerely,



Tim Lovain  
Chairman, CAGTC Board of Directors  
Crossroads Strategies

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<sup>4</sup> “Secretary Foxx Releases Beyond Traffic 2045 Final Report on Future of Transportation,” *U.S. Department of Transportation*, January 2017, <https://www.transportation.gov/briefing-room/secretary-foxx-releases-beyond-traffic-2045-final-report-future-transportation>

<sup>5</sup> “Beyond Traffic 2045: National Freight Strategy Framework,” *U.S. Department of Transportation*, January 2017, [https://ops.fhwa.dot.gov/freight/pol\\_plng\\_finance/policy/documents/nfsf/nfsf.pdf](https://ops.fhwa.dot.gov/freight/pol_plng_finance/policy/documents/nfsf/nfsf.pdf)