



PROTECT AND ENHANCE ACCESS TO CAPITAL

Colleges and universities will need multiple tools to respond to student and institutional needs as a result of the COVID-19 virus. Protecting and enhancing access to low cost financing can strategically help institutions make other scarce resources available and this can be achieved through proven public finance tools.

- Tax-exempt bond financing available to public institutions is also referred to as *municipal or publicly sold debt*; it is available to private nonprofit institutions as *qualified 501(c)(3) private-activity bonds*.

Colleges and universities use these financial instruments to acquire, construct, and/or expand capital infrastructure such as hospitals, academic buildings, residence halls, student centers, and more. These organizations employ bonds only after close scrutiny of risk and financial plans and manage them prudently. If an institution holds such tax-exempt debt, it is required to meet significant post-issuance disclosure and compliance requirements.

In general, for the institutional borrowers, the interest rate on municipal bonds is significantly lower than on taxable bonds thus creating beneficial financial terms. The lower interest rates create significant savings by lowering the cost of multi-million-dollar projects, often financed over a 30-year period. For many institutions, public or private, revenue from operations or from restricted gifts simply does not provide enough funds to build, expand, and renovate the physical plant, property, and equipment needs, and taxable debt is more costly.

NACUBO supports the following:

Restore Advance Refunding of Tax-Exempt Bonds: Restore the ability for governments and other qualifying entities, such as institutions of higher education, to advance refund tax-exempt municipal bonds thereby freeing up billions of dollars governments and nonprofits could spend on other projects. State and local governments and nonprofits understand that preparing for a pandemic requires strengthening the infrastructure network that underpins their communities and institutions. We are asking you to restore advance refunding thereby providing debt service savings for taxpayers which can be put to immediate public works purposes. This would be of immense help for planning and budgeting purposes for state and local communities and institutions, such as hospitals who are first line responders during this immediate crisis.

Increase Access to Capital for Small Borrowers: For many thousands of small issuers and governmental and nonprofit borrowers, increasing the bank qualified borrowing limit from \$10 million to \$30 million, and having it apply at the borrower level so that thousands of small local governments and charities would provide access to capital for immediate project needs.

Direct Pay Bonds. Restoring and expanding the use of direct pay type bonds and ending their exposure to sequestration, would immediately create an attractive investment option globally for thousands of local projects. While these bonds were not available to nonprofits, many public colleges, universities and hospitals issued BABs when they were available. NACUBO also supports expanding eligibility to private 501(c)(3) institutions.