



October ____, 2024

The Honorable Ron Wyden, Chair
Senate Finance Committee
U.S. Senate
Washington, D.C. 20510

The Honorable Jason Smith, Chair
House Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mike Crapo, Ranking Member
Senate Appropriations Committee
U.S. Senate
Washington, D.C. 20510

The Honorable Richard Neal, Ranking Member
House Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair Wyden and Ranking Member Crapo and Chair Smith and Ranking Member Neal:

As America watches the cleanup and recovery efforts in the states, regions, and communities devastated by Hurricane Helene, we strongly urge Congress to establish a permanent category of Disaster Recovery Bonds.

This storm – along with the historic floods it produced – marks the latest major disaster spotlighting the need for an innovative, permanent emergency response solution that provides resources to begin the recovery process in a timely manner, including rebuilding essential infrastructure.

While the federal aid approved by Congress can provide important resources, those funds are rarely available in the immediate wake of a disaster like Hurricane Helene. Worse, these funds are often insufficient for comprehensive recovery efforts.

As the nation's largest organization dedicated to development finance, the Council of Development Finance Agencies (CDFA), along with CDFA members that have signed this letter support, the prompt creation of a permanent category of tax-exempt private activity bonds that could be issued in a timely manner by the affected communities, states, and territories following a man-made or natural disaster.

Disaster Recovery Bond History

Congress has created special tax-exempt bond categories in response to disasters over the past two decades, including Liberty Bonds following September 11, Gulf Opportunity Zone Bonds and Ike Bonds after hurricanes, and Mid-Western Disaster Recovery Bonds after severe flooding along the Mississippi River. These allocations were extremely beneficial, but each required a special act of Congress that took months before capital became available. The delay left communities without the immediate resources needed to begin recovery.



Gridlock in Congress in recent years has further stymied the creation of any new bond categories, leaving no additional tax-exempt financing for communities impacted by natural or human-caused disasters. Our nation needs a permanent financing tool that communities can access immediately following disasters so that private investment can be leveraged for longer-term redevelopment.

How Congress Can Help Right Now

To mitigate the financial impact of disasters on communities, a permanent category of Disaster Recovery Bonds should be created so Congress is not required to take a special action after each catastrophic event.

We strongly suggest using prior disaster bond precedent as a guide. These bonds would not be subject to federal volume cap restrictions and would be available to the affected areas upon the declaration of a state of emergency by a state's or territory's governor. Disaster Recovery Bonds would be authorized for use in a Disaster Recovery Zone to finance:

- The acquisition, construction, reconstruction, or renovation of non-residential real property (land, buildings, and fixtures);
- The construction and rehabilitation of multi-family rental property for low- and moderate-income individuals;
- The repair or reconstruction of damaged public utilities facilities and transportation infrastructure; and
- The immediate repair and mitigation of severe environmental contamination to a public water source.

To increase Disaster Recovery Bond demand, this legislation will allow financial institution purchasers to deduct the interest cost of carrying an amount of such bonds not exceeding 2% of the purchaser's assets.

Again, we urge Congress to take steps now to create a permanent category of Disaster Recovery Bonds to provide communities with reliable, timely recovery options following catastrophic events like the one currently impacting much of the Southeast.

Thank you for your attention to this urgent matter and your service to our nation.

Sincerely,



CC: The Honorable Tim Scott
The Honorable Mark Warner
The Honorable Marsha Blackburn
The Honorable Thom Tillis
The Honorable Vern Buchanan
The Honorable Drew Ferguson
The Honorable Greg Murphy
The Honorable Greg Steube
The Honorable David Kustoff
The Honorable Don Beyer
The Honorable Terri Sewell
The Honorable Mike Carey