



May 14, 2012

The Honorable Barbara Boxer
Chairperson
Committee on Environment and Public Works
United States Senate
112 Hart Senate Office Building
Washington, DC 20510

The Honorable Henry Waxman
Committee on Energy and Commerce
United States House of Representatives
2204 Rayburn House Office Building
Washington, DC 20515

Dear Senator Boxer and Representative Waxman:

On behalf of the California Airports Council (CAC), we would like to add our voice to the request made by the Los Angeles World Airports and San Francisco International Airport to renew the Alternative Minimum Tax (AMT) exemption for private activity bonds (PAB) in a letter dated May 7, 2012.

The CAC is comprised of the 30 commercial service public airports in the state who collectively account for over 13% of all commercial aviation activity in the United States, and almost 10% of all air cargo. The CAC member airports provide essential services to nearly 167.5 million passengers and moves approximately 3.4 million metric tons of cargo that enter California's airports each year. In addition, the CAC is the nation's gateway to the Pacific Rim.

We are writing to bring your attention to an important provision currently under consideration during the Conference Committee deliberations on the Surface Transportation bill (S. 1813/HR 4348). The Senate bill, MAP21, included a provision to renew the exemption from the application of the AMT to PAB interest. This provision, if included in the Conference Report, will have a substantial benefit for California airports and their ability to finance a variety of infrastructure projects.

Airport development programs in California today are investing billions of dollars into the state's economy and supporting tens of thousands of jobs. Substantial construction projects are taking place or have just been completed at the following CAC airports: Los Angeles World Airports (LAWA), San Francisco (SFO), Sacramento (SMF), John Wayne— Orange County (SNA),

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San Diego (SAN), Long Beach (LGB) and Burbank (BUR). They have all benefited from AMT relief that was in place in 2009 and 2010.

Airports rely on a variety of funding sources for capital development projects, the largest of which is the sale of airport revenue bonds. Airport bonds are classified as PABs and the interest paid on such bonds is subject to the AMT. PABs are bonds issued by state and local governments, including airports, to pay for public purpose facilities that often have private companies as on-site tenants, such as the concessionaires in airport terminals.

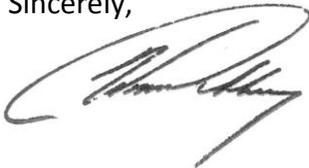
Prior to 1986, interest on PABs was not taxed by the federal government. In the 1986 tax reform legislation, Congress subjected the interest on PABs to the AMT, which increased borrowing costs for operators of facilities like airports. In 2009, Congress granted an AMT exemption on interest from PABs for 2009 and 2010. During the two-year AMT exemption, airports issued more than \$10 billion in airport revenue bonds to provide capital for critical infrastructure projects. Of those bonds, \$6.8 billion directly benefited from the AMT and saved an estimated \$635 million in additional financing and debt servicing costs.

The 2009-10 AMT exemption was of significant assistance in facilitating airports access to capital markets, resulting in millions of dollars in savings that was directed towards other critical infrastructure projects that otherwise would have been delayed. Renewing the AMT exemption would be a valuable tool for California airport authorities planning to invest in new facilities and provide good jobs with good wages related to future construction projects.

The CAC respectfully requests your office contact the surface transportation bill conferees and urge them to include the Senate provision that would extend the non-AMT treatment of new bonds through 2012. Please let us know if we can provide any additional information on this important subject to California's commercial airports. Included in this package is a copy of a letter from LAWA and SFO Airport Directors to California's conferees, and a white paper on the AMT.

Thank you for your consideration of this request and we stand ready to discuss these important issues with you at your convenience.

Sincerely,



William Sherry, A.A.E.
President
California Airports Council