



Municipal Bonds for America

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**Georgia
(5th DISTRICT)
(John Lewis)**

**HOW RESTRICTIONS ON THE MUNICIPAL BOND EXEMPTION
WOULD AFFECT THE STATE**

For over 100 hundred years, municipal bonds have served as the chief engine driving infrastructure investment in America. Over 70% of today's infrastructure was built with the help of municipal bonds, helping to construct America's hospitals, roads, airports, electrical and water treatment plants and countless other facilities Americans rely on every day.

In Georgia's 5th District, limiting the exemption would have dramatically negative effects. The higher costs of financing would force state and local governments to make cuts elsewhere, forcing unacceptable trade-offs. For example, if the Obama Administration's proposal to limit the exemption to only 28% of income earned had been in effect for its municipal bond offerings, the citizens of the 5th District would have suffered in highly tangible ways:

- To offset the higher financing costs, the City of Atlanta, Department of Aviation, would have had to make cuts totaling over \$21 million, equal to a 162% cut in its budget for Repairs, Maintenance and other contractual services.
- The City of Atlanta would have had to make cuts totaling \$10 million, equal to a 21% cut in its Parks, Recreation and Cultural Affairs budget.
- The City of Atlanta, Department of Watershed Management, would have had to make cuts totaling \$21 million, equal to a 22% cut in its budget for Salaries and Employee Benefits.
- The Atlanta Independent School System would have had to make cuts equal to 20% of its budget for Other Support Services.
- The Metropolitan Atlanta Rapid Transit Authority would have had to cut \$15 million, or an amount equivalent to 11% of its budget for Maintenance and Garage Operations

Limiting the municipal bond exemption is not a theoretical problem. It would have real world costs that would be felt in the lives of Georgia's citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN GEORGIA?

Tax-exempt municipal bonds are the primary source of funding for nearly every type of infrastructure project. From 2003-2012 tax-exempt municipal bonds financed thousands of infrastructure projects in the State of Georgia costing more than \$62.6 Billion dollars, including:

| <u>Type of Project</u> | <u>\$Billion</u> |
|-------------------------------|-------------------------|
| Airports | \$3.5 billion |
| Bridges | -- |
| Fire Stations & Equipment | -- |
| Acute Care Hospitals | \$7.8 billion |
| Mass Transportation | \$2.2 billion |
| Multi Family Housing | \$500 million |
| Primary & Secondary Education | \$8.8 billion |
| Public Power | \$4.8 billion |
| Water & Sewer Facilities | \$9.5 billion |
| Affordable Homeownership | \$1.4 billion |

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Georgia State's municipal bonds for this period would have increased approximately 10.5% costing Georgia State taxpayers an additional \$6.56 Billion.