



# Municipal Bonds for America

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**Indiana**  
**(9<sup>th</sup> DISTRICT – Rep. Todd Young)**

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

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 Indiana’s 9<sup>th</sup> 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 9<sup>th</sup> District would have suffered in highly tangible ways:

- To offset the higher financing costs, the City of Greenwood would have needed to make budget cuts equal to 60% of its Economic Development budget.
- The Indiana Municipal Power Agency would have had to find budget offsets totaling over \$9 million, equal to a 27% increase in electricity transmission costs.
- To offset its higher financing costs, the Indianapolis International Airport would have had to make cuts totaling over \$8 million, equal to an 86% cut in its utilities budget.

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

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**WHAT DO MUNICIPAL BONDS FINANCE IN INDIANA?**

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 Indiana costing more than \$45 Billion dollars, including:

<u>Type of Project</u>	<u>Amount</u>
Airports	\$100 million
Bridges	\$20 million
Fire Stations & Equipment	\$70 million
Acute Care Hospitals	\$11.0 billion
Mass Transportation	\$30 million
Multi Family Housing	\$300 million
Primary & Secondary Education	\$13.9 billion
Public Power	\$1.6 billion
Water & Sewer Facilities	\$6.1 billion
Affordable Homeownership	\$2 billion

**If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Indiana’s municipal bonds for this period would have increased approximately 10.5% costing Indiana State taxpayers an additional \$4.73 Billion.**