Municipal Bonds for America

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IOWA

HOW RESTRICTIONS ON THEMUNICIPAL 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 Iowa, 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, Iowa would have suffered in highly tangible ways:

- For the City of Des Moines, the increased financing costs each year would have required spending the equivalent of 20% less in health and social services spending.
- The City of Cedar Rapids would have had to make cuts equal to 135% of its license and permit revenues.
- The Des Moines Public Schools would have had to make cuts equal to 20% of their general administrative expenses.

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

WHAT DO MUNICIPAL BONDS FINANCE IN IOWA?

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 Iowa costing more than $19.1 Billion dollars, including:

Type of Project	Amount
Airports	$10 million
Bridges	--
Fire Stations & Equipment	$30 million
Acute Care Hospitals	$2.5 billion
Mass Transportation	--
Multi Family Housing	$30 million
Primary & Secondary Education	$4.4 billion
Public Power	$300 million
Water & Sewer Facilities	$1.7 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 Iowa State's municipal bonds for this period would have increased approximately10.5% costing Iowa State taxpayers an additional $2.0 Billion.