Municipal Bonds for America

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Louisiana
(3rd DISTRICT – Rep. Charles Boustany)

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 Louisiana's 3rd 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 3rd District would have suffered in highly tangible ways:

- For the State of Louisiana, offsetting the increased financing costs each year would have required $311 million in additional budget cuts, the equivalent of cutting 17.7% from the State's economic development budget.
- The City of Lake Charles would have had to make cuts equal to 18% of its budget for planning and development.
- The City of Lafayette would have had to make the equivalent of a 21% cut in its spending on traffic and transportation.
- The Lafayette School District would have had to find cuts equal to nearly 11% of its vocational education program 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 Louisiana citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN LOUISIANA?

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 Louisiana costing more than $28.35 Billion dollars, including:

Type of Project	Amount
Airports	$360 million
Bridges	--
Fire Stations & Equipment	$470 million
Acute Care Hospitals	$3.2 billion
Mass Transportation	$1.11 billion
Multi Family Housing	$390 million
Primary & Secondary Education	$3.36 billion
Public Power	$510 million
Water & Sewer Facilities	$1.97 billion
Affordable Homeownership	$1.1 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Louisiana's municipal bonds for this period would have increased approximately10.5% costing Louisiana taxpayers an additional $2.98 Billion.