Municipal Bonds for America

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Michigan
(9th DISTRICT)
(Sandy Levin)

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 Michigan's 9th 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 9th District would have suffered in highly tangible ways:

- To offset the higher financing costs, the Warren Woods Public Schools would have had to cut their budget for Capital Outlays by 54%.
- The City of Roseville would have had to cut its Community and Economic Development budget by 12%.
- The City of Warren would have had to find budget offsets equal to 13% of its Recreation budget.
- The Academy of Warren would have had to make cuts equal to 13% of its Facilities Acquisition spending.

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

WHAT DO MUNICIPAL BONDS FINANCE IN MICHIGAN?

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 Michigan costing more than $67.3 Billion dollars, including:

Type of Project	$Billion
Airports	$900 million
Bridges	--
Fire Stations & Equipment	$10 million
Acute Care Hospitals	$11.9 billion
Mass Transportation	$1.0 billion
Multi Family Housing	$600 million
Primary & Secondary Education	$20.6 billion
Public Power	$500 million
Water & Sewer Facilities	$9.5 billion
Affordable Homeownership	$1.2 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Michigan State's municipal bonds for this period would have increased approximately10.5% costing Michigan State taxpayers an additional $7.07 Billion.