



Municipal Bonds for America

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Minnesota
(3rd DISTRICT – Rep. Erik Paulsen)

**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 Minnesota’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:

- To offset the increased financing costs, the City of Eden Prairie would have had to find budget cuts equal to 26% of its Capital Outlay budget.
- The City of Bloomington would have had to make cuts equal to 26% of its Capital Outlay budget for Community Services.
- Bloomington’s Independent School District no. 271 would had to suffer the equivalent of a nearly 35% cut in its Capital Outlay budget for District Support Services.
- Minnetonka’s Independent School District No. 276 would have faced the equivalent of a 33% cut in District Support Services.
- The City of Maple Grove would have had to make the equivalent of a 21% cut in its Transit Expenses.
- Eden Prairie Public Schools would have faced cuts equivalent to 26% of its Vocational Education Instruction 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 Minnesota citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN MINNESOTA?

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 Minnesota costing more than \$46.7 Billion dollars, including:

<u>Type of Project</u>	<u>\$Billion</u>
Airports	\$768 million
Bridges	\$1.5 million
Fire Stations & Equipment	\$52 million
Acute Care Hospitals	\$6 billion
Mass Transportation	\$66 million
Multi Family Housing	\$847 million
Primary & Secondary Education	\$10 billion
Public Power	\$1 billion
Water & Sewer Facilities	\$3.5 billion
Affordable Homeownership	\$3.4 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Minnesota’s municipal bonds for this period would have increased approximately 10.5% costing Minnesota State taxpayers an additional \$4.9 Billion.