



Municipal Bonds for America

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Nebraska
(3rd DISTRICT – Rep. Adrian Smith)

**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 Nebraska’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 Grand Island would have had to make budget cuts equal to 45% of its budget for enterprise funds.
- The City of Scottsbluff would have had to make cuts equal to 28% of its public health and social services budget.
- The Hall County Airport Authority would have had to make cuts equal to 25% of its budget for Air Service Development.
- The Hall County School District 0002 (in Grand Island) would have had to find cuts equal to \$8.6 million, equivalent to a 7% cuts in its Capital Outlay 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 Nebraska citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN NEBRASKA?

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 Nebraska costing more than \$20,423.9 Billion dollars, including:

<u>Type of Project</u>	<u>Amount</u>
Airports	\$72.1 billion
Bridges	--
Fire Stations & Equipment	\$74.9 billion
Acute Care Hospitals	\$1.17 billion
Mass Transportation	--
Multi Family Housing	\$19 billion
Primary & Secondary Education	\$3.2 billion
Public Power	\$7.5 billion
Water & Sewer Facilities	\$1.2 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 Nebraska’s municipal bonds for this period would have increased approximately 10.5% costing Nebraska taxpayers an additional \$2.1 Billion.