



Municipal Bonds for America

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NEW JERSEY

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 New Jersey, 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, New Jersey would have suffered in highly tangible ways:

- To offset the higher financing costs, the Port Authority of New York and New Jersey would have to make cuts totaling \$149 million, equal to 100% of its utilities expenses.
- The New Jersey Turnpike would have had to make cuts totaling \$78 million, equal to 103% of its state police and traffic control 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 the citizens of New Jersey every day.

WHAT DO MUNICIPAL BONDS FINANCE IN NEW JERSEY?

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 New Jersey costing more than \$96.2 Billion dollars, including:

<u>Type of Project</u>	<u>Amount</u>
Airports	\$50 million
Bridges	\$900 million
Fire Stations & Equipment	\$100 million
Acute Care Hospitals	\$6.4 billion
Mass Transportation	\$15.9 billion
Multi Family Housing	\$500 million
Primary & Secondary Education	\$23.6 billion
Public Power	\$30 million
Water & Sewer Facilities	\$4.0 billion
Affordable Homeownership	\$1.9 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of New Jersey State's municipal bonds for this period would have increased approximately 10.5% costing New Jersey State taxpayers an additional \$10.1 Billion.