



Municipal Bonds for America

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**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 Oregon, 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, Oregon would have suffered in highly tangible ways:

- For the City of Portland, the increased financing costs each year would have equaled 101% of the annual PILOT payments. PILOT payments are those paid by non-profits, colleges, universities, public utilities and others.
- For the Portland Airport, the increased financing costs would be equivalent to a 112% increase in the airport's material and supplies 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 Oregon citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN OREGON?

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 Oregon costing more than \$26.0 Billion dollars, including:

| <u>Type of Project</u> | <u>Amount</u> |
|-------------------------------|----------------------|
| Airports | \$400 million |
| Bridges | \$100 million |
| Fire Stations & Equipment | \$200 million |
| Acute Care Hospitals | \$3.5 billion |
| Mass Transportation | \$1.2 billion |
| Multi Family Housing | \$100 million |
| Primary & Secondary Education | \$5.1 billion |
| Public Power | \$600 million |
| Water & Sewer Facilities | \$3.8 billion |
| Affordable Homeownership | \$3.3 billion |

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Oregon State's municipal bonds for this period would have increased approximately 10.5% costing Oregon State taxpayers an additional \$2.73 Billion.