Municipal
Bonds for
America

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Municipal Bonds for America

Tennessee
(6th DISTRICT – Rep. Diane Black)

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 Tennessee's 6th 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 6th District would have suffered in highly tangible ways:

- For the Wilson County, offsetting the increased financing costs each year would have required finding budget cuts greater than $6 million, the equivalent of cutting 25% from its Highways Expense budget.
- Sumner County would have had to make cuts equal to 46% of its Social, Culture and Recreational Services budget.
- The City of Hendersonville would have had to make the equivalent of a nearly 30% cut in its Information Technology budget.
- The City of Lebanon would have had to find cuts equal to 32% of its Public Safety 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 Tennessee citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN TENNESSEE?

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 Tennessee costing more than $40.1 Billion dollars, including:

Type of Project	Amount
Airports	$268 million
Bridges	--
Fire Stations & Equipment	--
Acute Care Hospitals	$4.9 billion
Mass Transportation	--
Multi Family Housing	$340 million
Primary & Secondary Education	$2.3 billion
Public Power	$7.6 billion
Water & Sewer Facilities	$2.8 billion
Affordable Homeownership	$2.1 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Tennessee's municipal bonds for this period would have increased approximately10.5% costing Tennessee taxpayers an additional $4.2 Billion.