



Municipal Bonds for America

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Texas
(3rd DISTRICT – Rep. Sam Johnson)

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 Texas’ 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 Plano Texas Independent School District annually would have had to make cuts equal to 76% of its Curriculum and Instructional Staff Development budget.
- The City of Plano would have made to make cuts equal to 7% of the City development projects budget.
- The City of McKinney would have made to make cuts equal to roughly 15% of its City development projects.
- The McKinney Independent School District would have had to suffer cuts equal to 52% of its Guidance, Counseling and Evaluation Services 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 Texas citizens every day.

WHAT DO MUNICIPAL BONDS FINANCE IN TEXAS?

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 Texas costing more than \$258.1 Billion dollars, including:

<u>Type of Project</u>	<u>Amount</u>
Airports	\$4.3 billion
Bridges	\$100 million
Fire Stations & Equipment	\$20 million
Acute Care Hospitals	\$17.8 billion
Mass Transportation	\$2.9 billion
Multi Family Housing	\$890 million
Primary & Secondary Education	\$74.1 billion
Public Power	\$13.3 billion
Water & Sewer Facilities	\$36.7 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 Texas State’s municipal bonds for this period would have increased approximately 10.5% costing Texas State taxpayers an additional \$27.1 Billion.