



# Municipal Bonds for America

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**Washington State  
(7th DISTRICT)  
(Jim McDermott)**

## **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 Washington's 7<sup>th</sup> 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 7<sup>th</sup> District would have suffered in highly tangible ways:

- To offset the higher financing costs, the City of Bellevue would have had to make cuts equal to over 31% of its Health and Human Services budget.
- The City of Seattle would have had to find cuts equal to 22% of its Public Safety budget.
- The Bellevue School District No. 405 would have had to make cuts equal to over 17% of its Special Education budget.
- The City of Seattle's City Light Department would have needed to make cuts totaling \$15 million, equal to nearly 58% of its Short-term wholesale power purchases budget.
- King County would have had to make cuts totaling nearly 9% of its budget for Capital Outlays.

Limiting the municipal bond exemption is not a theoretical problem. It would have real world costs that would be felt in the lives of Washington citizens every day.

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## **WHAT DO MUNICIPAL BONDS FINANCE IN WASHINGTON?**

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 Washington costing more than \$74.5 Billion dollars, including:

| <b><u>Type of Project</u></b> | <b><u>\$Billion</u></b> |
|-------------------------------|-------------------------|
| Airports                      | \$1.4 billion           |
| Bridges                       | \$500 million           |
| Fire Stations & Equipment     | \$300 million           |
| Acute Care Hospitals          | \$7.1 billion           |
| Mass Transportation           | \$2.4 billion           |
| Multi Family Housing          | \$600 million           |
| Primary & Secondary Education | \$12.5 billion          |
| Public Power                  | \$11.9 billion          |
| Water & Sewer Facilities      | \$7.6 billion           |
| Affordable Homeownership      | \$994 million           |

**If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Washington State's municipal bonds for this period would have increased approximately 10.5% costing Washington State taxpayers an additional \$7.82 Billion.**