



Municipal Bonds for America

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**Washington
(8th DISTRICT – Rep. Dave Reichert)**

**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 Washington’s 8th 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 8th District would have suffered in highly tangible ways:

- To offset the increased financing costs, the Issaquah School District No. 411 would have had to find cuts totaling \$9.2 million, equal to over 32% of its capital outlays for equipment.
- King County would have had to find over \$78 million in cuts, equal to roughly 9% of its capital outlay budget.
- The City of Covington would have had to find cuts equal to nearly 10% of its streets and highways capital outlay 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 Washington citizens every day.

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:

<u>Type of Project</u>	<u>Amount</u>
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.