Municipal Bonds for America

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Indiana

(2nd DISTRICT – Rep. Jackie Walorski)

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 Indiana's 2nd 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 2nd District would have suffered in highly tangible ways:

- For City of South Bend, offsetting the increased financing costs each year would have required the equivalent of cutting the city's highway and street spending by 9% - or 7% of its highways and streets spending.
- The Mishawaka Wastewater Utility would have to find cuts equal to 67% of its treatment and disposal expenses.

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

WHAT DO MUNICIPAL BONDS FINANCE IN INDIANA?

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 Indiana costing more than $45 Billion dollars, including:

Type of Project	Amount
Airports	$100 million
Bridges	$20 million
Fire Stations & Equipment	$70 million
Acute Care Hospitals	$11 billion
Mass Transportation	$30 million
Multi-Family Housing	$300 million
Primary & Secondary Education	$13.9 billion
Public Power	$1.6 billion
Water & Sewer Facilities	$6.1 billion
Affordable Homeownership	$2 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Indiana's municipal bonds for this period would have increased approximately10.5% costing Indiana State taxpayers an additional $4.73 Billion.