



Municipal Bonds for America

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FLORIDA

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 Florida, 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, Florida would have suffered in highly tangible ways:

- For the City of Miami, offsetting the increased financing costs each year would have required budget cuts equal to 15% of its Community Development budget.
- The Florida Citizens Property Insurance Corporation would have had to make cuts totaling \$33 million, equal to 30% of its investment earnings on its insurance portfolio. This Corporation provides insurance to compensate for the lack of private insurance in hurricane-prone Florida. The Corporation relies on investment earnings on its portfolio to pay claims and continue operations. Limiting the muni bond exemption as described above would require the Corporation to find offsetting cuts equal to 30% of the earnings on this portfolio.

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

WHAT DO MUNICIPAL BONDS FINANCE IN FLORIDA?

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 Florida costing more than \$140.0 Billion dollars, including:

<u>Type of Project</u>	<u>Amount</u>
Airports	\$4.4 billion
Bridges	\$1.9 billion
Fire Stations & Equipment	\$2.7 billion
Acute Care Hospitals	\$14.4 billion
Mass Transportation	\$3.1 billion
Multi Family Housing	\$1.2 billion
Primary & Secondary Education	\$33.1 billion
Public Power	\$11.5 billion
Water & Sewer Facilities	\$17.4 billion
Affordable Homeownership	\$2.9 billion

If the proposal to limit the exemption to only 28% of income earned had been in effect, the cost of Florida State's municipal bonds for this period would have increased approximately 10.5% costing Florida State taxpayers an additional \$14.67 Billion.