Submitted by:

The Honorable Stephen K. Benjamin
Mayor of Columbia

The Honorable Joseph T. McElveen, Jr.
Mayor of Sumter

The Honorable Robert Cluck, M.D.
Mayor of Arlington

DEFENDING THE TAX EXEMPTION ON MUNICIPAL BONDS

WHEREAS, the US Conference of Mayors is dedicated to ensuring local control and decision making through access to affordable capital; and

WHEREAS, tax-exempt municipal bonds finance infrastructure that touches the daily lives of every American citizen – the roads we drive on, schools and education for our children, affordable housing, water systems that supply safe drinking water, wastewater systems that keep our waterways clean, courthouses, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and utility plants that power homes and businesses; and

WHEREAS, three-quarters of all infrastructure investments made in the United States are financed by state and local governments and their agencies through tax-exempt municipal bonds; and

WHEREAS, tax-exempt municipal bonds have, for 100 years, been the way that state and local governments can affordably access capital markets to meet the needs of their citizens; and

WHEREAS, interest on municipal bonds is exempt from Federal taxation under a principle of reciprocal immunity under which the Federal Government is exempt from State and local taxations and local governments are exempt from Federal taxation; and

WHEREAS, savings from affordable financing through tax-exempt bonds allows for greater infrastructure investments and savings passed directly to taxpayers and ratepayers in the form of reduced taxes and fees; and

WHEREAS, keeping infrastructure costs low is critical to job creation and to the infrastructure investments that are the backbone of our economy; and

WHEREAS, the American Society of Civil Engineers has given a grade of D+ for the condition and performance of the nation's infrastructure, and estimates an investment of $3.6 trillion will be needed by 2020; and

WHEREAS, Congress and the Administration have proposed capping, limiting, eliminating or replacing tax-exempt bonds;

WHEREAS, several studies have concluded convincingly that proposals to limit, eliminate or replace tax-exempt bonds would result in significantly higher borrowing costs for state and local government;

WHEREAS, increased borrowing costs would translate to increased fees and increased taxation at the local level, or in the failure to meet core infrastructure needs; and

WHEREAS, limiting, eliminating or replacing tax-exempt bonds could shut many small issuers out of the bond market entirely; and

WHEREAS, tax-exempt municipal bonds are the financing tool that exists by and for local governments without federal interference; and

WHEREAS, federal mandates significantly increase state and local government infrastructure costs, with mandates related to the Clean Water Act placing an especially large burden on city governments; and

WHEREAS, state and local governments cannot and should not rely exclusively upon federal tax credits, federal reimbursement payments, federal grants and federal loans to finance infrastructure; and

WHEREAS, over the past decade funding for core federal government infrastructure grant programs has been stagnant at best and in many cases has declined precipitously; and

WHEREAS, in an era of increasing federal mandates and federal budget austerity, capping, limiting or eliminating tax-exempt bonds would essentially signal a divestment in infrastructure; and

WHEREAS, tax credit bonds and direct subsidy bonds are a good complement to traditional tax-exempt municipal bonds but would be a poor substitute due to reliance on a federal subsidy and higher costs for smaller issuers;

NOW, THEREFORE, BE IT RESOLVED that the US Conference of Mayors opposes any proposal to cap, limit, eliminate or replace tax-exempt bonds.

Projected Cost: Unknown