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Report: Municipal Bonds Save Governments More than $700 Billion in Interest.

WASHINGTON, Aug. 18, 2015 /PRNewswire-USNewswire/ — State and local governments would have paid $714 billion in additional interest expenses between 2000 and 2014 without tax-exempt municipal bonds, according to a new white paper issued by the International City/County Management Association (ICMA) and the Government Finance Officers Association (GFOA).

Other key findings from the new public policy white paper, "Municipal Bonds and Infrastructure Development—Past Present and Future," prepared by Justin Marlowe of the University of Washington on behalf of ICMA's Government Affairs and Policy Committee, include:

- Virtually all state and local government capital investment is financed through municipal bonds.
- In 2014, state and local governments invested nearly $400 billion in capital projects, a significant slowdown in spending. Total state and local capital spending has not yet returned to pre-Great Recession totals.
- Approximately 90 percent of state and local capital spending is financed by debt.
- Alternative financing methods, such as pay-as-you-go and public-private partnerships, are effective for some types of capital projects, but are not a robust alternative to traditional, tax-exempt municipal bonds.
- There are more than one million municipal bonds in the market today, issued by more than 50,000 units of government, and their total par value is just over $3.6 trillion.
- If the federal tax exemption for municipal bonds were repealed, state and local governments would have paid $714 billion in additional interest expenses between 2000 and 2014. For a typical bond issue, this would mean $80-$210 in additional interest expenses per $1,000 of borrowed money.

Infrastructure funding is one of the most critical functions of state and local governments in the United States. Together, these levels of government are the main funders of the public sidewalks, roads, highways, bridges, and mass transit systems that Americans use to travel to work each day, as well as the public schools, colleges, and universities in which our future workforce is educated.

Tax-exempt municipal bonds, a fundamental feature of the United States tax code since 1913, provide a low-risk, cost-effective financing tool for the construction of infrastructure projects that are the lynchpin of the U.S. economy, improving quality of life, creating jobs, and sustaining economic development.

About ICMA
ICMA, the International City/County Management Association, advances professional local government worldwide. The organization's mission is to create excellence in local governance by developing and fostering professional management to build sustainable communities that improve people's lives. The management decisions made by ICMA's members—including 9,500 appointed city, town, and county leaders and other individuals—affect millions of individuals living in thousands of communities throughout the world, from small villages and towns to large metropolitan areas.

About GFOA

The Government Finance Officers Association is a membership and training organization founded in 1906 to educate members and be a resource on government financial and leadership issues. GFOA's 18,000+ members are the finance officers of state and local governments nationwide.

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