
Bonds Are a Fair, Responsible Way to Finance Projects.

Despite opposition on these pages (Chris Edwards, DownsizingGovernment.org, "Bonds Are Taxes" Nov. 2, 2016), Fairfax County, Va., voters last week overwhelmingly approved three referenda authorizing the issuance of $312 million in municipal bonds.

By definition, these referenda forced voters to consider the details of, and costs for, each project to be financed. Voters were provided with extensive information on these issues: The ballot questions were detailed, and supplemental guides available in print and online provided page after page of information about the parks and park facilities, Metro improvements, senior center, community center and emergency homeless shelters that will be built and the cost for building them.

Fairfax County will begin paying for these projects almost immediately upon issuance of the bonds, forcing real budget choices: a dollar spent on debt service (and so on long-term infrastructure investments) cannot be spent on some other program. These payments are spread over time – and often over the useful life of the project – meaning those who use the parks (or Metro stations or community centers) are paying for them. It is simply sound finance to spread the cost of long-term capital improvements over their useful life so that the beneficiaries of those improvements pay for them, rather than just those who around during the construction period.

Data show communities like Fairfax County take these votes seriously and are budgeting for these expenses appropriately. Since the global financial meltdown, while the federal debt has sky-rocketed and non-bank business debt has risen, state and local debt (like household debt) has fallen. In fact, state and local borrowing is at its lowest point as a percentage of GDP since at least 2005 the means for estimating state and local debt changed in 2005, so it is not possible to make apples to apples comparisons for 2004 and before. If anything, state and local governments are underinvesting in their infrastructure and other capital needs.

Finally, while it is colorful to refer to "debt-fueled spending" burning fiscal houses down, the truth is that municipal defaults and bankruptcies – debt-fueled or otherwise – have been and remain rare. The nation's roughly 39,000 municipalities have an annual municipal bankruptcy rate of about 0.0043% and a rate of 0.0044% in the seven years since the global financial meltdown.

So, again, I agree wholeheartedly that Fairfax County — and communities throughout the country — should transparently and conscientiously decide whether to build schools, repair roads, fix bridges, and make the other investments necessary to help our economy grow and keep our communities livable. And, that is exactly what happened last Tuesday in Fairfax County.

Dan Marsh, President-Elect, National Development Council (NDC). NDC is a national non-profit dedicated to bringing capital to underserved communities by providing technical assistance in economic development and housing finance and development and small business lending. Mike Nicholas, CEO, Bond Dealers of America (BDA) is the Washington, DC-based trade association that exclusively represents securities dealers and banks whose primary focus is the U.S. fixed income markets. BDA and NDC are members of the MUNICIPAL BONDS FOR AMERICA (MBFA) coalition, a non-partisan coalition of municipal bond issuers and State and local government officials along with other municipal market professionals working together to explain the benefits of the tax-exempt municipal bond market which provides the financing needed to build vital infrastructure throughout the United States.

THE HILL

BY DAN MARSH AND MIKE NICHOLAS – 11/21/16 03:15 PM EST

The views expressed by authors are their own and not the views of The Hill