Agenda Item #: 4E 1

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 2, 2013 **[ ] Consent** **[X] Regular**
[ ] Public Hearing

Department: **Legislative Affairs**

Submitted By: **Legislative Affairs**

Submitted For: **Legislative Affairs**

I. EXECUTIVE BRIEF

Motion and Title: **Staff seeks Board Direction** on a draft letter to Florida's Congressional Delegation calling on Congress and the Administration to reject any proposals that harm the financing of local infrastructure projects by changing the tax-exempt status of municipal bonds. Municipal bonds provide a low-cost and efficient way for counties to finance much of America's critical infrastructure.

Summary: As Congress deliberates tax policy and changes to the current status of some exemptions, local governments urge the maintenance of tax-exempt status for municipal bonds. Tax-exempt municipal bonds are the single most important tool that counties use for financing our critical infrastructure. Any change to the taxation status of often voter-approved debt issued by counties risks local public works projects that benefit communities and puts into question the nature of the U.S federalist partnership.

The tax exemption for municipal bond interest has been in law since the creation of the federal income tax 100 years ago. Under the federal tax code, investors are not required to pay federal income tax on interest earned from most bonds issued by state and local governments. As a result of this tax exemption, state and local governments receive a lower interest rate on their borrowing than they would if their interest was taxable to investors. The tax exemption can save states and localities up to two percentage points on their borrowing rates under typical market conditions. Countywide (DW)

Attachments:

1. Proposed Letter

Recommended by: ______________________________
Department Director **Date**

Approved By: ______________________________ 3/26/13
County Administration **Date**

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact: N/A

Fiscal Years	20 13	2014	2015	2016	2017
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	-0-	-0-	-0-	-0-	-0-
No. ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes _____ No ______
Budget Account No.: Fund _______ Department_______ Unit
Object _______ Reporting Category _______

B. Recommended Sources of Funds/Summary of Fiscal Impact: N/A

C. Departmental Fiscal Review:

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

3/28/2013 3/26/13

OFMB 3/27 3/27 3-22-13 Contract Dev. and Control 3-26-13

3/22/13

B. Legal Sufficiency:

3/27/13
Assistant County Attorney

C. Other Department Review:

Department Director

REVISED 9/03
ADM FORM 01
(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

Background and Policy Issues:

Tax-exempt municipal bonds are the most important tool in the United States for financing investment in schools, roads, water and sewer systems, airports, bridges and other vital infrastructures. State and local governments financed more than $1.65 trillion of infrastructure investment over the last decade (2003-2012) through the tax-exempt bond market.

Ninety (90) percent of infrastructure muni-bonds financing went to schools, hospitals, water, sewer facilities, public power utilities, roads and mass transit over the last 10 years. During that decade, $514 billion of primary and secondary schools were built with financing from tax exempt bonds, nearly $288 billion of financing went to general acute-care hospitals; nearly $258 billion to water and sewer facilities; nearly $178 billion to roads, highways, and streets; nearly $147 billion to public power projects; and $105.6 billion to mass transit.

In 2012 alone, more than 6,600 tax-exempt municipal bonds financed more than $179 billion worth of infrastructure projects.

State and local governments finance small and large infrastructure projects with muni-bonds. In 2012, the average municipal bond issuance varied from $338 million for bridges to $2.2 million for fire stations and equipment.

Had that cap been in effect over the last decade, it would have cost states and localities an extra $173 billion in interest payments, according to Protecting Bonds to Save Infrastructure and Jobs, a new report from NACo, NLC and USCM.

April 2, 2013

VIA ELECTRONIC MAIL
(insert each member's address)
Washington, D.C.

Re: Tax Exempt Status for Municipal Bonds

Dear Members of the Palm Beach County Congressional Delegation
(insert individual member name):

As Congress deliberates tax policy and changes to the current status of some exemptions, local governments urge the maintenance of tax-exempt status for municipal bonds.

Tax-exempt municipal bonds are the single most important tool that counties use for financing our critical infrastructure. Any change to the taxation status of often voter-approved debt issued by counties risks local public works projects that benefit communities and puts into question the nature of the U.S federalist partnership.

The tax exemption for municipal bond interest has been in law since the creation of the federal income tax 100 years ago. Under the federal tax code, investors are not required to pay federal income tax on interest earned from most bonds issued by state and local governments.

As a result of this tax exemption, state and local governments receive a lower interest rate on their borrowing than they would if their interest was taxable to investors. The tax exemption can save states and localities up to two percentage points on their borrowing rates under typical market conditions.

Tax-exempt municipal bonds are the most important tool in the United States for financing investment in schools, roads, water and sewer systems, airports, bridges and other vital infrastructures. State and local governments financed more than $1.65 trillion of infrastructure investment over the last decade (2003-2012) through the tax-exempt bond market.

Ninety (90) percent of infrastructure muni-bonds financing went to schools, hospitals, water, sewer facilities, public power utilities, roads and mass transit over the last 10 years. During that decade, $514 billion of primary and secondary schools were built with financing from tax exempt bonds, nearly $288 billion of financing went to general acute-care hospitals; nearly $258 billion to water and sewer facilities; nearly $178 billion to roads, highways, and streets; nearly $147 billion to public power projects; and $105.6 billion to mass transit.

In 2012 alone, more than 6,600 tax-exempt municipal bonds financed more than $179 billion worth of infrastructure projects.

State and local governments finance small and large infrastructure projects with muni-bonds. In 2012, the average municipal bond issuance varied from $338 million for bridges to $2.2 million for fire stations and equipment.

Had that cap been in effect over the last decade, it would have cost states and localities an extra $173 billion in interest payments, according to Protecting Bonds to Save Infrastructure and Jobs, a new report from NACo, NLC and USCM.

The report states: "Curtailing or eliminating the tax exemption would raise costs for financially-strapped state and local governments and would result in less investment in infrastructure at a time when jobs are scarce and the physical state of our public works is deteriorating."

Palm Beach County calls on Congress and the Administration to reject any proposals that harm the financing of local infrastructure projects by changing the tax-exempt status of municipal bonds. Municipal bonds provide a low-cost and efficient way for counties to finance much of America's critical infrastructure.

Sincerely,

Steven L. Abrams
Mayor