

## U.S. METRO ECONOMIES | JUNE 2013

### JOB IMPACT OF PROPOSALS TO LIMIT THE MUNICIPAL BOND MARKET

## Key Findings

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- State and local infrastructure investment is a crucial fuel for US economic growth. Primary and secondary education, mass transit, public power, water and sewer facilities, roads, streets, highways and hospitals....are an integral part of the engine that powers our national economy.
- Over the last decade (2003-2012), localities financed \$1.65 trillion of these infrastructure projects through tax exempt, municipal bonds.
- If a 28-percent benefit cap on tax exempt interest was in place for projects financed over the last decade, the report estimates that it would cost state and localities an additional \$173 billion in interest expenses.
- If tax exempt interest was eliminated completely, it would have cost state and local governments an additional \$495 billion.
- The report estimates that if these proposals to limit municipal bonds were in place, they would significantly curtail infrastructure investment.
- In 2012, under the 28% cap scenario, 311,736 jobs, \$16.4 billion in labor income, and \$24.7 billion of Gross Domestic Product (GDP) would have been lost.
- Under the full repeal scenario, 891,962 jobs, \$46.9 billion of labor income, and \$70.7 billion in GDP would have been lost in 2012.
- Under the 28% scenario, this would have resulted in a 20 basis point reduction in year-over-year job growth and the unemployment rate would have been 8.3% as oppose to 8.1% in 2012. Real GDP growth would have been 0.2% lower.
- Under the full repeal scenario, year-over-year job growth would have been 70 basis points lower, and the unemployment rate would have been 8.6% (compared to 8.1%) and real GDP growth would have been 0.5% lower.
- Under the 28% cap proposal, Construction jobs would suffer most, with a loss of 122,370 jobs annually, followed by Professional and Business Services with 38,441 jobs lost, and Trade, Transportation, & Utilities with a 36,119 job loss.
- Under the full repeal scenario, Construction would lose 350,134 jobs, followed by Professional & Business Services losing 109,989 jobs, and Trade, Transportation, & Utilities losing 103,347 jobs.