



## **Bond Dealers of America: Reaction to President's Budget**

(April 10, 2013—Washington, DC). The Bond Dealers of America (BDA) is concerned about the market impacts of the proposal in the Administration's FY 2014 budget plan to limit the value of interest earned on municipal bonds to 28 percent, and warned that sequestration may harm the perception of new direct-pay bond programs like the proposed America Fast Forward bonds.

"The Administration focus on infrastructure needs is timely and there are proposals that aim to help with state and local government finance. But limiting the value of the interest on tax exempt bonds as proposed by the Administration and some in Congress doesn't simply target the wealthy – it permanently damages the market for tax exempt bonds and forces everyone to pay more for state and local government services," said Mike Nicholas, CEO of the BDA. "We think that borrowing costs for state and local infrastructure could increase 70 basis points or more as investors fear the government will repeatedly tax their municipal bonds in the future."

BDA added concern about how sequestration has tarnished the view of investors and issuers alike of direct-pay bonds, such as the America Fast Forward Bonds. "While direct-pay bonds as proposed by the Administration in the AFF program have been useful in certain niches, previous programs have been hit by the Congressionally enacted sequestration. Investors and issuers are not going to forget the lesson that the federal government may pull back on its subsidy midstream".

"BDA is focused on educating Congress and the Administration that it is best not to rock the boat when it comes to traditional tax exempt bonds. There is simply no substitute in terms of capacity to effectively meet national infrastructure needs, whether we are talking about infrastructure banks or direct pay bonds or other newer proposals," he concluded.

Since its founding in 2008, the Bond Dealers of America has been the Washington, DC based organization that represents securities dealers and banks predominantly focused on the U.S. fixed income markets. Five years later, the BDA remains the only organization representing the unique interests of national, middle-market dealers. In addition to federal advocacy, the BDA hosts a series of meetings and conferences specific to domestic fixed income, in addition to economic surveys and an annual compensation survey. For more information, visit [www.bdamerica.org](http://www.bdamerica.org)