



Highlights of [GAO-06-1082](#), a report to Ranking Minority Member, Committee on Finance, U.S. Senate

Why GAO Did This Study

Unlike state and local governments, Indian tribal governments are in general restricted to using tax-exempt bonds for activities that are an “essential government function,” where “essential government function” does not include functions not customarily performed by state and local governments. This restriction has been difficult to enforce by the Internal Revenue Service (IRS) and increased the tax compliance burden on Indian tribal governments.

GAO was asked for information on the number of facilities that state and local governments finance, construct, and operate in eight categories: (1) Rental housing, (2) Road infrastructure, (3) Parking garages and lots, (4) Community recreational facilities, (5) Golf courses, (6) Conference centers, (7) Hotel and tourist accommodations, and (8) State-owned gaming support facilities.

GAO did not find a comprehensive, reliable source of the number of facilities. Instead, GAO searched and found a variety of public and private sources that had limited information on the amounts of financing provided by state and local governments in related categories.

www.gao.gov/cgi-bin/getrpt?GAO-06-1082.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

FEDERAL TAX POLICY

Information on Selected Capital Facilities Related to the Essential Governmental Function Test

What GAO Found

Data sources showed state and local governments (municipalities) provided a wide range of financial support in the following types of facilities.

- **Rental housing.** From 2000 through 2004 municipalities borrowed, in 2004 dollars, a total of \$46.4 billion in 3,557 bond issues for multi-family housing projects. Over the period these borrowings accounted for 33 to 45 percent of debt issued for housing projects.
- **Road transportation.** From 2000 through 2004 municipalities borrowed, in 2004 dollars, a total of \$61.4 billion in 1,091 issues for toll roads and highways. Over the period these borrowings accounted for 27 to 38 percent of debt issued for transportation facilities.
- **Parking facilities.** From 2000 through 2004 municipalities borrowed, in 2004 dollars, a total of \$3.5 billion in 220 issues for parking facilities. In addition, about 73 percent of the U.S. population lived in metropolitan statistical areas (MSA) that reported positive user charges for parking facilities.
- **Park and recreation facilities.** From 2000 through 2004 municipalities borrowed, in 2004 dollars, a total of \$60.9 billion in 3,085 tax-exempt issues to build public facilities, including \$0.6 billion in 29 issues for theaters; \$6.1 billion in 723 issues for parks, zoos and beaches; \$5.3 billion in 119 issues for stadiums and arenas; and \$4.6 billion in 420 issues in other recreation facilities. In addition, about 75 percent of the U.S. population lived in MSAs that reported positive user charges for park and recreation facilities.
- **Golf facilities.** In 2005 there were about 2,400 municipal golf courses, about 15 percent of total golf courses in the United States. Municipal golf courses exist in all states. At least 120 golf courses in 29 states have been identified as financed, at least in part, with tax-exempt bonds. About 5 percent of municipal golf courses are connected to resorts or real estate developments.
- **Convention centers.** Over 300 government owned convention centers have been identified by government finance experts. In addition, from 2000 through 2004 municipalities borrowed, in 2004 dollars, a total of \$11.1 billion in 236 issues related to convention centers.
- **Hotels.** GAO identified 12 hotel projects related to convention centers or airports that were financed with tax-exempt bonds in recent years and additional data sources identify 39 tax-exempt financed hotel projects.
- **Gaming support facilities.** According to financial and gaming reports all but 2 states have some form of legal gaming, and 41 states and the District of Columbia providing state lotteries. In addition, tax-exempt financing has been used for capital projects related to the gaming industry.