



Consumer-Owned Utility Funding

August 2017

Key Messages:

- NWPPA urges Congress to reject proposals to tax municipal bond interest. The continued availability of tax-exempt municipal bonds is critical to NWPPA's municipal members' ability to maintain electric reliability and affordability, while meeting state renewable, energy efficiency and greenhouse gas targets.
- NWPPA supports the Rural Utilities Service (RUS), which enables building and maintaining electric infrastructure, and urges adequate funding for loan levels and authorization.

Background:

NWPPA supports infrastructure investment that is federally-supported and locally-directed. Municipal bonding authority and RUS funding provide comparable federal assistance to utilities that are unable to avail themselves of tax credits.

Municipal Bonds

Municipal utilities rely heavily on tax exempt bonds for funding and maintaining infrastructure projects. These bonds play a critical role in efforts to deliver safe, reliable, and affordable electricity to our communities. Municipal bonding authority is a fiscally sound financing mechanism for state and local governments, including municipal utilities, to finance the infrastructure necessary to provide essential public services. Interest paid on municipal bonds is generally exempt from federal income tax (just as interest paid on Treasury bonds is exempt from state and local tax). This exclusion dates to the 1800s and was incorporated into the modern income tax when it was created in 1913.

In recent years, legislative and administrative proposals to limit or eliminate the exclusion of municipal bond interest from taxation have emerged, but not advanced. In 2017, comprehensive tax reform is likely to advance where others have faltered, and Congress may resurrect these proposals to offset other tax cuts. Should that occur, it would significantly increase borrowing costs for ALL state and local governments, including consumer-owned utilities, which then must pass those costs on to consumers.

Rural Utilities Service

The mission of RUS is to help build essential electric infrastructure through financing of generating resources, electric transmission and distribution lines, and other facilities needed to furnish affordable and safe electric service. The high quality of the electric co-op infrastructure is also due to uniform engineering standards established by the federal government. Co-op infrastructure was built to withstand exposure to harsh elements and weather-related disturbances common to sparsely populated areas of this country.

The very small federal investment in the RUS electric loan programs, coupled with efficient management by cooperative businesses, make the electric cooperative infrastructure strong, stable and dependable today.

Congress should make adequate financing available for power supply facilities to the extent that needs are documented in applications for both new starts and deficiencies, consistent with the intent of Congress. We urge RUS to continue to make 100 percent electric loan guarantees in the full amount of the project and not reduce it by any particular basis or arbitrary percentage. Furthermore, RUS financing must continue to be made available for capital improvements (including pollution control upgrades) to existing base load generating facilities.