

WPUDA Supports Tax-Exempt Municipal Financing



Municipal bonds are vital to development and maintenance of infrastructure that supports essential services provided by state and local governments including PUDs.

Investing in Affordable System Reliability and Safety

Municipal bonds are a critical financing tool for state and local governments, including public utility districts and municipal utilities. Municipal bonds allow for timely investments in infrastructure that support essential services. Exempting municipal bond interest from federal income tax is an important feature that results in lower capital costs for public power utilities, making infrastructure investments in system reliability and safety more affordable. Municipal bonds are a time-tested financing tool that have been used for construction of transmission and distribution systems, substations, and other projects that are essential to delivery of electricity, water and other vital services. Just in the last 10 years, public utility districts have spent over \$1.3 trillion in infrastructure investments, primarily using tax-exempt municipal bonds. These investments keep Washington State—and the nation as a whole—economically competitive and ensure delivery of reliable and affordable services that help customers maintain comfort in their homes.

Recent proposals calling for the elimination or limitation on deductions for tax-exempt municipal financing to reduce federal spending would have far reaching consequences on the ability of public utility districts and other state and local governments to make infrastructure investments. These investments are necessary to maintain electric and water service, as well as meet federal mandates for electric reliability, fish and wildlife mitigation, and water quality. At a time when local and state governments face serious budget constraints, any effort by Congress to tax municipal bonds would add further economic hardship to the people who rely on vital local services.

Over the next five years, Washington State PUDs are expected to invest over \$500 million in electric and water infrastructure. The continued availability of tax-exempt municipal bonds plays a critical role in the ability of public utility districts to make these investments and deliver safe, reliable, and affordable service to communities across the state.

Why tax-exempt municipal bonds?

- Municipal bonds leave decision-making and project details to local governments ensuring they fit the needs of the people served.
- Municipal bonds utilize a well-established legal and regulatory process.
- Municipal bonds provide lower-cost financing that minimizes rate impacts on consumers for necessary infrastructure investments.

WASHINGTON PUBLIC UTILITY DISTRICTS ASSOCIATION

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