



*For Immediate Release*

**Contact: Nick Braden: 202-467-2952**

**Statement By  
The American Public Power Association  
In Response to the FY 2013 Budget Proposal  
On Tax-Exempt Financing  
February 13, 2012**

The American Public Power Association (APPA) is extremely disappointed with today's announcement by the Obama Administration that it will include in its Fiscal Year 2013 budget a proposal to cap the municipal bond interest exemption at 28 percent for certain high income earners. We believe that the result would not be a higher tax for investors, but higher financing costs for issuers, as the investors demand higher yields to cover the additional tax. This short-sighted proposal would severely undercut the ability of publicly owned municipal utilities to upgrade, expand, and improve their infrastructure for the benefit of their consumers because it will increase borrowing costs for municipal governments. APPA therefore calls on Congress to reject this proposal.

The Administration needs to understand that it does the American people no good to simply shift costs from the federal government to state and local governments who then must pass those costs on to American consumers that are already struggling in a weak economy. APPA and its members are wholly supportive of the president's goal of reducing the federal deficit but doing so by increasing federal revenues through increasing borrowing costs for state and local governments as this plan would do, simply makes no sense. Tax-exempt bonds are used to build the infrastructure municipal utilities need to continue providing low-cost, reliable electric service to our consumers nationwide. Importantly, infrastructure development also creates jobs. At a time when creating American jobs is critical, the Administration should be doing everything it can to support building new infrastructure, including new cleaner energy sources, at the lowest possible cost.

This proposal would also be retroactive in that it would apply to bonds already issued. As a result, both current and future investors can no longer be assured that the terms of their investment will remain unchanged, making the investment considerably less valuable.

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*Based in Washington, D.C., APPA is the national service organization for the nation's more than 2,000 community- and state-owned not-for-profit electric utilities serving 46 million customers.*