Resolution 17-02
Sponsors: Northern California Power Agency; Idaho Falls Power; Kansas Municipal Utilities; Denton Municipal Electric; New York Association of Public Power; Delaware Municipal Electric Corporation

In Support of Increasing Energy Infrastructure Investments and Maintaining the Federal Tax Exemption for Municipal Bonds

More than 2,000 public power utilities nationwide own and operate a massive web of infrastructure to reliably provide electric power to more than 49 million Americans. This includes natural gas, coal, nuclear, hydro, wind, solar, and geothermal generating plants with a combined electric power generating capacity of 124 gigawatts; thousands of miles of bulk power transmission lines; and approximately 8,000 distribution substations and other distribution equipment sufficient to provide power to nearly 22 million homes and businesses in every state (except Hawaii), American Samoa, Guam, Puerto Rico, and the Virgin Islands.

Public power utilities keep streets lit, subways running, police and fire stations operating, and schools, libraries, and community centers open. Ongoing and new investments by public power utilities will be made to provide needed assets, respond to rapidly changing technological and policy demands, and ensure continued safe and reliable operations.

A municipal bond is a type of debt instrument issued by nearly 42,000 state or local governments or governmental entities, including public power utilities. Municipal bonds are an efficient financing tool for energy infrastructure investments. In the last decade, more than $2 trillion of new infrastructure investments by state and local governments and governmental entities were financed with municipal bonds, including more than 1,300 power-related projects worth an estimated $100 billion.

A variety of federal programs exists to spur energy-related investments, including tax credits, loan guarantees, and accelerated tax depreciation of capital investments. Most cannot be directly used by public power utilities or are of little marginal benefit to public power utilities. Conversely, recent analysis suggests that in the next decade, another $2 trillion to $3 trillion in new infrastructure investments by state and local governments and governmental entities, including public power utilities, will be financed with municipal bonds, if their tax status is not changed.

Research and analysis indicate unequivocally that changing the tax treatment of municipal bonds—by imposing a surtax on bond interest, “capping” bond interest, taxing bond interest outright, or replacing the current-law tax exclusion for municipal bonds with tax credit bonds or direct payment bonds—would increase the cost of financing for state and local governments and governmental entities, including public power, and impede needed infrastructure investment.

NOW, THEREFORE, LET IT BE RESOLVED: That the American Public Power Association (APPA) strongly supports making needed electric power system infrastructure investments necessary to safely, reliably, and affordably provide power to more than 49 million Americans served by public power utilities; and

BE IT FURTHER RESOLVED: That APPA strongly supports the continued use of tax-exempt municipal bonds to finance electric power infrastructure investments by public power utilities; and

BE IT FURTHER RESOLVED: That APPA adamantly opposes any effort to tax the interest paid on municipal bonds and, as a result, impede electric power infrastructure investments by increasing the cost of financing those investments.