Resolution 19-04

Sponsors: Illinois Municipal Electric Agency; Salt River Project; Greenville Utilities Commission; Minnesota Municipal Utilities Association; Southern California Public Power Authority; Ohio Municipal Electric Association; American Municipal Power; Missouri Association of Municipal Utilities; Missouri Joint Municipal Electric Utility Commission; Irrigation and Electrical Districts Association of Arizona; Tennessee Valley Public Power Association; Tennessee Municipal Electric Power Association; Northwest Public Power Association

In Support of Municipal Bond Modernization

Over the next decade, state and local governments are on track to make more than $3 trillion in tax-exempt bond financed investments in roads, bridges, water systems, schools, hospitals, public power systems, and other key infrastructure. This follows the $2.3 trillion in such tax-exempt bond financed investments made in the previous 10 years. Public power utilities alone are making $5 billion a year in investments in their generation, transmission, and distribution systems using tax-exempt bonds.

Despite these massive investments, U.S. investment in infrastructure is lagging and, as a result, federal lawmakers are considering ways to encourage additional infrastructure investments. While Congress discusses such proposals, it should also focus on improving already powerful tools in hand, including tax-exempt financing of public infrastructure.

As Congress considers infrastructure legislation in the 116th Congress, there is an opportunity to modernize the treatment of tax-exempt municipal bonds. Congress should revisit private-use rules created more than 30 years ago that are needlessly complex and punitive toward public power. Bond modernization should also include making it easier for more small counties, towns, and villages to sell their bonds to banks by increasing the $10 million small issuer exception, a limit which has not been updated since 1986. It should also end the sequestration of tax credit payments to Build America Bond issuers, and repeal the new tax on advance refunding bonds, which has reduced the ability of public power utilities to refinance past debt and increased the cost of issuing new debt.

These are consensus proposals developed by the American Public Power Association and other state and local stakeholders. For example, the Government Finance Officers Association proposed and adopted such a bond modernization agenda at its 2019 Winter Meeting.

NOW, THEREFORE, BE IT RESOLVED: That the American Public Power Association (APPA) strongly believes that tax-exempt municipal bonds have been, and will remain, the most powerful and effective tool for financing public investments in public infrastructure;
BE IT FURTHER RESOLVED: That APPA believes that insofar as Congress wants to incentivize further investments in infrastructure, it should focus on improving this incredibly powerful financing tool with a municipal bond modernization agenda; and

BE IT FURTHER RESOLVED: That APPA believes that a municipal bond modernization agenda should reinstate tax-exempt advanced refunding bonds, increase the small-issuer exception from $10 million to $30 million, exempt payments to Build America Bond issuers from federal budget sequestration, and repeal outdated private-use rules.