**Northwest Public Power Association**

**Resolution 2022-08**

**Support for Consumer-Owned Utility Financing Options**

**Background**

Tax‐exempt financing is the cornerstone of public infrastructure programs and an important resource for public power systems. The ability to issue these bonds allows communities to finance the furnishing of necessary local services, such as electricity, water, waste treatment, and advanced communications. The interest from these bonds is exempt from federal taxation, which creates a market for the otherwise low‐yield investment instruments and allows for low‐cost financing of local infrastructure projects.

A fundamental principle of tax‐exempt financing is the ability of states and local governments to determine what services are needed to serve their citizens and to finance such projects free from federal taxation on the interest on the bonds they issue. The historic exclusion of interest on state and local obligations from federal gross income, based on the tenets of federalism, was memorialized nearly a century ago in the Internal Revenue Code of 1913. Such services include the provision of electricity for those states and local governments that have accepted this responsibility. The Congress and the Administration should support with this critical financing tool when job creation and infrastructure investment are so dependent upon its availability.

For rural electric cooperatives, USDA’s Rural Utilities Service (RUS) administers programs that provide much-needed infrastructure and infrastructure improvements to rural communities. These include water and waste treatment, electric power, and telecommunications services. All these services play a critical role in helping to expand economic opportunities and improve the quality of life for rural residents.

Utilities programs connect rural residents to the global economy by increasing access to broadband and telecommunications services; funding sustainable renewable energy development and conservation; financing reliable and affordable electric systems; working to integrate electric smart grid technologies; and developing reliable and affordable rural water and wastewater systems.

In light of the need to finance significant additions to the electricity production and delivery

infrastructure, as well as the need for employment and new jobs, Congress should preserve cooperative electric utilities’ access to federally guaranteed loans from the RUS, including making such loans available for repricing at current market rates, and public power’s ability and flexibility to issue tax‐exempt bonds, including restoring the ability to issue advance refunding bonds.

**NWPPA’s Position**

* NWPPA supports the continued ability of public power systems, as units of local government, to issue tax‐exempt bonds.
* NWPPA opposes any proposals that would unduly restrict, adversely alter, or eliminate public power’s use of tax‐exempt bonds to serve its communities or change the ability of certain investors to claim the exemption.
* NWPPA supports restoring the ability to advance refund municipal bonds.
* NWPPA supports the RUS and its mission of enabling the building and maintaining of essential electric infrastructure through the Electric Loan Program.
* NWPPA supports proposals that would allow repricing of RUS loans at current market rates.
* For RUS to remain a strong partner with eligible entities, NWPPA urges Congress to provide sufficient RUS loan levels and RUS lending for a full complement of generation including baseload, transmission, and distribution projects, and to make such loans eligible for refinancing.
* NWPPA urges RUS to provide efficient loan processing.

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