May 1, 2017

The Honorable Paul Ryan  
Speaker of the House  
1233 Longworth House Office Building  
Washington, DC 20515

The Honorable Nancy Pelosi  
Democratic Leader  
233 Cannon House Office Building  
Washington, DC 20515

The Honorable Kevin Brady  
House Ways and Means Committee, Chairman  
1011 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Richard Neal  
House Ways and Means Committee, Ranking Member  
341 Cannon House Office Building  
Washington, D.C. 20515

Re: Tax Exempt Municipal Bonds

Dear Speaker Paul Ryan, Leader Nancy Pelosi, Chairman Kevin Brady and Member Richard Neal,

Representing thirty-eight (38) California urban water retailers and wholesalers, municipalities, sanitation districts, and related associations, we are writing to urge Congress to maintain the current tax-exempt status for municipal bonds, and express our concerns regarding proposals to place a cap on the tax-exempt interest earned on these bonds or eliminate the tax exemption altogether.

For more than a century, the tax-exempt status of municipal bonds has made them the primary method through which state governments and local municipalities finance public capital improvements and infrastructure construction. These projects support core state and local functions, and serve as engines of job creation and economic growth. It is imperative that their tax-exempt status be maintained.

Over the last decade, municipal bonds have funded almost $2 trillion worth of infrastructure construction. This financing option has been used to construct schools, hospitals, airports, affordable housing, water and sewer facilities, public power utilities, roads and public transit. In 2016 alone, more than 11,000 tax-exempt bonds financed over $440 billion in infrastructure spending. Through the use of municipal bonds, state and local governments have significantly reduced the cost of financing and infrastructure construction.
Placing a cap on the municipal bond tax deduction would radically reduce demand for these bonds, increase borrowing costs to public entities, and shift costs to local residents through tax or rate increases. Moreover, eliminating or capping the current deduction would slow the growth of job-creating infrastructure projects.

As the discussion on various budget proposals continues and work on comprehensive tax reform begins, it is our hope that you will reject proposals to alter the tax-exempt status of municipal bonds. While we understand the difficult decisions before Congress related to government spending and the national debt, Americans must not eliminate a vital tool of our country’s infrastructure investment, job growth and economic development. Thank you for your time and attention to this important national matter.

Sincerely,

Martin L. Adams  
Chief Operating Officer  
Los Angeles Department of Water & Power

Paul D. Jones, II, P.E.  
Eastern Municipal Water District

Richard Nagel, P.E.  
General Manager  
West Basin MWD

Paul A. Cook  
General Manager  
Irvine Ranch Water District

David Pedersen  
General Manager  
Las Virgenes MWD

John Rossi  
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Western MWD
John D. Vega
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