March 26, 2013

The Honorable Dave Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member, Committee on Ways and Means
U.S. House of Representatives
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

Re: Maintaining Tax Exempt Municipal Bonds

On behalf of Eastern Municipal Water District (EMWD), located in Riverside County, California, I would like to thank you for holding the recent hearing entitled "Tax Reform and Tax Provisions Affecting State and Local Governments." EMWD is very concerned about proposals to cap or eliminate the tax exempt status of municipal bonds.

EMWD utilizes tax-exempt municipal bonds to finance improvements to our water and wastewater infrastructure. Over the last few years alone, the District issued approximately $140 million in tax-exempt Certificates of Participation to finance a needed expansion to our primary wastewater recycling plant, as well as a separate tax-exempt general obligation bond financing for approximately $32 million to fund various water and sewer infrastructure replacement and system betterment projects. Over the past decade, state and local governments across the country have financed over $1.65 trillion in public improvements, utilizing these bonds for water, wastewater, transit, and public power infrastructure, as well as schools and hospitals.

Proposals to limit or eliminate tax deductions for municipal bonds will increase the cost of borrowing for state and local governments. Last year's proposal by the Administration to cap the deduction at 28 percent would have increased bond financing costs by 70 basis points (0.7 percent), requiring issuers to pay more in interest in order to attract the same investors. Our District estimates that proposal would cost our ratepayers at least $7,000,000 per year in additional interest costs – more than $50 per year for each customer account.

Mailing Address: Post Office Box 8300 Perris, CA 92572-8300 Telephone: (951) 928-3777 Fax: (951) 928-6177
Location: 2270 Trumble Road Perris, CA 92570 Internet: www.emwd.org

While the federal government forgoes $32 billion annually in lost tax receipts because of the exemption of municipal bonds, much of that loss would be transferred to state and local governments in increased borrowing costs without the exemption. Additionally, many critical infrastructure projects (totaling $179 billion in 2012) would become more expensive, delayed, or not built without tax-exempt municipal bonds.

Tax exempt municipal bonds are an effective means of attracting private investment to public projects. We strongly oppose any changes made to the tax exempt status of municipal bonds and would encourage you reject any such proposals in a future tax package the committee may consider. Thank you for your attention to this important issue.

If you would like additional information regarding EMWD's use of tax-exempt bonds, please contact Debby Cherny, EMWD's Assistant General Manager of Finance and Administration at 951-928-3777 ext. 6154, or by email at cherneyd@emwd.org.

Sincerely,

Paul D. Jones II

Paul D. Jones II, P.E.
General Manager

cc: Representative Raul Ruiz
Representative Duncan Hunter
Representative Ken Calvert
Representative Mark Takano