



**Massachusetts Municipal Wholesale Electric Company (MMWEC)
Resolution
In Support of Advance Refunding Bonds**

There have been several efforts to weaken or eliminate the tax exemption for municipal bonds, or replace them with other financing tools. In 2017, tax-exempt advance refunding bonds, a valuable tool in reducing financing costs for investments in electric utility systems, were eliminated with President Trump's tax reform package. The Massachusetts Municipal Wholesale Electric Company (MMWEC) and its municipal light plant (MLP) Members support the restoration of advance refunding bonds for municipalities.

Advance refunding bonds have been a useful instrument for MLPs to keep costs down for infrastructure and other expenses, which ultimately benefit their consumers. Advance refunding bonds have made up about a third of the municipal bond marketplace, with over \$482 billion in advance refunding bonds issued between 2012 and 2017. The municipal bond market is roughly \$3.8 trillion in size.

The termination of advance refunding bonds is expected to generate \$17.3 billion for the U.S. government between 2018 and 2027, according to Thomson Reuters. The federal government's gain is the municipalities' loss, as they have historically relied on this tool to plan for the future.

Through advance refunding, MLPs could "refund" existing tax-exempt municipal bonds by issuing new bonds to pay off the existing ones. Before advance refunding was eliminated in the tax reform package, MLPs could issue a refunding bond when interest rates were low, then pay off the old bonds when the call date arrived. While the issuer would pay interest on both the refunding and refunded bonds, the issuer would save money in the long run. This saved money could help MLPs keep costs down by providing steady rates for their customers and respond to evolving public policy goals, such as integrating more carbon-free resources.

A fundamental principle of tax-exempt financing is the ability of municipalities to determine what services are needed to serve their citizens. The federal government should not interfere with this principle, or impede on their ability to make local decisions on the best investments for their communities.

NOW, THEREFORE, BE IT RESOLVED: That MMWEC supports any efforts to restore advance refunding bonds for municipalities; and

BE IT FURTHER RESOLVED: That MMWEC will continue to communicate to Congress that the restoration of advance refunding bonds for municipalities is crucial to the MLPs' efforts to maintain strong communities while supporting evolving public policy goals.

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