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Ken Kirk

February 24, 2014

President Barack Obama

The White House

1600 Pennsylvania Avenue, NW

Washington, DC 20500

Dear Mr. President:

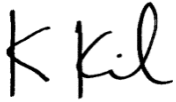
As you finalize the Fiscal Year (FY) 2015 budget request, we urge you to ensure that the tax-exempt status for investments in municipal bonds remains intact and that no limitations are placed on interest received from these investments. Tax-exempt municipal bonds are a vital tool for upgrading and replacing aging water and sewer infrastructure – investments that ensure our communities protect the health of our citizens, spur economic development and create jobs.

For more than a century, tax-exempt municipal bonds have been the most important source of funding for water and wastewater infrastructure projects in the United States. In 2012, 48 of the 50 states utilized tax exempt financing to fund water and wastewater projects, and since 2003, municipalities have issued \$258 billion worth of tax-exempt municipal bonds to fund water and wastewater infrastructure – comprising approximately 16 percent of all municipal bond issuance for all infrastructure projects over this period. Any policy to alter the tax-exempt status of these bonds will prevent many projects from going forward while significantly increasing rates for customers and slowing the momentum of the economic recovery.

Last year, the National Association of Clean Water Agencies (NACWA) and the Association of Metropolitan Water Agencies (AMWA) released a report, [*The Impacts of Altering Tax-Exempt Municipal Bond Financing on Public Drinking Water & Wastewater Systems*](#), describing the impacts to water and wastewater utilities if the tax-exempt status of municipal bonds was limited. According to the report, more than \$39 billion in state and local tax-exempt water and sewer bonds were issued in 2012. Imposing a 28-percent benefit cap on tax-exempt municipal bond interest would have increased water and wastewater project financing costs by approximately \$6 billion. Similar proposals to make municipal bond interest fully taxable would have

increased municipalities' water and wastewater infrastructure financing costs by roughly \$9 billion. With clean water infrastructure needs well above \$180 billion, we cannot afford to make these upgrades any more expensive. I thank you for your consideration of this request and please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "K Kirk". The signature is fluid and cursive, with the first letter "K" being large and prominent.

Ken Kirk
Executive Director