

## **2014 FEDERAL PRIORITIES**

### **MUNIBONDS**

Under pressure to generate new federal revenues, President Barack Obama once again proposed a 28 percent cap on municipal bond interest as a part of his FY 2015 budget proposal. In addition to considering the cap, members of Congress and the Obama Administration are also debating eliminating the tax-exempt status of municipal bonds altogether. Eliminating or levying a cap on municipal bonds would result in significantly reduced infrastructure investment. Given the vital nature of bond interest to city infrastructure funding, the League is strongly opposed to the federal government repealing the municipal bond tax exemption.

### **MARKETPLACE FAIRNESS ACT**

The League supports the Marketplace Fairness Act of 2013 (MFA) because it seeks equitable tax treatment for sales of tangible goods between brick-and-mortar establishments and remote online retailers. By leveling the tax playing field, additional revenues will be collected by state and local governments to provide for vital resident services. According to estimates, between \$1.1 billion and \$4 billion of use taxes generated by online sales from out-of-state vendors are uncollected in California. These revenues could be used by the state and local governments to fund programs and backfill projects and services cut after years of chronic budget deficits.

### **INTERNET TAX FREEDOM ACT**

This year Congress may consider an extension to the Internet Tax Freedom Act (Act), which includes a moratorium on Internet-only taxes. Unfortunately, the definitions in the Act are too broad and they also exempt from local taxes the use of broadband networks, whether they are used for internet access or other telecommunication services such as voice and data. In California, over eighty percent of utility user taxes are voter-approved, technology neutral, and impose a local tax on all telecommunication networks including the public-switched network. They do not impose a tax on products and services such as email, digital software, music, games and similar downloads. Technology is changing, and each year more and more consumers are switching from public-switched network telecommunications to broadband networks. Soon the public-switched network will become obsolete, and if the Act is extended, cities will lose a significant revenue source. A simple and limited exemption for voter-approved local taxes will resolve the problem without impacting consumer access to Internet products.

### **TRANSPORTATION REAUTHORIZATION**

With MAP-21 set to expire September 30, 2014, Congress will be setting priorities to include in the next iteration of the surface transportation law during the 113th Congress. Questions remain on how transportation programs will be funded in the future. As Congress considers options to address the shortfall in the highway trust fund and other areas of transportation, the League urges Congress to:

- Adopt a long-term transportation authorization that provides a stable and reliable revenue stream for transportation;

- Ensure funding is available to support current and future federal, state and local transportation priorities and identify new funding streams capable of supporting future transportation needs; and
- Make reconstruction and preservation of the existing system a high priority for expenditures; and target funds for maintenance to local agencies, which are charged with administering the system.

### **WATER AND WASTEWATER INFRASTRUCTURE**

California cities' water and wastewater systems need a significant overhaul to keep the world's eighth largest economy moving. There has been almost no new investment in California's water and wastewater systems in more than 30 years. This delay puts increasing pressure on the State for action as California is expected to grow by 10 million by 2020 and is working to meet new, more stringent standards for safe drinking water and clean water. The League urges Congress to:

- Provide adequate and reliable long-term financing solutions for municipal water delivery, maintenance and treatment needs to meet federally mandated water quality standards and maintain the vital infrastructure necessary to ensure the availability of clean water for an increasing population.
- Enact legislation that would exempt Private Activity Bonds for water and sewage facilities from the state volume caps and expand the application of innovative financing mechanisms to local water infrastructure projects in the 2013 Water Resources Development Act (WRDA), such as the Innovative Finance Pilot provisions included in the Senate Environment and Public Works Committee's draft WRDA reauthorization bill introduced late in the 112th Congress.

### **WIRELESS TAX FAIRNESS ACT**

For several years Congress has introduced legislation which would impose a five-year moratorium on state and local taxes on mobile services and the providers of mobile services that were levied beyond generally imposed rates. This legislation would remove a much needed local government revenue source during a time of great fiscal crisis for California's cities, solely to benefit an industry whose subscribership has grown by 158 percent and whose revenues have increased by 124 percent since 2000. In addition to imposing an undue financial burden on California local governments, this legislation would undermine the efforts of a number of cities in California that are working to update and simplify their tax ordinances to assure technology-neutrality. These cities are working directly with voters to modernize these ordinances, which voters are approving as required under California law. The current version of the bill includes a simple and limited exemption for voter-approved local taxes will resolve the problem without impacting consumer access to Internet products. The League encourages Congress to include this exemption in the final version of the bill.

### **IMMIGRATION REFORM**

Like the National League of Cities and many others across our nation, the League of California Cities believes it should be an urgent priority of Congress to enact broad and meaningful immigration reform. Every day cities are affected by the current dysfunction in our immigration system, and the need for action is critical.