

League of California Cities Federal Priorities Talking Points

Appropriations/Budget

- We are deeply concerned about potential cuts to key domestic programs. California cities have already faced deep spending reductions, forcing cutbacks to a number of critical local services and job losses for first responders. Additional reductions will imperil the services that city residents and working families desperately need. We urge Congress to adopt a bipartisan and balanced approach to appropriations that also minimizes spending cuts.
- While there are many programs that are critical for our state's economic growth and job creation. We want to highlight some of the key programs:
 - **Community Development Block Grant (CDBG):** CDBG help cities innovate and fund community benefit projects ranging from homeownership assistance to water system improvements – projects and programs that may otherwise never get off the ground without these funds. In 2016, California cities received just over \$253 million to invest in our communities. For every \$1.00 of CDBG funds, another \$3.00 in private and public investment is leveraged. This equates to over \$1 billion dollars being directed into areas that need it the most. These leveraged funds, along with CDBG, help spur the economic investment needed to revitalize local communities, create jobs, and fund vital city projects and operations.
 - **HOME:** California cities are facing an affordable housing crisis. Rising property values and rents are making it increasingly difficult for cities to maintain and develop enough affordable housing to meet residential needs. HOME provides formula grants to states and localities to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. In 2016, California cities received just over \$70 million from the HOME program.
 - **Infrastructure Investment:** California's vibrant economy depends upon a world-class infrastructure system. We strongly support programs to expand and maintain our roads, transit, bridges, and water system, such as the Capital Investment Grants program (transit) and Clean Water State Revolving Fund (water). The CWSRF is the only federal funding source available to local governments to assist with water and wastewater infrastructure repairs and upgrades. It provides a \$2.31 return for every federal dollar invested in the program. Both the CWSRF and Capital Investment Grant program help improve infrastructure and create construction jobs and are critical programs.

Tax Reform

Tax-Exempt Municipal Bonds

- As Congress contemplates tax reform, we want to emphasize the importance of preserving the tax-exempt status of municipal bonds. The League opposes any efforts to eliminate or alter this tax exemption.
- Tax-exempt municipal bonds are critical to the ability of municipalities to improve and expand vital infrastructure. For example, in 2016, California communities issued \$8.19 billion in tax-exempt municipal bonds to fund improvements to drinking water and wastewater infrastructure.
- The end of the tax exemption would reduce the appeal of muni bonds for investors who would demand higher yields to compensate for the lost exemption. That would raise debt service costs for municipalities and could discourage much-needed infrastructure investment across the country, which in turn impacts job creation in California and across the nation.

Low-Income Housing Tax Credit

- In addition, we strongly support the Low Income Housing Tax Credit program. The LIHTC is the primary vehicle for low-income housing development in California. Between 1987 and 2015, over 4,000 projects have been developed in the State, which provide over 324,000 low-income housing units.
- While the LIHTC Program has historically received bipartisan support in Congress, tax reform legislation in 2017 could significantly impact it, even if the program itself is left in place. Since investors in LIHTC developments receive a dollar-for-dollar credit against their tax liability for a 10-year period, changes in tax rates that reduce their tax liability may also decrease their interest in investing in LIHTC developments, and lessen the amount of equity they provide when making such investments. We urge Congress to consider the impact of changes in tax law on the viability of this critical program, and to work to maintain its effectiveness in addressing the nation's homeless and affordable housing needs.
- In addition, the League supports bipartisan legislation in the House and Senate to provide a 50% expansion of the LIHTC through 2020 and a permanent 4% rate for both acquisition and tax-exempt bond-financed developments.

Infrastructure

- Increased investment in California is critically needed. It is estimated that California will need to invest a staggering \$500 billion in infrastructure over the next two decades to maintain and improve its infrastructure.
- We appreciate that there is bipartisan consensus that there is a great need for infrastructure investment. While we recognize the value of public-private partnership and innovative financing, we urge Congress to provide direct investments in local infrastructure and strengthen, maintain, and preserve our aging roads, transit systems,

bridges, freight, and water systems. These funds should be targeted directly to local agencies, which are charged with administering the system.

- In addition, infrastructure investment shouldn't be limited to investment in roads, transit, and bridges. We must include investment in water infrastructure.
- We also support balanced approaches to streamlining and believe that where federal and state agencies must review a project for compliance with their regulatory scheme, strict timelines for completion of review should be enacted, and provision made for concurrent review, particularly by federal agencies.
- Finally, it is critical to maintain the tax-exempt status of municipal bonds to ensure that we are able to finance infrastructure locally. In the last decade, state and local governments financed over \$1.65 trillion of infrastructure investment using tax-exempt bonds. Policies that alter or eliminate the current tax-exempt status of municipal bonds could cost local government billions of dollars and impact job creation in California and across the country.

FAA Reauthorization

- As Congress considers FAA Reauthorization, the League has several priority issues:

Aviation Fuel Taxes

- First, we are hoping for clarification on an FAA rule regarding local taxes on aviation fuel. In 1987, Congress passed the FAA authorization amendments that required airports to spend aviation fuel excise tax revenue on airport uses. The conference report for the 1987 amendments to the FAA statute clearly stated that the requirement that local taxes on aviation fuel must be spent on airports “is intended to apply to local fuel taxes only, and not to other taxes imposed by local governments, or to state taxes”.
- On December 8, 2014, FAA made a final rulemaking that contradicts the Congressional intent and 29 years of practice by saying that “*the agency interpreted the provisions... to apply to any state or local tax on aviation fuel, whether the tax was specifically targeted at aviation fuel or was a general sales tax on products that included aviation fuel without exemption.*”
- This FAA rulemaking is contrary to states' rights and is an assault on state and local control of their general application sales tax measures. Many local governments have voter approved sales tax measures for specific purposes such as transportation funding. This rulemaking will overturn the decision of local voters in taxing themselves for specific purposes.
- Because sales taxes on aviation fuel are not segregated from other taxable sources, the burden placed on states and local governments to implement this rule is extremely challenging.

- Were strongly supportive of the amendment that Rep. Napolitano offered during the last FAA Reauthorization and urge Congress to address this issue in the next reauthorization.

Drones

- Second, we strongly believe that local governments have a critical role to play in regulating drones and we oppose efforts to pre-empt local control. We appreciate Senator Feinstein's efforts to remove pre-emption language from the Senate FAA Reauthorization bill last session.
- In addition, we understand that Senator Feinstein is working on legislation to clarify the role of local governments in regulating drones in airspace below 200 feet. We are extremely supportive of these efforts and want to help build support for the legislation when its introduced.
- As you know, drones operate in places where cities and local authorities have traditionally exercised control. To ensure residents safety, state and local governments make rules about where you can bike or skateboard, and set speed limits for roads and rules for parking. All without creating confusion for businesses or residents. Cities should be able to do the same for drone operations.
- If cities have the ability to make time, manner, and place restrictions on First Amendment activities—they should be able to make rules that ensure that drones don't fly over city streets or soccer games risking injury to other residents.

Flight Paths

- Finally, we are concerned about recent activity by FAA that has shifted flight paths. These shifts have often happened without community input or notification and then alternate routes have created serious issues in the surrounding communities.
- While the National Defense Authorization Act last year included language that encouraged FAA to consult with communities before making flight path changes, we believe that this language should be strengthened in the next FAA Reauthorization.
- FAA should be required to have appropriate community consultation and engagement and consider the use of alternative flight paths if a new flight procedure will have a significant impact on a community.