



**City of Columbia  
Federal Update  
December 2, 2014**

**Budget & Tax**

Deficits are down but sequestration and general austerity continue to threaten core local government grant programs; tax issues could also impact local budgets.

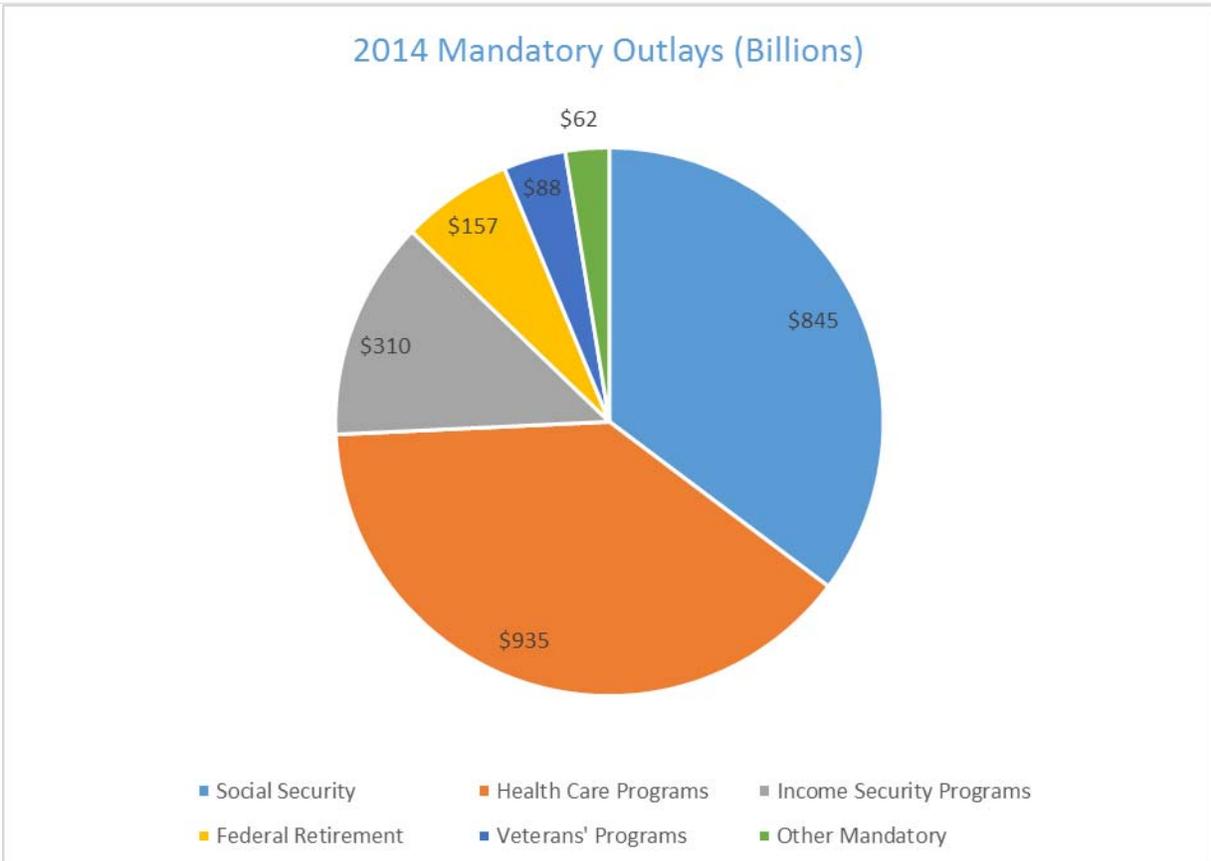
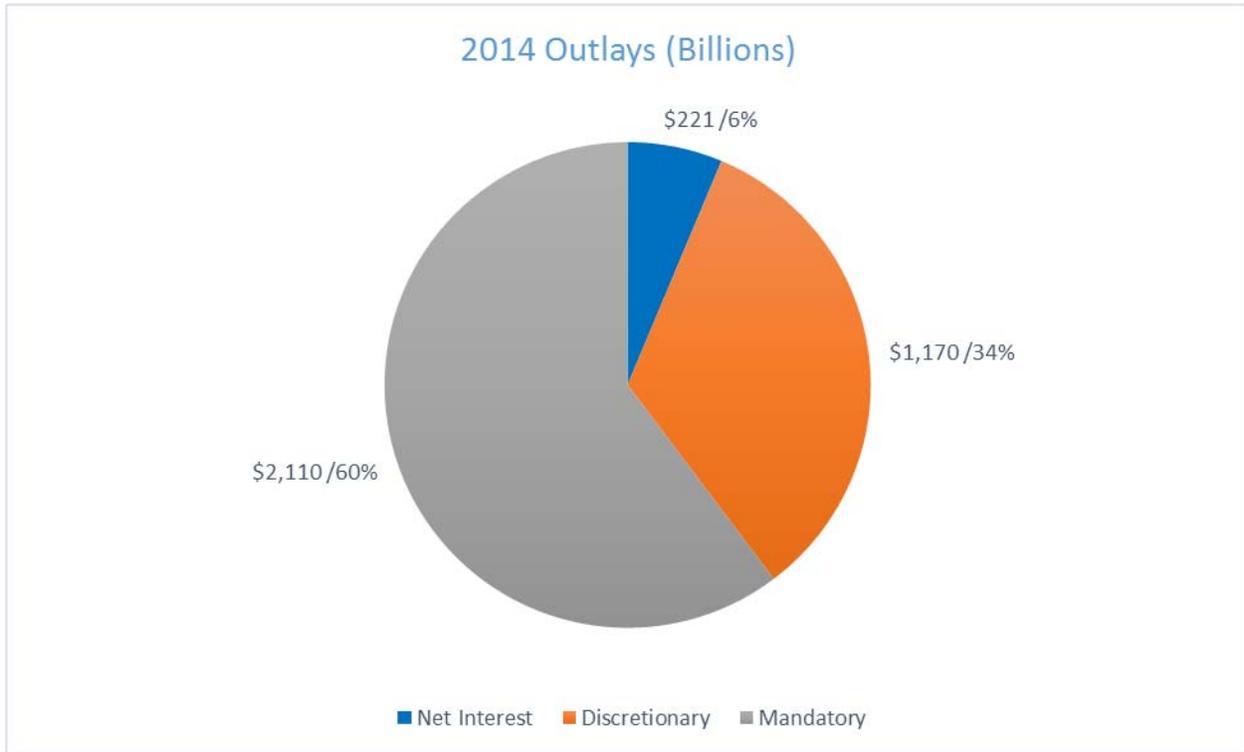
**Transportation**

Infrastructure trifecta: Highway-Transit, Aviation & Passenger Rail programs are all due for reauthorization in 2015.

**Local Authority**

From taxes to zoning, legislators and regulators will continue to challenge local authority.

## Budget & Tax



## Murray-Ryan & the Return of Sequestration

Congress started the FY 2014 appropriations process deeply divided.

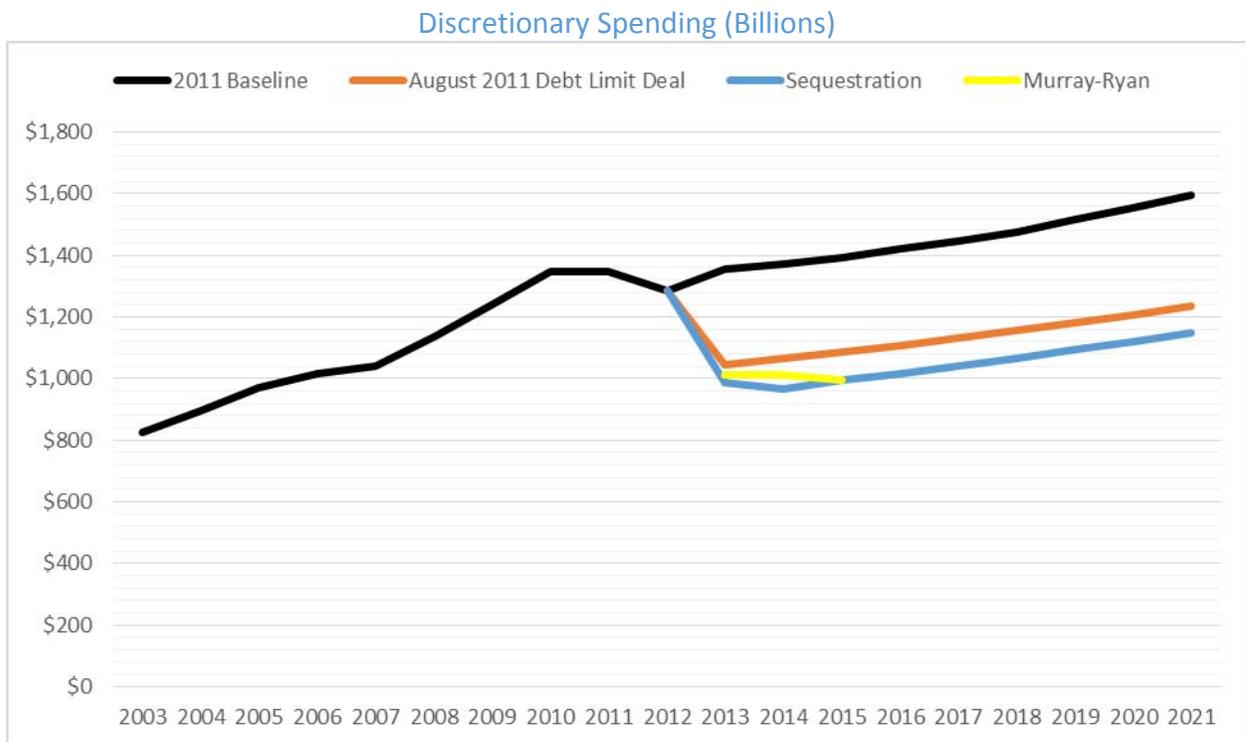
- The House was working with a discretionary spending cap of \$967 billion that reflected sequestration.
- The Senate was working with a discretionary spending cap of \$1.058 trillion that assumed sequestration would be avoided in FY 2014.
- Adding to the discrepancy, the House budget spared Defense spending from sequestration and put the entire cut on non-Defense spending.

For core local government programs, the House's top line number would have meant deep cuts to many core local government programs.

- Most notably, the House FY 2014 HUD appropriations bill would have cut CDBG by 46 percent and HOME by 29 percent.

The budget agreement reached by Senate Budget Committee Chairman Patty Murray (D-WA) and House Budget Committee Chairman Paul Ryan (R-WI) partially reversed sequestration for two years and spared core local government programs from steep cuts.

- Overall, the agreement created a truce in budget battles that over the past few years brought the federal government to the brink of default several times, wreaked havoc with the annual appropriations process and hampered the ability of many agencies to make medium- and long-range plans.



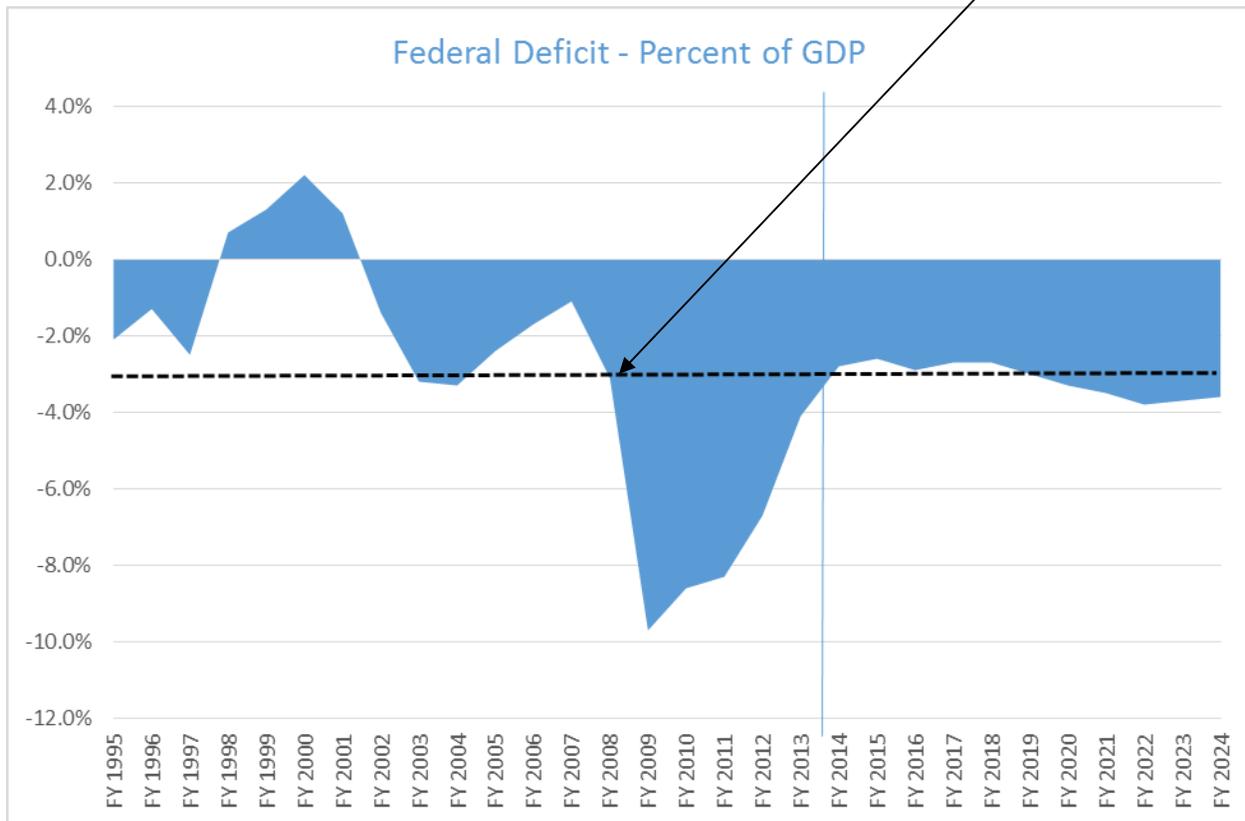
However, the Murray-Ryan Budget Agreement did not address major, long term budget issues.

- ***So, for FY 2016-FY 2021, sequestration and any budget agreements to avoid it could continue to pose a threat to funding for core local government programs.***

Indeed, ongoing austerity and the difficulty of addressing tax and entitlement issues will pose a threat on several fronts:

- Cuts to core local government programs,
- The vulnerability of the tax exemption for municipal bonds and
- Additional unfunded mandates and preemption of local authority.

A potential reprieve: deficits are back to average levels (1974-2013 average = -3.1% of GDP).



### FY 2015 Appropriations

As outlined above, the Murray-Ryan Budget Agreement gives congressional appropriators a common discretionary spending cap that avoids sequestration and forestalls major spending cuts.

- Nevertheless, Congress did not enact any FY 2015 spending bills prior to the start of the new fiscal year on October 1.

Before adjourning for the election campaign, Congress passed a short-term Continuing Resolution (CR) to prevent a government shutdown.

- The CR will keep the government operations running at or near current FY 2014 levels through December 11.
- The December expiration date guarantees that the lame duck Congress will have to address FY 2015 spending either through a, short-term CR, a year-long CR or an Omnibus appropriations bill.

A look at the [Funding Chart](#) and a review of FY 2015 appropriations bills that did make their way through various stages of the legislative process shows that most core local government programs should receive level funding or small increases.

### FY 2016 Appropriations

Under current law, the 114th Congress will have to tackle FY 2016 appropriations bills using a discretionary spending cap that reflects sequestration.

- The congressional leadership will almost certainly look to spare Defense spending from sequestration but will not necessarily be looking to do the same for non-Defense discretionary spending.
- Local governments will have to advocate vigorously to spare most if not all core local government programs from steep cuts.

Columbia	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>CDBG</b>	\$1,263,451	\$1,244,466	\$1,348,864	\$1,127,925	\$868,564	\$956,664	\$950,277
<b>HOME</b>	\$809,677	\$907,074	\$901,929	\$792,484	\$468,151	\$493,712	\$502,473
<b>Byrne JAG</b>	\$47,020	\$145,457	\$130,213	\$108,248	\$91,457	\$89,626	\$95,843
<b>MMRS</b>	\$321,221	\$321,221	\$317,419	\$281,693	-	-	-
<b>HOPWA</b>	\$1,138,000	\$1,404,470	\$1,566,258	\$1,540,616	\$1,584,363	\$1,421,084	\$1,413,542

### “Extenders” and Bonds

The immediate focus on tax policy will be the extension of myriad expired tax provisions.

- The lame duck Congress will face pressure from business (and an IRS facing a deadline to finalize 2014 tax forms!) to pass an ‘extenders’ bill that renews over 50 expiring tax provisions.
- They will face pushback from deficit hawks who argue that if tax provisions are worthy of renewal, they should be made permanent and their costs offset.

Looking ahead, efforts to overhaul the corporate tax code could be broadened into overhauling the entire tax code.

- If so, the threat to the tax exemption for municipal bonds, already serious, will escalate considerably.
- The threat to the tax exemption for municipal bonds could also come up ***anytime Congress is looking to offset costs in other bills.***

## Transportation

### Highways & Transit

Prior to adjourning for the August recess, Congress enacted an extension of highway and transit programs through May 2015, including a funding patch to address shortfalls in Highway Trust Fund revenue (PL 113-159).

Looking ahead to highway and transit reauthorization next year, City priorities will include:

- Expansion of sub-allocation to metropolitan areas,
- A strong local role in decision making and
- A focus on metropolitan mobility, including a strong transit program and expansion of the Transportation Alternatives Program.

Financing remains the major obstacle to enactment of a long term reauthorization of highway and transit programs.

- The election did not change the fact that revenue to the Highway Trust Fund is not keeping up with current levels of highway and transit expenditures.
- A bill that maintains current levels of spending would require approximately \$100 billion in additional revenue to the Highway Trust Fund.

Efforts to address Highway Trust Fund shortfalls on the spending side will focus on the Transportation Alternatives Program and the transit program.

- Advocates for both programs will continue to have leverage, but it may prove difficult to save the Transportation Alternatives Program if and when the 114th Congress enacts a long term reauthorization bill.

### Passenger Rail

House Transportation & Infrastructure Committee Chairman Bill Shuster (R-PA) remains committed to enactment of his bipartisan bill that would reauthorize intercity passenger rail programs and authorize funding for modest levels of investment in intercity passenger rail infrastructure.

### Aviation

Aviation programs expire at the end of FY 2015.

- The Airports & Airways Trust Fund faces a funding shortfall.

Key issues will include:

- How to address the Trust Fund shortfall and
- Whether to authorize a higher cap for Passenger Facility Charges.

## Local Authority

### Marketplace Fairness Act/Internet Tax Freedom Act

The Internet Tax Freedom Act expires on December 11 as a result of a short-term extension in the Continuing Resolution.

Prior to the August recess, the House passed a permanent extension of the Internet Tax Freedom Act (HR 3086).

- The bill would end the grandfather for pre-1998 taxes on Internet access.

Senators Michael Enzi (R-WY) and Richard Durbin (D-IL) responded to the House action with a bill (S 2609) that combines a ten-year extension of the Internet Tax Freedom Act, including all grandfathers, with the Marketplace Fairness Act.

Enactment of the Marketplace Fairness Act, which would require remote retailers to collect and remit all sales taxes, remains a top local government priority.

### Telecommunications

Federal Communications Commission (FCC) actions could directly or indirectly threaten local authority.

- The FCC recently issued its Colocation/Shot Clock Final Order, which limits local authority to regulate colocation of equipment on existing towers.
- FCC action on network neutrality could lead to a rewrite of the Communications Act.
- FCC action on municipal broadband – a double-edged sword?

In general, cities will have to continue to oppose efforts to preempt local authority in a number of areas, including:

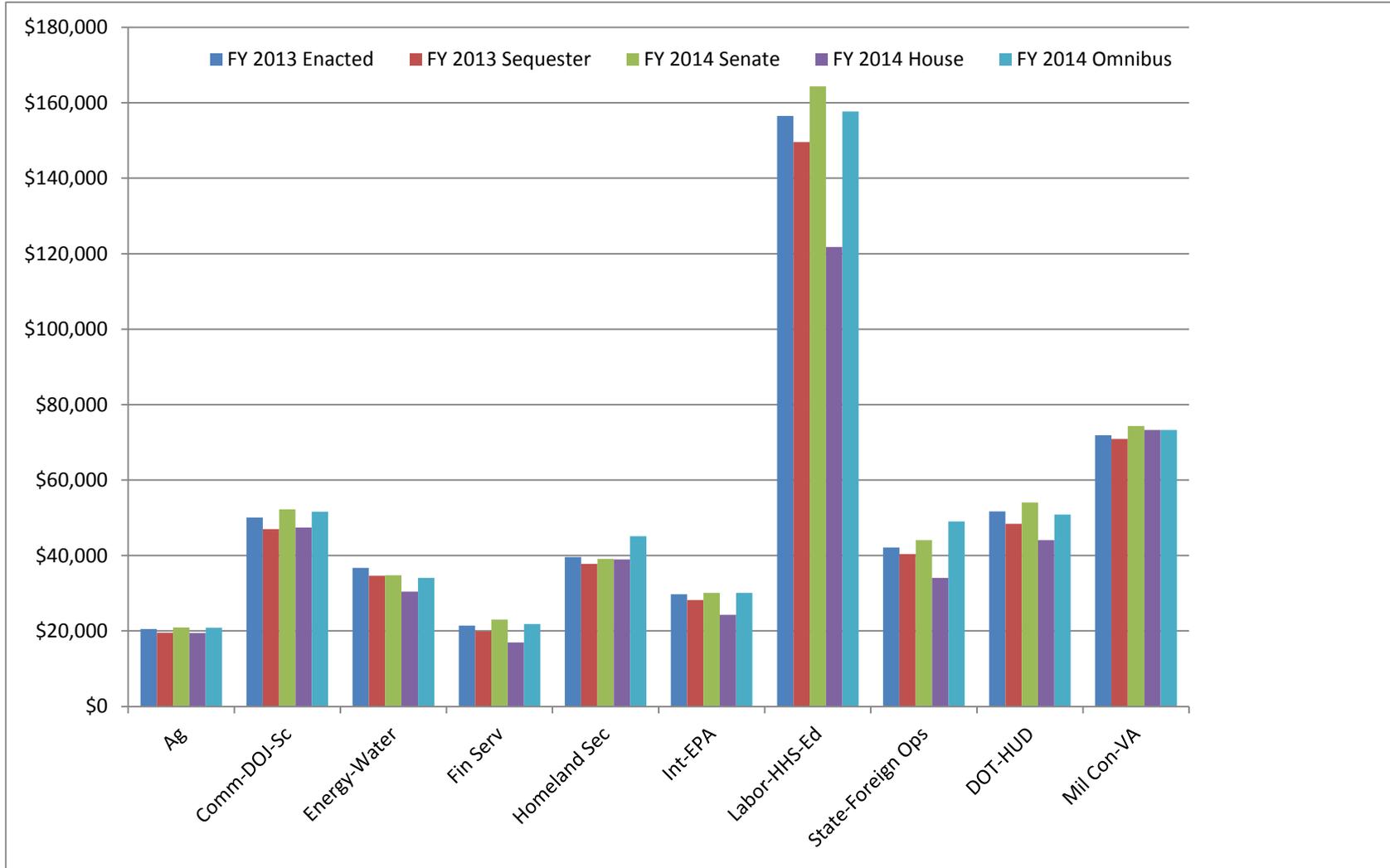
- City management of public rights-of-way and City collection of fees for the use and management of public rights-of-way,
- City collection of hotel occupancy and other taxes and
- Preemption of City zoning authority.



**Selected Federal Assistance Programs  
In Millions of Dollars**

[www.capitaledge.com](http://www.capitaledge.com)

**Allocation of Discretionary Spending Cap (302(b) Allocations)**  
**Millions of Dollars**



Defense: \$517,000 / \$486,000 / \$511,000 / \$519,000 / \$487,000

## Agriculture

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015 House Committee</b>	<b>FY 2015 Senate Committee</b>
Child & Adult Care Food Program	2,767	3,080	3,149	3,149
School Breakfast Program	3,324	3,729	3,904	3,904
School Lunch Program	10,689	10,576	11,369	11,369
Summer Food Service Program	419	462	492	492
SNAP	75,913	82,170	82,251	82,251
WIC	6,636	6,716	6,623	6,623

## Commerce

PROGRAM	FY 2013	FY 2014	FY 2015 House Committee	FY 2015 Senate Committee
Economic Development				
Administration Grants	177	210	210	195
- Public Works Grants	75	96	101	114
- Planning	28	29	31	30
- Technical Assistance	11	11	12	12
- Trade Adjustment	15	15	10	15
- Economic Adjustment	47	42	40	42
- Manufacturing Comm	0	5	5	0

## Education & Related Agencies

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>
Institute of Museum & Library Services	220	227
21 <sup>st</sup> Century Learning Centers	1,094	1,150

## Environmental Protection Agency

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>
Brownfields	90	90
Clean Water SRLF	1,377	1,449
Diesel Emission Reduction Grants	28	20
Drinking Water SRLF	862	907

## Health & Human Services

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>
Aging Services Programs	1,393	1,602
Child Care Block Grant	2,167	2,360
Community Health Centers	1,487	1,495
Community Services Block Grant	642	710
Head Start	7,577	8,598
Healthy Start	99	101
LIHEAP	3,287	3,425
Maternal & Child Health Block Grant	607	634
Refugee & Entrant Assistance	731	1,468
Runaway & Homeless Youth	92	97
Ryan White AIDS Program	2,223	2,318
Social Services Block Grant	1,613	1,700

## Homeland Security

PROGRAM	FY 2013	FY 2014	FY 2015 House Committee	FY 2015 Senate Committee
Disaster Relief	6,651	6,221	7,033	7,033
Emergency Food & Shelter	114	120	120	100
Emergency Management Performance Grants	332	350	350	350
Emergency Operations Centers	See note	0	0	0
Firefighter Assistance Grants	321	340	340	340
Flood Map Modernization	90	95	94	100
National Pre-Disaster Mitigation Fund	24	0	25	25
National Preparedness Grant Program	0	0	0	0
Port Security Grants	93	100	100	100
Rail & Transit Security Grants	93	100	100	100
SAFER Firefighter Hiring	321	340	340	340
State Homeland Security Grants	329	466	466	467
Urban Area Security Initiative	475	600	600	600
Urban Search & Rescue	33	35	27	35

For FY 2013, Congress appropriated \$1.79 billion that can be divided various programs, including EOC, MMRS, SHSGP and UASI.

For FY 2014, the House of Representatives appropriated \$1.26 billion to be divided among state and local grant security programs.

For FY 2014 and beyond, the President is proposing to consolidate 16 grant programs into a single National Preparedness Grant Program (NPGP) funded at \$1.043 billion.

## Housing & Urban Development & Related Agencies

PROGRAM	FY 2013	FY 2014	FY 2015 House Committee	FY 2015 Senate Committee
CDBG Formula	3,078	3,030	3,000	3,020
Choice Neighborhoods	114	90	25	90
Community Development Financial Institutions <i>(Treasury)</i>	210	226	225	230
Homeless Assistance – Continuum of Care	1,711	1,815	1,800	1,848
Homeless Assistance – Emergency Solutions Grants	215	250	200	250
HOME	947	1,000	700	950
HOPWA	315	330	306	330
Lead Hazard Reduction	114	110	70	110
Public Housing Capital	1,779	1,875	1,775	1,900
Public Housing Operating	4,045	4,400	4,400	4,475
Section 8 Tenant-Based	17,949	19,177	19,300	19,500
Section 8 Project-Based	8,864	9,517	9,746	9,746
Section 202 Elderly Housing	356	384	420	420
Section 811 Disabled Housing	159	126	135	135

## Interior & Related Agencies

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015 House Committee</b>
Historic Preservation Fund	53	56	56
National Endowment for the Arts	139	146	146
National Endowment for the Humanities	139	146	146
North American Wetlands Conservation Fund	34	34	34
Urban & Community Forestry	28	28	28

## Justice

PROGRAM	FY 2013	FY 2014	FY 2015 House Committee	FY 2015 Senate Committee
COPS Hiring Grant	180	180	70	180
COPS School Safety	0	0	0	0
Drug Courts	39	41	41	41
Justice Assistance Grants - Byrne Competitive	18	14	8	10
Justice Assistance Grants - Byrne Formula	372	376	376	376
Juvenile Justice	266	255	196	257
Second Chance Act Programs	65	68	55	70
State Criminal Alien Assistance Program	242	180	210	150
Violence Against Women	396	417	425	430

## Labor

<b>PROGRAM</b>	<b>FY 2013</b>	<b>FY 2014</b>
Adult Employment & Training	732	765
Dislocated Workers (Block Grant)	957	1,222
Dislocated Workers (National)	213	221
Job Corps	1,619	1,688
Ex-Offender Reintegration	76	80
Youth Employment & Training	783	820
Youthbuild	76	78

## Department of Transportation

PROGRAM	FY 2013	FY 2014	FY 2015 House Committee	FY 2015 Senate Committee
Airport Facilities and Equipment	2,592	2,600	2,600	2,473
Airport Improvement Program	3,179	3,350	3,350	3,480
Amtrak	1,278	1,390	1,190	1,390
Federal-Aid Highways	37,674	40,256	40,256	40,256
High-Speed Rail Capital	0	0	0	0
TIGER	475	600	100	550
Transit Formula & Bus	8,921	8,595	8,595	8,595
Transit Capital Investment Grants (New Starts)	1,855	1,943	1,691	2,161
Bridges in Critical Corridors	0	0	0	0

### **Passenger Rail**

The Federal Railroad Administration budget proposal includes the outline of what the Administration would like to see in a reauthorization of passenger rail programs, which expire at the end of this fiscal year. Highlights include a new \$6.4 billion National High Performance Rail System program. Amtrak capital and operating subsidies would be folded into the new program.

### **Administration One-Time Transportation Investments**

- Highways: \$25 billion
- Transit Formula Grants: \$2.5 billion
- Transit State of Good Repair: \$6 billion
- Transit New Starts: \$500 million
- \$2 billion: current Passenger Rail Services
- \$2 billion: Grants-In-Aid for Airports
- \$2 billion: Cross-Border Transportation
- \$6 billion: TIGER/Disc Grants
- \$3 billion: Rail Service Improvement Program
- \$1 billion: Advance NextGen at FAA