

City of Columbia
Federal Legislative Update
January 7, 2014

Over the past year, major federal issues for the City of Columbia included:

- Funding for core local government programs,
- Sales tax fairness,
- Protection of municipal bonds and
- Prevention of unfunded mandates and preemptions of local authority.

These issues and other issues will continue to present both opportunities and challenges in the year ahead.

Budget & Tax

Although Congress and the Administration reached a budget agreement in August 2011, deep divisions over budget and tax policy continue to grip official Washington, as illustrated by the recent stalemate surrounding FY 2014 spending and the debt limit increase.

If measured only by the matrix of deficit reduction, the 2011 budget agreement has borne fruit: the budget deficit for FY 2013 was the smallest since FY 2008 as measured in both dollars and as a percentage of GDP. The Congressional Budget Office (CBO) attributes recent deficit reduction partially to a gradually improving economy and the increase in the top marginal income tax rate.

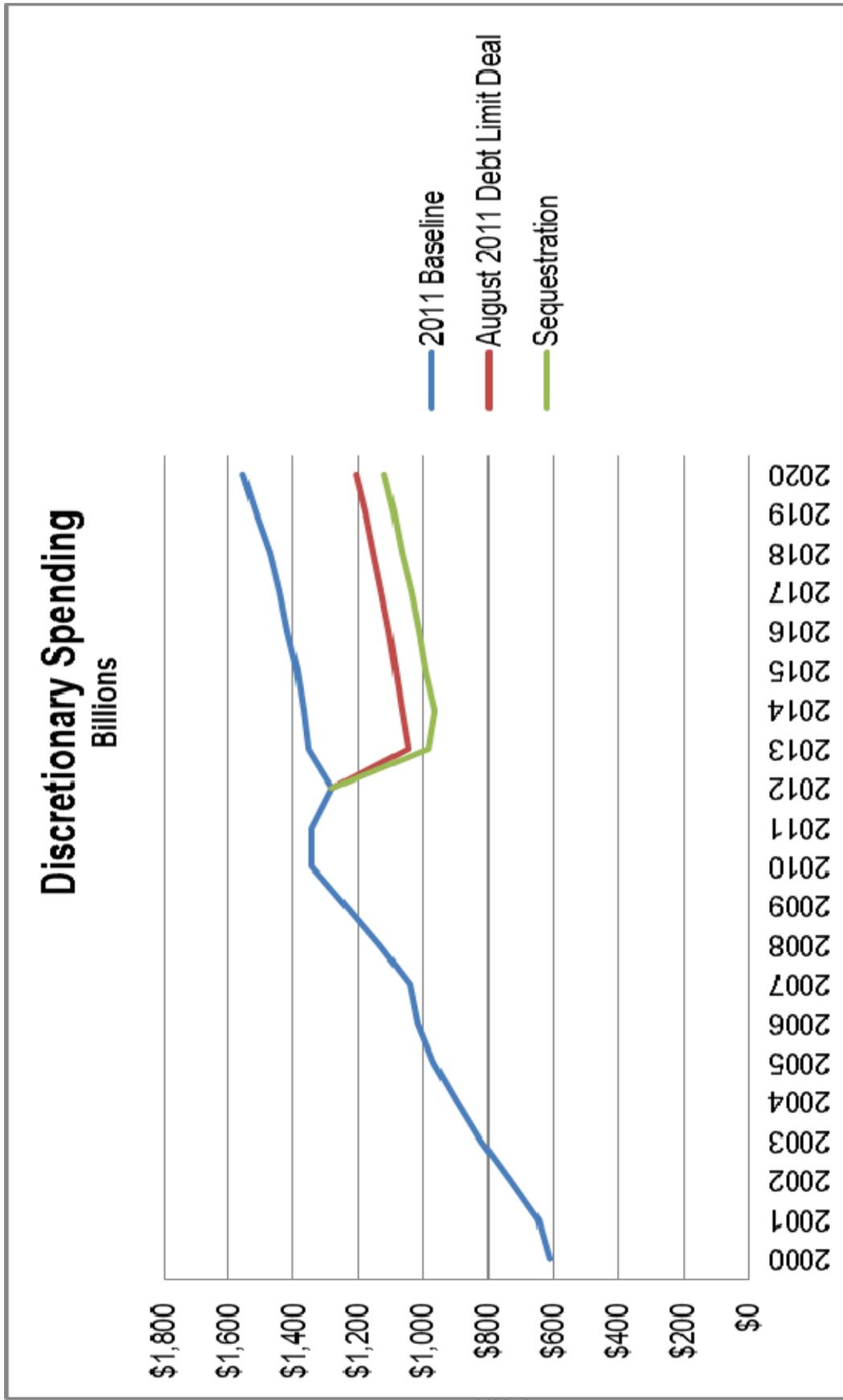
However, much of this deficit reduction was achieved through two rounds of reductions in discretionary spending.

- The 2011 budget agreement set tight discretionary spending caps through FY 2021 that reduced the growth in non-Defense discretionary spending by \$935 billion.
- Sequestration, which affects both Defense and non-Defense discretionary spending, reduces discretionary spending by another \$1.2 trillion through FY 2021.

In other words, non-Defense discretionary spending – which includes most programs of direct interest to the City and which accounts for approximately 1/6 of the federal budget – has borne the brunt of deficit reduction efforts to date.

The Murray-Ryan Budget Agreement enacted last month partially repeals sequestration for FY 2014 and FY 2015 and sets the stage for Congress to enact appropriations.

- It does not address the issue of the debt ceiling, which Congress will have to revisit sometime between March and June.



FY 2014 Appropriations

Congress has been divided throughout the entire FY 2014 appropriations.

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

For core local government programs, the top line numbers would have translated into deep cuts in the pending House appropriations bills and level funding or even modest increases in the pending Senate appropriations bills.

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

The Murray-Ryan Budget Agreement enacted last month essentially splits the difference between the House and Senate spending caps.

- It partially repeals sequestration for FY 2014 and FY 2015, setting discretionary spending caps of \$1.012 trillion for FY 2014 and \$1.014 trillion in FY 2015.
- While those figures do not entirely undo sequestration, they are \$45 billion and \$19 billion more than the sequestration level, respectively.
- To offset the cost of providing partial sequestration relief for two years, the Murray-Ryan Agreement calls for a number of measures, including higher pension contributions for new federal employees, an increase in Transportation Security Administration fees added to airline tickets and a two-year extension of sequestration for several categories of mandatory spending (FY 2022-FY 2023).

In general, the agreement is good news for programs of interest to local governments in FY 2014.

- The \$1.012 trillion discretionary spending cap for FY 2014 is \$26 billion above the comparable FY 2013 level and \$45 billion above the sequestration/House level.
- Most programs will not see big increases, but the higher top line number will give appropriators more room to avoid major cuts and to even give some programs a modest increase.

To date, the 113th Congress has abided by its self-imposed moratorium on earmarks. However, we have closely tracked all legislation to ensure that they contain no earmarks and to be ready for any potential opportunities to fund City priorities.

FY 2013 Appropriations

Tight discretionary spending caps and sequestration delivered a blow to core local government programs. Congress enacted a year-long continuing resolution (CR) that funds most federal programs at the FY 2012 level. However, sequestration imposed a 5.1 percent across-the-board cut to most non-Defense discretionary accounts, including core local government programs. Sequestration comes after several years of tight discretionary spending caps that have curtailed spending on core local government programs, a City priority.

Core Local Government Program	City of Columbia Allocation			
	FY 2010	FY 2011	FY 2012	FY 2013
Community Development Block Grant (CDBG)	\$1,348,864	\$1,127,925	\$868,564	\$956,664
HOME Investment Partnerships (HOME)	\$901,929	\$792,484	\$468,151	\$493,712
Byrne Justice Assistance Formula Grant	\$130,213	\$108,248	\$91,457	\$89,626
Homeless Assistance	\$2,302,498	\$2,593,737	\$2,327,714	TBD

Local Authority

The Senate passed legislation, the Marketplace Fairness Act, which would authorize collection of sales taxes from remote, out-of-state retailers, a City priority. The Marketplace Fairness Act would level the sales tax playing field for brick-and-mortar retailers and would stanch the loss of sales tax revenue related to the growth on Internet commerce. A major challenge in the House will be turning back 'poison pill' additions to the bill that would preempt local government authority.

Columbia has led effort against proposals to eliminate or cap the tax exemption for municipal bonds. As Congress and the Administration continue to consider comprehensive tax reform, the City will have to continue to vocally and forcefully protect this century-old tax exemption, which was part of the original income tax code.

The City continues to successfully oppose efforts to preempt City authority in a number of areas, including:

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

More specifically, the Federal Communications Commission (FCC) recently issued a Notice of Proposed Rulemaking (NPRM) that further targets City zoning authority.

The Internet Tax Freedom Act expires in 2014 and Congress is already looking at renewing it.

- o A key challenge for the City will be to ensure that renewal does not preempt existing taxes or the City's control of its rights-of-way.

Surface Transportation

The 112th Congress enacted a two-year reauthorization of federal highway and transit programs. The legislation, now known as the Moving Ahead for Progress in the 21st Century (MAP-21) provides funding to previous funding levels:

- o \$39.699 billion in FY 2013 and \$40.256 billion for FY 2014 for highways and
- o \$10.584 billion in FY 2013 and \$10.701 billion in FY 2014 for transit.

In an important victory for local governments, MAP-21 continues the sub-allocation of Surface Transportation program funds to metropolitan planning organizations, the City's top policy priority in the bill.

In a partial victory for the City, MAP-21 folded key local programs into a new Transportation Alternatives Program, which will distribute approximately \$800 million annually to states for pedestrian, bicycle, recreational trail and environmental mitigation projects. Thirty-four percent less funding is provided for these activities under the new program than was previously provided to the combined Transportation Enhancements, Safe Routes to Schools and the Recreational Trails programs. However, half of all Transportation Alternatives funds will be sub-allocated to large metropolitan areas, giving local elected officials a lead role in project selection.

Looking ahead to MAP-21 reauthorization this year, priorities for the City 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.

**South Carolina
 FY 2012 (SAFETEA-LU) v. FY 2013 (MAP-21) Apportionments**

Program	FY 2012	FY 2013
<u>Highways</u>		
South Carolina	\$608,224,674	\$605,456,365
- National Highway Performance	NA	\$3,760,350
- Surface Transportation Program	\$125,749,090	\$172,962,345
- Safety	\$25,484,917	\$37,411,491
- Rail-Highway Crossing	\$3,884,020	\$4,210,570
- CMAQ	\$9,311,550	\$12,259,677
- Metropolitan Planning	\$2,640,998	\$2,859,832
- Transportation Alternatives	NA	\$15,543,079
- Interstate Maintenance	\$95,668,407	NA
- National Highway System	\$96,112,954	NA
- Bridge	\$50,161,640	NA
- Recreational Trails	\$1,130,756	NA
- Safe Routes to School	\$2,272,118	NA
- Equity Bonus	\$189,090,561	NA
- Appalachian Highways	\$1,130,756	NA
Columbia	\$9,652,931	\$10,659,845
- Surface Trans Program	\$9,652,931	\$9,807,949
- Transportation Alternatives	NA	\$851,896
<u>Transit</u>		
Columbia	\$4,218,536	\$5,074,761
- Urbanized Area Formula Grant	\$3,826,881 ¹	\$4,261,714 ²
- Bus Formula Grant	NA	\$438,767
- Seniors & Disabled	NA	\$374,280
- Job Access & Rev Commute	\$247,606	NA
- New Freedom	\$144,049	NA

¹ The operation assistance cap: \$0

² The operation assistance cap: \$3,196,286

Allocation of Surface Transportation Program (STP)
 FY 2012 (SAFETEA-LU) v. FY 2013 (MAP-21)

STATE/MPO	FY 2012 Apportionment (SAFETEA-LU)	FY 2013 Apportionment (MAP-21)	Change
<i>SC Core Funding</i>	\$608,224,674	\$605,456,365	-0.45%
<i>SC STP Funding – State Share</i>	\$55,254,605	\$72,931,628	+31.99%
Augusta	\$1,964,411	\$1,846,498	-6.00%
Charleston-North Charleston	\$9,718,878	\$9,783,455	+0.66%
Charlotte	\$554,312	\$1,230,202	+121.09%
Columbia	\$9,652,931	\$9,807,949	+1.60%
Greenville	\$6,936,507	\$7,144,725	+3.00%
Myrtle Beach-Socastee	NA	\$3,479,220	NA
<i>TX Core Funding</i>	\$2,560,000,000	\$3,040,000,000	+18.75%
<i>TX STP Funding - State Share</i>	\$263,471,343	\$372,009,216	+41.19%
Austin STP	\$18,993,552	\$21,750,004	+14.51%
Brownsville	NA	\$3,473,590	NA
Conroe-The Woodlands	NA	\$3,830,440	NA
Corpus Christi STP	\$6,189,773	\$5,109,674	-17.44%
Dallas-Fort Worth-Arlington STP	\$87,303,518	\$81,767,369	-6.34%
Denton-Lewisville STP	\$6,313,979	\$5,845,708	-7.04%
El Paso	\$13,656,038	\$12,330,403	-9.70%
Houston	\$80,498,295	\$78,932,750	-1.94%
Killeen	NA	\$3,474,308	NA
Laredo	NA	\$3,763,262	NA
Lubbock	\$4,258,660	\$3,798,220	-10.81%
McAllen	\$11,016,900	\$11,635,174	+5.61%
San Antonio	\$27,956,987	\$28,068,574	+3.99%
<i>MN Core Funding</i>	\$546,600,000	\$628,900,000	+15.05%
<i>MN STP Funding – State Share</i>	\$62,977,128	\$76,890,299	+22.09%
Minneapolis-Saint Paul	\$50,962,960	\$41,347,685	-18.86%
<i>AZ Core Funding</i>	\$598,400,000	\$705,600,000	+17.91%
<i>AZ STP Funding – State Share</i>	\$56,387,844	\$86,666,265	+53.69%
Phoenix-Mesa	\$53,249,524	\$51,540,056	-3.21%
Tucson	\$13,196,299	\$11,974,528	-9.25%

Public Safety

In a major victory for local governments, the 112th Congress enacted legislation setting aside the ‘D Block’ of the wireless communications spectrum for public safety broadband. The D Block became available in the past decade as part of the transition from analog to digital television. It transmits wireless communications exceptionally well, including through most physical barriers, making it a valuable and much-coveted portion of the spectrum. The wireless communications industry lobbied hard to move forward with the previously scheduled auction of the D Block, making the local government victory on this issue all the more

noteworthy.

The legislation also provides \$7 billion for 'D Block' network development grants to the states and created a new agency at the Department of Commerce, FirstNet, to hold the license for, build, manage and operate the broadband public safety broadband network that will use the D Block.

Other Issues

The City has worked on several other federal issues, including:

- A Department of Housing & Urban Development proposed rule regarding fair housing,
- Assistance for City projects, including Economic Development Administration (EDA) grants,
- Obtaining federal operating assistance for CMRTA and
- General grant/troubleshooting assistance.