



For more information, contact Allison Payne at [apayne@flcities.com](mailto:apayne@flcities.com).

## FLORIDA LEAGUE OF CITIES 2017 Federal Action Agenda

### MUNICIPAL FINANCING

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As Congress and the Trump administration discuss tax reform, there is a concern among cities that proposals may threaten the tax-exempt status of municipal bonds. This financing mechanism is an essential and irreplaceable tool for cities to finance the construction and maintenance of capital improvement projects. Tax-exempt municipal bonds finance nearly two-thirds of the nation's core infrastructure. Approximately \$1.7 trillion in infrastructure investment over the last decade was financed with tax-exempt municipal bonds.

Since the federal income tax was imposed in 1913, the interest earned on municipal bonds has been exempt from federal taxation. This is not a tax loophole. The tax law was specifically designed this way to encourage investment in public infrastructure.

The projects funded through municipal financing are engines of job creation and economic growth. According to national statistics, state and local governments shoulder more than 75 percent of the costs of financing the nation's public infrastructure. Eliminating or limiting the tax-exempt status on municipal bonds will increase the costs borne by taxpayers.

#### Join the Congressional Municipal Finance Caucus

One way to ensure support for tax-exempt municipal bonds is to help grow the Congressional Municipal Finance Caucus. Founded in March 2016 by bipartisan Representatives Randy Hultgren (R-IL-14) and Dutch Ruppersberger (D-MD-2), the Caucus is fighting for local governments' ability to independently finance projects to keep their cities strong.

The Florida League of Cities (FLC) strongly urges Congress and the Trump administration to oppose any effort to remove or cap the tax-exempt status of municipal bonds. The FLC also urges Florida's members of Congress to join the Congressional Municipal Finance Caucus.

### INFRASTRUCTURE FUNDING

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Cities strive to provide the best quality of life for their citizens. They build infrastructure that attracts investment in our downtown areas. They construct water and sewer plants, providing clean drinking water for today and for the future. Cities build and improve roads and transportation systems that spur new business growth and development and encourage private-sector investment. While Public Private Partnership (P3's) financing is one infrastructure tool, it is not the solution for all projects as it might restrict investment to large scale projects, which are not always feasible to Florida's smaller and medium size cities.

With budgets still tight after the economic downturn and ever growing backlogs of deferred maintenance on the plates of local governments, cities need strong revenue participation and discretionary grant opportunities from the federal government to help strengthen our nation's infrastructure.

The Florida League of Cities urges Congress and the Trump administration to provide federal infrastructure opportunities that provide funding directly to local governments who are best equipped to identify high-priority projects where the need is the greatest.

### NATIONAL FLOOD INSURANCE PROGRAM

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The National Flood Insurance Program (NFIP) was created in 1968, in response to the lack of available private flood insurance and continued increases in federal disaster assistance due to floods. The NFIP allows property owners in participating communities to buy insurance to protect against flood losses. Flooding is a serious risk in Florida due to the state's geography and proximity to water, both inland and coastal. Florida has more than 1.8 million active NFIP policies and \$488 billion in coverage. Florida property owners have received over \$3.8 billion in claims since 1978. The NFIP is set to expire on September 30, 2017.

As Congress and the Trump administration consider proposals to reauthorize the NFIP, the Florida League of Cities recommends the following policy considerations for a successor program:

As a government program, NFIP should treat its customers equitably and should adhere to insurance principles that rates must not be excessive, inadequate or unfairly discriminatory. Any necessary increases in premiums should be implemented with regard to customers' ability to absorb those increases. Additionally, properties should be rated based on their ability to withstand risk, not their use or ownership structure.

## NATIONAL FLOOD INSURANCE PROGRAM (Continued)

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Nationwide, NFIP flood maps are generally outdated and don't measure a community's flood risk accurately. Efforts should be made to work directly with cities, counties and other stakeholders on the map revision process, ensuring locally-generated data and/or models are considered in map revisions.

According to FEMA, people located outside of mapped high-risk flood areas file more than 20 percent of all flood claims and receive one-third of federal disaster assistance for flooding. Recognizing that nearly all properties have some risk of flooding, incentives should be created to encourage participation in the NFIP for property owners not located in high risk flood zones. This will not only help protect those who are surprised by unpredicted flooding but will also help the program become more financially stable.

## FEMA DEOBLIGATIONS/CLAWBACKS

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Over the last few years, a number of local governments in Florida have expressed concerns with the **FEMA Public Assistance Program (FEMA PA)**. FEMA PA, which provides recovery project funding to local governments for uninsured infrastructure repairs following a presidential disaster declaration, is a critical part of a community's recovery process.

Since around 2011, the Department of Homeland Security's Office of Inspector General (OIG) has been auditing previously approved recovery projects in an attempt to recapture funds that the OIG asserts should not have been awarded. Many of these audits are from 2004 and 2005 storms. The monies received have been long spent on recovery projects that, in some instances, were previously identified, developed and determined eligible by FEMA staff. These so-called "deobligations" can run into the millions of dollars and have impacted the budgets of local governments across Florida. In a state where the question is not *if* a natural disaster will occur but rather *when*, the Florida League of Cities strongly supports the mission and role of FEMA and the assistance it provides to local governments in times of need.

During the 114<sup>th</sup> Congress, the Florida League of Cities supported H.R. 1471, the FEMA Disaster Assistance Reform Act, which included a provision that amends the Stafford Act. Currently, the three-year statute of limitations by which FEMA can recover payments does not begin until completion of the final expenditure report for the entire disaster, which can be several years. Under H.R. 1471, the three-year statute of limitations would begin once the individual Project Worksheet for a related expenditure is transmitted, providing more certainty.

The Florida League of Cities urges Congress to support efforts to amend the Stafford Act to include the three-year statute of limitations to give local governments a reasonable timeframe to respond to information requests from FEMA.

## MARKETPLACE FAIRNESS ACT/E-FAIRNESS

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A 1992 Supreme Court case left state and local governments unable to enforce sales tax collections by out-of-state catalog and online sellers. As a result, billions of local tax dollars are lost each year by allowing this tax-free platform to exist while brick-and-mortar retailers collect sales taxes from customers. This creates an unfair disadvantage to the shopkeepers on main streets, especially at a time when local governments are trying to encourage job creation and economic development.

Cities are struggling to provide municipal services with limited resources. Collecting sales tax that is rightfully owed to states and cities would help alleviate these fiscal shortfalls and allow cities to do more to strengthen infrastructure and provide for effective public safety.

Last year, the Florida League of Cities supported the Remote Transactions Parity Act, and the Marketplace Fairness Act. The legislation would have compelled online retailers to collect taxes on remote sales, based on the consumer's location.

The Florida League of Cities urges Congress to pass legislation that would enable state and local governments to collect sales taxes on online purchases that are owed to them but not being paid.