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Local Government in the Crosshairs

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While Washington's promise of a trillion dollar infrastructure program is providing a distraction, a closer examination reveals localities and local infrastructure are under attack across the board. The assault on local governments can be found in three major categories:

1.) Threats to the preferred tax status of state and local taxes and municipal bonds;

2.) Preemption of local authority as justification for economic and job growth;

3.) Drastic reductions, if not eliminations, of federal domestic programs vital to local governments and our constituents.

The only defense against these threats is an informed and engaged congressional delegation.

Threats in Tax Reform

Tax bracket reductions are a win for Washington that everyone can understand. But for every bracket reduction percentage achieved, offsets need to be found, i.e., taxes go up elsewhere, or current deductions must be eliminated. Two proposed offsets are local governments' most important fiscal tools: tax-exempt bonds and the deductibility of state and local taxes. Putting aside the legal arguments, the former will make capital projects, such as infrastructure, that much more expensive — while the latter will result in double taxation and put other pressures on states with respect to their attractiveness for businesses and employment, and may put stress on revenue generation.

Preemption Instead of Funds

Federal lawmakers appear to be concluding that the climate for a large infrastructure stimulus may not be right. Instead, we are being told on a daily basis that deregulation is the way to prime the pump, and — to a certain degree — many in local government, on a bipartisan basis, are willing to give some deregulation a chance. But

industry lobbies appear to believe that they can achieve not only deregulation at the federal level, but also at the state and local level through preemption. For example, we have the preemption of certain state rules on pipelines hailed as a job creators. Increasingly, industry is asking for similar "one-size-fits-all" federal rules for: drone oversight, siting cell towers and wireless devices, driverless cars, environmental review standards, and national caps on minimum wage and benefits. The threat for complying with these preemptions is the loss of federal funding, but that threat may be disappearing as the share of federal taxes returned to local governments through federal programs disappears.

Cutting Federal Funds

President Trump has proposed a budget that would eliminate the following urban programs:

- Community Development Block Grants
- HOME Investment Partnerships Program
- Economic Development Administration
- Transit New Starts
- Tiger Grants
- Minority Business Development Agency
- Community Development Financial Institutions Grants
- Low Income Home Energy Assistance
- National Endowment for the Arts
- Pre-Disaster Mitigation Grants
- State Criminal Alien Assistance Grants
- Community Services Block Grant
- Weatherization Assistance Program
- The Clean Power Plan

The list of programs that would be cut dramatically is almost as long.

So the questions for local government officials are:

- Are you aware of this triple threat?
- Have you mapped out what these changes would mean to your city?
- Have you shared that with your congressional delegation?

Working with city attorneys and advocates to educate and engage your congressional delegation is not only the best defense to these threats, it is the only defense.

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