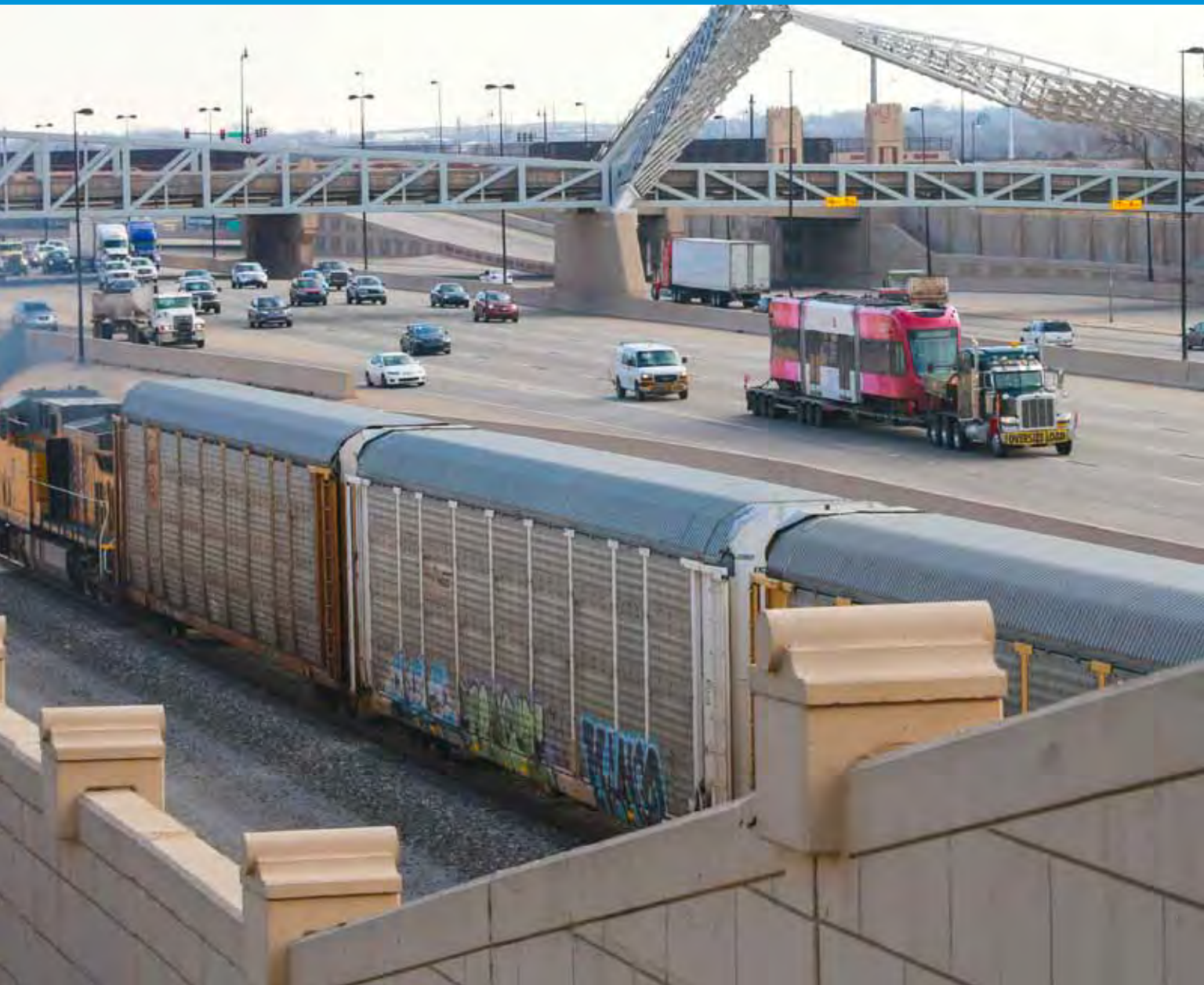


OKLAHOMA CITY

2018 FEDERAL LEGISLATIVE PROGRAM



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PRIORITIES

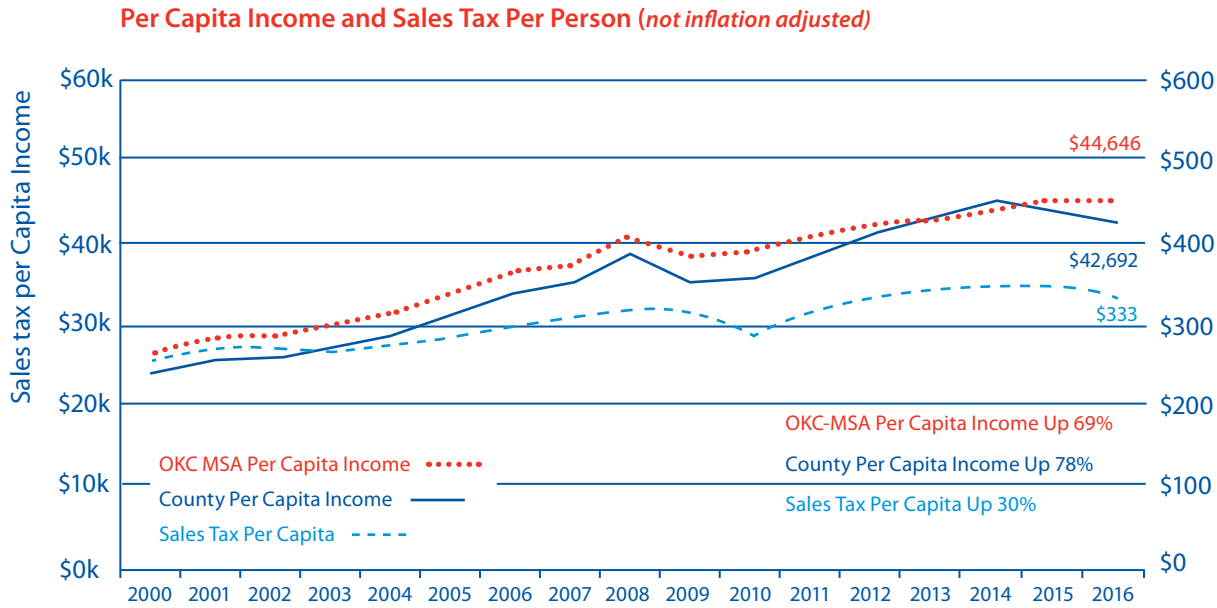


1 Enactment of Remote Transaction Parity (e-fairness) Legislation

A federal law is required to create a level playing field between online sellers and brick-and-mortar retailers. This has been the City’s primary federal legislative priority for several years. We have made progress with collections, both from the standpoint of voluntary compliance and the construction of an Amazon warehouse in Oklahoma City, creating nexus with the nation’s largest online vendor.

However, it still remains an issue, and we estimate that Oklahoma City is missing \$9-12 million in annual sales tax collections. This translates into 90-120 police officer or firefighter positions that we are unable to fill.

The chart below shows the increase in per capita income since 2000. The expectation would be that sales tax would keep up with income growth to meet the demands of residents for City services. However, the erosion of the City’s tax base is apparent, and coincides with the increase in internet sales. The State of Oklahoma has enacted legislation to encourage voluntary collection of sales tax and notification to residents regarding the tax that is already due, but there is only so much that can be done at the state level.



Data Sources: Per Capita Income comes from U.S. Bureau of Economic Analysis Oklahoma City MSA personal income per capita. Sales Tax is General Fund sales tax collections (2 percent rate) by fiscal year, divided by annual population estimates from the City of Oklahoma City Planning Department.

The latest development in this issue is that on Jan. 12, 2018 the U.S. Supreme Court announced it will revisit (*Quill Corp. v. North Dakota*), the 1992 Supreme Court ruling that prohibits states from imposing sales and use tax collection obligations on vendors without a physical presence in the given state.

There are two favorable bills pending in Congress, and one unfavorable bill. As of today, there is no timeline for a floor vote or further hearings scheduled on the Remote Transaction Parity Act or the No Regulations Without Representation Act in the House. The Senate has not scheduled a hearing or vote on the Marketplace Fairness Act. More on these three pieces of legislation below:

S. 976 - Marketplace Fairness Act: The Marketplace Fairness Act was introduced April 27 by a bipartisan group of four senators including Senators Enzi (R-WY), Durbin (D-IL), Alexander (R-TN) and Heitkamp (D-N.D.). Sen. Enzi is listed as the primary sponsor, and there are currently an additional 27 co-sponsors. The bill has been referred to the Finance Committee and Banking, Housing and Urban Affairs Committee. This bill is similar to the House’s Remote Transactions Parity Act and proposes a destination-based collection approach. Under this legislation, states would have authority to require sales tax collection from remote retailers as long as they are part of the Streamlined Sales and Use Tax Agreement.

H.R. 2193 - The Remote Transactions Parity Act: The Remote Transactions Parity Act (RTPA) was introduced April 27 by Rep. Noem (R-S.D.) and a bipartisan group of co-sponsors including Oklahoma’s Rep. Markwayne Mullin. This legislation currently has 40 co-sponsors: 19 Democrats, 21 Republicans. RTPA has been referred to the House Judiciary Subcommittee on Regulatory Reform, Commercial and Antitrust Law and proposes a destination-based collection method and would permit states to mandate out-of-state online vendors to collect tax on in-state sales.

This bill garnered 68 co-sponsors last congress and is the preferred federal online sales tax legislation of Oklahoma City.

H.R. 2887 - No Regulation Without Representation: The No Regulation Without Representation Act was introduced June 12 and is sponsored by Rep. Sensenbrenner (R-WI). The legislation would maintain the status quo by codifying the “physical presence” decision in the 1992 U.S. Supreme Court case (*Quill Corp. v. North Dakota*), which prohibits states from imposing sales and use tax collection obligations on vendors that don’t have a physical presence in state. The bill has been referred to the House Judiciary Subcommittee on Regulatory Reform, Commercial and Antitrust Law, which held a July 25 hearing on the measure. This bill currently has nine co-sponsors including Judiciary Committee Chairman Goodlatte.

There is currently no timeline for a floor vote or further hearings scheduled on any of these pieces of legislation. The City appreciates the support of the delegation for S. 976 and H.R. 2193 that would promote e-fairness and resolve this issue.

2 Funding to enhance the City's investment in transportation, transit and infrastructure

The City appreciates the support of the delegation for funding directed toward local and municipal transportation infrastructure.

The Trump Administration has talked about investment in infrastructure as a key part of the president's agenda. The City has significant infrastructure needs and has worked hard to secure funding for the transportation priorities of residents. Each year, the City conducts a survey to find out how residents feel about where they live and what people think should be improved. Nearly every year, residents rank the condition of city streets as a high priority that needs to be addressed.

Federal funding can provide some much-needed assistance for the investments that the City is already making. Specifically, the Capital Investment Grant (CIG) program and Transportation Investment Generating Economic Recovery (TIGER) grant programs have significantly enhanced the City's efforts to invest in transportation, transit and infrastructure.



The CIG program refers to the New Starts, Small Starts and Core Capacity projects funded through the FTA grant program. Projects that qualify for such funding under these programs are significant transit projects that are often not possible without the assistance of federal funds.

As Oklahoma City looks to the future of transit in our community preserving such programs, particularly Small Starts and the TIGER funds, will be beneficial in the financing of future streetcar extensions, bus rapid transit projects and commuter rail.

3 Support for FAA Operations in Oklahoma City

The City appreciates the strong support of the delegation for FAA Operations in Oklahoma City.

Efforts to privatize FAA Operations have been proposed in the 21st Century Aviation Innovation, Reform, and Reauthorization Act (H.R. 2997) advanced by the House Transportation and Infrastructure (T&I) Committee, and are a cause of great concern to the Oklahoma City community.

The FAA's Mike Monroney Aeronautical Center (MMAC) is Will Rogers World Airport's largest tenant. MMAC provides vital services and support missions for the FAA and the U.S. Department of Transportation. MMAC provides a significant number of high-paying jobs and brings hundreds of visitors to our City for training.

The nearly 6,000 employees of the MMAC oversee the safety of private, corporate, and commercial aviation in the U.S. Among its many functions, MMAC provides essential training in electronics, air traffic control, inspection and management, accounting and finance for the Department of Transportation, logistics, research, technical training and support for the National Airspace System (NAS), and regulates and certifies safety related positions and equipment. The numerous and varied NAS support functions performed at the MMAC serve to distinguish it as the largest single site of NAS equipment within the FAA, underscoring its critical role.



4 Support for Tinker Air Force Base

The Oklahoma City community has supported Tinker AFB since its inception in 1941, when it provided the initial 1,440 acres of land. The City has a good working relationship with Tinker, and with over 27,000 employees, it is an important part of the region.

In 2016, the City partnered with the U.S. Air Force and Oklahoma County to purchase 158 acres of land on the southwest side of the base to house a depot maintenance facility for the Air Force's next-generation aerial refueling aircraft, the KC-46A Pegasus. Tinker leaders believe support for this new project will create the bedrock for the base for the next 50 years.

The land was formerly owned by the Burlington Northern Santa Fe Railway Co., where it operated a rail yard that primarily served the former General Motors manufacturing facility. The acquisition of this property would not have been possible without the partnership between all levels of government.

5 Support for Amtrak and passenger rail service in Oklahoma

Passenger rail service has been in place from Oklahoma City to Fort Worth via the Amtrak Heartland Flyer since 1999. Before that, passenger rail had been absent from Oklahoma for 20 years.

The Heartland Flyer is state-sponsored by Oklahoma and Texas. Recently, funding for the service has come under fire as the state has been facing difficult budget cycles. This important passenger rail link between Oklahoma City and the Dallas/Fort Worth metroplex is currently the only passenger rail service in Oklahoma. It was a key component in the City's efforts to secure a \$13.6 million federal transportation TIGER grant to support the City's renovation of the multimodal transportation hub at the Santa Fe Station.

The Heartland Flyer starts in Oklahoma City and then makes station stops in Norman, Purcell, Pauls Valley and Ardmore before stopping in Gainesville, Texas, and then Fort Worth. Ridership has continued to grow over the years, with roughly 81,000 passengers per year.

Proposals to expand service to Kansas and to Tulsa are both part of the overall passenger rail conversation. Passenger and commuter rail service in the metropolitan area is also part of ACOG's regional long-range transportation plan. It is important to both keep the service that is currently in place and contemplate options for additional passenger rail service in the future.

6 Ensure retention of tax-free status of municipal bonds

We appreciate the support of the delegation to keep municipal bonds tax exempt.

After tax reform passage, we are sorting through the potential impacts on municipal finance. Municipal bonds remain tax-free, but some refinancing flexibility was taken away with the new tax reform law. This may create some additional market risk for the City, and must be watched closely.

Oklahoma City and its trusts use bonds to fund capital projects. If local bonds lose their federal tax-exempt status, the cost to the City in lost opportunities to fund capital projects would be roughly \$9 million, and for the state the cost would be roughly \$13 million.

7 Support for airport transportation infrastructure

Will Rogers World Airport (WRWA) is a vital resource to Oklahoma City and the region. It is one of the largest small-hub commercial hub airports in the nation.

The airport set a record in 2017 by serving nearly 4 million passengers. The airport averages 75 daily departures to 22 non-stop destinations. The airport has nearly 70 businesses that employ approximately 12,000 workers.

The City appreciates support for continued funding of federal grants to support the City's airports and infrastructure, funding to support air traffic control towers, and for FAA operations at the MMAC as well as Transportation Security Administration (TSA) operations.

8 Monitor enforcement and definitions of compliance with the Clean Air Act and EPA standards

Under the Clean Air Act, compliance standards for ground-level ozone were reduced from .075 parts per billion (ppb) to .070 ppb. The City works with ACOG and state agencies to monitor the metropolitan area's compliance. The Central Oklahoma region has remained in compliance and improved our ozone readings. Moderate weather over the past few years has helped the region stay in compliance, but the reading for 2017 was .071 ppb and exceeded the standard. All 77 Oklahoma counties are designated to be in compliance with the three-year rolling average.

Several of the City's programs funded through the Energy and Environmental Community Block Grant (EECBG) program are geared toward keeping our region in compliance with the Clean Air Act. For example, the City's fleet currently includes CNG vehicles. To fuel these vehicles, the City's CNG fueling station was upgraded to provide rapid filling for city vehicles that run on CNG. The City's solid waste utility continues to invest in CNG trucks and technology. The EMBARK system also recently received a \$1.9 million grant to purchase CNG buses, and in 2017 received a \$797,550 grant to purchase electric buses and chargers.

The bike share program, called Spokies, is providing bikes in kiosks that are accessible to people who live, work and visit areas in Oklahoma City's core. The program continues to expand and improve with new, sturdier bikes.

The City continues to monitor the issue and collaborate with ACOG and our regional partners to promote clean air activities.



9 Support for economic development and local grant programs

Community Development Block Grant (CDBG) Funding

Since 2010, the federal Community Development Block Grant program funding has been cut by over 23 percent. In 2010, the City's CDBG funding was \$5,708,208. In 2017, our CDBG award is \$4,382,889, a reduction of \$1,325,319. Further funding reductions and/or elimination will continue to negatively impact the supply and affordability of housing and living conditions within the City.

The CDBG program is the primary federal funding mechanism used by the City to provide broad based housing rehabilitation services for low-and-moderate income households as well as for providing needed public facilities and services in low-income areas within the community. In addition, CDBG and the Section 108 Loan Guarantee Program have provided flexible sources of business funding that has created low and moderate income jobs in our community.

The formula-based funding approach for the CDBG program enables the City to take a long term approach for addressing housing, community development and economic development needs. Without consistent and reliable access to funding under the CDBG program, the City would not have been able to accomplish notable economic development activities such as Dell, Inc. (creation of over 1,500 jobs), the Skirvin Hotel (creation of over 250 jobs) and most recently the 21C Museum Hotel (projected to create 138 jobs). The job creation alone is reason for undertaking these needed economic development activities, without consideration of other benefits such as rescue of iconic historic buildings within the community or the reuse of a key brownfield parcel at the crossroads of I-40 and I-44.

In the last year, CDBG was used to rehabilitate approximately 35 housing units under the City's Housing Exterior Maintenance Program and provide emergency home repairs to over 100 households under a program administered by Community Action Agency (CAA). In addition, the City secures over 100 buildings per year using CDBG funding and repaints over hundreds of graffiti sites annually. Between 10 and 15 neighborhood sidewalk, signage and lighting projects are typically accomplished each year in low and moderate income neighborhoods and over 33,000 subsidized taxi fares (60/40) and discounted bus fares are provided to seniors and disabled persons. Finally, small businesses owners are annually provided training by the CAA's Small Business Development program. Last year 111 businesses were assisted and 1,134 people attended training. Program graduates can be assisted through well integrated lending programs that leverage public resources with private lending institutions.

Lastly, without CDBG, the City's Urban Renewal Authority would not have operating funds. The City's CDBG program, in partnership with HUD, has continued to address blighted areas within the community that include the Oklahoma Health Center, Central Business District, the John F. Kennedy neighborhood, and most recently the NE Renaissance Area. Efforts include buying dilapidated properties for redevelopment, and developing mixed-income income housing within the areas.

The HOME investment Partnership Program (HOME) *Administered by the U.S. Department of Housing and Urban Development*

Since 2010, the HOME Investment Partnerships (HOME) program funding has been cut by over 43%. In 2010, the City's HOME funding was \$3,133,027. In 2017, the HOME funding is \$1,767,484, a reduction of \$1,365,543. Funding reductions will continue to negatively affect the supply and affordability of housing and living conditions within the City.

The HOME program is the primary federal funding mechanism used by the City to provide whole housing rehabilitation services for low and moderate income households; to construct affordable rental and for sale housing, and to provide down payment and closing cost assistance to lower income homebuyers.

The formula based funding approach for the HOME program enables the City to take a long term approach for addressing housing needs within the community. Without consistent and reliable access to funding under the HOME program, the City would not be able to stimulate housing investment in low-income areas within the community.

Annually, HOME is used to rehabilitate about 20 housing units under the City's Whole House Rehabilitation Program and provide down payment assistance to 50 households. In addition, the City's has spent HOME funds to support construction of new affordable apartments, and rehabilitation of existing units to house those with low/moderate incomes. Without HOME funds, our ability to construct new owner housing and invest in affordable rental housing and senior housing developments would be eliminated.

Each year, there are federal proposals to cut and or eliminate the HOME program. This is of particular concern as the lack of affordable housing is a nationwide problem and a growing need in our community. In short, continued HOME funding cuts jeopardize the City's ability to address immediate housing needs within the community.

