

Don't let the locals fall off the fiscal cliff

Written by Holyoke Enterprise

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There is little time left before the nation hits the so-called “fiscal cliff.” President Obama and the lame duck Congress have an unprecedented number of issues to address—including some which directly affect every city, town, special district, county and school district in Colorado—and every Colorado taxpayer.

When they met right after the election, President Obama and bipartisan Congressional leaders agreed to a framework for deficit reduction that includes both revenue increases and spending cuts. They will continue to flesh out this agreement over the next few weeks—but no state or local elected leaders will be at the table.

Their decisions to cut federal funds for education, highways, clean water, safe drinking water, housing and community development leave us only to ponder by how much?

And even more importantly to the long-term fiscal future of state and local governments, these federal decisions could also sharply increase the costs for vital public improvements such as schools, roads, sewer systems, bridges and fire stations. Here's how that could happen.

President Obama and the leaders of Congress seem to agree that additional federal revenues must be part of any agreement to avert the cliff and to put the U.S. on a more sustainable budget path. It appears certain that Congress will go after what are called federal tax expenditures—the largest and fastest growing part of the federal government's budget.

This could cover income tax deductions like mortgage interest, employer-sponsored health insurance and charitable contributions.

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Also, according to various Congressional study groups, it might also include municipal bonds.

Under current law, Colorado does not tax the interest earned by any family or corporation in Colorado from U.S. Treasury bonds. Similarly, since 1913 when the income tax code was first adopted, the federal government has never taxed the interest earned on a bond issued by a state, a university or by any local government; hence the term “tax exempt bond.”

If Congress suddenly changes this equation and eliminates the municipal bond interest exemption, the borrowing costs of local governments will go up, thereby placing more of a burden onto local taxpayers.

On Nov. 6, the overwhelming number of debt questions put forward by local officials to build new schools, repair city streets and build new water treatment plants received approval by voters throughout Colorado's communities.

According to national statistics, state and local governments now shoulder over 75 percent of the costs of financing the nation's public infrastructure. Last year, the country's state and local governments issued nearly \$300 billion in long-term bonds to finance essential capital investment—47 percent alone went for public education and 21 percent for transportation.

We respectfully urge Colorado's Congressional delegation, individuals we know to have the very best interests of our state and nation at heart, to remember that their decisions and those of their colleagues over the weeks ahead could have profound impacts on state and local leaders here at home in Colorado.

Don't let the locals fall off this cliff.

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Holyoke Enterprise November 29, 2012