

June 26, 2017

The Honorable Bill Shuster
Chairman
Transportation & Infrastructure Committee
U.S. House of Representatives
Washington, D.C. 20510

The Honorable Peter DeFazio
Ranking Member
Transportation & Infrastructure Committee
U.S. House of Representatives
Washington, D.C. 20510

Subject: Federal Aviation Administration (FAA) Reauthorization Bill – Support Amendment to Clarify that Local Voter-Approved Sales Tax Measures are Not Subject to the FAA Rule 79 FR 66282

Dear Chairman Shuster and Ranking Member DeFazio:

On behalf of MuniServices I write to request your support for an amendment by Representative Alan Lowenthal that would clarify that local voter-approved sales tax measures of general application are not subject to provisions for the above-referenced ruling that requires states and localities to spend aviation fuel excise tax revenue on airport uses.

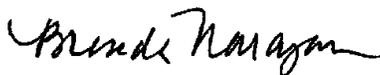
California voters in 1996 approved Proposition 218, Right to Vote on Taxes Act, to protect taxpayers by limiting the methods by which local governments can create or increase taxes. The FAA ruling directly impacts California's Constitution. A change to the FAA rule, to exempt local voter-approved revenues, will preserve the trust of voters.

Over 1000 agencies in the Country, which include over 200 in California cities, counties and transportation agencies, partner with MuniServices to help preserve, enhance and protect local revenues. MuniServices, when learning of the ruling, contacted FAA staff and has appreciated the assistance to help understand the implementation requirements for its local agency clients. The rule includes an unfunded mandate, and issue with some of the taxpayers that comingle sales tax reporting of their retail gas station locations not at an airport and/or non-fuel related sales and their jet fuel sales. The rule also requires the impacted local agencies to create and maintain an extensive "tracking system" to identify, track and segregate the revenue.

State and local governments provide many services to the airports that are funded from general sales taxes, including infrastructure, transportation, fire and public safety. It is estimated that the FAA's policy amendment will mean a loss of over \$100 million for the State of California and its local governments. Nationwide, a recent study suggests that state and local governments will lose roughly \$190 million a year under the FAA rule change. Other services include lighting, security, roadways, buildings and terminals, and noise controls, etc., and these far exceed aviation fuel revenues. In some cases, state and local governments or airport authorities use tax-exempt bonds to fund major capital improvements. The redirecting of the revenues creates a burden for jurisdictions that must pay for the services for the entities benefiting from the ruling shift.

For the reasons stated above, it is imperative that Congress pass language that would restore congressional intent and reestablish 29 years of federal interpretation that local sales tax measures of general application are not subject to the provisions of the Conference Report to the 1987 Airport and Airway Improvement Act (PL 100-223) that require states and localities to spend aviation fuel excise tax revenue on airport uses. Should you have any questions or if you need any additional information please do not hesitate to contact me.

Respectfully,



Brenda Narayan
Director of Government Relations
916.261.5147 / Brenda.Narayan@MuniServices.com

cc: California Members of the Transportation & Infrastructure Committee
Senator Diane Feinstein
Senator Kamal Harris