

The following resolution was offered by Van Sandt Councilman  
and seconded  
by Williams Councilwoman :

RESOLUTION R86-20

A resolution opposing any federal legislation, including H. R. 3838, the "Tax Reform Act of 1985", that further restricts the rights of state and local governments to issue tax-exempt bonds.

WHEREAS, the balance of power between the federal government and the states is embodied in the Tenth Amendment to the United States Constitution (the "Constitution"), which states that "the powers not delegated to the United States are reserved to the states"; and

WHEREAS, in recognition of the balance of power set forth in the Constitution, the doctrine of reciprocal immunity prohibits the federal government and the states from regulating the activities of one another when the effect of such regulation is to impair the ability of each government to perform its sovereign functions; and

WHEREAS, state and local governments have been forced to assume an ever increasing number and variety of sovereign functions in order to protect and advance the public welfare, causing an increase in their capital and operating requirements; and

WHEREAS, state and local governments have sought to alleviate the burden on their capital and operating budgets by enlisting the aid and cooperation of the private sector to develop and construct necessary public projects and by financing such projects through the issuance of bonds, the interest on which is properly exempt from federal income taxation; and

WHEREAS, the Tax Equity and Fiscal Responsibility Act (1982) and the Deficit Reduction Act (1984) severely limited the ability of state and local governments to finance the development and construction of many necessary public projects by restricting the "public purposes" for which tax-exempt bonds could be issued and imposing a dollar volume limit per state on the amount of such bonds; and

WHEREAS, the United States House of Representatives on December 17, 1985 adopted H. R. 3838, the Tax Reform Act of 1985 (herein referred to as the "Tax Bill"), and the Tax Bill is now under consideration by the United States Senate; and

WHEREAS, the Tax Bill imposes many unnecessary and burdensome new restrictions on the ability of state and local governments to issue tax-exempt bonds, including restrictions on early issuance of bonds, informational reporting requirements, and onerous arbitrage restrictions; and

WHEREAS, the right of state and local governments to issue tax-exempt bonds benefits all citizens by encouraging the development and construction of necessary and worthwhile projects that provide essential public and

governmental facilities, create jobs, encourage investment, stimulate economic activity, and generate additional tax revenues; and

WHEREAS, further restriction of tax-exempt bonds by the federal government under the proposals set forth in the Tax Bill compromises the ability of state and local governments to determine the manner in which they will meet their capital needs and respond to changing local circumstances, impairs their ability to perform their sovereign functions, upsets the balance of power as set forth in the Constitution and imposes many unnecessary, impractical, onerous and unjustified new restrictions on the issuance of tax-exempt bonds by state and local governments; and

WHEREAS, it is the desire of this body to oppose the Tax Bill and any other federal legislation restricting the rights of state and local governments to issue tax-exempt bonds;

NOW, THEREFORE, BE IT RESOLVED THAT:

SECTION 1. This body hereby opposes any further incursion by the federal government on the powers of state and local governments that restricts the issuance of tax-exempt bonds and restricts the ability of local governments to determine the public purposes for which such bonds should be issued, and specifically opposes the restrictions on tax-exempt bonds included in the Tax Bill.

SECTION 2. State and local governments must be allowed to issue tax-exempt bonds for all facilities that serve the general public, without regard to private investment, ownership or operation of facilities, including, but not limited to, sewer systems, solid waste disposal systems, airport and waterway facilities, public power facilities, parking facilities, low-income housing, health-care facilities, and economic development facilities. Privatization of facilities that serve the general public financed by tax-exempt bonds represents a growing trend and a necessary partnership between public and private interests to deliver needed services at the lowest possible cost.

SECTION 3. Related proposals, such as the restrictions on early issuance of bonds, elimination of arbitrage earnings, prohibition of advance refundings, mandatory reporting to the federal government on tax-exempt bond issues and restrictions on the deductibility of interest by financial institutions that

invest in municipal bonds constitute an impermissible interference with the right of state and local governments to finance public projects for the general welfare of their citizens, and must not be adopted by Congress.

SECTION 4. Copies of the resolution shall be mailed to the President of the United States and the Senators and Congressmen representing the state of Louisiana, with the request that they not support any tax "reform" proposal that includes further restrictions on the right of state and local governments to issue tax-exempt bonds for public purposes, as defined by those state and local governments.

SECTION 5. This body is opposed to the inclusion of tax-exempt municipal bond interest in any minimum tax provisions that might be considered by Congress.

This resolution having been submitted to a vote, the vote thereon was as follows:

YEAS: 8

NAYS: 0

ABSENT: 1

And the resolution was declared adopted on this 25th day of March, 1986.

Barbara Manteris Penton  
Attesting Officer

Barbara Manteris Penton  
Clerk of the Council

Pearl Williams

Presiding Officer  
Pearl Williams  
Councilwoman, District G  
President of the Council