The National Conference of State Legislatures (NCSL) was one of the first national organizations to call on Congress and the President of the United States to eliminate the federal budget deficit. NCSL applauded the return of the federal budget to balance during the late 1990's and is dismayed at the subsequent return to deficit spending.

NCSL calls on Congress and the President of the United States to continue their commitment to a balanced federal budget. There is nothing less at stake than: our very viability as a nation; our fiscal stability; our competitiveness with the rest of the world; our ability to invest for the country's future; and, our capacity to devote resources to such pressing intergovernmental problems as health care, education, infrastructure, the environment and homeland security. At the same time, we insist that the interests of state governments be recognized and protected in budget plans the Congress and the President adopt. We urge, therefore, that state legislators be directly involved in all discussions implementing agreements to maintain a balanced federal budget.

State governments, as partners in the federal system, have an incalculable stake in how the federal government balances its budget. Too often, the federal government has responded to its budget problems by simply shifting costs to the
states, limiting state flexibility and intruding on state revenue systems. These practices stifle the creativity and responsiveness of state and local governments, exacerbate fiscal pressures, and undermine devolution, further eroding the confidence of the American public in government at all levels. NCSL urges the federal government to refrain from such approaches in pursuing any tax or spending changes necessary to balance the federal budget.

NCSL is concerned that excessive spending increases or tax cuts, given the need for continued fiscal discipline, may threaten funding for existing and future intergovernmental programs. NCSL urges the federal government to keep its existing commitments to state-federal partnership programs and, moreover, to consider the funding necessary to maintain these commitments in the future. Should programmatic cuts be required, all federal spending programs, including defense, entitlements, domestic discretionary, and international, should be scrutinized for savings. The federal government should not disproportionately cut domestic discretionary programs. The federal government should avoid establishing artificial firewalls dividing defense and domestic discretionary spending. Furthermore, Congress should respect the fiscal integrity of trust funds and not use those revenues for programs or tax reduction other than those for which the money was collected. Also the federal government should compensate the states for significant unfunded and underfunded federal mandates.

States rely on short-term projections, often crafting tax and spending policy on the basis of year-by-year projections. NCSL is concerned that the practice of
making long-term projections, in excess of a few years, may prove unsound and may exacerbate the shifting of responsibility for the state-federal partnership to the states.

To ensure the integrity of state fiscal systems and to provide states flexibility to respond to the needs of our shared constituents, NCSL believes that any federal budget plan should at a minimum adhere to the following:

- A balanced budget must be achieved and maintained except in times of extreme national emergency. When unbalanced, there should be an action plan with a timetable to return to a balanced budget.

- There should be a significant component of the budget, and of any projected surplus, that is allocated to a fiscally responsible plan for reducing the national debt. The federal government ought to incur debt only for fiscally sound purposes, such as capital planning, not for the ongoing maintenance of existing spending or tax policy. Responsible debt reduction in times of federal surplus will provide more flexibility in the future for addressing intergovernmental and other priorities.

- The federal government should avoid the use of one-time savings measures, which temporarily ameliorate a deficit or provide a false justification for long-term commitments in tax or spending policy. To the extent that the federal government pursues any new spending programs or long-term commitments to tax reduction, it should develop a
mechanism to fully fund such obligation and should cease reliance on mechanisms, which underestimate the true costs of these commitments and avoid sound fiscal planning.

- The federal government should not attempt to accomplish national goals through unfunded mandates on state and local governments. A cost estimate indicating the likely cost to be imposed on state and local governments should accompany any legislative proposals that contain new mandates on state and local governments, including those contained in reconciliation and appropriation bills.