NCSL Standing Committee on Budgets and Revenue
POLICY DIRECTIVES AND RESOLUTIONS

2021 Policy Week Review Call
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WHEREAS, advance refunding of tax-exempt municipal bonds can be a financial tool that saves state and local governments billions of dollars by allowing them to provide more comprehensive savings at lower costs to taxpayers; and

WHEREAS, the refunding of tax-exempt municipal bonds is a mechanism by which states and localities finance infrastructure projects, utilities, education, and other general purpose bonds; and

WHEREAS, a refunding occurs when the proceeds from one bond are used to pay off another bond, typically at a lower interest rate; and

WHEREAS, the Investing in our Communities Act as introduced in the 116th Congress restores the ability for states to advance refund their tax-exempt municipal bonds, which was eliminated by the Tax Cuts and Job Act of 2017; and

NOW, THEREFORE, BE IT RESOLVED that the National Conference of State Legislatures urges Congress to pass legislation that restores the ability of states to finance public infrastructure that is cost-effective and consistent with NCSL principles of preserving fiscal viability and tax reform.
It is the policy of the National Conference of State Legislatures to advance and defend a balanced, dynamic partnership among local, state and federal level governments.

Too often, the federal government has responded to budget pressures by simply shifting costs and exporting deficits to the states. The federal government should resist accomplishing national goals through unfunded mandates on state and local governments.

NCSL believes that the federal government must:

- Maintain its financial commitment to federal programs that rely on state participation for implementation and provide stable and predictable funding for state-federal partnership programs;
- Maintain its matching rate for federal programs for which it shares responsibility with state governments. Where match rate reductions are proposed for shared programs, there should be a corresponding reduction in the regulatory and administrative burdens imposed on states; and
- Avoid delaying the release of funds for state-federal programs within a fiscal year.
- Affirm the role of state legislatures in their appropriation and oversight of federal funds;
- Streamline the waiver process that states are subject to concerning education, the environment, human services, Medicaid, health and other programs; and
Limit the federal oversight role of state grant funds to audit and evaluation.

Avoid unfunded mandates and underfunded national expectations in state-federal partnerships;

Avoid increasing federal domestic programs at the expense of funding for state administration or state sharing ratios; and

Fully fund the long-term maintenance as well as the short-term startup costs of federal mandates; and

Avoid capping federal entitlement spending while retaining the legal entitlement obligation of the states; and

Avoid the long-term commitment of funds based on short-term revenue projections.

Minimize the imposition of state maintenance of effort requirements in existing and future federal fiscal assistance-related legislation;

NCSL believes the federal government should maintain its guaranteed financial commitment to federal-state programs. Any devolution of federal responsibilities to the states should constitute a serious attempt at restoring balance to the state-federal partnership and not result in any reduction of the federal financial commitment to affected programs either in the short or long run.

To that end, NCSL has developed a set of principles for any new block grant the federal government considers. Because state legislatures are the bodies that are most involved in the decision-making process with regard to program delivery in the states, we urge Congress and the administration to adhere to the following principles when constructing any new block grant plan or revising any existing block grant program:
Funding levels for block grants must be adequate to finance mandated programs long-term and to respond to economic changes through countercyclical assistance.

In the event that Congress imposes "maintenance of current level of services" mandates on funds appropriated for any federal grant program, Congress should provide the funds necessary to maintain and support the current levels of services existing at the time of such mandates. State "maintenance of effort" (MOE) clauses are inappropriate for program consolidations. Requiring states to spend a fixed amount while implementing decreases in federal funding for block grants is equivalent to an unfunded mandate.

The consolidation of categorical programs into a single funding stream should not be accompanied by a limitation in the types of services provided or constitute new mandatory categories of services.

Language should be included in any block grant legislation that allows federal block grant funds to be distributed or expended "according to state law." Federal law must allow each state to choose the manner of appropriation of federal block grants. States should be authorized to determine the agency within state government that is responsible for carrying out public participation requirements.

Maximum flexibility in terms of program implementation and administration should be maintained.

Technical assistance to states by federal agencies during transition to any block grant should be provided.

State reporting requirements should not be burdensome or require the use of funds that would otherwise be spent on program delivery.
The federal government should not create new entities to oversee the implementation of any block grants to the states.

Federal agencies and their administrators should rely on the single audits prepared by the states. The federal government should pay the full costs for performing these audits.

Given the interdependency of federal government activities with state and local economies, and recognizing that a federal government shutdown has serious implications for state and local governments, NCSL believes that in the event of a federal government shutdown, the federal government must:

Establish a National Incident Management System (NIMS) structure, including an Incident Command System (ICS), to integrate and manage the shutdown and to involve all levels of government in the coordination of the incident;

Provide flexible, temporary authority to states that have a federally-approved contingency plan to assume basic-level operations of selected national parks and laboratories; and

Reimburse state funding with interest that was spent providing services that otherwise would have been paid for with federal funds.