The National Conference of State Legislatures recognizes the need for the federal government to reduce its annual deficits and achieve a sustainable fiscal path. The Budget Control Act (P.L. 112-25) has provided a foundation to temporarily hamper the nation’s rising deficit, but a comprehensive framework is needed to manage long-term debt.

NCSL believes a broad deficit reduction plan must:

- Contain an examination of all possible avenues for deficit reduction, including discretionary spending, entitlement and mandatory program reform and revenue-related options.
- Avoid cost shifts and new unfunded mandates.
- Reduce spending proportionately so that state-federal programs do not carry a disproportionate share of any deficit reduction actions.
- To the extent that funding to the states is cut, there should be commensurate relief from obligations imposed by federal laws, regulations, and practices.
- Provide a fiscal analysis of the potential intergovernmental and federalism implications of any recommended actions.

Critical deficit reduction principles include:
• **Unfunded federal mandates.** Impose no new unfunded federal mandates and address existing unfunded mandates; expand the definition of an unfunded mandate to include new conditions of grant aid; broaden application of UMRA; and conduct UMRA analysis of any recommendations.

• **Medicaid.** Fund fiscal impact of any maintenance of effort requirements; establish countercyclical trigger for enhanced Medicaid federal match in economic downturns/recessions; enhance program flexibility.

• **Economic investments.** Proven and effective public works programs, such as those for surface transportation and environmental state revolving fund programs, should be continued at funding levels sufficient to continue the economic benefits they provide. Also, proven and effective programs serving low-income populations should be held harmless from spending reductions.

• **Preemption.** State authority should be upheld in areas such as medical malpractice and tort law and public employee participation in Social Security and Medicare.

• **Streamlined Sales Tax.** Enact the Marketplace Fairness Act to authorize the collection of state and local sales and use taxes from remote sellers.

• Retain tax-exempt financing of state and local government bonds.

NCSL looks to collaboratively work with both Congress and the Administration as partners and welcomes the opportunity to address the nation’s fiscal challenges.