



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

November 14, 2012

The Honorable Barack Obama
President of the United States
The White House
Washington, D.C. 20500

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

Terie T. Norelli
*Minority Leader
New Hampshire House
President, NCSL*

Patsy Spaw
*Secretary of the Texas Senate
Staff Chair, NCSL*

William Pound
Executive Director

RE: DEFICIT REDUCTION/FISCAL CLIFF

Dear Mr. President, Speaker Boehner, Majority Leader Reid, Minority Leader Pelosi, Minority Leader McConnell:

The National Conference of State Legislatures urges you to expeditiously agree to and enact comprehensive legislation that will both avert the pending “fiscal cliff” and lay the groundwork for short-term and long-term deficit reduction, debt management and economic growth. Nearly two years ago, the National Commission on Fiscal Responsibility and Reform concluded in its *Moment of Truth* report: “The problem is real. The solution will be painful. There is no easy way out. Everything must be on the table. And Washington must lead.” NCSL concurs wholeheartedly. We offer our bipartisan partnership and cooperation in developing and implementing fiscal and economic solutions that should commence before 2012 concludes.

We believe a comprehensive, bold and aggressive plan is needed to address our nation’s fiscal challenges and strengthen our economy. This means examining all possible avenues for deficit reduction, including discretionary spending, entitlement reform, tax expenditures and federal tax reform. It also means immediately resolving those issues that threaten another recession or economic downturn, namely the myriad tax and spending issues that either sunset or are made effective at year’s end or at the beginning of 2013. State budgeting and revenue decisions for which we and our

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colleagues are responsible are hampered by the uncertainty that short-term extensions, conflicting messages and lack of definitive action produce.

NCSL fully understands the challenges confronting you. We understand that funding targeted for state and local governments has been and will continue to be reduced. Our message remains the same: states will struggle if federal policymakers choose to export the deficit to states and localities or disproportionately or unreasonably burden us with more unfunded mandates and cost shifts. A list of our priorities is attached.

We welcome any opportunity to work constructively and cooperatively with you and appreciate your consideration of our concerns. For additional information, please contact Michael Bird (202-624-8686; michael.bird@ncsl.org) or Jeff Hurley (202-624-7753; jeff.hurley@ncsl.org).

Respectfully,



Senator Curt Bramble
Utah State Legislature
Co-Chair, NCSL Standing Committees



Senator Sharon Weston Broome
Louisiana State Legislature
Co-Chair, NCSL Standing Committees



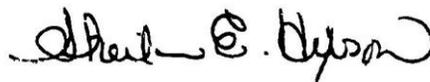
Senator Toi Hutchinson
Illinois General Assembly
Co-Chair, Budgets and Revenue Committee



Senator Ellen Roberts
Colorado General Assembly
Co-Chair, Budgets and Revenue Committee



Senator Pamela Althoff
Illinois General Assembly
Co-Chair, Executive Committee Task Force on
State and Local Taxation



Delegate Sheila Hixson
Maryland General Assembly
Co-Chair, Executive Committee Task Force on
State and Local Taxation

Cc: Members of Congress



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NCSL Deficit Reduction Priorities

SHARED SACRIFICE. NCSL understands the difficulties the federal government faces in its efforts to attain fiscal responsibility. We expect that domestic and defense discretionary spending will be reduced and that various mandatory and entitlement programs will be reformed. Providing mechanisms for shared savings and enhanced program flexibility are just two ways for ensuring that states are not disproportionately or unreasonably burdened by federal deficit reduction

UNFUNDED FEDERAL MANDATES. Impose no new unfunded federal mandates; expand the definition of an unfunded mandate to include new conditions of grant aid; broaden application of the Unfunded Mandates Reform Act (UMRA); and ensure that any deficit reduction legislation be analyzed thoroughly for its potential impact on state and local governments.

MEDICAID. Provide relief from maintenance of effort requirements; establish a countercyclical trigger for enhanced Medicaid federal match in economic downturns/recessions; enhance program flexibility; and clarify that beneficiaries and providers have no private right of action to enforce rights granted under the Medicaid program.

ECONOMIC INVESTMENTS. Support infrastructure programs, such as those for surface transportation and environmental state revolving funds, at funding levels that continue the economic benefits they provide and protect the nation's public facility investments. Additionally, as stated in the Bowles-Simpson deficit reduction recommendations, programs serving low-income populations should be held harmless from spending reductions.

MAIN STREET FAIRNESS AND TAX EQUITY. Enact the Marketplace Fairness Act, which will authorize the collection of state and local sales and use taxes from remote sellers. By allowing the states to collect these sales taxes, Congress will in essence provide over \$23 billion in fiscal relief without a dime from the federal Treasury. This will provide state and local governments some offset to federal program reductions.

PREEMPTION. State authority should be upheld in areas such as medical malpractice and tort law and public employee exclusive participation in state retirement and pension systems.

TAX-EXEMPT FINANCING. Retain tax-exempt financing for municipal bonds.