The Federal Deficit: A Growing Problem

NCSL recognizes that the federal budget deficit in FY 2017 totaled $666 billion, which accounted for 3.6% of gross domestic product (GDP), up from 3.2% in FY 2016. At the end of 2017, the national debt has increased to 105% of GDP ($20.5 trillion), which is the highest ratio since 1950. Under current baseline spending, the Congressional Budget Office (CBO) projects that the national debt could rise to 150% of gross domestic product (GDP) by 2047 under current law, which far exceeds the 50-year historical average of approximately 40% of GDP. One of the most damaging effects of rising debt is rapidly growing interest costs. Under current law, CBO projects that interest payments on the debt will more than quadruple over the next 30 years, climbing from 1.4% of GDP in 2017 to 6.2% in 2047. By 2047, CBO projects that interest costs alone could be more than two times what the federal government has historically spent on Research & Development, nondefense infrastructure and education combined.

NCSL recognizes the serious consequences of ignoring the current debt crisis and the potential impact of government spending on state-federal programs. Therefore, NCSL understands that congressional lawmakers and the administration will need to implement policy changes to ensure the long term fiscal health of our nation.

THEREFORE, BE IT RESOLVED, that the National Conference of State Legislatures (NCSL) urges the federal government to take significant, realistic, and achievable steps to balance the federal budget and reduce the growth in public debt and believes that 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.

• 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.