How the Federal Budget Crisis Will Impact Local Governments: The View from the National League of Cities

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How the Federal Budget Crisis Will Impact Local Governments

Anti-Tax
How the Federal Budget Crisis Will Impact Local Governments

Anti-Spending
How the Federal Budget Crisis Will Impact Local Governments

Pro-Austerity
Anti-Tax, Anti-Spending, Pro-Austerity Sentiment

“We can no longer afford to spend as if deficits don't matter and waste is not our problem.” President Barack Obama, May 7, 2009

“Look, I don’t think anybody in the country thinks we have a problem because we tax too little. I think the problem is we spend too much.” Senate Minority Leader Mitch McConnell (R-KY), January 31, 2010

“...And that's why I’ve proposed a three-year spending freeze, set up a bipartisan fiscal commission to deal with our deficit.” President Barack Obama, September 22, 2010
Since 2001, the federal debt has increased dramatically, rising from 33 percent of GDP to 62 percent of GDP in 2010 due to two wars and the country’s fiscal policies, along with the recession.

In the short term, economic recovery will improve the deficit situation.

In the long-term, even after the economy recovers, federal spending is projected to increase faster than revenues due to structural imbalances and rising health care costs.

The Budget Control Act (debt deal) will help address the problem in the short term, but additional debt reduction measures will be required to bring the budget into balance.
Components of Federal Spending

2010 Total Spending

- Mandatory (55%)
- Defense Discretionary (20%)
- Nondefense Discretionary (19%)
- Interest (6%)
The Budget Control Act Elements

- Cut discretionary spending by nearly $1 trillion over ten years, enforced by annual spending caps.
- Created a bipartisan Super Committee tasked with finding at least $1.5 trillion more in deficit reduction by November 23 that must be voted upon by Congress by December 23.
- If the Committee fails to come up with the cuts or Congress fails to approve the cuts, $1.2 trillion in automatic spending cuts will be imposed on FY 2013 spending.
NLC’s Principles for Deficit Reduction

- Balanced Approach = Revenue Enhancements and Spending Cuts + Investments in Cities
- Preserve tax exempt municipal bond financing.
- Ensure transparency in the process with opportunities for input.
- Avoid unfunded mandates to local governments.
Transportation and Housing Spending Limits

Discretionary Budget Caps

- FY 2011: 55.3
- President's FY 2012 Request: 74.9
- Sub Committee FY 2012 Allocation: 55.1
- FY 2012 House Budget Resolution: 47.7
The Road Ahead

Federal investments in communities are at risk with Super Committee action or without it.

Will the House and Senate reach agreement on FY 2012 spending?

When will the House and Senate reach agreement on a new transportation program?

Will there be major action before the November 2012 elections?
Can Washington put politics aside?

“The only thing keeping us back is our politics. The only thing preventing these bills from being passed is the refusal of some folks in Congress to put country ahead of party.” President Obama, August 2011

“As such, it will require everyone coming to the table with their best ideas first and leaving politics at the door, with the courage to listen to each other’s critiques and questions. It means ending the name-calling, the yelling, and the questioning of others’ motives. Leadership is about ending that nonsense, buckling down, and getting to work.” House Speaker John Boehner, September 2011
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