



AMERICANS FOR LIMITED GOVERNMENT

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To President-Elect Barack Obama:

It is our understanding that you will be meeting tomorrow with governors of the several states to discuss federal approaches for balancing state budgets.

According to the Center on Budget and Policy Priorities, [some 29 states are facing steep budget deficits totaling at least \\$48 billion for 2009](#). Declines in tax revenue tend to follow along the trend of an economic downturn, and thus it is unsurprising that so many states are facing such shortfalls in the current economic climate. Ideally, these states would prepare for economic downturns and not grow spending beyond their taxpayers' means in hard times.

Unfortunately, sound principles of fiscal discipline were clearly not applied by state legislatures across the country when economic times were rosy. Spending has grown exponentially in the past decade, and this orgy occurred in a climate where legislators acted as if revenue would never decline, and budgets would never come up short, acting with the same irresponsible manner as did investors who acted as if property values would never decline.

To the extent that several states are dependent upon property tax revenue, clearly the decline in home values has also fueled the decline in revenue. The solution, however, is not to attempt to put a floor under home values or to encourage that their values be overstated by assessors. Rather, values must be allowed to find their bottoms, revenues allowed to adjust to these market values, and thus state and local budgets reassessed in accords with the actual values of homes, and not the inflated values recorded for the past decade. This is of critical importance to bringing rationality back to state budgets, which grew on the basis of the excess revenue fueled by inflated home values.

Then, and only then, with budgets pared down to a reasonable expectation of revenues in a normal economic climate, should options for federal assistance even be considered. And even then, before the taxpayers bail out any state and local governments, those governments should be required to take some actions that will enable their budgets to only grow at reasonable rates, and overall will reform their errant budget practices as a prerequisite for any federal funding:

- Abrogate all contracts with organized labor and set reasonable pay rates that are less than or equal to the private sector for the same work.

- Disclose the current liability to employee pension funds and present a plan on how the city or state plans to fully fund the pensions without federal money.
- Disclose the percentage increase in spending the state or city has made in each of its departments and agencies over the last ten years, and outline what that increased spending went for. Then, cut those items that received more than the rate of inflation back to no more than the amount needed to keep pace with inflation during the last decade.

In addition, we urge you to announce that you will support a move in Congress to free all states and localities from the requirements of all unfunded mandates imposed on the states by the federal government over the last ten years, including the requirements of No Child Left Behind. Before any additional federal money goes to the states or localities, the relief from this action must be taken into account, thereby reducing the need for federal assistance.

It is incumbent upon your incoming administration to exercise fiscal restraint in these tough economic times. You have an opportunity tomorrow to set an example for the several states by advocating these measures that will help governments across the country rein in uncontrolled budgets.

The states have been hit by a double whammy: their own reckless spending—based in part on caving in to the demands of greedy public sector unions that clearly disdain the taxpayers, as well as sound fiscal policy—and the mandates imposed by a reckless Congress. Before a penny more is allotted to the states and localities, these two elements must be addressed.

In your campaign, you spoke eloquently of bringing change to Washington. If you truly desire change, if you truly are a reformer, I feel confident you will consider these reasonable, prudent measures to rein in the irresponsible budgeting that threatens to leave the next generation of Americans shackled to a mountain of debt. The last thing our progeny need is a new federal entitlement of servicing the debts of individual states and localities.

Sincerely,



William Wilson
President
Americans for Limited Government