

1 **CONCURRENT RESOLUTION TO PROTECT STATE FUNDS**

2 2014 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Robert M. Spendlove**

5 Senate Sponsor: Deidre M. Henderson

6

7 **LONG TITLE**

8 **General Description:**

9 This concurrent resolution of the Legislature and the Governor declares that if a state
10 opts out of a federal program, the state should not have to contribute state dollars to the
11 federal program.

12 **Highlighted Provisions:**

13 This resolution:

- 14 ▶ declares that if a state opts out of a federal program, it should not have to contribute
15 state dollars to the federal program.

16 **Special Clauses:**

17 None

18

19 *Be it resolved by the Legislature of the state of Utah, the Governor concurring therein:*

20 WHEREAS, the 16th Amendment to the Constitution of the United States was passed
21 by the United States Congress in 1909 and ratified by the states in 1913;

22 WHEREAS, the 16th Amendment made the income tax a permanent fixture in the
23 United States tax system;

24 WHEREAS, the 16th Amendment gave Congress legal authority to tax income and
25 resulted in a revenue law that taxed incomes of both individuals and corporations;

26 WHEREAS, the income tax provided the means for policymakers to finance a range of
27 new federal aid programs;



28 WHEREAS, as the years passed, the portion of tax money collected by the federal
29 government and returned to the states was accompanied by an increasing number of
30 stipulations regarding how states must spend the money;

31 WHEREAS, many of these aid programs required states to match federal funds on a
32 dollar-for-dollar basis;

33 WHEREAS, unfortunately, matching requirements have induced excessive state
34 spending and continuous program expansion;

35 WHEREAS, in 1925, President Calvin Coolidge stated that aid to the states should be
36 cut because it was "encumbering the national government beyond its wisdom to comprehend,
37 or its ability to administer";

38 WHEREAS, federal aid has also prompted the growth in state bureaucracies, partly
39 because aid programs have often required that states set up new agencies to oversee spending
40 in the prescribed activities;

41 WHEREAS, when a state has to cut its budget, and it attempts to do it by cutting
42 federally funded programs, it can only save cents on the dollar;

43 WHEREAS, because a federal program cut looks more expensive than an equivalent
44 cut in a state-funded program, states often prefer to cut competing state-funded programs or
45 raise taxes;

46 WHEREAS, federal funding programs tend to expand state budgets, and, over time,
47 those programs grow faster than wholly state-owned functions and account for an ever-larger
48 portion of state budgets;

49 WHEREAS, initial state resistance to the expansion of federal aid usually bowed to the
50 reality that, even if a state opted out of new aid programs, its residents still had to pay federal
51 taxes to support federal aid spending in other states;

52 WHEREAS, the number of grants-in-aid programs rose from 15 in 1930 to 132 by
53 1960;

54 WHEREAS, during the 1960s, federal aid programs quadrupled from 132 in 1960 to
55 530 by 1970;

56 WHEREAS, efforts to trim federal aid in the 1980s were later reversed, and there have
57 been no major efforts to reform or cut the federal aid system since the mid-1990s;

58 WHEREAS, in recent years, the many failings of the federal aid system have become

59 more acute as hundreds of programs have been added;

60 WHEREAS, the Affordable Care Act, passed in 2010, added a range of new aid
61 programs and also involved a huge expansion in Medicaid, the largest federal aid program;

62 WHEREAS, in fiscal year 1993, Medicaid took up almost 12% of Utah's General Fund;

63 WHEREAS, in 2003, Medicaid took up 15% of Utah's General Fund, and this year,
64 Medicaid will consume 23% of the General Fund;

65 WHEREAS, this percentage is projected to be more than 30% in the next 10 years;

66 WHEREAS, according to Congressional Budget Office estimates, when comparing
67 federal spending in Utah to federal revenue received from Utah as a result of the Affordable
68 Care Act, Utah citizens will lose approximately \$97 million per year to the federal government
69 to support the new health care reform law;

70 WHEREAS, today, the number of federal aid programs for the states is more than triple
71 the number just 25 years ago;

72 WHEREAS, the grants-in-aid system is not guided by an overall strategy, but has been
73 built over the decades as responses to pressures to fix state and local problems with federal
74 rules and subsidies;

75 WHEREAS, federal aid stimulates overspending by state governments and creates a
76 web of top-down rules that destroy state innovation;

77 WHEREAS, at all levels of the federal aid system, the focus is on maximizing the
78 money spent and regulatory compliance, not on delivering quality services;

79 WHEREAS, every dollar of federal aid sent to the states is ultimately taken from
80 federal taxpayers who live in the 50 states;

81 WHEREAS, federal grants, which is one form of federal aid, reduce state diversity and
82 innovation because the grants come with one-size-fits-all mandates;

83 WHEREAS, federal taxpayers pay the direct costs of the grants, but taxpayers at all
84 levels of government are burdened by the costly bureaucracy needed to support the system;

85 WHEREAS, each of the more than 1,100 current aid programs has different rules and
86 the activities funded by the programs often overlap, causing more confusion;

87 WHEREAS, the Federal Highway Program's flawed allocation formulas have caused
88 about half of the states, called donors and located mostly in the South and Great Lakes regions,
89 to pay proportionately more into the federal Highway Trust Fund than they get back;

90 WHEREAS, the lure of federal matching funds has led many states to rely too heavily
91 on this source of funding to address their problems;

92 WHEREAS, a fiscal analysis of the costs of accepting a federal grant over the life of the
93 grant would assist states in weighing the costs and benefits of participating in federal grant
94 programs;

95 WHEREAS, states can opt out of federal grants-in-aid but must still pay the taxes that
96 pay for those grants;

97 WHEREAS, if a state opts out of a federal program, the citizens of that state should not
98 be required to contribute taxpayer dollars to support the federal program; and

99 WHEREAS, states should be empowered to address the unique challenges inherent in
100 meeting the needs of their citizens:

101 NOW, THEREFORE, BE IT RESOLVED that the Legislature of the state of Utah, the
102 Governor concurring therein, declares that if a state opts out of a federal program, it should be
103 able to withhold and redirect federal income tax funds equivalent to the amount that would
104 have been used to fund federal operations for the federal program in the state.

105 BE IT FURTHER RESOLVED that a copy of this resolution be sent to the Majority
106 Leader of the United States Senate, the Speaker of the United States House of Representatives,
107 and the members of Utah's congressional delegation.

Legislative Review Note
as of 2-12-14 11:34 AM

Office of Legislative Research and General Counsel