May 15, 2023

The Honorable Charles Schumer
U.S. Senate Majority Leader
U.S. Senate
Washington, D.C. 20510

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

The Honorable Kevin McCarthy
U.S. Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Democratic Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker McCarthy, Leader Schumer, Leader McConnell and Leader Jeffries:

On behalf of America's 3,069 counties, parishes and boroughs, the National Association of Counties (NACo) respectfully urges the United States Congress to increase or suspend the debt limit as soon as possible. Failure of the U.S. Department of Treasury to meet its federal obligations would create significant uncertainty and risk to American citizens, government services and global financial markets. Further, we call on the Administration and Congress to consider balanced, bipartisan reforms putting the country on a more sustainable long-term fiscal path.

With a professional workforce of nearly 3.6 million, America's 3,069 counties support over 1,900 local public health departments, almost 1,000 hospitals and critical access clinics, more than 800 long-term care facilities and 750 behavioral health centers.

Additionally, counties own 44 percent of America's roads and nearly 40 percent of bridges and support a third of the nation's airports and 78 percent of public transit systems. As direct supporters of these public transit systems and airports, counties are concerned about the proposed repeal of critical support provided by previous relief laws necessary for these systems' continued safe and efficient operation.

County governments are responsible for emergency operations centers and 911 services, court and jail management, public safety and emergency response, protective services for children, seniors and veterans, and the "last of the first responders" with coroners and medical examiners, among other essential public services.

Counties have already begun to feel the impacts of the uncertainty of the looming debt ceiling. On March 1, the U.S. Treasury announced it would be taking further extraordinary measures to avoid a default on our federal debt by suspending the sale of special purpose State and Local Government Series (SLGS) securities. SLGS are a crucial tool that state and local governments employ when refunding municipal bonds and investing

bond proceeds. Suspending the sale of SLGS limits counties' ability to refinance or issue additional bonds to save taxpayers money and continue to finance critical infrastructure to serve our residents and businesses.

In this and so many other ways, counties are essential intergovernmental partners as we build a better future. As our federal partners continue to negotiate a path forward, our focus is to grow the economy, compete globally, and provide opportunities for all communities and residents. With those residents in mind, we express concern about the following aspects of the current negotiations:

Clawback of American Rescue Plan Act's State and Local Fiscal Recovery Funds

The State and Local Fiscal Recovery Fund (SLFRF), established in March 2021 by the American Rescue Plan Act (ARPA), provided $65.1 billion to every county, parish and borough in America. **Throughout the public health crisis, counties remained responsible for providing necessary health and non-health-related county services causing county costs to skyrocket during the early days of the pandemic as we experienced record demand for our services.** During the first six months of the pandemic, local governments lost an estimated 1.2 million jobs. As the country emerges from the pandemic and grapples with the toll it has taken on our citizens, counties are still responding and rebuilding. At the same time, many counties are still confronting significant workforce shortage pressures. Local governments have yet to recover, even as the private sector surpasses pre-pandemic employment levels.

The U.S. Department of Treasury has obligated almost 100 percent of the State and Local Fiscal Recovery Funds and the Local Assistance and Tribal Consistency Funds to counties. Allowing local governments to continue to invest in our communities in the way that is outlined in current law as intergovernmental partners is critical to our long-term vitality. Therefore, counties strongly oppose any legislation that undermines the careful balance of federalism that these investment tools represent.

Repeal of Clean Energy Tax Credits & Programs

There are proposals to rescind federal funds intended for local governments that want to leverage private capital for certain energy projects and improve their local infrastructure, including those already appropriated for the Greenhouse Gas Reduction Fund, assistance for the latest and zero building energy code adoption, the Climate Pollution Reduction Grant Program, and the Neighborhood Access and Equity Grant Program.

Further, we are concerned that H.R. 2811, the *Limit, Save, Grow Act* would repeal or roll back nearly all the clean energy tax incentives currently available to county governments under the recently established direct pay mechanism. As established in the Inflation Reduction Act, this direct-pay option allows local governments, public utilities, and entities like rural electric cooperatives to pursue economically advantageous renewable energy projects, putting them on a level playing field with the private sector. In turn, the direct-pay option provides an opportunity to increase access to affordable clean energy, drive investment into rural and underserved communities, and reduce emissions cost-effectively.

The bill would reverse or eliminate the Production Tax Credit, Investment Tax Credit, the Zero-Emission Nuclear Power Production Credit, the Clean Electricity Production Tax Credit, the Clean Electricity Investment Tax Credit, the Credit for Qualified Commercial Clean Vehicles, the Alternative Fuel Refueling Property Credit, the

Clean Fuel Production Tax Credit, the Advanced Energy Project Credit, the Advanced Manufacturing Production Credit and the Clean Fuel Production Tax Credit.

Eliminating these credits would remove county governments' ability to finance much-needed and beneficial clean energy projects, including installing solar, wind, and microgrid facilities; replacing aging county fleets, including police cars, school and transit buses, and garbage trucks, with zero- or low-emission vehicles; and installing electric vehicle charging stations.

The Lower Energy Costs Act

Several provisions within the *Lower Energy Costs Act* would limit local government's ability to participate in the decision-making process about our own county-level infrastructure projects and community design. At the same time, we support the national goal of becoming more energy independent. Counties are eager to partner on the economic development opportunities that increased energy exports and clean energy can provide. We want to quickly turn federal investments in local infrastructure into tangible assets for our residents. Counties support reforming the National Environmental Policy Act to minimize unnecessary red tape and costly delays, such as those included in the *Builder Act.*

Changes to Public Assistance Programs

Regardless of population size, geography and available resources, counties are deeply invested in ensuring healthy, safe and vibrant communities. Among our numerous responsibilities to our residents outlined above, counties serve as the front line of the social safety net. This includes partnering with states to administer and finance the Supplemental Nutrition Assistance Program (SNAP) in 10 states, the Temporary Assistance for Needy Families (TANF) program in 9 states and Medicaid.

Counties are an integral part of the federal-state-local partnership in the Medicaid program. States administer the program, often with assistance from counties, with oversight by the federal government. The program is the largest source of health coverage in the United States, currently covering more than seventy-six million individuals or nearly one-quarter of the population. The program provides essential services for 40 percent of all children, three out of eight people with disabilities, 1 in 5 Americans over 65 and 2 in 3 nursing home residents. As both primary administrators and fiscal contributors of up to 60 percent of the non-federal share of the program, counties support a strong intergovernmental partnership structure for enhancing our nation's health-safety net through transparency, improved program management, accountability and renewed discussion of how the private sector can provide additional coverage for more Americans.

Beyond our critical role in Medicaid and community health, counties also employ 259,000 human services workers nationwide and invest more than $62 billion annually in federal, state and local funding to support human services programs. Several states also task counties with administering key federal human services programs that help stabilize vulnerable residents, including TANF in California, Colorado, Minnesota, New Jersey, New York, North Carolina, North Dakota, Ohio, and Virginia and SNAP in California, Colorado, Minnesota, New Jersey, New York, North Carolina, North Dakota, Ohio, Virginia, and Wisconsin.

Both TANF and SNAP provide vulnerable county residents with key services and resources that combat intergenerational poverty, promote education and employment, and improve health and wellbeing. Given our

role in administering these programs on the ground, county leaders are uniquely positioned to help inform and implement national policies to improve federal safety net programs.

Conclusion

Thank you for considering these recommendations as negotiations on our fiscal future continue. In addition to ensuring that our country does not default on our financial obligations for the first time in history, we urge bipartisan support for fiscal policies that strengthen the federal-state-local partnership and help us achieve our shared goals of keeping communities healthy, safe and vibrant.

Sincerely,

Matthew D. Chase
CEO/Executive Director