



The Council
of State
Governments



NASACT National Association of State
Auditors, Comptrollers
and Treasurers

May 11, 2020

VIA Electronic Mail

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
1236 Longworth House Office Building
Washington, D.C. 20515

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
2486 Rayburn House Office Building
Washington, D.C. 20515

RE: Request for Federal Aid to States, Territories and Local Governments to Compensate for Lost Revenues

Dear Majority Leader McConnell, Speaker Pelosi, Minority Leader Schumer, and Minority Leader McCarthy,

On behalf of the nation's state, territory and local financial officials we collectively represent, we applaud your efforts to respond to the COVID-19 public health and economic emergency. We appreciate your tireless work and acknowledgement of the role states, territories and local governments play in combating this pandemic — both in terms of public health and economic stability. We now wish to follow up on our individual letters calling for a forthcoming COVID-19 stimulus package.^{1,2} We now find it imperative to specifically draw additional attention to our shared and primary request — **the urgent need for flexible federal aid to states, territories and local governments to compensate for decreased revenues** resulting from stay-at-home orders and ensuing decline in economic activity.

¹ "State Finances and COVID-19 Response." National Association of State Treasurers (NAST). April 10, 2020. Web access: www.nast.org/wp-content/uploads/NAST-COVID-IV-Letter-FINAL.pdf

² "GFOA Urges Fourth Stimulus Package." Government Finance Officers Association (GFOA). April 10, 2020. Web access: https://gfoa.org/sites/default/files/GFOA%20C_4.pdf

Unlike prior recessions, the current decline in state and local revenues resulting from the COVID-19 outbreak and stay-at-home orders were unforeseeable, immediate and unprecedentedly large. The economic hardships currently facing state, territory and local governments are not the result of poor fiscal planning or mismanagement. In fact, prior to this crisis, states were well-positioned financially following a decade of revenue growth and building reserves. Rather, our governments now face pressing revenue shortfalls resulting from their efforts to implement stay-at-home orders and comply with Centers for Disease Control (CDC) guidance.

State, territory and local governments realize and are preparing for a forthcoming recession and potentially extended recovery that will result from the essential decisions and actions made to protect lives. We acknowledge that some degree of budget cuts and rainy-day fund use will be required. However, without additional federal aid to replace the immediate volume of anticipated revenues losses, many states, territories and local governments will require significant cuts to services along with large layoffs and furloughs of public employees to comply with balanced budget requirements during a time where unemployment is historically high and additional government resources are crucial to successfully overcoming COVID-19.

Specifically, we call on Congress to address such challenges by:

- **Retroactively providing additional flexibility for already appropriated funds to be used to cover lost revenues.** Section 5001 – Coronavirus Relief Fund (CRF) of the Coronavirus Aid, Relief, and Economic Security (or CARES) Act (P.L. 116-136) generously provided states, territories, large local governments and tribes with \$150 billion in aid, but the eligible uses of these funds are restricted to increased and unbudgeted expenses resulting from efforts to combat the pandemic. While these funds are both appreciated and vital, they do not address the greater fiscal threat posed by declining revenues. COVID-19-related expenses vary greatly across the country depending on the scope of a region’s outbreak. Every state, territory and local government, however, faces steep decreases in revenues and should be afforded the flexibility to use CRF proceeds in a manner that is most effective at supporting their present needs. Furthermore, such flexibility would come at no additional cost to the federal government.
- **Providing additional flexible aid and support to states, territory and local governments.** The federal government should appropriate additional flexible grant aid to provide the certainty needed as states, territories and local governments continue to combat the COVID-19 outbreak. To that extent, we support various calls for aid from our partners, such as the National Conference of State Legislatures (NCSL) and the National Governors Association (NGA), to support the federal-state partnership that is crucial to our national pandemic response.^{3,4}

We appreciate your attention and consideration on these matters of critical importance to state, territory and local finance. Please consider our organizations and collective memberships as resource as you

³ “Governors’ Letter Regarding COVID-19 Aid Request.” *National Governors Association (NGA)*. April 21, 2020. Web access: www.nga.org/policy-communications/letters-nga/governors-letter-regarding-covid-19-aid-request/

⁴ “Governors’ Letter Regarding COVID-19 Aid Request.” *National Governors Association (NGA)*. April 21, 2020. Web access: www.nga.org/policy-communications/letters-nga/governors-letter-regarding-covid-19-aid-request/
“Flexible Stimulus Funds for States to Stabilize Economy.” *National Conference of State Legislatures (NCSL)*. April 16, 2020. Web access: https://www.ncsl.org/documents/statefed/COVID-19-Response-Phase-4-Letter-April_16.pdf

continue to work on efforts to stabilize the economy and support state, territory and local governments. Please direct questions to the following organizational contacts. Thank you again and please stay well during these challenging times.

Sincerely,

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CC:

- Members of the United States 116th Congress
- The Honorable Steven Mnuchin, Secretary of the U.S. Department of Treasury