

**THE NEED FOR FINANCIAL AID TO
AMERICA'S STATES AND TERRITORIES
DURING THE PANDEMIC: SUPPORTING
FIRST RESPONDERS, ASSISTING SCHOOLS
IN THEIR EFFORTS TO SAFELY EDUCATE,
AND PREVENTING MASS LAYOFFS**

VIRTUAL HEARING
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS
SECOND SESSION

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Thursday, September 10, 2020

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 12:08 p.m., via Webex, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Meeks, Scott, Green, Cleaver, Himes, Foster, Beatty, Heck, Vargas, Gottheimer, Lawson, San Nicolas, Tlaib, Porter, Axne, Casten, Pressley, Wexton, Adams, Dean, Garcia of Illinois, Garcia of Texas, Phillips; McHenry, Wagner, Posey, Luetkemeyer, Huizenga, Stivers, Barr, Tipton, Hill, Emmer, Zeldin, Loudermilk, Davidson, Budd, Kustoff, Gonzalez of Ohio, Steil, and Taylor.

Chairwoman WATERS. The Financial Services Committee will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Before we begin today's hearing, I want to remind Members of a few matters, including some required by the regulations accompanying House Resolution 965, which established the framework for remote committee proceedings.

First, I would ask all Members on the Webex platform to keep themselves muted when they are not being recognized by the Chair. This will minimize disturbances while Members are asking questions of our witnesses. Members on the Webex platform are responsible for muting and unmuting themselves, and the staff has been instructed not to mute Members except when a Member is not being recognized by the Chair, and there is inadvertent background noise.

Members on the Webex platform are reminded that they may only attend one remote hearing at a time, so if you are participating today, please remain with us during the hearing. Members should try to avoid coming in and out of the hearing, particularly during the question period.

If, during the hearing, Members wish to be recognized, the Chair recommends that Members identify themselves by name so as to facilitate the Chair's recognition. I would also ask the Members to be patient as the Chair proceeds, given the nature of the online platform the committee is using.

Today's hearing is entitled, "The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs."

I now recognize myself for 4 minutes to give an opening statement.

The coronavirus pandemic crisis continues to cause terrible harm across the nation. Over 189,000 people have lost their lives to the virus in the United States, and there have been over 6.3 million cases nationwide. Last week's jobs numbers showed an unemployment rate still over 10 percent for Black, Hispanic, and Asian workers, and millions of families are in danger of being evicted from their homes as they struggle just to make ends meet.

Today, we will be discussing the urgent need for Congress to provide financial relief to the nation's States and Territories during this crisis.

It would have been interesting to hear the perspectives of Republican Governors at today's hearing. Unfortunately, the Minority opted not to invite any. Nevertheless, I look forward to hearing from Governors Kelly, Grisham, Guerrero, and Walz.

As described in the committee's rules, this committee has jurisdiction over financial aid of all sectors and elements within the economy, which directly relates to the efforts by States and Territories to navigate this pandemic. After all, State and Territory Governments are on the front lines of the response to the crisis.

Many States have stepped up to support testing, purchase personal protective equipment and other critical medical supplies, and ensure a robust public health response to the crisis. States' and Territories' Governments are also working to tackle the challenge of remote learning for students who cannot safely return to the classroom.

According to the National Conference of State Legislatures, State Houses have approved over \$3.5 billion in unanticipated expenditures to combat the virus. States and Territories are experiencing State declines in State tax revenue. One estimate based off of Congressional Budget Office projections shows that the total budget shortfall of State and local governments next year will near \$1 trillion.

Of course, we learned during the Great Recession that budget cuts are not the solution to these shortfalls. In fact, cuts in State spending exacerbated and lengthened the last recession. As a result of this crisis, States and Territories need additional financial support for our first responders to assist schools and prevent layoffs.

While Congress passed \$150 billion in State aid in the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act, the National Governors Association, which represents Republican and Democratic Governors alike, quickly called on Congress for much more help, recognizing the urgent need to provide additional COVID-19 relief.

House Democrats passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act on May 15th, which was 118 days ago. Among other things, the legislation would provide \$915 billion to State, local, Territorial, and Tribal Governments to create emergency rental assistance and homeowner assistance funds, provide a second round of economic stimulus payments to most families, and extend unemployment benefits until January 2021. The HEROES Act would provide significantly more funding to cities and counties and also would clarify Treasury Department guidance that currently prevents State Governments from using relief funds to avoid layoffs and harmful acts.

However, Mitch McConnell and Senate Republicans have blocked this critical relief, and their alternative bill provides zero dollars to States, zero dollars for rental assistance, and, to add insult to injury, claws back hundreds of billions of dollars that could be used to support struggling businesses.

In addition, the President himself has made reckless and inflammatory threats to cut off funding to the States because he does not like the protests against racism and police brutality occurring in the streets of many communities. They must stop playing games while families across the country suffer, and pass the urgently-needed relief in the HEROES Act.

I look forward to hearing from our distinguished witnesses about the challenges they are facing and the response that is needed from the Federal Government during this national crisis.

Now, I will recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes.

Mr. MCHENRY. I thank the chairwoman for yielding.

And, here we are again. We are having a hearing about a bill the House passed 4 months ago that has no chance of becoming a law. The committee is being used to prioritize Democrat priorities that aren't going to become law. And if the chairwoman wanted GOP Governors to attend, she could have given us more than the one witness that is provided for. Our witness today will be able to speak to the economic issues facing the State Governments and the relative position that those State Governments are in.

Look, this is also not in our committee's jurisdiction. If you want to appropriate money to the States, there is an Appropriations Committee. We are the Financial Services Committee. Within our jurisdiction, you have much-needed lending that is being given to States through the municipal bond market in the Federal Reserve. That is lending, not spending.

What I think we need is a reasonable compromise to support workers and small businesses, and make sure that we can get people back on their feet again, and make sure we have a better healthcare response and testing regime so we can get our economy open and kids in school again.

Back in the spring, Republicans and Democrats had a great compromise in the Coronavirus Aid, Relief, and Economic Recovery (CARES) Act. We have provided \$2.6 trillion in relief funds and approximately \$1 trillion in direct and indirect State aid and locality aid. That bipartisanship was also reflected in this committee with an understanding that, for hearings, there would be no more than four witnesses; we would keep this brief so that Members could en-

gage and have good questions. But today, this is out of control because of how many witnesses we have. But that is certainly the case. We are getting close to November, and things have become far less bipartisan, and much more, quite frankly, wacky around Congress.

So, here we are. Democrats are using this hearing to claim that States are struggling, but it certainly isn't due to a lack of funding. In fact, of the \$150 billion in direct aid provided for by the CARES Act, the Congressional Research Service found that as of June 30th, States had only used 25 percent of their distribution. Republicans believe that any additional support should be based on data and directly related to COVID. But to date, States have yet to identify how they are using their money and where additional funding to address COVID may be needed.

We should all agree that one of the best ways to support State and local governments during this pandemic is through strong State and locality economies and economies in those communities. And the way to create stronger economies is by supporting local businesses and the employees of those businesses. Thriving small businesses generate revenue that contributes to State and local tax bases. When people are working, they can support their local and State Governments. Unfortunately, Democrats' partisanship prevents small businesses from accessing that support right now.

So, I want to begin and end where I think we should all begin this hearing: as Federal Reserve Chairman Jay Powell said back in June, "A tight job market is probably the best single thing that the Fed can do to support gains by all low- and moderate-income communities, and particularly for minority communities that are heavily representative of these groups. Everything we are doing is to try to get the labor market back to where it was in February."

We should take that approach, and not waste Members' time parading Democrat Governors in front of Congress to ask for money. There are bigger issues at stake that we should be focused on, in getting kids back in school, and our economy reopened again.

And with that, I yield back.

Chairwoman WATERS. Thank you very much.

I would like the Members to feel very comfortable that this hearing today is certainly in our jurisdiction because we chose to do it.

I now recognize the gentleman from Missouri, Mr. Cleaver, who is also the Chair of our Subcommittee on National Security, International Development and Monetary Policy.

Mr. CLEAVER. Thank you, Madam Chairwoman. Let me begin by just welcoming my next-door neighbor, Governor Laura Kelly.

And, Madam Chairwoman, I am in Kansas City, where I served two terms as mayor, and I know the City and its systems quite well. I can say with absolute certainty that Kansas City, like many other cities, is experiencing unprecedented stress during this pandemic. And every municipality and county in the nation is being financially slapped around from dwindling revenues and exploding expenditures.

Now, don't take my word for it. I am a progressive Democrat, and I am a Methodist. But the conservative American Enterprise Institute (AEI) on Tuesday released a report saying that, "While

revenues have declined for the first time since the Great Depression, the worst is still to come.”

There have been a lot of discussions in recent months about defunding the police, which, of course, I oppose. But if we don't get this bill funded, we will be defunding the police and the fire departments around the country.

Thank you.

Chairwoman WATERS. Thank you.

I now recognize the gentleman from Minnesota, Mr. Emmer, for 1 minute.

Mr. EMMER. Thank you, Madam Chairwoman.

As the ranking member mentioned, the bipartisan work of the CARES Act provided trillions in immediate and long-term assistance to first responders, educators, and small business owners. It is because of Congress and this Administration's quick actions that our economy has begun to regain its footing. Efforts by the Majority to use these individuals today as pawns to justify billions in new spending for State Governments is uncalled for, especially if States like mine have yet to use hundreds of millions in relief money given to them.

Governor Walz, we served together. Although we have had our disagreements, we have worked on several occasions to help Minnesotans. Since you have chosen to appear before this committee on the eve of another extension of your emergency authority, I look forward to learning how you intend to empower, not penalize, business owners, school administrators, and families with the information they need to drive our economic comeback instead of digging our children and grandchildren deeper into debt.

Thank you. I look forward to everyone's testimony today.

Chairwoman WATERS. Thank you very much.

I want to welcome our distinguished panel of witnesses.

First, the Honorable Laura Kelly, Governor of Kansas. She was elected to the Kansas Senate in 2004, serving as ranking member of the Ways and Means Committee from 2007 and throughout the Great Recession, until her election as Governor. Welcome.

Second, the Honorable Lourdes Leon Guerrero, Governor of Guam. After a career in the health sector, she served for 10 years in the Guam legislature. She held the post of CEO, president, and chairwoman of the board of the Bank of Guam. I must note that Governor Guerrero contracted COVID-19 last month. Governor, it is so good to see you in recovery. Thank you for being here.

Third, the Honorable Michelle Lujan Grisham, Governor of New Mexico. She previously represented New Mexico right here in the U.S. House of Representatives, and served as cabinet secretary of New Mexico's Department of Health and its Department of Aging and Long-Term Services. It's good to see you.

Fourth, the Honorable Timothy J. Walz, the Governor of Minnesota. He is a 24-year veteran of the Minnesota National Guard, and a former high school teacher, and the coach of a State football champion. He also represented Minnesota in this House for over 10 years.

And finally, Dr. Douglas Holtz-Eakin, who served as Director of the Congressional Budget Office from 2003 to 2009. Dr. Holtz-

Eakin served in the George H.W. Bush Administration and in various academic positions in the field of economics.

Each of you will have 5 minutes to summarize your testimony. The timer will go off at the end of your time, and I would ask you to wrap up your testimony, so we can be respectful of the other witnesses' and the committee members' time. And without objection, your written statements will be made a part of the record.

Governor Kelly, you are now recognized for 5 minutes to present your oral testimony.

**STATEMENT OF THE HONORABLE LAURA KELLY, GOVERNOR,
STATE OF KANSAS**

Governor KELLY. Chairwoman Waters, Ranking Member McHenry, and members of the committee, I am Laura Kelly, Governor of Kansas. Thank you for the invitation to testify on behalf of my State regarding our need for Federal aid as we overcome the unprecedented challenges brought forth by COVID-19.

We have seen record numbers of weekly unemployment claims, which overwhelmed our Department of Labor's antiquated computer system. At times, we have struggled to access personal protective equipment for our healthcare workers and adequately test our population for COVID-19. Our small businesses have suffered, many have been unable to make up for lost revenue or were forced to furlough employees or even shut their doors completely. Through all of these challenges, my administration has worked to keep Kansas families safe and healthy.

I would also like to thank Congresswoman Sharice Davids for being a strong advocate for Kansas small businesses during the pandemic, introducing legislation requiring transparency around relief funds to make sure they are getting to small Kansas businesses.

However, we will need significantly more support from our Federal partners to protect our institutions from drastic and damaging cuts. Kansas is uniquely suited to address a looming budget crisis during these unprecedented times because we have already overcome one this decade, albeit self-inflicted rather than an act of God.

In 2012, my predecessor, Governor Sam Brownback, signed into law one of the most draconian tax cuts in our State's history. The consequences were profound. As a 14-year member of the State senate, I watched in dismay as other States recovered and grew in the wake of the 2008 recession while Kansas instead moved backward. State revenues plummeted by \$900 million, school funding was drastically cut, infrastructure spending was decimated, and critical programs like Medicaid and temporary assistance for needy families and foster care were gutted.

Kansas' bond rating was downgraded twice. Our agencies were hollowed out. Our State highway and healthcare funds were robbed. There are so many more examples, but the bottom line is that years of austerity hurt our business owners, our farmers, our children, our teachers, our essential workers, and our families.

Before the pandemic, my administration's budget was crafted to get Kansas back on sound financial footing, a process we expected would take years of responsible governance. We have prioritized rebuilding our State's fiscal foundation. We have reestablished eco-

conomic development tools within our Department of Commerce, critical to ensuring Kansas can compete on a global scale. We passed and restored a 10-year transportation plan and fully funded public education for the first time in years.

Thankfully, in 2017, a bipartisan group of legislators came together to undo the tax cuts implemented in 2012 and began the uphill climb of closing the budget deficit.

Unfortunately, just as we were righting the ship, we were hit with the worst public health pandemic in this century. This pandemic is different, and the fix isn't as simple as just tightening our belt buckle.

Our Federal partners must step in and help. I know firsthand that cutting local and State Government funding will hamstring the State's ability to fight the pandemic and leave us more vulnerable to future crises. Severe budget cuts don't create small government, they create failed government—governments that can't provide the essential services and investments this country was built upon: good schools; stable infrastructure; a solid social safety net; and a robust economy.

I had a front-row seat to the worst budget crisis in our State's history, and I know it hit the most vulnerable among us the hardest. We need continued investments at the local and State level to allow for decisions that best respond to individual community needs. We need support for strategic investments to stop the spread of the virus, enhance the State's ability to respond, protect our schools, and provide needed economic assistance to small businesses.

We need the Federal Government to support States and support Kansans who are struggling. We need a coherent, top-down strategy that will reassure businesses and Americans that our government has a plan to keep our economy stable until a vaccine is available.

I thank you for the opportunity to speak with you this morning. I look forward to questions.

[The prepared statement of Governor Kelly can be found on page 91 of the appendix.]

Chairwoman WATERS. Governor Guerrero, you are now recognized for 5 minutes to present your oral testimony. Thank you.

**STATEMENT OF THE HONORABLE LOURDES LEON
GUERRERO, GOVERNOR, TERRITORY OF GUAM**

Governor GUERRERO. Thank you.

Chairwoman Waters, Ranking Member McHenry, Vice Chairman San Nicolas, and members of this distinguished committee, "Hafa Adai," and hello from the people of Guam. Thank you for this virtual opportunity to appear before you.

Throughout Guam's history, the island's central value to the defense of the nation has been a strategic position in the Western Pacific. From Anderson Air Force Base, Guam, and Naval Base Guam, respectively, America is able to project power or humanitarian assistance at a moment's notice on a global scale.

Indeed, Guam's no stranger to the influx of global conflict or the unity of purpose that must rise to meet it. Prior to the pandemic, Guam's tourism industry was our economic cornerstone, breaking

visitor arrival records on a nearly monthly basis. Eighty-eight percent of Guam's visitors came from South Korea and Japan. That number is now zero.

Pre-COVID-19, Guam's unemployment barely rose to 4 percent. Now, nearly half of all private sector employees qualify for the Pandemic Unemployment Assistance and the Federal Pandemic Unemployment Compensation Programs that this Congress has established.

Madam Chairwoman, I thank you and your colleagues for Guam's inclusion in these affirmation programs. Your actions help people you may never meet and in ways you may never know.

Additionally, while we contained the spread of COVID-19 from March to June, our positive case numbers rose as our economy reopened. To preserve life and contain that community spread, I issued a second stay-at-home order that remains in effect today. Now, government revenues, which rose enough in Fiscal Year 2019 to cut our deficit in half, may see a 7.2 decline in Fiscal Year 2021.

This means dangerous cuts to Guam public health operations, drastic cuts to public safety, and potentially severe cuts to education. This story is being told in every State and Territory throughout the country and is why bold congressional action is required.

Congress took serious bipartisan steps forward early on in the pandemic, but these are temporary economic backstops that are already beginning to fade. We are good stewards of the aid we have received. We have worked to follow all Federal guidance in relation to Federal moneys. At every juncture, we have tried to match earnestness with speed, trying to never sacrifice integrity in the use of these funds.

Accordingly, we welcomed a review by Guam's Office of Public Accountability, other independent reviewers, and our Federal partners.

As you act in the weeks ahead, I ask that you treat your fellow citizens residing in our nation's Territories with continued fairness and that: one, we are included equitably in every Federal relief package; two, this package contains direct unemployment assistance to Guam and the Territories and removes any costs shared during this recession caused by the pandemic; three, direct aid to small businesses be a central component of any relief package, along with rental and homeowners' assistance; four, a program be created to provide grants to assist jurisdictions whose economy relies primarily on tourism; and five, States and Territories be allowed the flexibility to use funds for budget shortfalls.

While these steps will help Guam, we also know that existing problems require new policy solutions to enable us to make real economic progress. This includes addressing Federal coverage of the \$60 million in annual Earned Income Tax Credit payments that comes directly from Guam's coffers, and an H2-B policy that recognizes Guam's civilian construction demands.

Finally, I am supportive of securing eligibility for Guam to participate in the Municipal Liquidity Facility Program as a safety net.

In April, I wrote to Federal Reserve Chairman Powell, Treasury Secretary Mnuchin, and Delegate San Nicolas to request Guam's

inclusion in the Program. I am certainly pleased to hear that this request is now being considered.

It has been said that in times of great conflict or struggle, we cease being individual American States and Territories, and now, we simply become the United States of America.

Thank you, and “Si Yu’us ma’ase’.”

[The prepared statement of Governor Guerrero can be found on page 79 of the appendix.]

Chairwoman WATERS. Thank you very much.

Governor, I would like you to know that the successes that you have been able to realize were all because of your Representative—I want you to know that your Congressional Representative here, Michael San Nicolas, has done a fabulous job in representing your Territory.

Thank you very much.

Next, we will hear from Governor Grisham. You are now recognized for 5 minutes to present your oral testimony.

**STATEMENT OF THE HONORABLE MICHELLE LUJAN
GRISHAM, GOVERNOR, STATE OF NEW MEXICO**

Governor GRISHAM. Thank you.

Good morning, Honorable Chairwoman Waters—it’s lovely to see you again—Ranking Member McHenry, and, of course, the other distinguished committee members. I thank you very much for the opportunity and the time.

As you know, the pandemic has unleashed economic devastation in States all across the country. The wave of financial pain threatens to swamp States like New Mexico despite our healthy fiscal posture prior to the arrival of COVID-19.

We labored for years here to diversify our economy, strengthen our overall financial position, and improve our long-term budget outlook. But much of that progress was undone in only a few short and brutal months, and we face a long, difficult road back.

Indeed, New Mexico and other energy-producing States have experienced not only pandemic-related budget shortfalls, but a collapse in the global oil market. These dual economic crises have created a revenue gap that threatens to swallow the central services so many depend upon—everything from education to small business support, child welfare to healthcare services, and more.

The fiscal impact of the pandemic is threefold. We have already spent more than \$400 million on direct COVID-19 costs, including the purchase of PPE and testing supplies, and those costs continue to mount. We face indirect costs as State agencies and businesses adapt to a COVID-positive world. These costs for K-12 public schools alone total more than \$520 million. And we face the exponential loss of revenue due to the economic downturn, which compounds the other two.

These three expenses are tied together, and we cannot emphasize one over another. And let me be clear, these are not static data points. The pandemic is ongoing, the storm is raging, and those winds of fiscal damage are not dying down.

In all, New Mexico faces a nearly 20 percent decline in general fund revenues year over year. A \$4 billion shortfall is a line item in Washington, but in New Mexico, it is the difference between

healthy, well-fed families, and the alternative for our current fiscal year and the next.

Even with a record level of State revenue prudently set aside in reserves, the fiscal crisis threatens to touch New Mexicans in every corner of our State, who rely on State programs and local level programs powered by Federal funds, so many of whom have already struggled to find and maintain work, to provide for their children, and to stay safe from the virus.

States like mine that have taken tough and proactive measures to blunt the spread of COVID-19 must be able to use Federal assistance to replace and back their lost revenues or else make drastic, difficult cuts to essential services. Our effective life-saving response to the pandemic cannot be left as a millstone around the necks of New Mexico workers, families, local governments, and small business owners who have already given and lost so much.

Small business revenue in our State is down 21 percent this year. Many businesses have furloughed or laid off workers and, of course, some have closed their doors for good. Our small businesses skew smaller than the national average, meaning they cannot take on more debt, and grants are much more effective than loans.

My administration, in partnership with our State legislature, has delivered more than \$400 million for small business support programs, sustaining hundreds of jobs, and still there are businesses and workers needing more.

We were one of the first seven States in the U.S. to operationalize every emergency unemployment funding stream made available, and we have delivered more than \$2 billion in assistance. But this has depleted our trust fund, and we will need help in sustaining these lifelines.

We all know, and I know, that tightening our belts in the coming months and years is critical. And indeed, in so many States, including New Mexico, we already have. But these cost-cutting measures will not be enough to weather the storm. An umbrella is not enough protection in a hurricane. And the rubber will meet the road in homes all across States like mine where families, children, and workers may be left without.

State and local governments need more funding and more flexibility. Already this year, New Mexico has demonstrated how expeditiously we would use and provide funding to those who need it most, but we need to expand the toolbox and fill it and refill it. The health and economic crisis battering New Mexico and the United States requires an all-hands-on-deck, whole-of-government approach.

[The prepared statement of Governor Grisham can be found on page 76 of the appendix.]

Thank you very much, Governor Grisham. We appreciate your presence here today so much.

Next, we will ask Governor Walz to please present. You will be recognized for 5 minutes.

**STATEMENT OF THE HONORABLE TIMOTHY J. WALZ,
GOVERNOR, STATE OF MINNESOTA**

Governor WALZ. Chairwoman Waters, Ranking Member McHenry, distinguished members of this committee, thank you. I

am Tim Walz, the Governor of Minnesota, and for many of you, I am a former colleague and current friend. I want to thank you for the opportunity to speak with you about the critical needs and update you on where our States are at.

I do want to acknowledge my Minnesota colleagues who are on this committee: Representative Dean Phillips; and Representative Tom Emmer. Whether it is Representative Phillips' work on the Paycheck Protection Program Flexibility Act or Representative Emmer's unique and innovative advocacy around blockchain to mitigate the coronavirus, Minnesota is lucky to have you serving on this committee.

And I want to address all of you, and Representative Emmer, I am not here to ask or complain. I am here humbly and deeply grateful for the work that the CARES Act did. It did make a difference. It did have an impact. We are grateful to Congress and the Administration for what it did. And I assure you, Representative Emmer, like any good budget, 92 percent of our CARES Act money is allocated and obligated, and we have to look at an open-ended pandemic to deal with that. But please know, we care. It made a difference.

That is why we are here asking humbly that you continue this type of assistance that has made a difference, not just in the safety and the health of my constituents and fellow Minnesotans, but it has helped businesses get back on their feet. And that is why we are asking, in a bipartisan way, from the National Governors Association that, as you negotiate, please keep States in mind.

In my State, I came to this job, like many of my colleagues, 19 long months ago. At times, it feels like yesterday. At times, it feels like a lifetime. And we work together to invest in our State, in education, in jobs, in housing. And we did it in a State with one of the few bipartisan—or split legislatures, and we did it together.

And we were able to make that fiscal discipline work. We were able to make sure that we came together to get things done. For the first time in 40 years, the Governor did not issue a veto.

So I know there's a lot of talk in Washington about poorly-managed States wanting to balance their budget. Let me be very clear, Minnesota's House has been in good order because of bipartisan cooperation. After the volatile times of the 2000s, we went from deficits to surpluses. You don't have to take my word for it. The triple A bond rating we get from the rating agencies tells us that Minnesota in February of 2020 was in strong control over revenues and spending that leaves the State well-positioned.

As recently as 2020, we had a \$1.5 billion surplus. Then, COVID-19 hit. Within a matter of months, States all across this country saw their financial situations rapidly decline. Literally, in weeks, we went from a \$1.5 billion surplus to a \$2.3 billion deficit. Now, we are projected at over \$4.7 billion over the biennium.

Minnesota entered this crisis in a strong manner, with an unemployment rate as low as 2.9 percent, but in a matter of weeks, we went to 7.7 percent. Minnesota entered this well. We had a rainy day fund. We had one of the most fiscally prudent reserve policies in the nation. We had a well-educated workforce and a diverse economic base. And we receive less Federal aid than all but seven other States.

This wasn't enough to insulate us from COVID-19. I am sure I speak for my fellow Governors when I say that we appreciate everything that you have done, but we are not through this. It is not over.

The CARES Act funding went to helping our school districts prepare. We have safe school operations, and many of our schools are back with in-person learning. Some are in hybrid and some, because of the nature of the pandemic, are in distance learning. But our children are being served.

This morning, I went and delivered meals. The City of Saint Paul, the Saint Paul Public Schools, I have delivered 8 million meals, making sure no child goes hungry. That is because of the work you did. That is because of the assistance you gave to the States. That is what we are asking for. Until COVID-19 is over, we are going to need to continue to have that.

We are at a critical juncture for us to continue our robust testing program that makes sure that we can keep businesses up and running. When we have an infection at a meat processing plant, we can step in, test, isolate, and get folks back to work to make sure that those good jobs continue and that the food supply is there for the country.

I have to tell you, these are challenging times. This is not pitted us against you, and we are certainly not complaining. I want to thank the committee for taking this up. This is truly an all-of-government, all-of-society approach, and the help that you have given has saved lives. The help that you have given has opened up schools. The help that you have given has restarted businesses. The help that you have given has given us hope for the future.

We are here today, and I think I would speak for the other Governors when I say, we know this is coming to an end, and the pandemic and the virus doesn't care about our timeline. So, we are asking you to prioritize the help you have given, we are asking you to continue to make smart investments, and we are asking you to work with us to make sure States are able to deliver those services.

I thank you, Chairwoman Waters, and Ranking Member McHenry, and I am glad to answer any questions.

[The prepared statement of Governor Walz can be found on page 96 of the appendix.]

Chairwoman WATERS. Mr. Holtz-Eakin, you are now recognized for 5 minutes.

**STATEMENT OF DOUGLAS HOLTZ-EAKIN, PRESIDENT,
AMERICAN ACTION FORUM**

Mr. HOLTZ-EAKIN. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee. It is a privilege to be here today.

Let me make three brief points, and I look forward to answering your questions.

Number one is that this recession is different than anything the United States has ever experienced. Century recessions were income-driven events often triggered by inventory buildups that led to layoffs and then reduced household spending. In this recession, we saw no income decline. Income remained strong even as the economy plummeted.

Twenty-first century recessions to date were largely driven by the bursting of financial bubbles. Whether it was the dot.com bubble or the credit bubble in 2007–2008 where the financial distress spilled over to the Main Street economy and ultimately dragged it down as well.

In this case, it is an entirely different origin. It was the coronavirus itself which caused people to pull back on their economic activity, leading to an extraordinary decline. The speed and severity are hard to really capture.

In the second quarter, the economy contracted at an annual rate of 31.7 percent. In real people terms, our economy got 9 percent smaller in 3 months. In the worst year of the Great Depression, it got 12 percent smaller. We experienced nearly that in 3 months in the spring of 2020. And the most visible manifestation of this was 20 million people losing their jobs in a single month, 10 times more than had ever happened in the United States.

The composition of that decline is also very different. This is a decline led by a really strong contraction in household spending, and, in particular, household spending on services. Americans stopped going out to restaurants. They stopped flying, they stopped going to hotels, they stopped doing anything that risked coming into contact with people who might be carrying the virus.

And, in particular, when we look at the micro data of this event, it is the spending by households in high-income ZIP Codes which contracted the most, and those services were typically provided by low-income Americans. So, we had a very strong division in this recession where the spending went down at the top end, but the job loss has been at the bottom end.

I do want to note for the record that the policy response is also historic. The Federal Reserve response to enhance its balance sheet by about \$3 trillion in private liquidity on an open-ended basis was extraordinarily successful in stabilizing financial markets.

And I think Congress has been too little commended for the speed with which it passed the CARES Act, the targeting of the CARES Act on the real problems that face the economy, cash flow in the household sector, cash flow in small businesses, cash flow across the economy, and getting the scale right. The CARES Act was about 10 percent of GDP, and the problem was about 10 percent of GDP. And so, I thank you for that response. I think it was exactly right.

My second point is that there is no way States and Territories remained immune from this kind of economic event. We certainly know that they had the bulk of the public health response and some of the costs that came with that. We know that first responders, PPE, and healthcare professionals have stretched their budgets.

But there has also been a significant response for those States and Territories. The CARES Act had \$150 billion for them. And as a fraction of the total package, that is actually larger than was provided in the Recovery Act, when we faced the last recession. So Congress, again, I think has responded to a real problem in a substantial way.

My third point is that because this is so different than the past, using historical experiences as a guide to the appropriate level of

support to the States and localities is probably going to be off-target. If you think about it, tax bases for the State-local sector probably held up better in this recession than what one might expect.

In the data, this is now a low-wage worker recession. If you are a high-wage worker in America, you are probably already back to work when the recession is over. So the taxation at the State and local level which is larger than those individuals will probably hold up.

Unlike any other recession, the stock market didn't go down, it is up, and so it is going to maintain the levels of capital income. We have seen a historic response by Congress. Much of that will be taxable. PPE money will be taxable, UI will be taxable. So, income taxes bases will probably hold up pretty well. Sales taxes, with the big decline in household spending, are probably at risk, but it has been concentrated in services, and that is the least heavily taxed part of the sales tax base. And housing markets are, frankly, quite strong. We are seeing property taxes rising across the economy.

People tend to focus on the last recession in thinking about what we should do now. I would urge you to look at the actual data about what is going on right now and measure the needs based on that, because I don't think the history is going to be a very good guide for what we need going forward.

Thank you, Madam Chairwoman, and I look forward to answering your questions.

[The prepared statement of Dr. Holtz-Eakin can be found on page 83 of the appendix.]

Chairwoman WATERS. Thank you, Dr. Holtz-Eakin, for your testimony. We are very pleased that you are here today.

I will now recognize myself for 5 minutes for questions.

We are facing a growing eviction crisis in this country. According to Apartment List, 34 percent of renters were unable to pay their rent in full at the beginning of August. And according to some experts, we could see up to 40 million renters at risk of eviction by the end of the year.

Governor Walz, you have tried to take action to address this problem at the State level. In July, you extended your safe eviction moratorium. You also established the \$100 million rental assistance program, but that isn't going to be enough to help all of the renters in need in your State. According to a Census Bureau survey, over 547,000 Minnesotans either missed a housing payment in July or did not know how they would pay their rent or mortgage in August. In California, that covers over 6 million.

Governor Walz, how many more Minnesotans could you protect if Congress approved the HEROES Act's \$100 billion in rental assistance?

Governor WALZ. Thank you for the question, Chairwoman. "A lot" is the answer, and I am grateful. I am grateful that the Administration made a move on an eviction moratorium, but if it doesn't come with the assistance, it just pushes the problem down the road. And I think you have seen many economists picture that. I think Dr. Holtz-Eakin is right that the housing markets have remained relatively strong. That has also kept rents up and mort-

gages and it's why interest rates are good. There are folks at the upper end able to do that.

We were able to move \$100 million, which makes a difference. And just to be very clear, that is with the support of landlords and business owners. And it goes right to them; it keeps them in order. Again, coming on the heels of the expiration of the \$600 extra in the UI, we are grateful for the \$300 that we are able to use.

But I think the Chairwoman is hinting at exactly what we are asking for, and I want to be very clear, I am not critical of anything that you have been able to do to try and help us, and I think folks on your main know better where we could have adjusted it. I agree with you on the Recovery Act.

The only thing is, Dr. Holtz-Eakin, I was a Member of Congress at that time. That allowed us to replace lost revenues immediately. And so, that kind of impacted State budgets a little differently. But this housing issue is going to come—it was a top priority before COVID-19, housing was a crisis, and it has been exacerbated by COVID-19. This is one of those issues that I do think—and, again, I would be interested to hear our witnesses talk about this—I do think this has the potential to bring a drag-on if it brings the housing market into this. And I think the help we get and the assistance on the front end can maybe proactively stop that.

But, Chairwoman, the answer to your question is we are very, very worried about what is going to happen come January 1st.

Chairwoman WATERS. I am also worried, not only about the renters, but about the landlords. Landlords are struggling to pay mortgages and other costs that are associated with property maintenance.

According to the Urban Institute, Black and Latinx landlords are disproportionately struggling to pay their mortgages, but are more likely to offer their tenants rent repayment plans.

Governor Walz, what are you hearing from landlords in your State, particularly the small mom-and-pop landlords?

Governor WALZ. First of all, these are people really trying to make it work. They are going out of their way. This idea that they don't care or they are heartless, that is a myth. They are doing their best to keep people in their homes.

I do think that the chairwoman has hit on something that we are really grappling with and, obviously, we have been in the news for grappling with inequities and in racial issues. It extends into homeownership, it extends into rent, and it extends into Black-owned businesses, and Black landlords who are facing this.

But what I will tell you is that these landlords are trying to do the best they can. It is not in their best interest to have people out on the streets. And I will say one of the things I have seen here is that the lenders and the banks are making adjustments to try and get this, but the piece that is missing from this is the money that is in the system to make it work. That is the piece that is missing. It doesn't move from the renter to the landlord to the bank into our system if it is simply not there. And that is one that we are really struggling with.

So, it hits disproportionately those Black landlords, there is no doubt about that, as well as Black tenants in communities of color.

Chairwoman WATERS. Thank you so very much.

I yield back the balance of my time.

I now recognize the ranking member, Mr. McHenry, for 5 minutes. Thank you.

Mr. MCHENRY. Great. Thank you.

Dr. Holtz-Eakin, generally speaking, do State, local, and Federal revenues track the economy? Are they forward-looking indicators? Do they lag? Can you give me some measure of this for State, local, and Federal revenues?

Mr. HOLTZ-EAKIN. Something like a sales tax, right? Particularly in this event, we have seen dramatic changes in the level of spending. You would expect that to be a contemporaneous indicator. On taxes, we don't collect fully until we look back and get the previous year. So, that is not matched up quite as well. Property taxes—it depends on the local administration, the degree to which you are marking property values to market and thus keeping that up-to-date. Corporate revenues track pretty well the current economy.

And the one that I think is the hardest to understand in this moment is the large chunk of State and local budgets that comes from fees, whether they are higher education, hospitals, things like that, and how they are going to track in this event. I have never seen an event like this before. I really just don't know.

Mr. MCHENRY. Okay. But at this stage, where are we with State and local financial conditions across the 50 States? Are they all similar, are they different? Are there some differences?

Mr. HOLTZ-EAKIN. There will be differences. You will notice the Governor of New Mexico singled out the world oil market decline. Certainly, if you are heavily reliant on severance taxes and things like that, it is going to look different than most States. So, there will be differences. I think that examination of individual cases is probably the best way to go. My words in my opening were based on the aggregates; I didn't do individual States.

Mr. MCHENRY. Right. But you would say that the revenue falloff for States would be quite variable. North Dakota will be different than California, California will be different than Connecticut. Right? That is what we have seen in previous falloffs of the economy or changes of economic condition.

Mr. HOLTZ-EAKIN. Yes.

Mr. MCHENRY. So, are current financial conditions of State and local governments a true indicator of the current economic environment?

Mr. HOLTZ-EAKIN. No. I think they are doing better, at least from the aggregate data that we have through the second quarter than the economy was. As I described in my opening remarks, the economic conditions in the second quarter were disastrously bad. If you look at the State-local sector in the GDP release, it was doing remarkably well. Income taxes were down by \$100 million, just one-tenth of a billion. So, they did better than you might expect in those circumstances.

Mr. MCHENRY. Okay. So, they are doing better. And the Federal Government is spending a whole lot more. As I mentioned in my opening statement, you only have 25 percent of the funds set aside for State support allocated as of June 30th.

What additional Federal support do you think there should be for State and localities based off your current research, or is it too soon to tell?

Mr. HOLTZ-EAKIN. I would say two things. First, the mystery to me has been the performance of the Treasury in using essentially half a trillion dollars to backstop facilities, including the Municipal Liquidity Facility. That seems underutilized in my eye, and I don't fully understand why that hasn't happened. That is something that can and should be more aggressively used.

My own research suggests that if you pretended that State budgets tracked exactly the economy, then using the CBO's forecast of the economy, the entire State and local sector would be short by about \$380 billion over 2 years. We have already provided \$150 billion, so that is another \$230 billion over 2 years, and that seems, to me, a sensible upper bound given that we expect it to perform better than the economy for the reasons I mentioned. Services aren't very heavily taxed and income is concentrated at the upper end, so those are things that are going to contribute to better performance.

Mr. MCHENRY. Okay. So how do you best help State and local government get revenue? Isn't it through a sensible reopening, rapid testing, and getting schools safely and effectively open? Aren't those the stronger economic motivators that would then benefit State and local governments?

Mr. HOLTZ-EAKIN. No question. The foundation for success is growth. And we need to get the capacity to go back to work improved, the capacity to get kids to school so you can go back to work, that has to improved, and we have to be able to operate in the presence of this virus.

I think it is very instructive that in 2008–2009, employment in the States and localities didn't decline for nearly 2 years; it held right in there. It was after 2 years of bad growth that things started dropping off. We don't want to have 2 years of bad growth.

Mr. MCHENRY. Thank you, Dr. Holtz-Eakin.

Chairwoman WATERS. Thank you very much.

I will now turn over the gavel to the Vice Chair of this committee, Mr. San Nicolas.

[Audio difficulty.]

Chairwoman WATERS. There is a problem.

Mr. SAN NICOLAS. [Inaudible] Need for us to address the circumstances [inaudible] Financial Services Committee with the support of the university and [inaudible] Of Guam in the hearing that have been joined [inaudible].

With that, Madam Chairwoman, the intent of this economy to pursue the HEROES Act and the relief that it provides has less to do with our [inaudible] More to do with us continuing our mission of focusing on the need for us to address the circumstances of every American. And so, we sought out Governors, Democrat and Republican, because we want to get the perspectives of every American [inaudible] And our Territories.

And so today, we have voices here today that are expressing at the chief executive level within our States and Territories to continue our focus on providing support, particularly with respect to the responsibility the Governor have in delivering critical services,

fire services, emergency response health services, and all the additional services we are required to provide—

Chairwoman WATERS. Mr. San Nicolas, there is a problem with your technology, and so we are going to move on and we are going to ask another Member to step in until they can clear up your sound. I don't know what they have to do to do that, but I think next—

Mr. Cleaver, as the subcommittee Chair, would you please step in and continue with the next Member who will be asking questions?

Mr. CLEAVER. Yes, I will, Madam Chairwoman.

Chairwoman WATERS. Thank you very much. I think the next person up is Mrs. Maloney.

Mr. CLEAVER. [presiding]. Mrs. Maloney, you are recognized for 5 minutes.

Mrs. MALONEY. Thank you.

I am chairing a committee meeting on the Census now, so I need to get back. But this is so important. Thank you, Chairwoman Waters, for having this hearing.

New York was one of the first and hardest-hit States by COVID-19, taking the lives of over 25,000 of our friends and neighbors, and disrupting our way of life. The pandemic toll on New York's economy has created an insurmountable budget deficit that the State cannot solve by itself. From March to May, tax revenue was down 37 percent compared with last year. The decline in State revenues, combined with the staggering costs of responding to the pandemic, have created an unprecedented economic crisis for our State.

New York State needs \$30 billion in funding in the current fiscal year and next year to make it whole again. And we are not alone. Because of the pandemic, State Governments are facing projected budget shortfalls of \$500 billion next year, which is even worse than what was ever seen during the Great Recession.

As New Yorkers, we have seen the devastating health and economic impacts of the coronavirus crisis. I refuse to stand idly by and let the Senate's inaction exacerbate the pain the pandemic has already inflicted, or allow it to jeopardize our road to economic recovery. So, I am deeply thankful to the chairwoman for holding this hearing.

Federal Reserve Chair Powell and other economists have repeatedly stressed the important role that State Governments play as employers. Research has shown that State layoffs and budget cuts prolonged the Great Recession and delayed State and local governments' economic recoveries. Since February, more than 1.1 million government employees have lost their jobs across the country. And that is on top of the nearly 30 million Americans who remain unemployed and collecting unemployment benefits.

In New York, our Governor has stated the State will be forced to reduce funding for hospitals, schools, and local governments by as much as 20 percent, when the services they provide are needed the most. Without more funding, New York and other State Governments will be forced to lay off tens of thousands of State and local government employees, including teachers, firefighters, and other civil servants who process unemployment applications or inspect the food we eat.

So, to all of the Governors, this is a question to you, can you speak to the effect that these budget cuts and mass layoffs will have on your State's ability to recover long term?

Governor WALZ. I will go first, and speak for Minnesota again. Our 4-year projection drop-off on revenues is about \$8.4 billion.

The one thing I would respond on some of the numbers of what government expenditures are, is we are responding to a global health pandemic, but we still have other jobs that we have to do. We have to maintain the roads, we have to have State patrol, we have to everyone else who does this work.

Just to give you an idea of the deficit that Minnesota is looking at—and, remember, we had one of the highest percentage rainy day funds, a triple-A bond rating, and were on track for surpluses into the future. If you are looking at what happens with State Government employees, if I furloughed all 38,000 of our State employees, it makes up about 9 percent of that deficit. You still have 91 percent that is there. And then, the impact that would have on the economy of jobs and services that would be provided.

So I hear all of you, and I hear this desire, and I just want to say, I am in total agreement that getting our schools up and running, getting our businesses back operating and generating the economy—but it is a chicken or the egg, I guess, for some of us on this call. None of that is going to happen if we don't manage the pandemic. And that costs us a lot of money as the State.

The States can be the catalyst and then get out of the way. But, at this point in time, it doesn't matter if the State has a mandate on or not, people are not going to restaurants, and people are not spending the way they should.

And I think what Dr. Holtz-Eakin was talking about is true, we are seeing savings at a high level, which in normal times is a good thing. Not right now, because people are nervous. And it is the State that provides a lot of those services.

Mrs. MALONEY. Thank you, Governor.

Question two. The CARES Act provided \$150 billion to States, but because of restrictions on how they could use the funds, policymakers and Governors complained the funds were of little help for States like New York who have seen their revenue dry up and expenditures skyrocket.

Let me be clear: This isn't a partisan issue or a New York-based concern. Members on both sides of the aisle and our delegation have written to Senate leadership explicitly requesting additional—

Mr. CLEAVER. Mrs. Maloney?

Mrs. MALONEY. —flexible funding.

Mr. CLEAVER. Mrs. Maloney?

Mrs. MALONEY. Even Senate Republicans have expressed the same concerns.

So, to put it simply, the need for additional—

Mr. CLEAVER. Mrs. Maloney?

Mrs. MALONEY. —funding is needed.

I see my time is up, but just very quickly, if the Governors could say whether they would like flexibility to help them, and flexibility in the funding, would that help the State. And how would it improve your ability to address the problems the pandemic has caused for your State?

Governor KELLY. I would like to respond to that, Representative Maloney.

We were told at the beginning, when the money came in, that it was to be for COVID-related expenses only. And I can assure you that here in Kansas we are now in phase three of disbursing those funds, and so sometime next week we will have expended all of those funds on COVID-related expenses. We won't [inaudible] No matter if we are given flexibility or not.

So it is imperative for Kansas and, I think, a lot of other States that Congress follow up with the CARES Act, which I, too, very much appreciated. We could never have gotten through this time—

Mr. MCHENRY. Mr. Chairman, point of order.

Mr. CLEAVER. Yes, Mr. McHenry, if you can hear me, I apologize. We are going over time.

Mr. MCHENRY. Mr. Chairman, just in the interest of balance of time, I think, my point of order is on the fair allocation of time and adherence of time restrictions for all Members.

Mr. CLEAVER. Yes.

Mr. MCHENRY. And I know the technology is quite limiting, but I raise a point of order that we are not adhering to committee rules.

Mr. CLEAVER. Let me apologize, Mr. McHenry. You are absolutely right. The problem was the switch, and I was unable to get the attention of Mrs. Maloney.

Mr. MCHENRY. Thank you, Mr. Chairman.

Mr. CLEAVER. There is no argument.

Mr. MCHENRY. Thank you, Mr. Chairman.

Mr. CLEAVER. I will now recognize the gentlewoman from the magnificent, and the great, not unmatchable, State of Missouri.

Mrs. WAGNER. Thank you. I thank my friend from the western half of the great State of Missouri, Emanuel Cleaver, a great Member of Congress and a friend of mine.

And I thank our witnesses for joining us today to discuss supporting our States and Territories during the COVID-19 pandemic.

I was very proud to vote for the CARES Act and for four, total, bipartisan packages. The CARES Act provided \$1 trillion in funding to stabilize States and local economies and support communities across the nation.

These dollars are critical in supporting health and public safety operations as the pandemic continues to impact our neighborhoods. In fact, in many places, our public safety is at risk without these funds. Funds are needed to prevent law enforcement layoffs, pay public safety officials, and help pay for medical care, housing, and other essential services for American communities and families.

I have been actively involved in trying to ensure these funds get to those who need it most in my district. The CARES Act was signed into law on March 27th, and in Missouri's Second Congressional District, St. Louis County received \$173.5 million in late April.

However, 4 months later, there is still over \$100 million of unspent Federal financial aid that desperately needs to be distributed, including \$47 million in a municipal reserve fund for our local municipalities and localities that should have already been

spent in support, again, of public safety officers, medical care, and housing, among other critical services.

I have spoken to the municipal league multiple times and our municipalities, and they need these funds now. They needed them months ago. I am deeply disappointed that St. Louis County has been unable to distribute these funds in a timely and efficient manner, as we intended, as all of us intended, on a bipartisan basis, in the CARES Act.

And I have had calls and meetings. I sent a letter again to our county executive and counsel asking for them to distribute these funds immediately. And I ask unanimous consent that his letter be entered into the record.

Mr. CLEAVER. Without objection, it is so ordered.

Mrs. WAGNER. Thank you.

My story is not the only one. As of June 30th, per CRS, only 25 percent of the funds provided by the CARES Act have been used by States and local governments. And we need to get to the bottom of why this is. I am sure that the answers vary across States and regions, but having this information and a breakdown of how funds have been spent and where funds are needed is critical to lawmakers as we look forward to future relief.

Dr. Holtz-Eakin, in your testimony, you highlight the distinction between the Great Recession and the current COVID-driven recession. Would you describe the role that State and local governments played in each, Dr. Holtz-Eakin?

Mr. HOLTZ-EAKIN. Certainly, in this recession, no one caused it. It was the virus, and it was the natural reaction of individuals to pull back from exposure to the virus that drove the downturn. And so, States and localities had to respond both to the virus itself—and they have spent, as the Governors have specified, a lot of money trying to pursue the public health mission as needed and to help health professionals as needed.

States and localities are also dealing with the economic fallout of the pandemic, and that is concentrated in the UI systems, which have been strained beyond capacity in many cases. So, that has been part of the role thus far.

And I think, to understand my testimony, those are legitimate concerns, there is no question. What I am trying to do is gauge, above and beyond that, how much additional revenue loss you have to be concerned about, given that there is a Municipal Liquidity Facility and that the tax base is probably going to hold up better than in the past.

That is what is going on right now. In 2008–2009, it was very different. It was a completely different episode. This is a self-inflicted wound, a cut that started in the financial sector and spilled over. They didn't have a public health mission they needed to deal with. They didn't have to have the same concerns about the massive UI that we are seeing right now. By and large, they were able to pay State employees for 2 full years. By and large, they were able to manage more successfully. But, with poor growth, eventually it caught up with them, and we did see a prolonged slow recovery in the State and local sectors.

Mrs. WAGNER. What type of congressional support does the economy need during the ongoing COVID-driven recession?

Mr. HOLTZ-EAKIN. I think Congress did exactly the right thing in the CARES Act.

Going forward, I would think it needs two things.

Number one, it needs to support making places and schools safe. That means PPE, testing, workplace modifications, the kinds of things that allow you to proceed in the course of the virus and operate successfully. That would include, in my view, liability protections as well, that it is safe to operate and use a facility.

And, also, we will need to keep an eye on those who have prolonged spells of unemployment and income support for that segment of the population. Those are concerns.

Mrs. WAGNER. I appreciate that.

And I don't know if you have any opinion as to why it is that only 25 percent of these funds, these Federal funds that we allocated months and months ago, are still not getting to the point—Governor Walz, I saw your hand. Please, sir?

Governor WALZ. It's good to see you, Congresswoman. And you are exactly right. It is a really good question.

One of the reasons we were a little slow here is, the legislature couldn't agree. We moved 50 percent of it to our counties right away, and what I want to tell you is, it is the obligation versus the spent. Our budget has, as I said, 92 percent. I can assure you that it will be spent by December 31st. And most of it, in our case, went to local county commissioners and city councils.

Mrs. WAGNER. And our Governor got the money out. I am upset at the fact that St. Louis County is not getting the money out to my municipalities and my local jurisdictions.

I know I am over my time. I don't want to exceed the Chair here, so I will yield back. But I thank you all very much.

Mr. CLEAVER. Mrs. Wagner, your time has expired, but I am giving you some extra time because Mrs. Maloney ran over, if you want to complete your questions.

Mrs. WAGNER. Thank you, Congressman Cleaver. You are very, very kind, and such a wonderful gentleman. I am fine. I yield back. And we will move on with haste through the rest of my colleagues. Thank you so much.

Mr. CLEAVER. Thank you.

Ms. Velazquez, you are now recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

And thank you all for your great testimony and for sharing with us your insight as to how can we tackle this pandemic.

Governor Walz, because of the current crisis, States and local governments could face budget shortfalls of \$500 billion through Fiscal Year 2022. Moody's chief economist, Mark Zandi, has warned that the entire national economy will sink if we don't support the States.

What do you foresee happening to the national GDP over the next 24 months if we do not support State and local governments?

Governor WALZ. Thank you, Congresswoman, for the question. And, like so many of these things, I think we have a lot more agreement here than we might think.

We are facing a \$4.7 billion deficit. And I went from Congress, with many of you, to the States; I cannot deficit-spend. I have already had to make decisions to close facilities, corrections facilities

and other things, because I am statutorily obligated to do that. That starts to have a trickle effect, especially in greater Minnesota, as we call it, in the rural areas, where these are important employers.

And so, again, I hear where you are at, I hear this concern. We need to be very thoughtful of where we put things, the money out. But we see the drag. And I have been hoping the whole time that we would see a V-shaped recovery. Our economists are a little less hopeful of that right now. I know that some of the projections have reduced the upcoming third- and fourth-quarter GDP of what it will be, but I am concerned about that.

Here is what I can tell you from a State perspective. I have to start planning scenarios across-the-board of what that would look like. And I think everybody on here would ask us—we should always be thoughtful, we should always be doing that, but this is not cutting fat; this is cutting bone. And the problem I have right now is, it is the very things we would have to cut that are going to spur the economy to come back, that we are seeing go down.

So, I am worried about that. These deficits are real. They are not speculation for us. And I think many of you on here, I know you are fiscally responsible, and you think about this. When that number shows short and we get to the end of June, I have no choice but to cut. And those cuts have an implication.

Ms. VELAZQUEZ. Thank you, Governor.

Governor WALZ. I think the other Governors can speak to where they are at. And each State is in a little different spot. But I think, if I could speak for the National Governors Association, the overriding factor is, because of the ongoing nature of this and that it is not done, the uncertainty to State budgets is so damning that it makes it very difficult to plan.

Ms. VELAZQUEZ. Thank you, Governor.

Governor GUERRERO, like Guam, COVID cases are surging in Puerto Rico. There have been more than 16,000 positive cases since the pandemic started, and just yesterday 18 Puerto Ricans died because of the virus.

How would the territorial provisions included in the HEROES Act help Territories like Guam and Puerto Rico fight the surge and spread of COVID-19?

Governor GUERRERO. Yes, thank you for that question.

I just want to also make it clear that we are using our COVID virus funds. I have given it out to small businesses. I have given it out to individual grants. I am giving it out to reach medical clinics and facilities, because my greatest concern in this whole COVID pandemic is the stability of our healthcare system to deliver the quality of care that is needed to have a healthy community. And when we have a healthy community, we will have a healthy economy.

So, the coronavirus fund, Representative Velazquez, is very much helping not just our Guam but also all of the other Territories. And what I had wanted to ask, which I did in my testimony, is our ability to use flexibility of those funds to make sure that we do continue employing those employees that provide the public services. And my budget now, we are arguing with our legislature. I stand

to lose employees because of our cuts from Fiscal Year 2020 to now Fiscal Year 2021.

So, like all of the other Governors, we are certainly making good use of those moneys. We are allocating it out, and we have budgeted it out. We have paid for PPE, we have paid for testing, we have paid for hazardous pay and differential pay for our frontliners—

Ms. VELAZQUEZ. Thank you very much.

My time is running out. I just would like to ask another question to—I guess my time is up.

Mr. CLEAVER. Yes. Thank you, Ms. Velazquez.

Ms. VELAZQUEZ. I yield back.

Mr. CLEAVER. Thank you.

Representative Posey, you are recognized for 5 minutes.

Mr. POSEY. Thank you, Mr. Chairman.

As the ranking member pointed out earlier, and almost every Member on this side pointed out at the last hearing, instead of holding more hearings on a bill that has already passed in the House, I think we should be putting a priority on the elements of virus relief that go to the working families of this country.

Additional direct payments extending the Paycheck Protection Program, shoring up unemployment insurance at an adequate level, things of that nature—our constituents are waiting while the House holds them hostage to the Majority's priorities. We need to make the hardworking men and women and their families our national priorities.

Today, we are holding a retrospective hearing on aid to State and local governments. The Majority leadership wants a trillion dollars for that purpose. There's no doubt that some State aid and local government aid may be warranted, but I have not seen a rigorous analysis of the need or the assumptions and principles that underlie a fair distribution of such aid.

We should advance assistance for documented and extraordinary coronavirus expenses. We should ask ourselves, what is the estimate of the coronavirus expenses thus far covered? Replacing State revenue is fraught with challenge. Is it fair to replace all of the lost revenue of States that have dramatically different revenue burdens per capita?

For example, a 2020 report from the Tax Foundation ranks New York State as the number one in State and local revenue burden, excluding the District of Columbia, of course. New York raises \$15,238 per person. That is men, women, and children, not just taxpayers. By comparison, Kansas raises \$9,192 in State and local revenue per person and ranks 24th.

One might hope that the high-tax States have lower debt burdens, but that is not the case. New York carries a State and local debt burden of \$17,879, more than its annual per capita revenues, and ranks first in debt per capita. Kansas, on the other hand, has a State and local debt burden of \$9,335 per capita and ranks 17th.

Governor Kelly, would it be fair to replace the COVID-related revenue losses of all of the States, dollar-for-dollar? Wouldn't it be unfair to States that have a more disciplined approach to government and its size?

Governor Kelly, are you there?

Mr. CLEAVER. Governor Kelly?

I don't know, Mr. Posey. We may be having a technical problem again.

Governor Kelly? You may need to unmute.

Mr. POSEY. Perhaps, if we have lost communication, sir, I might submit these questions in writing for the record, and she can respond to us in writing, if that is okay with you, Mr. Chairman?

Mr. CLEAVER. Yes, absolutely.

Mr. POSEY. The next question would be how we should determine the amount and the distribution of State and local aid to make it fair and adequate, what are the major items that we need to fund, and how should we estimate them?

And then, third, I was wondering what amount of COVID-related expenses have already been spent in your State, that have not already been reimbursed by the Federal Government, were provided for in the previous Federal bill?

So, with those questions for the record, Mr. Chairman, I will yield back the remainder of my time.

Mr. CLEAVER. Okay. Will the staff please make sure that we get those questions to Governor Kelly? Thank you, Mr. Posey.

The Chair now recognizes Mr. Sherman for 5 minutes.

Mr. SHERMAN. Thank you.

Dr. Holtz-Eakin pointed out that we can't look at this recession and its effect on State and local governments as just a replay of 2008, and he is right, because this time the State and local governments are being hit by a double whammy. Revenues are down, the same as 2008, but expenses are up, because while a financial crisis doesn't require a big public health response, a pandemic clearly does.

I used to head the largest State and local tax agency, and I am not surprised to see revenues in California have taken a plunge. We went from a \$5.5 billion surplus to a \$54 billion deficit. And the Urban Institute says that California revenues have declined by 46 percent.

The question is, how can States respond? The argument is, they could raise taxes, which is exactly the wrong thing to do in a recession from its overall economic impact.

Second, although the HEROES Act would solve this, we have taken away the State and local tax deductions, and the ideologues that pushed that provision did so because, they said, that would make it very difficult for States to raise taxes. And the competition for upper-income taxpayers, plus the elimination of the State and Local Tax (SALT) deduction, means that those State and local taxpayers are one-third more expensive for those mobile—could move out of the State—upper-income taxpayers.

And, finally, as Governor Walz points out, they can't deficit-spend. They have higher expenses, and lower revenue, and can't raise taxes—can't and shouldn't raise taxes, and can't deficit-spend. The only lifeline is the Federal Government.

I want to welcome back, especially, the two Governors who were our colleagues so recently.

Governor Walz, you testified that, between February and May, Minnesota went from a \$1.5 billion surplus to a \$2.5 billion projected deficit. The HEROES Act would extend at least \$950 billion

of Federal aid to State and local governments nationwide. Mitch McConnell has a bill with less than a fifth of that amount.

Now, many Republicans have pounded the table and said, we cannot defund the police. I have faith in State and local governments to spend the right amount on public safety and the right mix of sworn officers and other ways to deal with public safety problems.

But, in my City of Los Angeles, over 40 percent of the City budget goes for public safety. So, the one thing that would prevent my City and many States from spending the right amount on public safety is if they don't have the money.

I know what the answer is for Los Angeles, but, Governor, if the HEROES Act doesn't pass, are Minnesota and its local jurisdictions going to have to spend less on police than you at the local level think is necessary?

Governor WALZ. Thank you, Congressman.

The answer is, yes. For us at the State level, our two biggest expenditures, of course, are healthcare and education. At the local level, as you stated, it is public health and public safety, in many cases. So, that is their only alternative.

And you are right. The issue is, we could deal with that simple equation, cut services or increase revenue, both of those work against us in a recovery. And so what we are asking for—and, again, this should be—

Mr. SHERMAN. I want to squeeze in a couple more questions.

Governor WALZ. Sure. But you are right, it makes a difference.

Mr. SHERMAN. Lee Saunders, the president of AFSCME, says that over 1.2 million public-sector employees have lost their jobs since February.

Expressing concern over this trend, Fed Chair Jay Powell recently noted, "It will hold back economic recovery if State and local governments continue to lay off people and if they continue to cut essential services."

And keep in mind, when you lay off State and local employees, you hit the economy in two ways. First, the employees don't have money to spend in the economy. And second, nobody is doing their job if they have been laid off. It takes longer to get a permit, longer to form a corporation, longer to start a business, longer to build a building. So, as Chair Powell points out, you cut essential services that are critical to the economic recovery.

Governor Grisham, are you anticipating the possibility of public employee job losses in your State if we fail to pass the HEROES Act?

Governor GRISHAM. Congressman, I appreciate the question.

Our unemployment jumped 4 percentage points at the reporting of the last quarter, and that is largely to public-sector employees, largely at local government. We tapped into our 25 percent reserves to avoid furloughs and layoffs, but if we don't get additional support, you are going to see that exacerbated at the State level and—

Mr. SHERMAN. I want to try to just get in one more question, and that is, Medicaid goes up in a crisis like this. The CARES Act changed the formula with a 6.2 percent increase in the Federal contribution to Medicaid. The HEROES Act proposes another 7.8—

Mr. CLEAVER. I'm sorry, Mr. Sherman. Your time is up.

Mr. SHERMAN. I will submit it for the record.

Mr. CLEAVER. Okay. Thank you.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

And I am sorry that Chairwoman Waters is not here, because I would like to get into a dialogue with her for a comment she made in her opening remarks.

I don't want to discuss or debate the situation with regards to—my comment is with regards to her comment where she said that it is within our jurisdiction, because we chose to do it. That has to be one of the top 10 most arrogant and ludicrous statements I have heard in all of my time on this committee.

Congratulations, Madam Chairwoman.

For those people watching, they see this as an example of exactly what is wrong with the House today. The party in charge believes that they can do whatever they want without regard to rules or jurisdiction or process. Again, breathtaking.

Dr. Holtz-Eakin, thank you for being here. Your initial statement was really a breath of fresh air from the standpoint of giving us a lot of good information of where we really stand with the economy, who is doing well, and who is struggling. And I think that is what we need to be able to put together another bill here, if we need to—number one, figure out if we need to—and where to target that relief. We certainly appreciate your information.

I sit on the House Select Subcommittee on the Coronavirus, and we had a hearing just last week with Secretary Mnuchin. And, in that hearing, we discussed all of the different things that went on with regard to the Administration's response to all of the different facets of the economic hardships that we are going through—local, State, individuals, whatever. And all of the people on the committee, both Democrats and Republicans, were pretty complimentary of the Administration with regards to everything.

And the total focus was on this issue we are talking about today with regards to State and local money. The focus in our committee last week was: Just put as much money in there as you can, and the States are going to figure it out. They are going to be able to get everything they need, and they will be able to balance their budgets.

I certainly appreciate your response with regards to targeting it, and one of them was to the schools. To me, this is a target area we need to be putting money into.

I would like to just have your opinion. I know that, in the Senate bill, the economic stabilization fund is \$105 billion; \$70 billion of it goes to elementary or secondary education. Would you like to comment on what you feel, is that an appropriate amount? Should it be more or less? How should we target that?

Mr. HOLTZ-EAKIN. I don't know the right number. But the way I think about this for the schools is, it is quite likely we will have to continue to operate in the presence of the virus. I know people are optimistic about the vaccine development prospects, but between the inevitable uncertainties about success and the questions about take-up rates and how quickly we are effective in eliminating

the virus, I think you have to think about 2021 as operating in the presence of the virus.

To do that, we have to be able to make the schools safer. And that means changing them physically so there is more space, providing PPE, testing, heavy, aggressive development of therapeutics. The money should be devoted to those tasks, not just a blank check.

Mr. LUETKEMEYER. One of the ways that you could get the money is through a direct payment to the schools on a per-pupil basis. Another way is to give the money directly to the States, and let them divide it up however they want to. What would you suggest to make sure that we get the money in the proper amount to the proper folks?

Mr. HOLTZ-EAKIN. For businesses, I think the right thing to do is to give it directly to them through a refundable credit against their payroll taxes.

For not-for-profits—when you start thinking about schools and other entities like that, you want to mimic that in some way and try to get it directly in there to reimburse and guarantee them that if they undertake an expenditure to modify, to make things safer so they can operate, they will get support for that.

Mr. LUETKEMEYER. One of the things—I had a discussion this morning with Director Calabria of FHFA and talked to him about his forbearance program and the past-dues, and it seems as though it is working. People are actually paying down their loans, even though they are in forbearance. His past-dues are going down, which would sort of align with the comments you made a minute ago.

But to me, to make sure we keep this going, I think forbearance is a really big issue that, from the regulatory side, if we don't have the regulators give forbearance to the banks and credit unions who are in charge of most of the lending in this situation, and they then are forced, as in 2008 and 2009, to foreclose on and get rid of entire lines of credit, it could really upend what we are doing here.

I have a bill out there that basically gives 2 years of forbearance, so that gives time—and you indicated, this is a different kind of recession that we are in here than before. And it gives time to get everybody back on their feet, which you say is actually happening. What would you think of that?

Mr. HOLTZ-EAKIN. I think you have diagnosed it correctly. We don't want this to turn into 2007–2008. It hasn't been, so don't let financial problems accumulate. Make sure that you address the real problem on the ground, which is, make sure those people who do not have income have enough to not have to ask for forbearance, and, where there is forbearance, make sure that we don't just leave them with the bill and cause them to have to start pulling things back.

Mr. CLEAVER. Thank you, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you. My time is up. I yield back.

Mr. CLEAVER. Thank you very much.

Let me mention before we go any further that Governor Kelly will be unable to complete the hearing with us today, but we appreciate very much her willingness to be with us for the period that she was.

And I want to respond for the chairwoman: “As described in the committee’s rules, the committee has jurisdiction over financial aid to all sectors and elements within the economy which directly relates to the effort by States and Territories to navigate the pandemic. After all, State and territorial governments are on the front line of the response to the crisis.”

Mr. LUETKEMEYER. Not to be argumentative, Mr. Chairman, but my comment—again, I prefaced my remarks by saying I did not argue about the jurisdiction, whether we did or did not have jurisdiction. My comment was with regards to her statement that we can do whatever we want to do. That is not—

Mr. CLEAVER. Noted.

The Chair recognizes now Mr. Scott from Georgia.

Mr. SCOTT. Thank you. In my State of Georgia’s legislature, Georgia’s Speaker of the House, David Ralston, who is a Republican, and a good friend of mine, sent a letter to Congress in August, just a few weeks ago. And in this letter, Speaker Ralston is asking Congress for more financial help.

And I request at this time, Mr. Chairman, permission to enter Speaker David Ralston’s letter into the record.

Mr. CLEAVER. Without objection, it is so ordered.

Mr. SCOTT. Now, in his letter, Speaker Ralston—and let me just say, he is a friend. He and I worked together for many years during my days as a State senator in Georgia and as I was chairman of the Senate Rules Committee. So, this is a good man here. And he is a very conservative Republican.

He is asking Congress in this letter for \$500 billion for his State, and he writes, “inflexible financial assistance.” And he notes this. He says that the reserve funds, or rainy day funds, is a part of the fiscal toolbox indeed. But he gives us this warning: We must not rely solely on declining reserve funds, or rainy day funds, for it is unsustainable.

So, Governor Walz, let me start with you. Given the uncertainty of the trajectory of this virus so far, are you confident that reserve funds or rainy day funds can sustain these States during this COVID-19 crisis?

Governor WALZ. No, absolutely not. And as I said, Representative Scott, we had, percentage-wise to our State’s budget, one of the most robust in the nation’s rainy day funds, but it can’t take this. It was just too deep.

Mr. SCOTT. Now, let me go to another question.

In the CARES Act that we worked on and passed in March, it included \$150 billion in assistance to help the States and the local governments.

However, in my State of Georgia—and I think it is applicable to other States—right now, only 30 percent of that funding for local and city governments in Georgia has been allocated, which leaves 70 percent of the funding unallocated. And this is despite deadlines for cities to receive and use these funds before the end of the year.

Now, we have trouble in River City here, and this is plaguing us. So, Governors, tell us, is there any problem? Are there restrictions or limitations? What is it that is slowing down our States’ abilities to get badly needed funds to our local governments and cities who need it so desperately? And what can we do to help you?

I will start with you, Governor Walz, and then the other Governors. This is a big problem.

Governor WALZ. First of all—and I would just say, I appreciate the focus on this, and we should be—I think what you are seeing is a data lag in spending allocation and getting it out there. I can only speak for Minnesota, but the money is out there in the locals. They are doing it.

One of the things is that we planned the whole budget. You are not going to see September's, October's, November's, and December's spending right now. So, basically, if you go back to where we got this, and we are looking at the 6 months of this pandemic, we have 4 more months that we have to deal with, and that is where we have allocated.

Now, I heard Representative Wagner. I am not going to speak for all of the problems that are out there. I can speak for the State of Minnesota. We are allocating, paying in a timely manner and are budgeted to December 31st. My biggest fear, Representative, is that we will fall off a cliff.

Mr. SCOTT. Thank you very much.

And I will end my comments with this. Thank you all very much. Your testimonies have opened our eyes to much of what we were only dimly aware of, so thank you.

Mr. CLEAVER. Thank you, Mr. Scott.

The Chair now recognizes Mr. Barr.

And I will also state that, after Mr. Barr, Mr. San Nicolas will assume his rightful role as the Vice Chair and will complete this hearing.

So, the Chair recognizes Mr. Barr for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman.

It's good to see all of my colleagues, including some of our former colleagues who are now chief executives of their great States. And thank you all for offering your views on this issue.

I think a lot of the witnesses have testified that what is ailing a lot of State and local governments is a decline in revenue. Dr. Holtz-Eakin pointed out that it may not be as severe as the financial crisis, but, nevertheless, there is a decline in revenue. And I think one of the reasons for that is that we have had some shutdowns of businesses to respond to the public health crisis.

So it seems to me that the most important component to economic recovery and for strengthening State and local revenues and the fiscal stability of State and local revenues is for businesses to safely reopen, for economies to safely reopen, and for businesses to reemploy workers so that they can continue to generate tax revenue to rebuild the tax base.

The government-imposed shutdown of the economy left many businesses unable to operate. And we need those businesses, businesses of all sizes and across all industries, to reopen with appropriate safety precautions in order to rebuild the tax base.

One of the suggestions on how we can facilitate the reopening of those businesses is to give those businesses confidence through reasonable liability protections. This is the cure, at least in part, for what ails our State and local governments.

Unfortunately, in many of the States indicating they are suffering from budget shortfalls, there is really no realistic plan to get

people safely back to work, or they continue to keep the economy shut down, or they are failing to entertain liability protection. And it doesn't look like Congress is seriously entertaining liability protection nationwide.

Dr. Holtz-Eakin, beyond the assistance measures already implemented by Congress and the Administration, what legislative provisions do you view as essential to helping businesses safely reopen, bring back their employees, and bring back their customers? And is liability reform part of that?

Mr. HOLTZ-EAKIN. Yes, I think it is part of that.

The goal is to be able to operate in the presence of the virus safely. That will require some physical modifications, in some cases, whether it is PPE or distancing or plexiglass or whatever it may be, moving production lines further apart. And that will cost some money.

It will require an owner being willing to open the doors and bring the employees back. And that is the liability piece. If you are afraid that you are going to be hit with a big lawsuit and enormous costs if you just open the doors, then you won't do that, and we won't recover as fast.

So it strikes me that is a sensible piece of a portfolio that helps everyone adjust to the presence of the virus for as long as they need to and continue to go to work safely, go engage in commerce if you are a customer safely, and have the economy perform better.

And that is the best thing for household incomes, for State and local revenues, for the things that disappeared so quickly when the virus arrived.

Mr. BARR. I think frivolous litigation is a huge threat to State and local governments rebuilding their economies, rebuilding their tax base.

Governor Walz, do you agree or disagree with that? And it's good to see you again.

Governor WALZ. It is good to see you, Representative Barr.

And, first of all, what I do agree with in your statement: The surest way for our States to get back in good shape is for our businesses to get going again. And the surest way for that to happen is for us to get a handle on the virus.

I would say that—and this may be philosophical—I don't see the importance being overstressed on the liability piece, because here is the thing: People are going to go back to a restaurant when they feel they are safe to be in there. Just like right now, people, if they go to a restaurant, they know they are not going to get food poisoning because we have inspections and they know that it ruins their market chance.

Just to have a liability protection, that alone won't do it. They have to believe that it is worth going back. That is the problem with this, that even States that don't have mandates on businesses being closed, they are still not bouncing back, because the public doesn't have confidence.

I don't want to understate how risky it is for businesses right now. It is risky for their employees, it is risky for them, and it is risky economically.

Mr. BARR. Yes, Governor, fair point. I think it may be a combination of both.

Final question to Dr. Holtz-Eakin: Advance refunding, any thoughts about bringing back the tax exemption for advance refunding so that municipal governments can refinance under these low rates?

Mr. HOLTZ-EAKIN. I have not really studied that issue carefully. I think I would be best off giving you an answer for the record. I would be happy to do that.

Mr. BARR. Thank you.

I yield back. Thank you very much.

Mr. CLEAVER. Thank you, Mr. Barr.

Mr. San Nicolas, are you with us?

Mr. San Nicolas?

Mr. SAN NICOLAS. Mr. Cleaver, can you hear me?

Mr. CLEAVER. Yes.

Mr. SAN NICOLAS. [inaudible.]

Mr. CLEAVER. I think we are still having some problems. So, let me go to Mr. Meeks, and the staff can let me know when the sound is better.

The Chair now recognizes Mr. Meeks for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman.

Let me first thank Chairwoman Waters for her leadership in making sure that we had this hearing today.

And I also want to thank the Governors who have testified before us today, including my two colleagues whom we miss, and we thank you for the job that you are doing in your respective States.

And I want to commend the Governors across the country, who, for the most part, have done great work leading our nation's response to this COVID-19 pandemic and, I believe and I think, clearly, in the total absence of leadership from the Trump White House.

Let me also say that, as I know, the Governors Association is a bipartisan association. There are Democratic Governors; there are Republican Governors. And they all have put in for this \$500 billion that they think that they need so that they can recover themselves. So, this should not be a Democrat or a Republican issue. It is something that is important to the States, all of whom are suffering from this pandemic.

And I know, for my part, the lack of having some direct Federal intervention earlier in New York—there was basically no support from the Administration. Governor Cuomo, Mayor de Blasio, my City of New York, and the Members of the New York congressional delegation scrambled to do everything and anything that we could to bring assistance to impacted communities and find resources for overstretched healthcare facilities and frontline workers and relief to impacted families and to local small businesses.

I think, as Representative Maloney had said, New York City lost over 23,000 lives to COVID-19. And my district was among the hardest hit nationally. And I can tell you from firsthand experience, that the broader social and economic toll of COVID-19 will be felt for generations.

This is why it is all the more enraging to learn yesterday that President Trump and his Administration were not only incompetent in their mismanagement of the crisis but deliberately misleading the public and purposely making the job of Governors and

local officials more difficult by willfully spreading misinformation about COVID-19 as far back as early February.

These lies and this incompetence has costs tens of thousands of lives, hospitalized many times more, and has disrupted millions of families through a loss of a loved one, job losses, and financial hardship.

The COVID-19 pandemic has also wrecked the budgets of States and cities, which risk being a drag on the economic recovery and causing further financial hardship for the hardest-hit communities.

And New York is no exception. As we incurred significant expenses on healthcare and other costs associated with tackling the pandemic and are seeing a collapse in tax revenues from the broader economic impact of COVID-19, New York State faces over a \$30 billion deficit over the next 2 years, and New York City, over a \$9 billion deficit—a \$12 billion deficit over the next 2 years.

This is all made worse by the SALT deduction cap of the Trump tax cuts, which have caused serious fiscal harm to New York.

If the Federal Government doesn't pass the \$500 billion requested by our nation's Governors, which was included in the House stimulus bill, cities and States across the nation face serious financial hardships, which will be a drag not only on the local economy but on the broader American economy.

Cities and States can't simply tighten their belts to close their gaps. These deficits represent potential cuts to the bone in public transit, healthcare, education, social programs, sanitation, fire departments, policing, and so many other public services that impact all Americans, but especially those least fortunate, who have already borne the brunt of the burden of the pandemic, including, in particular, communities of color.

Cities and States are also major employers. And in New York City alone, the mayor has already indicated that he may have to furlough 22,000 employees as a result. And I heard Governor Grisham talk about the 4 percent of individuals who may have to be laid off in New Mexico if this is not taken care of.

I will ask Governor Grisham first, what are your best estimates of the total job losses, both directly and indirectly, and the risk if, as asked by the Governors Association, you don't get the \$500 billion in Federal support for local governments?

Governor GRISHAM. Thank you, Congressman. I will wait and see if I have permission to answer.

Mr. CLEAVER. I will tell you what, Governor, I am going to turn this over to Mr. San Nicolas, and he can make the difficult decisions at this point.

So, Mr. San Nicolas, you are now recognized as the Chair of the committee.

Mr. SAN NICOLAS. [presiding]. Well, except, at this time, I really think my sound still isn't working. No luck, it seems.

If my colleagues will indulge me, I would like to afford the Governor the opportunity to respond at this time.

Governor, if you can just provide a really quick response?

Governor GRISHAM. Thank you very much. I appreciate that.

Congressman Meeks, it is hard to identify exactly what those losses would look like. It depends. Right now, I am going to have about a half-a-billion-dollar shortfall in education. I have already

had to take a \$200-billion-plus reduction to education for just Fiscal Year 2021.

The reality is that we are laying off educators, and public education department workers. We could see that 12 percent unemployment, with that additional—went from 8 to 12—we could see that sustained well into Fiscal Year 2022. It is immeasurable at this point.

And I am going to end with this. We still have to spend money and manage the pandemic. New Mexico is a Statewide public health responder, and we know that without getting the \$500 million that the bipartisan National Governors Association has indicated, we can't do it.

And I appreciate your frustration, Members, about whether money is getting where it needs to go and whether we are doing enough. We didn't have the guidance or the flexibility from the Federal Government to even determine how we reimburse and identify strategies for expending those funds. And, to date, most States are at least at 70 percent allocation or expenditures, and so is New Mexico.

Thank you.

Mr. SAN NICOLAS. [inaudible.]

I am having some [inaudible].

Mr. CLEAVER. We are still having some problems with Mr. San Nicolas.

I now recognize Mr. Tipton for 5 minutes.

Mr. TIPTON. Thank you, Mr. Chairman. I appreciate the time. It's good to be able to see our colleagues again. Governor Grisham was right across the hall from me in the Cannon Building. And, Governor Walz, it's good to see you again as well.

I do represent rural Colorado, where our local governments, local hospitals, housing authorities, and many other government-backed rural services know not to expect too much in terms of Federal funding, even as it came out of the CARES Act.

Dr. Holtz-Eakin, if you could maybe speak to the importance of making sure the Federal spending is targeted, especially for the less populated parts of the country that need to be prepared for the coronavirus?

Mr. HOLTZ-EAKIN. I think that, in the biggest picture, this is an enormous undertaking by the Federal Government. It is the wrong moment to not do things for budgetary reasons, but there is no excuse for doing things in a wasteful fashion and raising the deficit above the \$3.3 trillion the CBO already estimates it to be for 2020. And, going forward, the same pressures will prevail.

So it is a moment to use money wisely and to use it effectively. And I think that calls not for blanket funding—we did that in the spring to help everyone have money to hide from the virus. That strategy was successful for 2½ months, but now we have to do a different strategy, one where we target our real needs and allow people to operate in the presence of the virus for as long as we need to.

Mr. TIPTON. Great.

I would like to be able to follow up just a little bit. It is important to be able to get the economy moving again. We are starting to see the doors open up, revenues are starting to flow back into

local governments, and State Governments as well. And I think Governor Walz made a fair point in regards to food safety. We want to make sure that everybody going in, is going to feel safe.

And I did want to go back to the point of being able to have liability protection, which you had noted earlier. Why is that going to be important to be able to give not only the consumers safety but also to give the businesses safety in terms of opening up once again?

Mr. HOLTZ-EAKIN. You want businesses to open, and that requires three parties to feel secure in making that move: the workers have to feel secure in their physical surroundings and their protection from infection; the customers have to feel secure in the same thing; and the business owner has to both provide that and feel secure that they will not be punished for any inadvertent infections that may be carried in or didn't even occur on that property.

That seems, to me, a very sensible step. If it turns out there is no real risk of that happening, it is a redundant step. I don't see the harm in doing it.

Mr. TIPTON. Great.

And would you maybe give a couple of comments on the best way to be able to provide support for low- and moderate-income communities and rural places? Do you have any thoughts on that?

Mr. HOLTZ-EAKIN. There are two different things that—there has been the ongoing issue of the rural areas lagging the rest of the U.S. economy prior to the pandemic and the need to make sure that, in particular, the education systems are adequate to generate the skills necessary to attract businesses in those communities, make sure the infrastructure, including broadband infrastructure, was adequate.

Those have been heightened in the pandemic. There is probably no time where it is more important to close the broadband divide than now. Businesses are relying on it. Schools are relying on it. Households that didn't think they needed it, now need it. And I think that is something to think very hard about. That is a targeted use that the Federal Government could be very effective in providing.

Mr. TIPTON. We are seeing some of that just during the hearing today—

Mr. HOLTZ-EAKIN. Yes.

Mr. TIPTON. —with Mr. San Nicolas, in terms of just being able to have some good broadband connections going on.

Do you believe it is imperative for Congress to continue to provide support for small businesses to keep those businesses afloat and the employees on the payroll?

Mr. HOLTZ-EAKIN. I think it is a very good idea to keep in place a Paycheck Protection Program as modified—obviously, the first time through, it didn't hit all of the needs. There are probably even bigger needs out there. There are some people whom we are just not seeing in the data who have, I hope, struggled and will continue to try to operate their business, but I am afraid we are losing a lot of businesses. And each business we lose represents employees who will have to find a job somewhere else in the economy, and that is the thing that takes time and brings some economic pain.

Mr. TIPTON. I appreciate your comments. I visited with a restaurant owner yesterday in my district, who said her business was saved simply with the Payroll Protection Program, the economic injury disaster loans that came through. They were within a few days of shutting down. But they do need to be able to get that business open and to be able to operate once again and to be able to create revenues for the people that they represent.

And I fully concur with you in terms of throwing out a broad blanket. Let's make sure that we do have it targeted. I think it is worthy of note, just in the Senate, that they have not passed a coronavirus bill. We need to be able to work together to get the economy going.

Thank you, Mr. Chairman, and I yield back.

Mr. CLEAVER. Thank you very much.

The Chair now recognizes the gentleman from Texas, Mr. Green, who is also the Chair of our Oversight and Investigations Subcommittee, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman, and I thank the ranking member also, as well as Chairwoman Waters, for this hearing.

There are things that happen in the course of history that sometimes will cause us to deviate from our planned program of activities. Such a thing has occurred today in that Ms. Jane Fraser has been announced as the next CEO of Citigroup.

I want to just take a little bit of my time to commend Citigroup for doing this, but I also want to acknowledge that this is not the end of the journey, but it is a positive step forward.

I want to thank Chairwoman Waters because she continues to—
[Audio interruption.]

Mr. CLEAVER. I think, Mr. San Nicolas, you need to mute your line, please.

Sorry, Mr. Green.

Mr. GREEN. As I was indicating, I would like to thank Chairwoman Waters for her efforts to continue us along this journey of inclusivity and diversity, and thank her for H.R. 8160, the Promoting Diversity and Inclusion in Banking Act, this one that we just filed. She is the original co-sponsor of it.

Now, having said that, I would like to thank the staff as well for all that they do to assist as we move forward. We couldn't do it without the staff and, quite frankly, I will never be able to thank them enough as well.

With reference to the issue at hand, on March 27th, Congress passed the Coronavirus, Relief, Aid, and Economic Security Act (CARES) Act, which included \$150 billion in local government funding. On April 11th, some 2 weeks later, the National Governors Association issued a bipartisan statement calling for Congress to pass \$500 billion in additional assistance. The House of Representatives responded on May 15th, with H.R. 6800, the HEROES Act, which provided some \$915 billion in aid to State and local governments. The House has responded positively to the request from a bipartisan group of Governors.

I have a statement in hand from the National Governors Association that outlines the need for additional and immediate fiscal assistance to States from this Association. And this statement bears the name of the National Governors Association Chair, Maryland

Governor Larry Hogan, and the Vice Chair, the Mayor of New York, Andrew Cuomo.

The statement reads in part—this is an excerpt—that Congress must appropriate an additional \$500 billion specifically for all States and Territories to meet the States' budgetary shortfalls that have resulted from this unprecedented health crisis. It goes on to indicate that in the absence of unrestricted fiscal support of at least \$500 billion from the Federal Government, States will have to confront the prospect of significant restrictions or reductions to critically important services all across this country, hampering public health, the economic recovery, and in turn, our collective effort to get people back to work.

I mention this because I want to give some clarity to the notion that this is something that impacts Democratic Governors only. That's hardly the case. It impacts all of the States, to be quite candid, but the evidence of it is this bipartisan statement.

I would like to enter this statement for the record, without objection, Mr. Chairman.

Mr. CLEAVER. Without objection, it is so ordered.

Mr. GREEN. Thank you.

I would like to also use a little language that would help us understand what is meant by layoffs with fire and police. People will possibly be laid off. It could result in the cuts that Mr. Cleaver so eloquently addressed earlier. But what this really means is that homes can be at risk, lives can be at risk. Firefighters fight fires. We expect them to show up if there is a fire. Police officers provide protection and services that we dearly need and want in our communities. We want them to show up when there is a need.

And I am a person who believes in the police department. I support police officers. My uncle was a deputy sheriff. That doesn't mean, of course, that I support some of the ugliness that I see emanating from some peace officers.

So with this said, I believe that there is a need, and I trust that it will be met.

I yield back the balance of my time.

Mr. CLEAVER. Thank you, Mr. Green.

The Chair now recognizes Mr. Hill from Arkansas for 5 minutes.

Mr. HILL. I thank the chairman.

And I want to thank our Governors for taking time away from their very busy agendas. I am sure they are looking at their email during this hearing on all of the problems that they are faced with. So thank you for taking time away from your States to provide advice and counsel to us in Congress on how to properly tailor the remaining needs that we have to fight the virus and get our economies open.

And, also, I am delighted to hear my friend, Mr. Sherman, a great accountant and thinker on our committee, say that it is absolutely the wrong thing to do to raise taxes in the midst of a recession caused by the coronavirus. That is good advice, and I hope he provides it to his party's nominee, who has promised a \$4 trillion tax increase.

And, also, let me thank Mr. Sherman, Mr. Cleaver, and Mr. Green for joining me in exactly the right tone, which is, we are not for defunding the police at all in this country. We are for our law

and order, men and women who put on uniforms, get careful training, and the right kinds of policies in our local cities and governments, and to make sure that we get bad actors out of our police forces, and not indict the entire universe of 800,000 Americans that work to fight and help keep law and order and keep our communities safe for our businesses and for our families. So thank you, my colleagues, for those comments this morning—or this afternoon now.

I want to begin by providing some background. We tried to get slides in Webex, and despite our extraordinary staff, we could not do slides. So, we are going to do an old-school thing. I am going to hold up a piece of paper to the camera and talk about it. And what's better than that? You may not be able to see it. I will submit it for the record so that people will see it.

In my home State of Arkansas, we are ranked very similar to New York in terms of COVID cases. However, New York's economy remained closed for much longer than Arkansas', and it inhibited their ability to collect sales tax revenue, which I think is doing our country a terrible disservice. And, furthermore, I noted, just if you look at the slide, these States—Arkansas, Texas, New York, and California—all have about 2,000 cases per hundred thousand in terms of infections, but look at the difference in revenues: Arkansas, up 14.9 percent, July to July; Texas, up 4 percent; New York, down almost 9 percent; and California, down a whopping 45 percent. And it is similar when I look at the income tax data as well.

This is a real challenge to our States, but it is uneven around the States based on the States' decisions about shutting down their States based on the nature of the public health crisis. And that is why the tailoring aspect of this is so important and not an across-the-board-type request, and for our Governors the flexibility to spend even the money that you have now and extend that date from 12/31/2020. And I like Chuck Grassley's idea of moving it to 90 days after the next fiscal year-end. I think that is constructive as well.

I also highlight looking at the Treasury's IG, and we have talked about this today, and in Arkansas, we are about 90 percent obligated on the \$1.25 billion, even though I would say far less than 50 percent of it has been spent. And it is a moving target, because I am seeing FEMA suddenly reimbursed or HHS suddenly reimbursed, and now we don't need to spend the CARES Act money. So, it is been a bit of a moving target for our Governors as well.

Also, I want it in the record that in addition to that \$150 billion that went out to the States, that in a small State like Arkansas, we got \$1.25 billion, then another almost \$500 billion was also advanced to the States for healthcare, education, unemployment assistance and the like. So, to me, it is really that we have advanced almost \$750 billion out to the States in a variety of buckets. Again, I urge on behalf of our Governors, flexibility there. And I think that is one of the most important things we can do.

May I ask each Governor, and we will start with Governor Kelly, tell me what your rainy day fund balance is today? If everybody can just give me a number for their State?

Mr. CLEAVER. Let's start with Governor Grisham.

Mr. HILL. Thank you, Mr. Chairman.

Governor GRISHAM. Thank you, Mr. Chairman, and thank you, Congressman.

New Mexico actually has some interesting titles for both of our permanent funds, which are set aside. We have one of the largest reserves that is tied to education and a constitutional limitation about how they are spent. Although, we did reduce some set-aside funds for early childhood by \$20 million. But you are probably more interested in our 75 percent reserves, and we spent, in a special session, about half of that money already, we and aren't going to have enough now to meet the billion dollar shortfall. We have \$600 million left in that fund.

Mr. HILL. Thank you, Governor.

Mr. Chairman, with your permission, let me ask each of the Governors to respond for the record their permanent funds or rainy day funds, whatever your legislature calls your reserve capacity for public health, education, and general revenue. And I thank you, Mr. Chairman.

Governor WALZ. From Minnesota, \$2.7 billion, 5 percent of the biennium budget.

Governor GUERRERO. For Guam, the legislature removed the 2 percent requirement of a rainy day reserve fund because of the necessity to use it for our services.

Mr. HILL. Thank you, Mr. Chairman. I yield back.

Mr. CLEAVER. Thank you.

The Chair now recognizes himself for 5 minutes.

I will only raise one question that I am very concerned about, and it is the program that the Federal Reserve developed to buy \$500 billion from State and local governments that are suffering because of COVID. And on the 17th of June, I sent a letter to the Chairman of the Federal Reserve and to Treasury Secretary Mnuchin and requested that they make some adjustments of the Municipal Liquidity Facility to better assist the States that are suffering under the budgetary weight of COVID-19. And I know that for some States, they think it is too expensive to access the Municipal Liquidity Facility.

But I want to know from the Governors who are still here, have you used the Facility? And if not, and if it is not proprietary, if they can share that with us? Because I am really concerned that we have done something good but that few Governors are taking advantage of what we thought was a good idea.

Governor GRISHAM. Am I still first up, Mr. Chairman?

I will tell you that every tool in the toolbox is important and valuable, and we appreciate and respect Congress' efforts to be multi-dimensional in how we address making sure that States can be made as whole as possible for economic recovery and still defeating, to the highest degree, this virus.

New Mexico has four constitutional prohibitions against going into that, in using a program of this nature. So we [inaudible] To include us from using this to the potential for currently or in the future.

Governor GUERRERO. For Guam, Mr. Chairman, we are not eligible because of the population requirement, and even on the road to [inaudible] To become eligible, but I understand that there is some reconsideration with that. So the MLF program would greatly

help [inaudible] To provide some kind of financial help to continue on to providing very basic health, education, and public safety.

Mr. CLEAVER. Thank you.

Governor WALZ. Mr. Cleaver, in Minnesota, we have not used it. It is the cash issue on this. The tools of the Fed, as we said, they are the last resort. We still have not had to use it. What I would caution everyone is that I think two things can be true at the same time. I think much of what has been said about what has been done and where we are at right now. I think a lot of the States would be in a much better position if COVID would disappear today and was gone and there was no issue. Our issue is the future.

So what I would say is, if we haven't used the program now, I am certainly glad it is sitting there in the future, in case we need it.

Mr. CLEAVER. I thank all of you for that response.

Governor, here is my concern with this. In the letter that we sent to Chairman Powell and Secretary Mnuchin, we stated that 97 percent of the 255 State and local governments that are eligible, seemingly are locked out of what I thought would be something that would be used all over, and there would be something to celebrate. But in the letter, we asked that they maybe take another look at this and try to figure out ways in which they can become flexible so that municipalities and States and Territories could also access these dollars. I am convinced now that the request we made was in line with what the Governors here today are saying.

I also would like to take this opportunity to thank all of you for participating in today's hearing. I apologize for any of the technical difficulties that made this a little shaky, but these are difficult and unusual times, and we try to do the best we can. And I apologize to Mr. San Nicolas as well for the technical difficulties.

Mr. San Nicolas, maybe you can take it from here?

Mr. SAN NICOLAS. Yes. Mr. Chairman, I am hoping that my audio is better now.

Mr. CLEAVER. It is fabulous. And you look fabulous even though you are—I guess it is Friday there?

Mr. SAN NICOLAS. Actually, I am in the D.C. area. This is a testament, actually, to the robustness of the technology we have on Guam. My Governor, who is on the other side of the world, is literally having better connections than I am, and I am just having connectivity issues because of the torrential rains that we got hit with by surprise. So I am glad that we were able to find a workaround, Mr. Chairman. And if it pleases the committee, I will go ahead and proceed with chairing the remainder of the hearing.

Mr. CLEAVER. Okay.

Mr. SAN NICOLAS. [presiding]. Thank you, Mr. Chairman.

And, with that, the Chair now recognizes Mr. Loudermilk for 5 minutes.

Mr. LOUDERMILK. Thank you, Mr. Chairman. And I thank everyone for participating today. I was afraid there for a minute we were about to end the hearing before it was over with, but I am glad we have a few minutes to continue on.

I am reminded of something that my colleagues on the other side of the aisle do very well, and it is a quote by President Obama's

former chief of staff, Rahm Emmanuel, who said, “You never let a serious crisis go to waste. And what I mean by that is it’s an opportunity to do things you could not do before.”

And I think that is what we are seeing take place here today. In fact, we have been having this hearing, I won’t continue to opine on some of the things that my other colleagues have is the jurisdiction of this and just ignoring rules and going forward. But, anyhow, we are here today, and we are talking about this issue, which I think we should be talking about what is working in America that other States can follow is how to deal with this.

One of the directions I have taken from the very beginning, and the Governor of the State of Georgia did, is we have to learn to live with the coronavirus. This isn’t something that is going to be easily defeated. It is a dangerous virus, but it is here, and it is probably going to be here for some time. We can’t put all of our eggs in the basket of a vaccine. I think we need to work very hard for a vaccine, but I also think we need effective treatment.

But we have to learn to continue to operate this country, and especially our States, with this virus around. And Georgia has done that very well. Congress has already provided a trillion dollars of direct and indirect support to State and local governments. And of the \$139 billion of direct relief, less than a quarter of it has already been spent. Adding another trillion dollars would be 30 times more than what has been spent so far.

Now, what has Georgia done? Georgia is actually leading the way of most States and returning the economy to full strength. Unlike some of the other States, Georgia is not experiencing a fiscal crisis. In fact, I have in my hand, Georgia Governor Brian Kemp’s August tax revenues report, which I would like to submit, without objection, for the record today.

Mr. SAN NICOLAS. Without objection, it is so ordered.

Mr. LOUDERMILK. Thank you. Georgia’s August 2020 net tax revenues are up 7.7 percent. The tax revenues are greater in August of 2020 than they were in August of 2019. Why is that? Because of good governance that was taken, not only during the crisis, but before the crisis, and especially to get Georgia’s economy rolling again.

The month of August, the tax revenues were up by \$135 million. That is almost 8 percent compared to August of last year. If you remember, the national press and many others condemned Georgia, and portrayed Georgia’s Governor as a villain when he reopened the State’s economy, in their opinion, too soon. Well, more than a few States would like to be in Georgia’s position right now.

Start with the State’s economy, which had a relatively low jobless rate of 7.6 percent in July. Construction has never been shut down in Georgia, and schools in much of the State are open for classroom instruction. The State expected a budget shortfall of \$1 billion for the year, but the actual deficit was only \$210 million. Governor Kemp says the tax revenue is rebounding, and the State hasn’t exhausted its \$700 million reserve fund.

Governor Kemp says he would like Congress to allow him more flexibility to spend the money left from their first State rescue, but he does not need another Federal bailout. Contrast that with Speaker Nancy Pelosi’s demand that President Trump agree to \$1

trillion for States and localities. A well-run State like Georgia doesn't need it, while other States—Illinois, for example, has asked for tens of billions of dollars to pay its runaway bills to public unions.

The fact of the matter is that many Governors and mayors are refusing to open their economies and have mismanaged the budgets for years, which is why they are in a fiscal crisis, and Georgia is not. But somehow, it is now Congress' responsibility to bail them out.

States that are in fiscal crisis should follow Georgia's lead and end ridiculous lockdowns of millions of healthy people, and find ways to actually live with the coronavirus, and allow people to prosper again. That will bring the economy back and recover the tax revenues.

And if I have time, Dr. Holtz-Eakin, in your testimony, you talked about how the economic decline is because people are not comfortable purchasing services that involve in-person contact. But Georgia has shown that it can make it work with reasonable precautions. Do you recommend that States do something to reverse the economic decline?

Mr. HOLTZ-EAKIN. Absolutely. It is the most important thing. I think the most important, encouraging number we have seen recently is that in the August employment report, payroll growth in the United States, hours, workers at work, and total payroll grew to 20 percent annual rate. That is the tax base for States and localities. And if we can have that kind of growth uniform, we will be in far better shape.

Mr. LOUDERMILK. Thank you. I yield back.

Mr. SAN NICOLAS. Thank you.

The Chair now recognizes Mr. Vargas for 5 minutes.

Mr. VARGAS. Thank you very much. I want to thank Chairwoman Waters for this wonderful hearing. I have to say, I do think it is in our jurisdiction, and I don't think there is any question about that. You might not like some of the comments that the chairwoman made, but I think it is clearly in our jurisdiction.

I also want to thank the ranking member, whom I think didn't have any problem with the jurisdiction, as I understand it.

I thought that my very good friend, Mr. Loudermilk—and he is my good friend, I love him and his family, they are wonderful people—was going to say that one of the things that his colleagues on the other side do well is science. Because the reality is that this is a virus that has been driving all of this. California has had huge surpluses for the last number of years until this virus hit. In fact, we have been very well-run. It is the virus, unfortunately, that has been in charge.

And, in fact, yesterday was a devastating day for, I think, a lot of us when we found out that the President knew how deadly this virus was. It has now taken almost 200,000 American lives. He knew how dangerous it was, and he didn't tell us the truth. And I also blame Mr. Woodward. If he knew, if he taped the President, and the President had this great information, he taped it, he knew it, but he wanted it to come out in his book, so he didn't tell the American people, I also blame him.

The reality is that the virus has been in charge because we have had horrible Federal leadership on this. We haven't been told the truth, and so the virus has been in charge.

Now, who wants to reopen? We all want to reopen. I live in San Diego, I live in California; of course, we want to reopen. We want to reopen our State, we want to reopen our economy, but we want to do it in a sensible way, in a way that is safe. And we don't think we can unless, again, we have the State fully participating. We don't want to send our kids back to a school where they are going to get sick. And that is why the Federal Government has to be involved.

And the Federal Government is the only entity that can do this. That is why the Federal Government was created in the first place. We are under attack by a virus. It happens to be a virus, not the Soviet Union, not the Russians; it happens to be a virus. The Federal Government is the only entity that can step into a breach like this.

Now, I know that people like to throw rocks at States, saying they are not well-run. The reality is that we have given more Federal money that we haven't gotten back than all of these other States that complained that we are being helped in some unfortunate way. But, anyway, the truth of the matter is, we need science.

I do want to ask my good friend, if she is still on, Governor Grisham, if you are still on, there has been this question of obligated versus spent money. And would you clarify that for us, because I think that is a big deal. Are you still here?

Governor GRISHAM. I am. Congressman, I am still here.

Mr. VARGAS. I don't see you, but it's good to hear you.

Governor GRISHAM. It is good to hear you, too. You and I have matching hair colors these days from all of the new stress related to COVID.

But it is a very important question, and I appreciate that I get a chance to try to answer it again. Take, for example, New Mexico. Out of the CARES Act or the CRF money, we received just over a billion dollars. This is how that money was spent and allocated: \$100 million to local governments, except our largest city and county, in which that money is directly from the Federal Government; \$50 million to small businesses; \$28 million to Tribal Governments; and \$139 million we have spent so far on COVID-related expenses, like testing and PPE, which is still required. We only have an average 7-day supply for first responders, and now schools are wanting HVAC filtration systems—and they deserve it—and they need more PPE. And then, \$750 million is set aside to make sure that all other expenditures and expenses can be met.

But we don't have guidance, clarity, flexibility, or anything else from the Federal Government on how to do that. All allocated, much of it directly spent, but without that clarification, States may be hard-pressed to, if you will, and this is a technical term, “get out over our skis” about what we can spend and how.

Mr. VARGAS. Thank you. I think that clarifies a lot. Because a lot of people have been saying, well, we have all this money, it is still out there and no one is spending it. The difference is, it has all been allocated, but it may not have been spent, and there are,

of course, these technical issues of, what can you use it for and what can't you? And we do need to provide more flexibility.

I know my time is running out, but I would have to also say, thank you. I know that you have sent a number of your firefighters to our State, the northern part, not to where I live, but thank you very much.

This is how we should act as a nation, as one, when we have these problems. We have always helped the nation when we need it, and it is time for us to act as one, instead of politics.

I yield back. Thank you.

Mr. SAN NICOLAS. Thank you, Mr. Vargas.

The Chair now recognizes Mr. Davidson for 5 minutes.

Mr. DAVIDSON. Thank you, Mr. Chairman. And I thank all of the Governors and other guests who came as witnesses. And I thank my colleagues who took the time to participate in this. I look forward to seeing many of you. It is great to see you even if only on an image on a screen, but I miss working with many of you.

And as Mr. Vargas highlighted, there is not one party of science in America, but I am concerned that sometimes math has become partisan as well.

And so as we talk about the math behind the spending we have done, I think it is easy to lose sight of the money. As the debt has accumulated for our country, it has been done in a different sort of way. It is not money that is truly borrowed, because when you borrow money, there is a lender. There is no lender here; we just print it.

Now, I grant you that some people think that you can print money, since you have a sovereign currency, and you can do it in an unconstrained way. I think they actually have a plan to try to collapse our economy and collapse our currency. The reality is that when you print money, it inherently destroys the value of all of the other dollars in existence. And the idea that we have been able to get away with this so far is a huge moral hazard.

So before we print more money, about which we are divided on—frankly, we are divided not entirely on partisan lines, but we are divided even amongst ourselves in terms of what is the exact right number. We are divided by State and locality on what is the right number of additional funds. But there is a great amount of consensus on the need for flexibility and clarity on the dollars that were already spent.

Governor Grisham, you highlighted that—if I heard you correctly—out of the, roughly \$1 billion that you had, over \$700 million of those dollars, you would really benefit from, if you had more flexibility. And that is the same sort of thing that I heard from my Governor, Governor DeWine of Ohio, and I heard from my treasurer, and I heard from my State legislators, and I spoke with all of the local government officials around my district, whether county commissioners, mayors, school superintendents, what have you, and they all say, if we had wider latitude on what we use the funds on, we can put them to use more swiftly. And then, okay, if you run out of money, maybe there would be more consensus in terms of whether to spend more money and on what.

But right now, this money is sitting there in reserve because the clarity isn't there that so many Governors are looking for. And so,

I introduced back in the early May/June timeframe, the Flexibility for States and Localities Act, and it would be great to see that move, because there is really not a big divide on providing that flexibility. And it would provide a maximum amount of discretion consistent with Federal law on how to spend money for States and localities.

So once the State had these funds, they could allocate it to their counties, to their smaller municipalities, and what have you. And it wouldn't come with the tight strings attached that are there today. We have had support, not just from elected officials, but from the Ohio Township Association and the Ohio Municipal League and numerous individual government entities in our district and around our State.

So without objection, I would ask permission to enter those into the record.

Mr. SAN NICOLAS. Without objection, it is so ordered.

Mr. DAVIDSON. Thank you. Dr. Holtz-Eakin, we created the Sound Money Caucus recently to deal with the printing of money. What concerns do you have about the tradeoff of flexibility now for money that is already in circulation versus the moral hazard of bigger deficits and more, really not borrowed money but printed money?

Mr. HOLTZ-EAKIN. Certainly, I think the Federal Reserve has done a tremendous job of stabilizing the financial markets, but I think that is the easy part, as we have seen. The exit from that will prove to be the hard part, and that is, how do you get out of this without harming financial markets but ensuring the soundness of money in the future? So, that is going to be their job.

The thing that concerns me the most about the Federal budget aspect of this is that we entered the pandemic on an unsustainable trajectory. Money has been spent, and we have a higher level of debt, and we will exit it. We will be on an unsustainable trajectory. There is a lot of fancy theory right now about how you can have higher debt and it is no big deal and don't worry about it. But even that theory presumes that the nation has stabilized instead relative to GDP, and let's just pick higher or lower.

And we have not done that in the 21st Century. We have not stopped the unsustainability ever. And that is, for our country, at a minimum.

Mr. DAVIDSON. Thanks for clarifying. My time has expired. Thank you, Mr. Chairman, and thanks to everyone who participated today.

Mr. SAN NICOLAS. Thank you, Mr. Davidson.

The Chair now recognizes Mr. Gottheimer for 5 minutes.

Mr. GOTTHEIMER. Thank you so much, Mr. Chairman, I really appreciate that, and thank you for the time. And I want to thank the panelists for being here today.

The COVID-19 pandemic caused a global economic crisis, as you all know. And as you all are experiencing firsthand, the pandemic is attacking State budgets from both sides of the balance sheet as the healthcare and economic response has led to a significantly higher cost for State Governments, while at the same time States are facing unrivaled revenue shortfalls. The Governor here in New Jersey, Governor Murphy, stated recently that without further Fed-

eral assistance, he believed the State could have to cut half of the State and local government employees.

I have heard the same deep concern from our mayors across my district. These cuts, of course, will affect our educators, our firefighters, our law enforcement, and other first responders. I know that your States are facing similar challenges. And it is clear that local governments also are struggling, as I am sure you know as well, through no fault of their own, and it could be our cops and our firefighters and teachers who could pay the price if they are left holding the bag.

So if I can ask the Governors, starting with Governor Walz, would you each briefly speak to the economic effect that cuts in these essential government services will have on your State's local economy, and whom do you believe will feel the brunt of these cuts?

And it is good to see you, Governor.

Governor WALZ. It is good to see you, Congressman.

And I just want to echo Congressman Davidson. I do, and I—for many of you, being a member of the Committee for a Responsible Federal Budget and some of those things, I am concerned about it. But there is a time when austerity can have a drawdown too, and I think Representative Gottheimer's point is that we are going to be left with that.

Now, if you are of the mindset that these employees don't add anything to the economy, they are not valuable, they are excess or whatever, that may make sense. But even if you take that into consideration, they are paying mortgages, they are paying car payments, they are doing the things that drive the economy.

Now, I think I can make the case that all of these employees are providing valuable services. But as I said, we have very few tools, and what I am most fearful of, is our two biggest expenditures fall into healthcare and education. And at a time when those are the two things that are in most need, those are going to fall obviously most heavily on those least fortunate, those least able to, and unfortunately, the way our system is set up, they are going to hit communities of color much, much harder.

So we are doing everything we can to shield them from that. We are doing everything we can to think about this. And, again, this is not a theoretical exercise as a Governor. We are obligated by law to come up with these things and implement them. And, again, there is no deficit spending, there is no CR, either it is there or it is not. And that is what we are up against.

I just want to say, this talk about more flexibility and longer time is wonderful. But it is that, plus what goes on further. We have to maintain our vigilance until this is over, until the COVID-19 situation is over. If we can't, our businesses will close, our schools will close, and it gets worse.

Mr. GOTTHEIMER. Are you facing budget holes because of this, Governor?

Governor WALZ. Yes, \$4.7 billion in the biennium, and it will go further. That is out of about a \$50 million biennium budget. You could start to do the math around that. Many of those are obligated that we need to. I will say, some of the work you did around the Medicaid Federal Medical Assistance Percentage (FMAP) increases

are incredibly helpful, and those target populations are really needed.

I just want to be clear that from a Governor's perspective, I am grateful for everything you have done, but COVID is not over, and those bills are coming due.

Mr. GOTTHEIMER. Thank you, Governor, it is great see you.

If I also can turn to Governor Grisham from New Mexico and ask a similar question as well, of what you are facing and what you are seeing and what strains that is going to place on your essential workers?

Governor GRISHAM. Absolutely. It is nice to see you too, Congressman.

Mr. GOTTHEIMER. It's good to see you.

Governor GRISHAM. Governor Walz stole my thunder a little bit on Medicaid, but, look, we are the infantry, States are, in dealing with the pandemic. Who do you think is doing the testing? It is our public health workers. Who do you think is delivering meals to students and showing up online? It is educators. Who is it that is also assisting us with containment strategies and outbreaks and quarantines? It is the National Guard and our first responders, police officers.

We have already done hiring freezes, reduced our class sizes for police officers, reduced our budgets by—and just to give that perspective, I have an additional \$2 billion shortfall going into the next fiscal year. My total operating budget is just over \$7 billion. So, no raises, no investments, no hiring, reducing costs, asking everyone to take an additional 5 percent budget cut, yet no investments in infrastructure or public safety.

We can't keep doing it. We are going to need all of the above or we aren't investing in our country and we aren't tackling the virus. And I appreciate the ability—

Mr. GOTTHEIMER. Thank you so much, and I yield back. Thank you so much, Governors. I really appreciate it.

Mr. SAN NICOLAS. Thank you, Mr. Gottheimer.

The Chair now recognizes Mr. Kustoff for 5 minutes.

Mr. KUSTOFF. Thank you, Mr. Chairman. And I thank the witnesses for remaining in the hearing today.

Governor Walz, I have two unrelated questions, and you have talked several times about the COVID money that you received. My question really is about the money that you have now. I know that some of the guidance you have gotten from, or any Governor has gotten from Treasury may be ambiguous in terms of whether it is related or not related.

If anybody from the Treasury Department was here today, what would you ask them in terms of giving you specificity in terms of what is COVID-related and what is not related? Or specifically, what do you want to know is related that could be used for that purpose?

Governor WALZ. Thank you, Mr. Kustoff, and I would just give you a real-world example of this, and it is not ironic, especially for Mr. San Nicolas, and that is broadband. Broadband connection impacted it. And we felt like we could make a direct connection to telemedicine, which is up 14 percent, pioneered by the Mayo Clinic in our district, which really makes sense, and then education, mak-

ing sure our students, no matter where they were, had access to this.

It was hard to get clarification on that, but the one thing they were very clear about is we had to have the money spent and obligated, out, done, by December 31st. My State does not allow me to pay for contracts until the work is done. And it is those types of things that I think would have been helpful. And there are examples like that.

I get it, too. I sat in your chair and asked for every penny that is going—you should have accountability for every penny that is going, and you better make sure it is being used for what you asked it to be used for. I think many of you, what I am hearing is, you want us to use this wisely, you want us to get it moving, you want things to start again, and we have kind of been held down. So, I am not critical of Treasury other than to just say we never got good answers, and we are running out of time.

Here is the thing. I know you have to work on fiscal and calendar years. The virus does not work on fiscal and calendar years, and some open-endedness would really help us.

Mr. KUSTOFF. Thank you, Governor. This is unrelated, but in your State, you have a major airline hub operating there, Delta Airlines. What do you hear from Delta Airlines in terms of when travel will resume or what do they think their levels will be 6 months or 12 months out, certainly, in Minnesota?

Governor WALZ. They are nervous. And you have seen some of the cuts from the other airlines that projected layoffs and things. What I hear from them is, and I hear this from people who travel, and I am here in the State and I have not flown since March, but they have this down pretty well, they figured it out. But it goes back to our dilemma again. It doesn't matter if there is a restriction or a mandate. If people don't feel safe, they are not going to go back.

And what they are worried about is, if we have all of these different ideas, about where a plane takes off and where it lands, as different requirements, masking requirements and all of that, they just want, I guess what all of us want, and I am not sure the virus will ever give us—some predictability of where it is at. So, they are nervous.

But I think for many of you, you are feeling the same way I am, and my constituents are feeling, that the minute we get over this, I am flying, especially when we get into January in Minnesota, I am going to visit Mr. Vargas in California, and I am going to get out of here. Those are the things that we want to do. I think they think that it is pent-up.

But I would just close with, I think all of you are thinking about this, there is going to be a realignment of our economy. I can't imagine business travel ever resuming to the point that it was, and we are going to have to think about that.

Mr. KUSTOFF. Thank you, Governor.

Dr. Holtz-Eakin, if I can follow up on that, if there is another package, if there is a consideration, and there will be for travel, specifically for the airlines, if travel is not going to return for some period of time, you see different projections, whether it is 2022, 2023, or whatever, what are the implications if Congress does ap-

prove more money for airlines for those out 6 to 8 months? And, conversely, what are the implications for the airlines if we don't approve them?

Mr. HOLTZ-EAKIN. First, I would just note for the record that Treasury was giving in the CARES Act money for airline loans, and so far, less than a billion dollars has gone out. The Treasury's performance continues to mystify me. There is a clear need the airlines are asking for, and they could step up and meet it, and I don't know why they are not.

In giving any further assistance to airlines, I think you have to make the case that they deserve it. They are a critical part of the supply chain. I don't think this is supporting some recreation. This is making sure medicines and all the things that are underneath the basket gets delivered. And you have to make sure that people only take it if they are going to be viable. That means loans, not grants, and on generous terms that allow them to survive.

Mr. KUSTOFF. Thank you very much.

Thank you. I yield back.

Mr. SAN NICOLAS. Thank you, Mr. Kustoff.

The Chair will now recognize himself for 5 minutes.

I wanted to begin by thanking my Governor for making the time to join us in this hearing. Again, she literally is on the other side of the world in our Territory of Guam, an equally American jurisdiction, and she joined us at 2 a.m., and she has been with us all the way until almost 3 a.m., Guam time, while she still has to wake up and manage a pandemic that is, sadly, growing in scope on our island.

One of the things that I wanted to open with is, first, acknowledging the fact that this committee's inclusion of Guam as a member, the inclusion of Guam as a Vice Chair, the inclusion of diversity and inclusion of the subcommittee, and inclusion of the Guam Governor in this very critical hearing has demonstrated, in the most purest of forms, the fact that this committee is looking out for every American, all across the country, in all of our Territories, in both hemispheres of the world. And that is one of the reasons why we are gathering today to discuss the HEROES Act and to discuss the circumstances that it would impact, because it absolutely has jurisdictional basis.

If for no other reason, the fact that providing revenues to our States and Territories would be critical in order for us to make sure that their financial circumstances don't deteriorate, and as such, deteriorate their capacity for debt service, and deteriorate the capacity to maintain their bond ratings.

And so, I wanted to open really quick with a question to all of our Governors, to begin with my Governor, Governor Guerrero, if we don't provide additional funding for the States and Territories, is there a risk that our bond ratings within our States and Territories could deteriorate?

Governor GUERRERO. Absolutely. There is that risk, because we have to have the revenues to provide for the service. And so, if we can get the assistance to also reach us so that we can bring back our tourism, or even, I think, we should have some economic diversity, and we have to adapt, and we have to innovate in terms of what economies can we use and how can we make sure that we are

innovative enough to look at the resources that we can use. So, it would definitely impact our credit rating because, of course, what is our capacity and ability to pay those debt services down?

Mr. SAN NICOLAS. Thank you, Governor.

Could I pose the question also to Governor Grisham?

Governor GRISHAM. Easy answer, yes. We have worked hard actually to improve. And we did. We spent 8 years in the former Administration after the Great Recession. We never climbed out, in New Mexico. We worked on an austerity basis, our bond ratings were lowered, and we were working very diligently to correct that, and we are on our way.

We accomplished pension reform, record highs in our reserve funds and investments in infrastructure, and all of that is now stalled as a result of—not the pension reform, that is done—but that is all stalled because of COVID, and our bond ratings will, in fact, suffer.

Mr. SAN NICOLAS. Thank you, Governor Grisham.

Governor Walz?

Governor WALZ. Yes, absolutely. And I would associate myself with Governor Grisham. We have worked with the same types of things and put ourselves in a strong financial position on our pensions, but this puts it at risk.

Mr. SAN NICOLAS. I thank the Governors for sharing that very succinctly, because that is a serious implication and a serious responsibility of this committee. It is absolutely a jurisdictional issue for us to ensure that we are providing the capital necessary during these pandemic times for our States and Territories to not be suffering needlessly, credit rating damage and potentially even debt service risks as a result of these pandemic revenue circumstances.

And I would like to just highlight that for my colleagues as we consider these discussions. Because as our Governors are faced with difficult choices of whether to fund health, education, public safety, service, debt, and et cetera, the bond rating agencies are going to be looking at the revenue circumstances and adjusting their risk profiles accordingly. And that would not only have an impact on the ability for our States and Territories to go out and secure capital on an ongoing basis, but it would also provide circumstances where their long-term prospects will be adversely affected because of these credit impacts.

And so as the Financial Services Committee, we have a responsibility to our States and Territories to be able to provide them with the capital facilities they need in order to make sure that we do not have these kinds of credit impacts.

I want to close with thanking the Governors for joining us here today. And I wanted to again thank my Governor, Governor Guerrero, for her participation and for staying with us during this early morning hour in her constituency.

I now recognize the gentleman from Ohio, Representative Gonzalez for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Mr. Chairman. And thank you to our Governors and to Dr. Holtz-Eakin for being on today.

First, I want to echo my thanks to Governor Guerrero for being on at such an early hour today, and I appreciate your testimony. We are going to join in that initiative to try to help at the Fed level

with respect to accessing that Treasury Facility because I think it is important for you all. And, frankly, I see no reason why you shouldn't have access to it. So, I appreciate your testimony on that.

I want to try to get a sense again of what the right toggle is for the aid. Because I am somebody who believes that we probably do need to provide additional support, but I want to make sure that it is right-sized. I want to start first with a question to Dr. Holtz-Eakin. And you said this with Mr. McHenry's questions, but I just want you to say it again.

Budgets at the State level should track what is happening in the broader economy, correct? So if the economy—directionally. It is not going to be exact. But if the economy drops by 3 percent, you should expect similar declines on the budgets. Is that fair?

Mr. HOLTZ-EAKIN. You expect revenues to go down. And my only point is this is a little bit different.

Mr. GONZALEZ OF OHIO. Right. A little bit different, but directionally, it is going to be accurate, right?

I am going to start with Governor Walz, then, and also Governor Grisham, eventually. For Fiscal Year 2019—and my staff looked this up, so correct me if I am wrong—the budget for the State of Minnesota was roughly \$23 billion?

Governor WALZ. Yes, that is correct. We are roughly now at about \$48 billion for the biennium.

Mr. GONZALEZ OF OHIO. Okay. And then in terms of CARES Act dollars or aid so far, \$2.18 billion has been allocated to the State. Now, granted, that is for Fiscal Year 2020. But if I just use the 2019 number, that is 9 percent, roughly, of what you lost.

Governor WALZ. Congressman, if I could, we moved 45 percent of that \$841 million to local, because the way the State works is we manage public health, and the counties implement it. So of that, that did not come out of my budget, it moved down to the local.

Mr. GONZALEZ OF OHIO. That was \$800 million, you said?

Governor WALZ. \$841 million out of that total that you gave, that we received, we moved to local.

Mr. GONZALEZ OF OHIO. Okay. So, probably 6 percent, roughly, stayed at the State level?

Governor WALZ. That is correct.

Mr. GONZALEZ OF OHIO. Okay. So, I guess I will just start there. Do you expect the economy to drop year over year 6 percent, Dr. Holtz-Eakin, is that an expectation?

Mr. HOLTZ-EAKIN. That is a bigger drop than most people expect. CBO has it at about 4 percent year over year.

Governor WALZ. We don't expect it, but we also have the added expense that we did not factor into our budget of fighting COVID.

Mr. GONZALEZ OF OHIO. That's fair.

Governor Grisham, same line of questioning. I have roughly \$7 billion in Fiscal Year 2019 for the State's budget, and \$1.25 billion has been allocated. I don't know how much has gone local, but that is actually 17.7 percent. Pretty sizable. Again, it feels like it should be enough. I'm just being honest, but maybe walk me through why it is not?

Governor GRISHAM. Thank you. And I really appreciate that, Governor Walz. States do operate their public health systems com-

pletely differently. We are a centralized public health system, so everything happens at the State level. It is our responsibility for all of those deliverables and the direct services related to COVID.

We actually got \$1.67 billion, so \$1 billion, and it got allocated in the following way: \$100 million to local governments; \$50 million to small businesses; and \$28 million to Tribal Governments. So, \$139 million is what we have expended so far, without having clarity from the Federal Government.

Mr. GONZALEZ OF OHIO. If I could reclaim my time briefly, because we are running low, I appreciate that.

Do you see where I am coming from, though? We are giving 17.7 percent of the full budget to your State, and we are expecting a 4 percent decline in GDP. And, again, I want to help. I am somebody whom you would find would be willing to chip in here for sure, but it is hard, frankly, to wrap my head around, certainly, the trillion-dollar number that Speaker Pelosi has thrown out. I can't imagine how you would come up with that.

But my time is up, so I yield back. Thank you.

Mr. SAN NICOLAS. The Chair will now recognize, Mr. Lawson for 5 minutes.

Mr. LAWSON. Okay. Thank you.

And I want to welcome all of the Governors from the States and Territories to this hearing. And I thank Chairwoman Waters and Ranking Member McHenry for hosting this hearing today.

I thank all of the members of this committee, and I welcome my two colleagues back to the House. It is wonderful to see you all here.

Landlords across this country have been providing housing for renters, even though many renters have been unable to pay the rent. And that is significant. The U.S. Census Bureau reported that from July the 16th to July the 21st, about a third of adults in Florida were struggling to cover July's rent, and were expected to have trouble paying August and September rent. However, access to stable housing is vital, especially during this pandemic, and yet we have done little so far to support landlords.

The HEROES Act included \$100 billion in Emergency Rental Assistance that would be paid directly to landlords once tenants qualified for assistance. Can each of you talk about what you are hearing from small mom-and-pop landlords in your State and why the Emergency Rental Assistance is critical?

Governor GRISHAM. Congressman, I will jump in. We are woefully ill-prepared here without additional support to deal with those small businesses and individual protections for mortgages and rental assistance. And given that New Mexico has the highest per capita women-of-color-owned businesses, we also know that women-owned businesses and women of color have far less equity built up in their businesses and far less access to credit. Their ability to continue to negotiate with landlords, who also are paying mortgages on large properties, that the trickle effect here means that they are going into further debt. Providing non-grant relief to them for mortgage assistance doesn't quite work. And not having that small business arm in our State means that we have slower economic recovery and much larger gaps in our ability to meet basic needs.

So, we are hearing an earful from local businesses, independent business owners, small businesses across-the-board about how they are at that cliff. And the money we have provided so far is insufficient for them, particularly going through the end of the current—because we are at the beginning, all the way through the end of this current fiscal year.

Mr. LAWSON. Okay. Governor Walz?

Governor WALZ. It's good to see you, Congressman Lawson. And I just really appreciate this committee. And I want to echo—I think Congressman Gonzalez's questions are very fair to ask us what we are doing with the money, how we are spending it.

One of the things I can tell you is, again, philosophically, I guess you can have a difference, but we asked people to stay home to protect public health. That started to create a cascade of things when they couldn't pay for their rent, they couldn't move forward, landlords couldn't pay. I guess I would answer and tell you we are extremely worried to put \$100 million in Minnesota into rental assistance.

I would be interested to hear, and, again, it is your time, Mr. Lawson, but we have an economist, we have someone who understands us here, with Dr. Holtz-Eakin. I am fearing the cliff that is coming where some of these things are going to come due. And they may not look like they are in a State budget, but what happens when 27 percent of renters aren't able to pay back rent come the end of the year, and how do we address that? And how does the market, if you don't believe that the support that we are getting or the help that we are putting in is the way to go, how will that work itself out, because I am worried about it?

Congressman, it is an issue that is impacting us, and we are worried.

Mr. LAWSON. Okay. Thanks.

Governor Kelly?

Mr. SAN NICOLAS. Oh, the Governor of Kansas is no longer joining us, Mr. Lawson. We can move on to Governor Guerrero.

Mr. LAWSON. Okay.

Governor GUERRERO. Definitely, assistance to the small businesses and renters' and homeowners' assistance is going to go a long way on our island.

We are a very fragile island. Our revenues are very limited, and, of course, our economy is very sensitive to tourism. So, I am worried about an increase in homelessness. I am also very concerned about an increase in businesses being shut down, which is going to definitely affect our economy.

Mr. LAWSON. Okay. Thank you.

Mr. SAN NICOLAS. Thank you, Mr. Lawson.

The Chair now recognizes Mr. Steil for 5 minutes.

Mr. STEIL. Thank you very much, Mr. Chairman. I appreciate you recognizing me.

But I have to say, we are here again, using valuable committee time to debate bills that aren't going to become law, and discuss ideas that don't have jurisdiction in this committee, and that aren't connected to reality.

Let's think about where we started on this. Congress provided \$765 billion through the CARES Act to support State and local gov-

ernments. That included funding for schools, for hospitals, unemployment benefits, transit, and other critical programs.

CARES gave \$150 billion directly to States and large municipalities through the Coronavirus Relief Fund (CRF). Recipients had broad discretion on how they could spend CRF resources. Like many of my colleagues, I supported the cash infusion and hoped to get State and local governments the resources they needed, provided we could get the money out the door quickly and meet the urgent need.

Months later—we are months later now—billions and billions of dollars of this has remained unspent. It would be a worthwhile time to sit down in this committee hearing and figure out why that money, by so many States, hasn't been spent to help people in need.

But, instead, we are talking about more money. So, let's dive in.

According to the Department of the Treasury Inspector General's report released earlier this summer, at the end of Q2—we are now in quarter three. But in Q2, let me give you a few examples: Illinois spent 14.4 percent of its money, of the CRF resources; Michigan, 3 percent; New Jersey, 2.1 percent; and Wisconsin, my home State, had only actually spent 3.8 percent of the money.

Some of these States will point out that they have allocated more of their CRF money to different purposes, even if those funds are left in the bank account. But simply earmarking the money doesn't put the money to work for the hardworking men and women who have needed relief. It doesn't buy PPE, to earmark it. It doesn't treat addiction and mental illness, to earmark it. And it didn't get our kids back to school safely, which is so absolutely critical when you look at States like Wisconsin that have only spent 3.8 percent at the end of Q2, and our State doesn't give us an update as to where those additional funds are.

Now, we have been told that State and local governments are in crisis and billions of dollars are needed, no questions asked. But we need to ask the hard question: If the situation is so urgent, why hasn't the money been spent? Where are States' rainy day funds for moments just like this? And how much State tax revenue has actually gone down?

I will give you an example. In my home State of Wisconsin, tax collection has gone up this fiscal year and only slightly missed pre-coronavirus projections. And I think, in large part thanks to the high-quality work of former Governor Scott Walker keeping money in the bank and giving us a cushion to navigate our way through this pandemic, Wisconsin did it the right way.

My colleagues want to send another trillion dollars to State and local governments to spend on pretty much anything they want. That means supporters of H.R. 6800 are asking constituents and folks here, hardworking folks in the State of Wisconsin, to pay for fiscal mismanagement of States like Illinois, that is a complete fiscal disaster. I am adamant, and I have been from the beginning, that Wisconsinites shouldn't pay for irresponsible decisions made by our neighbors to the south.

I want to emphasize that I am not going against providing additional assistance in a targeted manner. But this broad-brush approach that we have done, where the funds to States like Wis-

consin haven't even been spent, needs to be called into question. And we should be spending our time in the committee asking those tough questions, rather than just having a conversation of how we send additional money to States without asking any of these States to make some of the hard fiscal decisions that are so desperately needed, in particular, like the States to our south, Illinois. Where I sit in Wisconsin, overall, we have done a pretty darned good job.

That is why I introduced legislation to provide State and local governments with grants, in particular, to address the rise in addiction, in mental health needs, and challenges that are associated with the coronavirus. We need specific, targeted relief, not this broad-brushstroke, trillion-dollar approach that we see time and again discussed here in this committee.

But we can't use a trillion-dollar blank check, especially when the facts don't match the story that we are being told. We have to do better. This committee needs to remain focused and disciplined. I find this committee hearing incredibly unproductive, when we should be discussing something far more relevant, where we are diving into the facts, instead of the broad brushstrokes that we are seeing here today.

And I yield back. Thank you.

Mr. SAN NICOLAS. The Chair now recognizes Congresswoman Tlaib for 5 minutes.

Ms. TLAIB. Thank you, Mr. Chairman.

As a person who comes from a City, Detroit, that made history with the largest municipal bankruptcy in the nation, I can tell you that making sure that our local governments can pay their pension responsibilities, and making sure they can provide for their residents and show up for their residents, I think, is a very critical issue for our nation.

I actually think that if folks look at the billions of dollars—I believe it is close to \$300 billion—that we used to bail out millionaires and billionaires—let's look it up—in the CARES Act, I wish we could actually pull some of those corporations and those millionaires and billionaires before this committee and ask them, what did they spend the money on, where is it going? Because the one thing that I like is, when we expend this money to our local and State Governments, it remains in the public's hands. It is transparent. We know exactly where it is going.

The late mayor, Coleman Young, Mayor of the City of Detroit, said that, "When the nation gets a cold, Detroit gets pneumonia." And that has sadly held true even during this COVID pandemic.

Many of us, all of us, have heard from frontline communities and organizations that work within a lot of our cities, but many of them are very small. And some of them are challenged districts, like Chairman San Nicolas' district, which is really one of the hardest-hit ones.

But one of the things during this crisis—when I look at numbers of close to 1,500 Detroiters, especially, who died of COVID, when I look at the thousands, close to 15,000 folks within my community who got COVID, I know that a lot of the reliance on stopping the spread of COVID lays on the State and local governments, always. Not Congress, not the Federal Government. It is the State and local governments that are on the front lines.

For many of the Governors who don't know, I have pushed very, very strongly that the Federal Reserve not only offer support for State and local governments, but adjust their lending facility to make the program more approachable for States to use.

However, the Federal Reserve is kind of undermining the impact of the one thing that the Federal Reserve has directly in its power, which is dealing with the Municipal Liquidity Facility—I always say, “MLF” program. And I know somebody had mentioned it earlier in the committee hearing, but that functionality excludes about 97 percent of States.

This is the same Federal Reserve that easily bailed out banks, did it swiftly, with a sense of urgency, and was flexible, and all these kinds of things. But we are not doing the same for States, cities, and counties, which I truly believe would have been a tremendous help and lift for the City of Detroit, which left—so many of our City employees who worked for us for decades lost so much of their pension because of the bankruptcy.

So, my question is, as Dr. Holtz-Eakin has mentioned that the program is really being underutilized, would each of the Governors comment on whether you looked at using the Municipal Liquidity Facility? If you have, how has it affected your assessment? What are your assessments of whether or not we need to be changing it, whether or not you think that is something that, again, could be reformed or modified so that it could be accessible to all of you?

And I can start with—I think it is Governor Walz who seems to be very popular among my colleagues. I didn't get to serve with you, but you can go first.

Governor WALZ. Thank you, Congresswoman. You must not be talking to as many as you should.

Before I answer, I would like to ask Chairman San Nicolas if I could submit for the record our expenditures for the State of Minnesota.

Mr. SAN NICOLAS. Without objection, it is so ordered.

Governor WALZ. Mr. Steil said that he doesn't know where it is being spent or the percentage or whatever. I can show him where every dollar is going, how it is being expended. And 92 percent of that is obligated and out there.

I think that is an important question. I don't know how many times I am going to continue to answer this—

Ms. TLAI. Yes. And, Governor, just as a person who—I know I am pretty new to Congress. Please know that the money is in the public's hands. It is transparent. You have to go through a process even on the State level for that. We know where the money is going.

We don't know where the billions of dollars—we spent more money for billionaires and millionaires than even on the stimulus payment that we gave for our neighbors across the nation.

I know you are going to submit it for the record, but I would really like to talk more about my questions instead of the speech that was given by my colleague.

Governor WALZ. Here is what I would say on the MLF, Congresswoman, a short-term borrowing tool on cash-flow issues. At this time, we don't have a cash-flow issue. And I think many of you—they are not that different in this conversation. We are not that far

off, unless you believe we shouldn't be addressing COVID at all, unless you believe it is over. If you do think those things are there, there is some room in there.

But the MLF, I think, at some point, and depending on the entities, would be a useful tool for us. It simply doesn't work because the cash-flow issue is not where we are at.

Ms. TLAIB. And I think I ran out of time, Mr. Chairman?

Mr. SAN NICOLAS. Unfortunately, you have, Congresswoman Tlaib.

Ms. TLAIB. Okay. I will submit these questions to all of the Governors.

But I really do want to talk about this, even beyond the overflow, to all the Governors. I think even to carry the debt so that you can effectively respond to COVID is critically important. Even just to hold it for a certain amount of years would be very effective.

Thank you so much, Mr. Chairman. I yield back.

Mr. SAN NICOLAS. Thank you, Congresswoman Tlaib.

The witnesses are advised, the panelists, the Governors, that they may submit written testimony in response to any questions that were posed by any Members, and also to transmit any documentation they feel is relevant to the nature of the conversations.

The Chair now recognizes Congresswoman Axne for 5 minutes.

Mrs. AXNE. Thank you, Mr. Chairman.

And thank you to all of the witnesses for being here today. This is a very important topic, so I appreciate you taking the time.

As somebody who spent a decade in State Government here under both Democratic and Republican Administrations, I know how important this is. And certainly some of the comments that I have heard today and I have heard in the past of why people don't want to support State and local funding, really don't sit well with me.

Every State in this great nation of ours has some type of balanced-budget requirement, and so do the municipalities within those States. So, there is a requirement on almost every part of this country where there is a balanced budget. There are not people out there spending willy-nilly, trying to limit opportunity for their constituents by not keeping a good budget in place.

So, from somebody who has been there, who worked on the Reinvestment and Recovery Act funding under President Obama, I certainly know how important it is to support our State and local municipalities.

Governor Walz, it is great to see somebody right next-door to me here on this hearing, so I think I am going to start with you.

Just for a little background, I know Congress provided \$150 billion to States in the CARES Act to cover these increased costs, and that has been helpful. I think you mentioned that earlier. But isn't it true that the bigger problem for your budget right now is loss in revenue?

Governor WALZ. Congresswoman, thank you. Yes, the answer is that is correct.

And I heard Dr. Holtz-Eakin, and I certainly hope his projections are right, that if we get a rebound—and we are starting to see at least some encouraging numbers, if they start to come back—that doesn't do us any good in the present. Because those revenues have

dropped off during those quarters we had, and we have to make our budgets balanced. As you said, we are obligated constitutionally. So, that is the biggest problem.

I think the questions are very valid in here. Where are you spending it? How are you spending it? But, as you said, if you have worked in local government, you get how this works. So, that is the problem right now.

Mrs. AXNE. Okay. Thank you so much for that.

And, listen, you talked about local governments. This is even more exacerbated, I think, for so many of our municipalities. I am in the Des Moines area, for example. We are estimating losing \$10 million a month. That has been since we first started out with this. It is \$10 million a month. So, this is going to be a huge expense for a City that doesn't have the opportunity to shore up these revenues.

And then, in talking to my small-town mayors, they are trying to figure out how they are going to shore up funding for a million-dollar hole that has been created, which is a heck of a lot when you think about some of the small, rural towns in this country.

And then, meanwhile, in Iowa, unfortunately, a few weeks ago, we just had the derecho, which was an extreme storm that went through our State. Our cities are really trying to figure out how they are going to make sure that we put people right again after that with their hands literally tied behind their backs right now because of the expenses related to COVID.

So life goes on, and these municipalities in our State still have these revenues that they need to shore up and take care of many other issues on top of COVID.

Governor Walz, I know you have been trying to hold off on making actual budget cuts for a long time, but could you kind of just walk us through what some of those key cuts might look like for your State, if you had to do this?

Governor WALZ. Congresswoman, yes. I have asked my agencies to start preparing, and it has to be across the whole spectrum. It needs to be budget reductions, and then I have asked them to look at revenues. But I share the economic belief that it is very hard to ask for revenue increases at a time when you have an economic downturn.

With that being said, it is very hard for me—like, to balance my budget—and some people think, well, just get rid of State Government. If I eliminated the entirety of State Government, that is about 10 percent. So what that means is that we are having to look hard at those places that are the most impactful. And the biggest part of our budget by far is healthcare and education, especially K-12. And, at a time when we know our students need to get caught back up, and we need to be innovative, that is what is becoming very challenging.

And I agree with everybody; we are all trying to find creative ways to deal with this. But there is just the necessity of this, that for a State to be able to balance their budget with this severe of a downturn, it is going to be very heavily dependent on those cuts to the most important things that I would argue lead to growth in the future.

And so that is why we are—and, again, this is different, because we asked people to stay home to protect public health. And the only entity that can help is the Federal Government in this case, unless we choose to collapse our education system or collapse our healthcare system at a time when we don't believe that is the right way to go.

We have not made those decisions yet, but when you look at all of the different scenarios, there is not a really good one.

Mrs. AXNE. Thank you for that.

And we now have economists estimating that we stand to lose about 4 or 5 million jobs if we don't provide that support, which takes me back. I want to return to the recovery from the global financial crisis that we have had in the past. I think it is very important here. We all knew that was a painfully slow recovery.

And, as I mentioned, I was a part of that in our State Government here. It is pretty well-established by economists, including the International Monetary Fund, that job losses at State and local governments was a key issue for the recession and the difficulty in coming back.

Governor Grisham, it is good to see you. I think, during that time, you were just becoming a county commissioner, having left a State role, when we were recovering from the last recession. Is that correct? About a decade ago?

Is she on?

Well, she may not be on.

I wanted to touch base with the Governor because, as I mentioned, having been a part of that recovery process, it was very difficult in determining what the States were planning on doing to make sure that they could meet those economic issues that they were facing. And we had very difficult issues here in Iowa, and I hope to not see it again.

I want to just close by saying, this is such an important subject, and I am so glad that you are all here. It is why I have set forth a bipartisan bill now almost 5 months ago to make up for the lost revenues at State and local levels.

And we need to get this done to ensure that those essential services that are provided, that the Governor just mentioned, continue to flow so that we can educate our kids and keep our economies moving and also protect the health of our constituents.

Thanks so much.

Mr. SAN NICOLAS. Thank you, Congresswoman Axne.

The Chair now recognizes Congressman Budd for 5 minutes.

Mr. BUDD. I thank the Chair.

Dr. Holtz-Eakin, it is good to see you again. Thanks for being on. And my former colleague, Governor Walz, as well.

Dr. Holtz-Eakin, collectively, the States and localities, either directly or indirectly, have been the recipients of about a trillion dollars in relief funding, and still today only 25 percent of those funds have been used by the State and local governments.

The situation doesn't appear to be a funding problem but more of a flexibility issue. And that is why I introduced, along with a friend and colleague, Warren Davidson, H.R. 7094, the Flexibility for States and Localities Act. The bill gives States greater discre-

tion over how to spend funds allocated to them by the Federal Government.

So, in your opinion, what are some additional steps we should be taking to make it easier for States and localities to utilize these funds?

Mr. HOLTZ-EAKIN. I think there are legislative provisions—you know more about that than I do, and I thank you for your efforts on that front.

There is also the administrative end of this that is coming from the agencies. The money has to flow through Federal agencies. That is not always a smooth process, and that is often where a lot of the ambiguities come in, where rulemaking takes the place—for Treasury, for example, with an FAQ, and the FAQ gets updated, and now you have two pieces of direction, and pretty soon there is a lot of confusion on the ground.

And I think probably the biggest quick improvement would be to clarify the agencies' roles in getting the rulemaking and guidance cleaned up. And that would help a lot.

Mr. BUDD. Thank you.

Again, back to you. In my own State of North Carolina, about 9 percent of the federally-allocated funds have been used. And according to the National League of Cities, 32 States are withholding funds from their local governments. North Carolina is providing funding to county governments but excluding city and local governments.

Are these some of the reasons that the majority of federally-allocated funds are going untouched?

Mr. HOLTZ-EAKIN. Presumably. It is not an economically rational thing. There must be some sort of administrative reason for these decisions.

But the CARES Act was designed with speed as the paramount issue. The economy was falling at an extraordinary rate. The Federal Government stepped in, and Congress provided an extraordinary amount of taxpayer backing to try to get in there quickly and stop that fall.

It is frustrating to see, in many ways, that it didn't happen with the speed that was intended. And finding out why is important.

Mr. BUDD. Thank you.

And the third question—this one is actually multipart—to Dr. Holtz-Eakin again: What is the best way to support State and local governments? Is it through another Federal bailout that we are considering?

Mr. HOLTZ-EAKIN. I will go back to the nuts and bolts of this. You cannot do anything better than to get the economy going again and getting the tax bases growing again. That is the lifeblood of those funding streams.

And people often harken back to the Great Recession, but if you look at the data for the country as a whole, States and localities did not lay anyone off for the first 2 years. The layoffs came late. And it was due to the fact that there was very poor recovery and very slow recovery and those tax bases did not grow the way they were anticipated to and should have.

That means that what is happening right now is of paramount importance: getting the economy back to as high a level as possible

quickly, so that you don't leave that legacy for the States and localities a second time around.

Mr. BUDD. The other part of the question is, what is the best way to support low- and moderate-income workers?

Mr. HOLTZ-EAKIN. I think the best way for those who have a job is to enhance the return to work. We have an earned income tax credit. If it is viewed that greater support is needed, that is the vehicle. Reward work wherever possible. And for those out of work, overall economic growth is the fastest way to get people back into jobs.

There will be, I think, a class of workers who will be the subject of a big restructuring in this economy. It won't look the same in the years to come as it does right now. And finding the skills and the opportunities to get those jobs is something that is worth thinking hard about in this moment.

Mr. BUDD. Good. Thank you.

Can we help these low- and moderate-income workers through helping businesses?

Mr. HOLTZ-EAKIN. Yes.

Mr. BUDD. Like, small businesses in particular?

Mr. HOLTZ-EAKIN. That was the PPP. It wasn't that we loved businesses. It was that that was the best check-writing machine in the world, the payroll function. And so, give it to the business, keep that economic infrastructure in place, and make sure the workers got their regular paycheck, and can support their families. That was a good design.

And I know there is a lot of Monday-morning quarterbacking on that, but I really think the \$500 billion that went out for a month in the PPP was one of the great accomplishments in fighting this downturn.

Mr. BUDD. Thank you. I yield back.

Mr. SAN NICOLAS. Thank you, Mr. Budd.

As an advisory to Members, Governor Grisham is no longer able to continue with us. That is just an advisory to all participating Members.

At this time, the Chair would like to recognize Congresswoman Porter for 5 minutes.

Ms. PORTER. Thank you very much.

Governor Walz, thank you so much for joining us. I know Minnesota and so many States are facing the same challenges as California. Everyone is being forced to make difficult decisions. And our families, including our kids, are bearing the brunt of it.

But we really don't have to.

Governor, I am sure you are familiar with the IDEA, but for the folks at home, the Individuals with Disabilities Education Act (IDEA), is the Federal law that requires schools to provide services to children with disabilities, sometimes called learning differences.

The Federal Government, as you know, splits this funding with the States. When the IDEA was passed, the Federal Government promised to fund 40 percent. Yet, the closest we have gotten was 13.8 percent.

So I am going to be like my third grade daughter with homework, and what I think we can definitely say is that 13.8 percent is not equal to 40 percent, leaving our States with a big shortfall.

In California last year, we underfunded this program by about \$22 billion.

Has Minnesota ever gotten full funding from the Federal Government for the IDEA?

Governor WALZ. We have not.

Ms. PORTER. Would it help you if you did?

Governor WALZ. It certainly would. I can say that part of the Recovery Act of 2009 was taking up IDEA funding above 20 percent. It had a long-term impact both in terms of economic, as well as student learning.

Ms. PORTER. Okay.

So, last year, we underfunded kids with special needs by \$22 billion.

Do you know, Governor Walz, how much money in fees Secretary Mnuchin negotiated for the big banks for processing no-risk PPP loans?

Governor WALZ. I do not.

Ms. PORTER. That is okay. I do. The big banks got \$18 billion for processing PPP loans—almost enough to have covered the cost of fully funding the IDEA.

Let's look at another example. Do you know how much was set aside in the HEROES Act to deliver in K–12 schools to have instruction, purchasing technology, teacher training, and maintaining school personnel? Do you know how much the House allocated in the HEROES Act, which the Senate has not—

Governor WALZ. We do. And it is substantial.

Ms. PORTER. It is a big number, isn't it, \$58 billion. But you don't have that money, do you?

Governor WALZ. We do not.

Ms. PORTER. And do you happen to know how much we allocated for the airlines during coronavirus relief?

Governor WALZ. I do not have the total.

Ms. PORTER. Well, guess what? It just happens to be \$58 billion, \$17 billion of which went to defense contractors, like Lockheed Martin, whose profits are at an all-time high. And the Senate won't even vote on the HEROES Act to give our kids that \$58 billion.

Do you know how much we spend nationally on salaries, wages, and benefits for school employees in a year?

Governor WALZ. I do not know the total.

Ms. PORTER. Okay. It is about \$511 billion. That is what we spend to fund all of our schools.

Do you know how much Secretary Mnuchin negotiated in financial relief for corporate America?

Governor WALZ. Well, if I had to guess, I would say \$511 billion, but I do not know.

Ms. PORTER. Pretty close: \$500 billion. You are really good at this, Governor Walz, \$500 billion. And yet, they have only used a little over 15 percent of that money.

When it comes to our kids, though, and our special needs kids, apparently, we are out of touch.

Governor Walz, with State budget cuts, how much could your schools potentially lose this year?

Governor WALZ. It is a substantial amount. As I said, we don't have a lot of places to turn to. It is healthcare and education.

Ms. PORTER. And, without the support, can you just stop paying for teaching?

Governor WALZ. Well, you could, but the implications of that are dramatic, in terms of your long-term sustainability as well as the ethical issues.

Ms. PORTER. And, under Federal law, can you just stop educating children with disabilities?

Governor WALZ. You cannot. We are obligated to fully do our best and maintain that effort.

Ms. PORTER. Even though the Federal Government has not fully funded its promised 40 percent of the cost?

Governor WALZ. No.

Ms. PORTER. This issue is personal for me. You wouldn't know it from how much I love to talk now in these hearings, but without my speech therapist—I spent 5 years in speech therapy in elementary school, and I know how important those services are to allowing kids to fulfill their potential.

We have the cash to educate all children, including children with disabilities. And I hope we step up and deliver that relief to Minnesota and other States, including California.

Thank you. I yield back.

Mr. SAN NICOLAS. Thank you, Congresswoman Porter.

The Chair now recognizes Congressman Casten for 5 minutes.

Mr. CASTEN. Thank you very much. It's a pleasure to see you all.

Governor Walz, I am going to—I had all sorts of homework that I had done for Governor Grisham, so, unfortunately, I am going to have to try to fake it with you. But I wonder if you could just put some numbers to some of the stuff we have just been talking about?

What was the added cost that your State had just specific to COVID? Could you estimate how much of a hole did COVID specifically put in your budget, before you get into revenue loss?

Governor WALZ. Yes. Right in the beginning, we put \$550 million in just to fight COVID. The budget hole it is blowing—we had a \$1.5 billion surplus coming in, in the next year. That turned into a \$2.5 billion deficit. And our biennium deficit is 4.7 now, and my guess is it will grow bigger than that. So, our revenue dropped off about \$8.1 billion.

Mr. CASTEN. So, \$8.1 billion in revenue drop versus \$500 billion in added. So it is a factor of, what is that, 16 difference between your revenue loss and your higher costs?

And in the CARES Act—and, of course, we have covered the COVID costs—were you able to recoup most of those higher costs from COVID? Did we match it relatively well?

Governor WALZ. We received \$2 billion, roughly, from that. We put out about a billion of that, and it went directly either to our largest two counties, cities, and then 841 to the localities. So, we got about a billion out of that.

Mr. CASTEN. Okay. So if we don't pass HEROES, you will have a big hole?

Governor WALZ. Well, it was added expense.

And I know this is your time. I would just like to—just quickly, Mr. Casten, when people ask about this spending and why it is not spent out, counties are managing this. We had counties that had

zero cases—and the Representative from Iowa will understand this—and then, all of a sudden, we rocketed into the top 10 counties in the nation because of our poultry and our protein processing plants. Those counties went from having no expenses to expenses that were bigger than their entire budgets.

And so, one of the things is the unpredictability. And that is what we are having as a State. I have to maintain my testing regimen, as far as I know, for the next 12 to 18 months, and that is at \$177 million. So, that is one of our problems.

Mr. CASTEN. No, I get it. And, look, thank you for doing it, and I apologize that you have had to. When our President decided to let States lead, this is what happens when you have no leadership from the top. I apologize for it.

You have said a couple of times that healthcare and education is the bulk of your budget. On a percentage basis, about how big is it?

Governor WALZ. About 80 percent is what it ends up amounting to.

Mr. CASTEN. Are you subject to balanced-budget rules in your State?

Governor WALZ. We are. I cannot deficit-spend.

Mr. CASTEN. Okay. So, if you do not get money from the Federal Government, do you have any choice but to make Draconian cuts in your healthcare and education programs, practically speaking?

Governor WALZ. That is a very difficult one. Probably not. And I am in a divided legislature, which is both good and bad, and we are going to have to come to an agreement. That is what is on our doorstep.

Mr. CASTEN. I talk to our own Governor out here in Illinois relatively frequently. I suspect that you, like him, have a fair amount of communication with the President as you try to coordinate with the Executive Branch of our Government.

Back in March, when the President was telling Bob Woodward that he knew this was way worse than it actually was, did he ever convey that to you or the other Governors?

Governor WALZ. No, I don't believe so. The President, early on, would have weekly calls with the National Governors Association, so all of us were on there, and I don't recall that.

Mr. CASTEN. How much of your time do you spend managing people who think that this virus is not as bad as it might be and that masks aren't necessary and that you can take unproven medicine?

Governor WALZ. A lot.

Mr. CASTEN. Think of what the President has spent.

Governor WALZ. Yes, I think it is a lot, and I think it is unfortunate. Again, my State is home to the Mayo Clinic. I think this discussion today shows there are valid different approaches. But I think the elephant in the room here is whether you believe COVID is a threat to health and has to be managed or whether you simply let things just go. That is the trouble we are in.

Mr. CASTEN. Well, the science doesn't lie.

And I guess just with the little time I have left, if you want to speculate, how much easier would your life be right now if the President had been honest to the American people in March about what he knew?

Governor WALZ. It is hard for me to speculate. And one of the things I would tell you all, is that as a Member of Congress and then as a Governor, I just have to deal with what is in front of me one day at a time.

And that is why I wanted to come on here to be clear: I am so incredibly grateful for what you have done, but there is more to be done. So if I could just ask, if you could just stick with us, it would be helpful.

Mr. CASTEN. Thank you, Governor. We have your back as best as we can.

And I yield back.

Mr. SAN NICOLAS. Thank you, Congressman Casten.

Just an advisory to all Members and participants: Governor Guerrero had to vacate the hearing as well.

At this time, the Chair recognizes Congresswoman Pressley for 5 minutes.

Ms. PRESSLEY. Thank you, Mr. Chairman.

And thank you to our witnesses for joining us today.

As my colleagues on the other side of the aisle and their counterparts in the other Chamber tout their messaging bill, here in the House we have offered a comprehensive relief package that actually meets the scale of these crises: the HEROES Act, which includes over \$900 billion in direct aid to States and cities.

Collectively, we are facing a global pandemic, the worst economic crisis since the Great Depression, and a historic moment demanding this country reckon with the reality defined by centuries of systemic racism and inequality and oppression. So, while this virus itself may not discriminate on the basis of race, every system in the United States, from economic to education to healthcare, certainly does.

And for Black women, these disparities are compounded. Today, we face a housing crisis where Black women are twice as likely to be evicted, a public health crisis where we are up to 3 times more likely to die of the coronavirus, and an economic crisis where we are twice as likely to be furloughed and 30 percent more likely to be out of work.

The Senate's refusal to act and the Fed's refusal to modify the terms of the Municipal Liquidity Facility have hamstrung States' and cities' capacity to manage these crises and to provide the necessary support to children and families, even as Fed Chairman Powell has repeatedly acknowledged the disproportionate effects of this pandemic on people of color.

Governor Walz, I am wondering if you could speak to these racial disparities and how that shows up in your State, in that we see communities of color have disproportionately higher rates of infection, hospitalization, and fatalities?

And I am also wondering if you could just speak to this historic budget shortfall and what this will mean both for public-sector employment but also what that impact will be on the services that they provide?

Governor WALZ. Thank you, Congresswoman. I am the last one standing, but I think it is appropriate that I do need to stand to answer this, because I am the State where George Floyd was killed in front of the world. I think a lot of thoughts we had about our-

selves—and I am very proud that Minnesota ranks first in educational achievement if you are White, but we rank last if you are Black. The same thing could be said about home ownership, about college attainment, about many of those things.

And, early on, when people were saying COVID was the great equalizer, you are exactly right; it was not the great equalizer. It exposed health disparities and everything else that came on.

The problem is, anytime you have an economic downturn, whether it was caused by the housing bubble or whether it was this case, because of COVID, it is falling disproportionately on those communities. And I think we are trying to use this as an opportunity to address those systemic issues, to listen to communities as they craft solutions.

But I have to be very candid with you, that is going to take some resources to be able to do. And this is not a, “We are asking you to help us fix all of our problems.” We are asking you simultaneously in a system, as we address COVID, to address it in the right way so, when we come out the other side of this—

Ms. PRESSLEY. I appreciate that.

Governor WALZ. So, I worry. And you are right, Congresswoman.

Ms. PRESSLEY. So, on the resourcing side of things and acknowledging those racial disparities, those health disparities, the HEROES Act also included a significant increase in the Federal Medicaid matching rate for FMAP.

Governor WALZ. Yes.

Ms. PRESSLEY. So, briefly, could you just speak to how important is an FMAP increase in your ability to really manage this pandemic?

Governor WALZ. It is huge. I obviously would like to see the HEROES Act, but in negotiating, please don't negotiate away FMAP. If you can leave that in at the 14 percent, that has a huge impact.

And those of you on here who were asking us to be thoughtful and targeted, that targets the most vulnerable communities, those in need, and makes a difference. So that is one that I would ask you, please keep in.

Ms. PRESSLEY. Thank you.

And then, let me just return to another question that I had in there, which is, we have been speaking about the impact on public-sector employees with this budget shortfall. Could you also speak to what that impact would be on the services that they provide?

Governor WALZ. Well, it is huge. And I think you heard it on the local level. You are talking about a lot of local entities. It is public safety. And that is a discussion, obviously, in Minnesota and across the country that we are having: How do we reimagine public safety where that is our true outcome and there is respect and equity?

But, for us, it starts to become a real problem. There are very few places for us to be able to manage that budget except, as I will keep coming back to, healthcare and education. And those are fundamental tools to the future; they are fundamental tools to our economic future as a country. And those are what we are worried about.

Ms. PRESSLEY. And—oh, that is my time. I had an education question, but thank you for being the last one standing there. I appreciate it.

Mr. SAN NICOLAS. Thank you, Congresswoman Pressley.
The Chair now recognizes Congresswoman Wexton for 5 minutes.
Ms. WEXTON. Thank you, Mr. Chairman.

And thank you to the witnesses for sticking around this entire hearing.

Governor Walz, listening to you and the other Governors talk about what your States are experiencing, it sounds an awful lot like we are experiencing here in the Commonwealth of Virginia.

In Virginia, we are known for our fiscal responsibility. We have a triple-A bond rating. Like many other States, we cannot engage in deficit finance spending. We have a balanced-budget amendment, and everything that we do has to be paid for.

We had a \$300 million surplus at the beginning of this year, and we are now projecting a \$2.7 billion shortfall in the next 2 years. And, in fact, right now, our State legislature is in a special session to sort out the budget. And a lot of legislation that we passed earlier this year is going to have to be put on hold—things like raising the minimum wage, like free community college for in-demand fields, like more affordable housing, expanded access to healthcare, and finally increasing K-12 funding, which is still funded at pre-recession levels, and I think we are not alone in that, in that our K-12 funding has not come back to where it should have been after the Great Recession.

And those are just new initiatives. We are also going to have to make significant cuts to other areas of our budget. And it is going to exacerbate the inequality that has already been made worse by this pandemic.

And I think, Governor Walz, you and other Governors have done a good job of talking about the austerity and the decreased revenues that you are experiencing, but I want to talk a little bit about some of the new expenses that you are having to deal with—in particular, dealing with the public health response.

Because very early on in this pandemic, the Administration made a conscious decision not to implement a national strategy to battle this virus and, instead, left it to the States to shoulder the responsibility and cost of doing so. The Administration declined to invoke the Defense Production Act for things like domestic production and distribution of PPE, things like production of test kits, and things like that.

In Virginia, our Governor has joined with a bipartisan coalition of six other Governors to buy antigen tests in bulk and distribute them through the State network. But it would have been much better to have a national strategy.

Can you speak briefly, Governor Walz, about what your experience has been in your State, in having to deal with increased costs and less access to the supplies that you need?

Governor WALZ. Thank you, Congresswoman.

And I just want to be clear, I am not a complainer. I supervised a high school lunch room for 20 years, so I do not complain. I just deal with what is in front of me.

And I have to tell you, of this whole thing, the thing that makes me the saddest is—and I encourage you all not to fall into this trap, of pitting State against State, who did this, who did that. There are a lot of different responses. What it has done is it has

put us in a position where we end up competing next-door. We end up working against the best interest of this.

I just have to say, I am thrilled that Georgia's economy is thriving, because that helps Minnesota and vice versa. And I think the problem without having a clear supply chain or whatever, we have been in these situations where we have to compete with other States. In normal times, a market competition is a good thing. But if two of you are in the water drowning, it is not good to fight over one life preserver. We would prefer two life preservers. And what we are dealing with at the State level is, it has just been somewhat disheartening that it is that type of attitude.

And I think, when you sent the CARES Act, you joined together, and you sent the CARES Act. I think there are legitimate concerns about whether it was right, wrong, or whatever, but it was a pretty effort that had some good effects. I am just asking if we could do that one more time, so please think about it.

And I would be more than willing—and I think I speak for the 50 Governors. We would all come in front of Congress and raise our hands and swear where all that money went and how we used it and how it was being impacted.

It has been a challenge, having 50 different ways of doing it. But it is also—States have risen up and found out what they had in their State. But my fear is this: We are stronger when we are together, and this just doesn't do us any good, to pit one area against another or to say we did this better, because it is just not the way a country gets out of this.

Ms. WEXTON. Governor, have you experienced challenges both with regard to the scarcity of resources and those resources that are available being more expensive or at a higher cost than they would have been otherwise?

Governor WALZ. Yes. And it is still true today.

I am blessed. My State is home to the Mayo Clinic. This is 3M's home territory. I can go out there and ask for N95s. But we were very clear about that. This is not about Minnesota getting N95s and leaving our neighbors in Iowa or Virginia to just be on their own. We wanted to make sure everybody had it.

Ms. WEXTON. Thank you so much, Governor.

And, with that, I will yield back.

Mr. SAN NICOLAS. Thank you, Congresswoman Wexton.

The Chair now recognizes Congresswoman Adams for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman. And I want to thank all of our Governors and all of the speakers who have been here. Thank you, Governor Walz, for staying with us. I do know that it is good to see you and Governor Grisham, who served with me on the Agriculture Committee.

But I want to, first of all, tell you that the CARES Act funds have been helpful in keeping students connected to their teachers in my district. Charlotte-Mecklenburg Schools has used the CARES Act funding to purchase WiFi hotspots for students. But the funding is limited, and over 16,000 students in my district still don't have reliable high-speed network connections.

My Governor, Governor Cooper, has helped lead the charge to aid students, most recently with his NC Student Connect partnership, which provides about \$40 million in funding to help distribute

hotspots to students, to provide professional development for educators, and more. That program was also made possible by the CARES Act funding.

So, let me ask you about the role that the Federal aid played in ensuring that your students can continue to receive the high-quality education that they need?

Governor WALZ. Thank you, Congresswoman, and it is good to see you again.

Yes, it was really helpful. And I am looking at my early expenditures out of CARES Act money: \$245 million to schools to meet in-person instruction, online learning, and to address learning loss. This was smart stuff. And I think, for all of the works that may be in a major package like you put together, there was a lot there. And it worked, and it is working.

I just don't know if I can stress enough: If we were at the end of the pandemic, and there were zero cases of COVID, and we were cleaning up and sweeping up and throwing the last of the masks out, then it would make sense for us to talk about where we are going. But I have to plan, and we have to plan that our schools may need this support for the rest of this year. And you can't plan day-to-day; you have to look at the long run.

And it was incredibly helpful. Food assistance—I was at a school today loading food on buses. The City of Saint Paul just delivered their 8 millionth meal on buses with food service to children who are hungry. Kids in Minnesota got food and had it delivered to them because of the CARES Act money and the work that you all did to get it to them, and we are grateful for that. If it goes away, though, there is still a problem.

Ms. ADAMS. I am glad to hear all you are doing for your schools. I sat for 20½ years on my State legislature, and worked with the Governor, so I understand budgets and what you have to do.

What percentage of your students do you think don't have a reliable connection to high-speed internet? That has been mentioned earlier in the hearing, and I think that is a problem, particularly here in our State, and I am sure in others as well.

Governor WALZ. Yes, it is in ours, too. We are a fairly large State, stretching up to the Canadian border, and very rural. But it is also access inside communities. And we have kids going to McDonald's to try and use their WiFi.

We, as a nation, whether this was—we were working on it pre-COVID. I would argue, right now, those who want to see businesses and want to have investments, we should make a big push on broadband expansion border to border in this country. And that will benefit us long after COVID is over. But now would be the time to do that.

But I would say, fully a quarter or more.

And then, it is the access to the equipment and the hard drives and things like that. And I will say this: Our business community has stepped up. Best Buy, Target, some of those that are centered here in Minnesota, have stepped up and made a huge commitment. One, it is the right thing to do for kids. Two, it is the right thing to do for the economy. But I wanted to follow up on Congresswoman Pressley's questions and ask about the Black and Brown students and how they are affected in your area?

Governor WALZ. They are disproportionately affected. And, as I said, Congresswoman, as an educator, and as the parent of a 13-year-old, and as the Governor of Minnesota, I am proud to be a public school teacher, but we have failed our Black and Brown and indigenous students. And COVID has made that worse.

My hope is that we use this as an opportunity to finally quit admiring the problem and actually solve this. And I think there are some potentials to do that. This is forcing us to look at new ways of delivering and new ways of thinking about unique needs.

Ms. ADAMS. State and local governments play an important part as employers. Chairwoman Maloney mentioned the public-sector jobs. But we will send that question to you. I hear that my time is up.

Thank you, Mr. Chairman. I appreciate it. I yield back.

Mr. SAN NICOLAS. Thank you, Representative Adams.

Just as an advisory to our witnesses and to our committee, we are down to our last two Members for questions. So, thank you so much for your patience, and to those Members who have been waiting patiently for their turn.

Representative Dean, you are now recognized for 5 minutes.

Ms. DEAN. Thank you. And I thank our Vice Chair and Chairwoman Waters for convening this important hearing.

I want to speak right away to the opening comments by the ranking member, which are puzzling to me, that somehow talking to you Governors and this expert doctor is somehow a waste of Congress' time. I can't think of much more important conversations that we should be having than talking to our Governors to find out how you are faring, how your States are faring, so that we can do our job better. So, I just wanted to put that on the record.

I wanted to start also, maybe, by just saying where I am from. I am from Pennsylvania, and I was a State representative before I became a Congresswoman 2 years ago. I had the opportunity to serve on the Appropriations Committee there, as well as Judiciary. But on Appropriations, I could see each budget season, what we were up against, and where were our deficits, where were our needs, where were our shortfalls in revenues.

I talked to the current chairman of Appropriations and got an update for Pennsylvania. And I wonder, Governor Walz, if some of this sounds familiar to you.

We have an estimated \$5.5 billion budget deficit. Even with CARES—and I thank you for championing the good work that CARES has done for States and families and workers. Even with the \$0.33 billion that Pennsylvania has from CARES, we still have a budget shortfall of almost \$4.5 billion.

So, I wanted to see what that feels like on the ground. And I want to start with the issue of—we hear from some of our Republican colleagues that the States simply haven't spent their CARES money, so we shouldn't send you any more. I actually hear that from our Republican Senator here. These are the same people who argue that for businesses to be stable, they need certainty and predictability. And yet, they want Governors to spend down your budget to the last dime before they will send you another. I don't understand that.

One thing that is undisputed, I think, is that State and local governments need relief. You need robust relief and facts and data to open safely, as the doctor has talked about.

Governor, I wanted to ask you, would legislation extending the deadline for State, local, Territorial, and Tribal Governments to spend coronavirus relief funds help your State in particular?

Governor WALZ. Representative, yes, it would. It is not the whole fix, but it would be helpful.

Ms. DEAN. And why? Why do you need that flexibility?

Governor WALZ. Well, as I said, we have contracts for, say, testing, or contracts on different buildings, on leasing for overflow of ICU beds. This would be easier if everything were done, but as I said earlier, all of a sudden you have a hotspot, and you have an overflow, and you need to be prepared to deal with these things.

So if I knew it was going to be over December 31st, that would make sense. I think extending it out gives us a little more time.

Ms. DEAN. Okay. Terrific.

And is the Governor of Guam still with us, and may I ask you, Governor Guerrero, would you also appreciate flexibility and greater support, obviously?

Mr. SAN NICOLAS. Congresswoman Dean, unfortunately, our two other Governors were unable to remain with us throughout the duration. Please continue.

Ms. DEAN. That is fine. Thank you very much.

Governor Walz, if I could go back to you, I really care, like Representative Adams, about the kids. I have three grandchildren, including a little granddaughter who started third grade yesterday, of course virtually, at home.

And so I wanted to ask you, given your experiences in your State, how can we best send additional support to schools? Again, what flexibility is needed? And what is the current projection for the financial health of public schools in your State?

Governor WALZ. Yes, there are things you could do. I would go back to Representative Porter, if you can get IDEA funding there. And I don't want to be a downer, but I carried that bill in 2007, so good luck to all of you, but it would help.

The status of our kids is, they are okay right now. And they are okay because teachers, communities, and parents have gone out of their way to make sure that they are okay. But it has been expensive. It has been hard.

And if the money that went to schools—and I hear colleagues across the aisle talking about that. Again, if we can't get the full HEROES Act, some of the school funding, some of the ability for us to be able to take care of critical services, FMAP, that would help. But schools, our budgets are going to be tough. It is going to be tough. And I think as you heard, we have not made up from the last time we had cuts.

Ms. DEAN. Thank you very much.

I see my time has expired, and I thank you for the opportunity to be with you.

Governor WALZ. Thank you.

Mr. SAN NICOLAS. Thank you, Representative Dean.

Last, but certainly not least, Minnesota takes the stage with Congressman Phillips and Governor Walz.

Congressman Phillips, you are recognized for 5 minutes.

Governor WALZ. It is good to see your seniority at work, Representative Phillips.

Mr. PHILLIPS. Governor, I have to tell you, how poetic that it comes down to you and me at the very end. I'm grateful to you and the others who appeared earlier and for your experience and dedication in Congress and now to our State. I am a lucky man to consider you my mentor. So, thank you.

And, as you spoke about earlier today, Governor—you know, I am proud of our State, the State of Minnesota, the way that our budget has been handled since the Great Recession, through bipartisan cooperation—

Governor WALZ. That is right.

Mr. PHILLIPS. —and fiscal responsibility that led us to have the largest rainy day fund that we have had in our State's history as we entered this year. And, of course, because of COVID, that \$1.5 billion surplus is now a \$2.3 billion deficit.

And while the President refuses to help States like ours, saying that they have been mismanaged, I would argue the opposite. I think our State is a perfect example, a shining example of a State that has been a responsible fiduciary for its taxpaying citizens through this entire crisis and putting the health and safety of our citizens first. So, I want to salute you for that. I wish my colleague from Minnesota felt the same about the need for Federal resources being directed to Minnesota.

I am also disappointed that the President has failed to use his authority under the Defense Production Act to secure medical supplies that would have saved probably thousands of lives, potentially.

And, Governor, as you know, I am working on legislation right now that would allow Governors to use the Defense Production Act (DPA) for critical goods and services that are produced within the State's borders or finished within the State's borders to respond to Statewide or national emergencies. You would have to coordinate closely with Federal agencies and demonstrate there is a clear need for it that couldn't otherwise be addressed.

So my question, Governor, is, could you speak about how you might use such authority and how it would impact our State and also if there are any obstacles that we should be aware of if we were to pursue it?

Governor WALZ. Thank you, Congressman. It is good to have you, and I always appreciate your insights. The one thing is—especially free market folks and the free market of ideas, the one thing about the 50-State Strategy is it has forced us to be creative. And so, I appreciate thinking about this. I would have never believed I would have to become a manager of a massive testing program managed between the Mayo Clinic and the University of Minnesota, and implementing that to get 20,000 tests a day to our folks.

But I do think there is some capacity if we could help to be able to do that. The only thing I would say is a concern is if this becomes every State is on their own, and it is survival of the fittest, I worry about that. Because I have to tell you, ethically, with the ventilator situation and the mask situation, I was pretty lucky be-

cause most of them were made or headquartered here in Minnesota, between Medtronic and 3M.

I think, though, if the capacity to let us do that as long as we are not interfering, where some other others were, might really be helpful, because this has been a challenge. We are 6 months into it, and I wish I could tell you that I have all the PPE I need, but it is a challenge. I wish I could tell you I had all the testing I need to really keep things open.

Because the way we keep things open is, here in Minnesota, every teacher has a saliva test in their pocket that they can use at any time, put it in, mail it, and get a result in 24 hours. Because we have to do that. If I get one teacher who tests positive, I don't want to set down a whole district.

So I think the way you are thinking, Congressman, is the way we probably are going to need to. It would probably be better on the national level if we can do it. But if that doesn't happen, States need some authority to be able to do it.

Mr. PHILLIPS. Indeed, to your point, we are 6 months into the pandemic and still lacking some of those needs. And I share your concerns about interstate competition and large manufacturing States, again, States that may not have those same resources, but the legislation I am considering would allow that, the use to share with one another to prevent that.

Governor, you have been generous with your time. I am grateful to you and, frankly, to all of the Governors who never could have anticipated the circumstances in which you find yourselves. I speak about Democratic and Republican Governors around the country who have done yeoman's work, in most cases, to keep our citizens safe. And I want to thank you.

I also know that you wanted to enter into the record expenditures, and so, therefore, Mr. Chairman, I ask for unanimous consent to submit for the record the Minnesota State expenditures offered by Governor Walz.

Mr. SAN NICOLAS. Without objection, it is so ordered.

Mr. PHILLIPS. And, with that, I yield back the seconds left of my time. And, Governor, I wish you well, with much gratitude.

Governor WALZ. Congressman, thank you.

Before you close, Mr. Chairman, if I could just use the last 10 seconds, I would encourage your colleagues in all of the committees to ask Governors to come on, Democrats and Republicans. There is very little separation between us on these issues, and I would like to testify in front of the Agriculture Committee or the Veterans' Affairs Committee or the Transportation Committee, because all of them are related. So, thank you all for sticking with us, and thanks for having me.

Mr. PHILLIPS. Thanks, Governor.

Mr. SAN NICOLAS. Thank you, Governor Walz.

I would like to thank our distinguished witnesses for their testimony today, particularly our Governors who saw fit to make time to come before this committee as a priority while they weigh all of the other priorities within their respective districts. We thank you sincerely for that.

Dr. Holtz-Eakin, thank you so much as well for your participation and for sticking with us also to the end.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is adjourned.

[Whereupon, at 4:14 p.m., the hearing was adjourned.]

A P P E N D I X

September 10, 2020



Statement by

**The Honorable Michelle Lujan Grisham
Governor of New Mexico**

before the
**U.S. House of Representatives
Committee on Financial Services**

on
**The Need For Financial Aid to America's States and
Territories During the Pandemic: Supporting First
Responders, Assisting Schools in their Efforts to Safely
Educate, and Preventing Mass Layoffs**

September 10, 2020



Office of the Governor

MICHELLE LUJAN GRISHAM

Madam Chair, honorable committee members, thank you for the opportunity and the time. As you know, the pandemic has unleashed economic devastation in states all across the country. The wave of financial pain threatens to swamp states like New Mexico, despite our healthy fiscal posture prior to the arrival of COVID-19. We labored for years here to diversify our economy, strengthen our overall financial position and improve our long-term budget outlook. But much of that progress was undone in only a few short and brutal months, and we face a long, difficult road back. Indeed, New Mexico and other energy-producing states have experienced not only pandemic-related budget shortfalls but a collapse in the global oil market. These dual economic crises have created a revenue gap that threatens to swallow essential services so many depend upon, everything from education to small business support, child welfare to health care services and more.

The fiscal impact of the pandemic is three-fold: We have already spent more than \$400 million on direct COVID-19 costs, including the purchase of PPE and testing supplies, and those costs continue to mount. We face indirect costs as state agencies and businesses adapt to a COVID-positive world; these costs for K-12 public schools alone total more than \$520 million. And we face the exponential loss of revenue due to the economic downturn, which compounds the other two. These three expenses are tied together, and we cannot emphasize one over another, and let me be clear: These are not static data-points. The pandemic is ongoing; the storm is raging. And those winds of fiscal damage are not dying down.

In all, New Mexico faces a nearly 20% decline in general fund revenues year-over-year. A \$4 billion budget shortfall is a line-item in Washington, but in New Mexico it's the difference between healthy, well-fed families and the alternative, for our current fiscal year and the next. Even with a record level of state revenue prudently set aside in reserves, the fiscal crisis threatens to touch New Mexicans in every corner of our state who rely on state programs and local-level programs powered by federal funds, so many of whom have already struggled to find and maintain work, to provide for their children and stay safe from the virus. States like mine that have taken tough and proactive measures to blunt the spread of COVID-19 must be able to use federal assistance to replace and backfill lost revenues or else make drastic, difficult cuts to essential services. Our effective, life-saving response to the pandemic cannot be left as a millstone around the necks of New Mexico workers, families, local governments and small business-owners who have already given and lost so much.

Small business revenue in our state is down 21 percent this year. Many have furloughed or laid off workers – and of course some have closed their doors for good. Our small businesses skew smaller than the national average, meaning they cannot take on more debt, meaning grants are much more effective than loans. My administration, in partnership with our state Legislature, has delivered more than \$400 million for small business support programs, sustaining hundreds of jobs – and still there are businesses and workers needing more. We were one of the first 7 states in the U.S. to operationalize every emergency unemployment funding stream made available, and we have delivered more than \$2 billion in assistance – but this has depleted our trust fund, and we will need help in sustaining these lifelines. New Mexico has the highest per-capita rate of Medicaid enrollment in the U.S., and the enrollment numbers have only grown amid the pandemic – federal assistance is essential to protect and strengthen our health care coverage and delivery infrastructure in this urgent moment when care is more important than ever. The hundreds of millions in CARES Act funds we have passed through to local governments and tribes in our state are a patch, not the cure, and these local governments – and my state government – still face an uphill climb.

We will all, I know, tighten our belts in the coming months and years. Indeed, so many states, including New Mexico, already have. But these cost-cutting measures will not be enough to weather the storm. An umbrella is not enough protection in a hurricane. And the rubber will meet the road in homes all across states like mine, where families, children and workers may be left without. States and local governments need more funding and more flexibility. Already this year, New Mexico has demonstrated how federal funding can be expeditiously delivered to those who need it most, but we need to expand the toolbox and fill it – and refill it. This is what government is for: The health and economic crises battering New Mexico and the U.S. require an all-hands-on-deck, whole-of-government approach.

New Mexicans' lives and livelihoods depend on essential state- and local-level services. Without them, the suffering of the economic crisis will be prolonged, and the recovery we all desperately want will be significantly slower and more painful for all. Madam chair, as you and the honorable members of this committee know, the best way, and perhaps the only effective way to combat this pandemic in a comprehensive and integrated way, is through a nationwide strategy with strong leadership. Again, thank you for the time and I look forward to answering whatever questions you may have.

Testimony of the Honorable Lourdes Leon Guerrero
Governor of Guam
U.S House of Representatives - Financial Services Committee
September 11, 2020

Chairwoman Waters, Ranking Member McHenry, members of this distinguished Committee; Hafa Adai and hello from the People of Guam--and Thank you for this opportunity to appear before you and provide testimony.

Today I join other Governors throughout the union in seeking immediate federal relief from the acute, extraordinary, and global financial impacts of COVID-19.

Throughout Guam's history, the island's central value to our nation's defense has been its strategic position in the Western-Pacific. Indeed, Guam remains one of the few pieces of American soil occupied by a foreign power in a time of war.

Now, from Anderson Air force Base Guam or Naval Base Guam respectively--America and its allies are able to project power and humanitarian aid on a global scale.

For these reasons, Guam is no stranger to the impacts of global conflict or the unity of purpose that must rise to meet it.

Let me be clear, without a single bullet fired, the loss of life and economic treasure caused by COVID-19 has been profound, and it demands an exceptional response.

Prior to the COVID-19 pandemic, Guam's tourism industry broke visitor arrival records on a nearly monthly basis. 88% of Guam's visitors came from South Korea and Japan...

That number is now zero.

Prior to COVID-19, unemployment on Guam barely rose to 4%. Now nearly half of all private Sector employees qualify for the Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) Programs this Congress has established.

Madame Chair, I thank you and your colleagues for Guam's inclusion in these programs. Your actions helped people you may never meet in ways you may never know. But rest assured, they will remember that you helped them.

Additionally, while Guam all but contained the spread of COVID-19 on island from March thru June—our positive case numbers rose exponentially as our economy reopened. To preserve life and prevent doctors from choosing which patients should be treated with limited resources, I issued a second “stay at home order” that remains in effect today.

Now, government revenues which rose enough in fiscal year 2019 to cut our deficit in half may see a 7.2% decline in FY2021.

This means dangerous cuts to our local Public health agency operations, drastic cuts to public safety, and potentially draconian cuts to local education.

This story isn't new. And it is not unique to Guam. It's being told in every state and territory throughout the country.

That is why bold Congressional action is required.

As businesses close and people lose their jobs, the most dangerous deficit of all begins to take hold. It is a deficit of hope - the belief that no one shares your pain and that nothing can be done to challenge a problem so great.

While Guam benefits from continued Department of Defense investments, I join other Governors throughout the country in seeking direct grants in aid to our communities -- especially those grants that allow us to offset government revenue losses or further invest in our COVID response.

Congress took serious bipartisan steps forward with the Economic Injury Program, the Paycheck Protection Program, and Education Stabilization funds - but these are temporary economic backstops that are already beginning to fade.

As we join others in seeking robust federal aid in these uncertain times, we know that we must also be good stewards of the aid we have received. For that reason, we have worked to follow all federal guidance in relation to federal monies—even when such guidance is revised often, or more nuanced guidance delays the expenditure of these funds. At every juncture we have tried to match earnestness with speed, trying to never sacrifice integrity in the use of these funds.

For this reason we have welcomed review by Guam's Office of Public Accountability, other independent reviewers, and our federal partners.

As you act in the days ahead, I ask that you treat your fellow citizens residing in our nation's territories with continued fairness and that:

1. We are included equitably in any federal relief package;
2. That this package continues direct unemployment assistance to the people of Guam and the other U.S. territories;
3. That direct aid to small businesses operating during the Covid-19 era be a central component of any relief package, along with rental and Homeowner's assistance;
4. That a program be created to provide grants to assist jurisdictions whose economy relies primarily on tourism; and
5. That States and territories be allowed the flexibility to use funds for budget shortfalls caused by this pandemic.

While these steps will help Guam and other similarly situated jurisdictions build a bridge over times of trouble, we must also confront a world in which tourism will stagnate in the absence of a vaccine, which will stagnate our ability to make economic progress.

This scenario will demand that old problems find new solutions.

This includes finally addressing 100% coverage of the \$60 million dollars in annual federally mandated Earned Income Tax Credit payments that comes directly from Guam's coffers, and an H2-B policy that recognizes Guam's civilian construction demands as well as upholding U.S. military construction requirements.

Finally, I am supportive of securing eligibility for the government of Guam to participate in and have access to the Municipal Liquidity Facility (MLF) Program as a safety net.

Unfortunately, as I understand it, the language as adopted leaves out the U.S. territories, including Guam. Because of this, I immediately wrote to the Chairman of the Federal Reserve, Jerome Powell, and U.S. Treasury Secretary Steven Mnuchin on April 13th, and Congressman Michael San Nicolas on April 14th to request Guam's inclusion in the program. I am certainly pleased to hear that this request is now being considered.

It has been said that in times of great conflict or struggle we cease being individual American states and territories—we simply become the United States of America.

I believe that now is one of those times. Thank you again for this opportunity.

Testimony on:
The Need for Financial Aid to America's States and Territories During the Pandemic:
Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate,
and Preventing Mass Layoffs

Douglas Holtz-Eakin, President*
American Action Forum

September 10, 2020

*The views expressed here are my own and do not represent the position of the American Action Forum. I am indebted to my colleague Gordon Gray for many valuable conversations.

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for the privilege of participating in this hearing on financial aid for states and territories during the pandemic crisis. In this short testimony, I want to make three simple points:

- The recession induced by the coronavirus pandemic has been dramatic and rapid, potentially disrupting the tax and other revenue streams for state and local governments;
- States and localities faced the brunt of the public health crisis, incurred costs for first responders, health professionals, and other direct impacts of the COVID-19 pandemic; and
- This recession is like no other, and historical relationships between the economic cycle and state-local finances will not provide good guidance for the financial needs of the sub-federal sector.

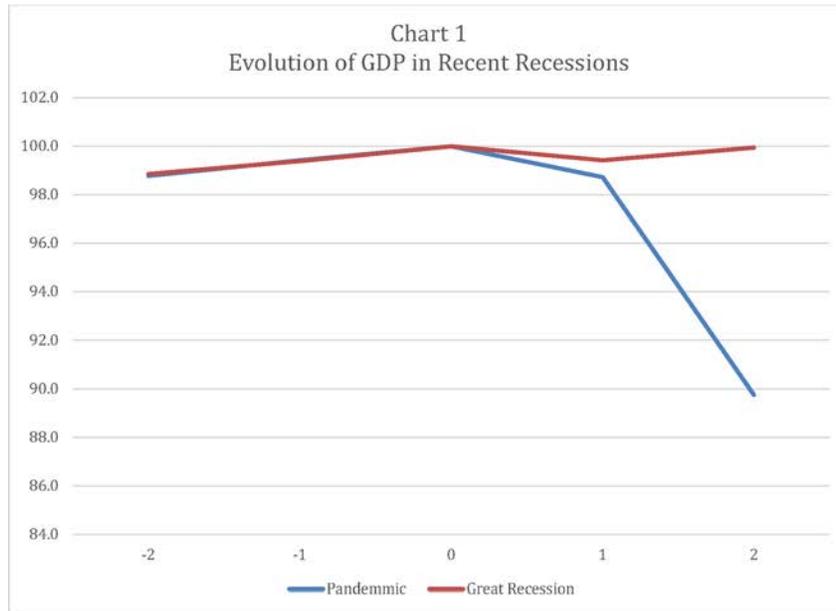
Let me discuss these in turn.

The COVID-19 Recession Is Sharp and Rapid

The power of the COVID-19 Recession is shown in Chart 1, which compares this recession with the Great Recession. For each cycle, the chart displays two quarters of data (labelled as -2 and -1) leading up to the business cycle peak (labelled 0, and as identified by the [National Bureau of Economic Research](#)) and two quarters of recession data. The data are gross domestic product (GDP), measured relative to its value at the peak quarter.

As one can see, economic growth leading to the peak quarter is essentially identical in both business cycles. The speed and depth of decline in this recession, however, is dramatically greater. GDP had already fallen 10 percent from the peak in the 2nd quarter of 2020, and there is every reason to expect that 3rd quarter GDP will rise substantially from this low. In contrast, the peak-to-trough decline in the Great Recession was 4 percent and it was not reached until the 2nd quarter of 2009, six quarters after the business cycle peak.

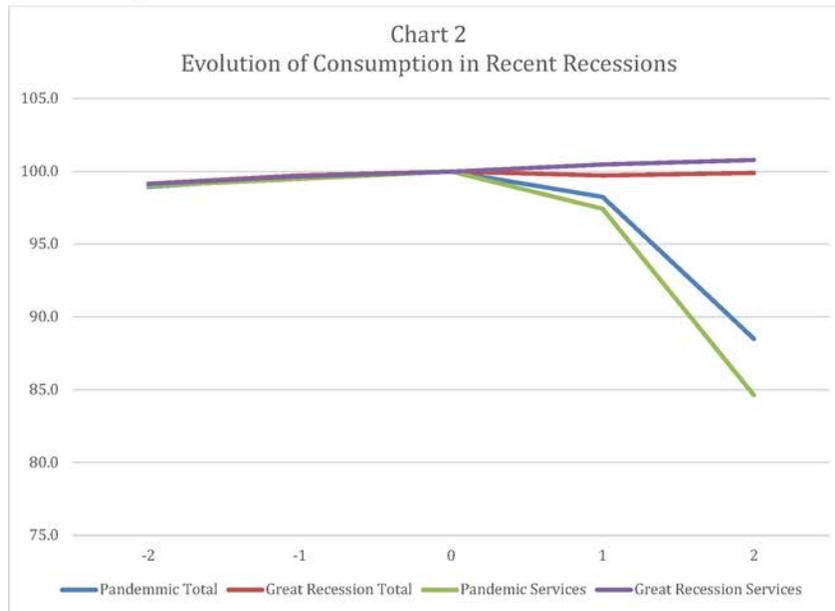
One might be tempted to conclude that state-local budgets will be the mirror image of Chart 1, but this conclusion would ignore important differences in the mechanics of the recessions.



The Composition of this Recession Is Different

The sharp nature of the downturn is not the only distinguishing feature of this recession. The unique characteristic of this recession is the sharp downturn in household spending – measured by personal consumption expenditures (PCE). As one can see in Chart 2, total PCE fell by even more than overall GDP, 11.5 percent, and in direct contrast to the Great Recession where spending showed no decline. At the heart of the spending pullback is the demand for services; personal consumption

spending on services falls even more dramatically – down roughly 15 percent – in Chart 2, in contrast to rising during the Great Recession. This difference merits further investigation.



To do so, it is useful to review two charts from [Chetty, et. al.](#) The first, below, shows real-time data on consumer spending by quartile and carries three major lessons. The first is the same lesson as Chart 2: The onset of the recession was driven by a sharp drop in spending, even though there had not been any decline in income. This is a very different mechanism than was common in 20th-century business cycles (which were income-driven) and 21st century business cycles (which thus far have been driven by financial bubbles).

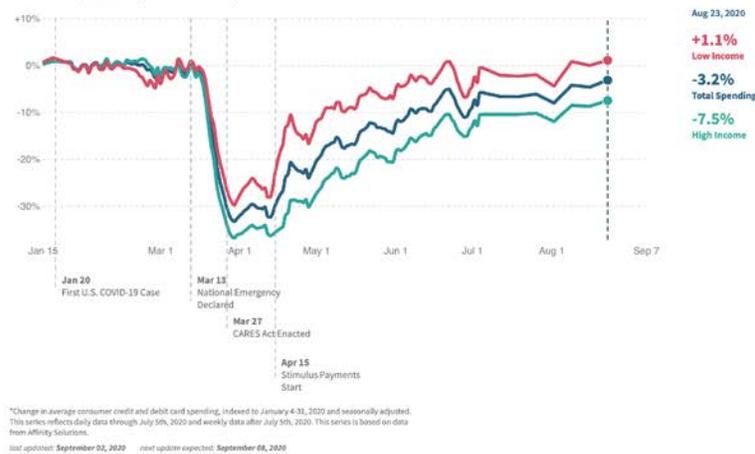
The second lesson is that the sharp pullback in spending was largely due to high-income households. As the chart shows, spending in the top quartile fell much more

sharply (31 percent compared to a year earlier) in late March than in the bottom quartile (23 percent). The **COVID-19 recession** emanated from more affluent Americans; responding to it should reflect this fact.

The final lesson is that federal transfers – checks to individuals and children, pandemic unemployment insurance – shored up the finances of lower-income consumers to such a degree that by mid-August their spending was up by roughly 1 percent compared to January 2020, while higher-income families' spending was down by 7.5 percent.

Percent Change in All Consumer Spending*

In the United States, as of August 23, 2020, total spending by all consumers decreased by **3.2%** compared to January 2020.



Why? Unlike the previous recession, the big cutbacks were not in big-ticket durable items or other non-durable goods. Instead, the diminished purchases of services shown in Chart 2 is responsible for two-thirds of the decline. People stopped flying (transportation services), staying at hotels (housing services), attending concerts

and movies (entertainment services), and so forth. The issue was the fear of individuals to participate in anything that involved personal contact. This fear produced the downturn, which was exacerbated by the lockdowns that occurred later.

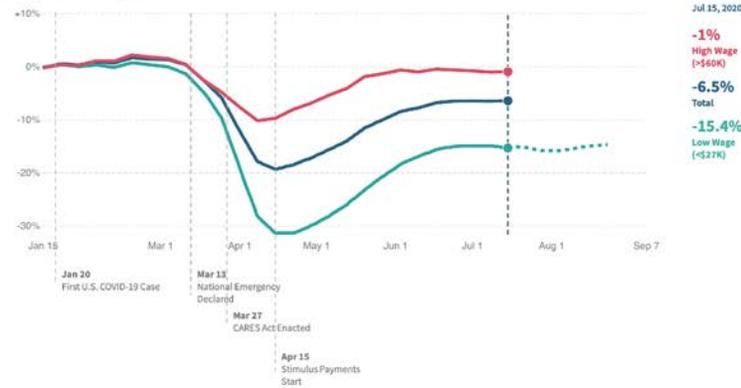
A slightly more detailed examination of the data reveals that spending fell primarily among high-income households for in-person services (e.g. restaurants) and that these services were produced by low-income workers in small business in these high-income areas.

History May Be a Poor Guide to State-Local Finances

Because of the sharp differences in the mechanics of the recession, one may suspect that historical relationships between measures of the cycle (e.g., the unemployment rate) and state and local finances may not be a good guide to current conditions. To begin, this recession has been concentrated on low-wage workers, as these are disproportionately represented in service industries that have been at the center of the downturn. The chart below from [Opportunity Insights](#) highlights the damage done to low-wage labor markets (and also the relative recovery of high-wage employment).

Percent Change in Employment*

In the United States, as of July 15 2020, employment rates decreased by **6.5%** compared to January 2020.



*Change in employment rates, indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Inizio, worker-level data on employment and earnings from Earnings, and time-level data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.
 last updated: September 01, 2020 next update expected: September 08, 2020

Next, the scale of the Coronavirus Aid, Relief, and Economic Security (CARES) Act will have direct impacts on state-local finances. The combination of Paycheck Protection Program funds and unemployment compensation will provide taxable income to states and localities. In addition, recessions are typically accompanied by equity-market slumps. In this case, the opposite is true, which will support the realization of taxable capital income. Finally, housing markets have held up or risen during the recession. These factors may be behind the fact that personal income taxes for state-local governments were down only \$0.1 billion in the 2nd quarter, corporate income taxes declined only \$8.3 billion, and property taxes rose \$4.1 billion.

Finally, as noted earlier, the decline in spending has been concentrated in services. Since most services are untaxed, the decline in sales tax revenues may be mitigated as well. Sales taxes were down \$42.5 billion in the second quarter.

Thank you and I look forward to your questions.

Congressional Hearing
Governor Laura Kelly remarks
Thursday, September 10, 2020

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am Laura Kelly, Governor of Kansas.

Thank you for the invitation to testify on behalf of my state regarding our need for federal aid as we overcome the unprecedented challenges brought forth by COVID-19.

We have seen record numbers of weekly Unemployment Insurance benefits claims, which overwhelmed our Department of Labor's antiquated computer system.

At times, we have struggled to access Personal Protective Equipment for our health care workers and adequately test our population for COVID-19.

Our small businesses have suffered. Many have been unable to make up for lost revenue or were forced to furlough employees.

Through all these challenges, my administration has worked to keep Kansas families safe and healthy.

I'd also like to thank Congresswoman Sharice Davids, for being a strong advocate for Kansas small businesses during pandemic – including introducing legislation requiring transparency around relief funds to make sure they're getting to small businesses in Kansas, and not just fortune 500 companies.

However, we will need significantly more support from our federal partners to protect our institutions from drastic and damaging cuts.

Kansas is uniquely suited to address a looming budget crisis during these unprecedented times because we have already overcome one this decade – albeit self-inflicted, rather than an act of God.

In 2012, my predecessor, Governor Sam Brownback, signed into law one of the most significant income tax cuts in our state's history – tax cuts that largely benefitted the wealthiest Kansans.

The consequences were profound.

As a 14-year member of the State Senate, I watched in dismay as other states recovered and grew in the wake of the 2008 recession – while Kansas instead moved backward.

The state faced a \$900 million budget shortfall, school funding was drastically cut, infrastructure spending was decimated, and critical programs like Medicaid and Temporary Assistance for Needy Families, or TANF, were gutted.

Kansas' bond rating was downgraded twice. Our agencies were hollowed out, our state highway and health care funds were robbed.

There are so many more examples – but the bottom line is that years of austerity hurt our business owners, our farmers, our children, our teachers, our essential workers, and our families.

Before the pandemic, my administration's budget was crafted to get Kansas back on sound financial footing – a process we expected would take years of responsible governance.

We have prioritized rebuilding our state's fiscal foundation.

We re-established economic development tools within our Department of Commerce, critical to ensuring Kansas can compete on a global scale.

We passed a historic ten-year transportation plan, and fully funded our K-12 education for the first time in years.

Thankfully, in 2017, a bipartisan group of legislators came together to undo the tax cuts implemented in 2012 and begin the uphill climb of closing the budget deficit.

Unfortunately, as we were righting the ship, we were hit with the worst public health crisis in a century.

This pandemic is different, and the fix isn't as simple as Kansas' government tightening our belt buckle.

Our federal partners must step in and help.

I know firsthand that cutting local government funding will hamstring states' ability to fight the pandemic and leave us more vulnerable to future ones.

Severe budget cuts don't create small government. They create failed government.

Governments that can't provide the essential services and investments this country was built on: good schools, stable infrastructure, and a robust social safety net, cannot succeed.

I had a front-row seat to the worst budget crisis in our state's history – and I know it hit the most vulnerable among us the hardest.

We need continued investments at the local level to allow for decisions that best respond to individual community needs.

We need support for strategic investments to stop the spread of the virus, enhance the state's ability to respond, protect our schools, and provide needed economic assistance to small businesses.

We need the federal government to support states and support Kansans who are struggling.

We need a coherent, top-down strategy that will reassure businesses and Americans that our government has a plan to keep our economy stable until a vaccine is available.

Thank you.



Statement by

The Honorable Timothy J. Walz

Governor of Minnesota

before the

U.S. House of Representatives

Committee on Financial Services

on

**The Need for Financial Aid to America's States and Territories During the
Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to**

Safely Educate, and Preventing Mass Layoffs

September 10, 2020

Chairwoman Waters, Ranking Member McHenry, members of the Committee:

My name is Tim Walz, and I am the Governor of the State of Minnesota. Thank you for the chance to speak about the critical need for additional federal support for states.

I want to acknowledge my Minnesota colleagues on the committee, Representative Dean Phillips and Representative Tom Emmer. Whether it is Rep. Phillips' work tirelessly pushing the Paycheck Protection Program Flexibility Act to become law, or Rep. Emmer's advocacy for innovative new approaches like the blockchain to mitigate the Coronavirus, Minnesota is lucky to have you in Congress and serving on this Committee.

The National Governors Association has issued a bipartisan call for at least \$500 billion in state aid as part of the next COVID-19 response. I want to thank the House for taking the first step to providing much needed resources for states by passing the HEROES Act. As you continue your negotiations with the Senate and the Administration, I would ask that you continue to prioritize funding for states.

As Governor, it is my vision that every child in Minnesota has the opportunity to succeed. And when I first came into the job in January of 2019, I worked with our State Legislature to invest in education, jobs, and housing. Minnesota is the one of the only states in the country that has a politically divided legislature, and yet we made tremendous progress making these investments while maintaining fiscal discipline around our spending.

I know there has been a lot of talk in Washington about "poorly managed states" wanting to balance their budgets with federal aid. So let me be clear: for years, Minnesota's fiscal house has been in good order. After volatile financial times during the 2000s, Minnesota went from budget deficits to budget surpluses, and we invested in our budget reserves and rainy-day funds to the highest levels ever recorded.

Minnesota has a AAA bond rating. In its 2020 analysis, one rating agency said Minnesota's AAA rating reflects our "strong control over revenues and spending that...leaves the state well positioned to manage through economic cycles."

Even as recently as our 2020 February Budget Forecast, we had a projected budget surplus of \$1.5 billion. Then the Coronavirus hit. Within a matter of months, states all across the country saw their fiscal situations rapidly decline.

Minnesota was no different. Literally in a matter of weeks, we saw our \$1.5 billion surplus turn into a \$2.3 billion projected deficit for fiscal year 2021. Today, we estimate that in the upcoming biennium, Minnesota will face a \$4.7 billion shortfall. Compared to our previous projections in February, our May revenue projections over the four-year budget horizon dropped by \$8.4 billion.

Minnesota entered the COVID-19 crisis in strong economic shape, with low unemployment and a high demand for workers. In March, our unemployment rate was 2.9 percent, well below the U.S. rate. Our labor force participation rate was one of highest in the nation. But, like everywhere else, Minnesota's economy has been rocked by the COVID-19 pandemic.

Minnesota entered this crisis better prepared than most states. We had a robust rainy-day fund. We have one of the most fiscally prudent reserve policies in the nation. We have a well-educated workforce and a diverse economic base. But that wasn't enough to insulate us from the economic destruction of COVID-19.

I'm sure I speak for my fellow Governors when I say that we appreciate what the federal government has provided thus far. The CARES Act funding has been critical. CARES Act funding helped us support our school districts as they prepared for both distance and in-person learning, and it helped get our testing and PPE operations off the ground, which are critical to our economy. It has also assisted our local governments with their COVID response.

But the needs of our citizens don't end there. Republican and Democratic governors across the country face unprecedented challenges, and the federal government is the only entity big enough to respond with the kind of fiscal firepower that can make a difference.

Having sat in your chairs as a member of Congress, I know that prioritizing so many competing needs is challenging. But I would like to impress upon you the dire difficulties that states will face as a result of this challenging year. We are at a critical juncture.

Federal support for states can change the trajectory of this pandemic. Additional, flexible resources for states can help us continue to respond to unique needs as a result of the Coronavirus, such as continuing to meet our testing and PPE needs. Additional, flexible funding could allow us to support industries that are particularly challenged in this environment, like child care, restaurants, and other small businesses.

And importantly, support from the federal government will be critical for states like Minnesota to continue to provide services to Minnesotans as we navigate through these economic times. Without your help, Governors and state legislatures will be forced to make painful decisions that will be detrimental to our ability to help people, at the moment they are most in need.

This is true not just in my state, but in each of your districts as well. These are challenging times. The need is great and partnership is essential. We know what we have to do - we just need the resources to pull it off.

Thank you for the opportunity to speak to you today. I would be pleased to answer any questions.

**Statement for the Record by the
American Federation of State, County and Municipal Employees (AFSCME)
For the Hearing on
“The Need for Financial Aid to America’s States and Territories During the Pandemic:
Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and
Preventing Mass Layoffs”
Before the
Committee on Financial Services
U.S. House of Representatives
on
September 10, 2020**

AFSCME urges significant immediate federal funding relief to states and localities to ensure they continue delivering vital public services. During the last six months, as our country suffered through a pandemic that killed nearly 200,000 Americans, infected 6 million more, and caused more than 30 million new unemployment claims, the continuing COVID-19 driven recession also has caused painful budget problems and destabilized finances for America’s states and localities. This has harmed states, counties, municipalities, school districts and other local governments, including large, medium, and small jurisdictions that are both rural and urban in all parts of the country. Bipartisan groups of governors, mayors, county executives and other elected officials all across America currently face significant budget gaps that cumulatively exceed \$1 trillion as a result of troubling revenue shortfalls and still rising COVID-19 related expenditures. These gaps already have led to harmful budget cuts, reduced public services and layoffs, and experts think there is a strong likelihood of deeper budget cuts and mass layoffs extending into 2021 and beyond – potentially erasing the last decade or more of gains.

In response, Americans strongly support Congress helping to solve these problems. Polling shows 84 percent favor \$1 trillion in federal aid funding to states, cities and towns to preserve vital public services. There is also strong bipartisan support for significant federal fiscal relief advocated by the National Governors Association, National League of Cities, National Association of Counties, U.S. Conference of Mayors, organizations representing state and local elected officials and other stakeholders, including public sector labor unions like AFSCME.

Overview of State and Local Budget Problems

Given nearly all states – along with cities, counties and municipalities – have balanced budget requirements, their traditional response to deficits is to cut public services, raise taxes and/or reduce spending on public employees via furloughs or layoffs and wage and benefit concessions. During a recession, these actions are counterproductive because they siphon money out of the local economy, reduce needed spending and investment, and weaken the safety net when Americans require more assistance. Given state and local governments’ expenditures are roughly 14 percent of U.S. Gross Domestic Product (GDP), unless Congress provides offsetting funds to assist these jurisdictions, they are likely to reduce spending and make the harmful recession deeper and longer, and delay any recovery by our communities. We strongly recommend Congress take significant immediate steps to prevent a longer, deeper, more harmful recession; and to promote a quicker, stronger recovery.

Nearly four months ago on May 19, 2020, Federal Reserve Chair Jerome Powell testified, “we have the evidence from the global financial crisis and the years afterwards, where state and local governments’ layoffs and lack of hiring did weigh on economic growth.” Earlier, Powell said, “The thing is, state and local governments have to balance their budget, states do. And if they can’t do that, what they’ll do is they’ll lay people off and they’ll cut back on services. And that’s not ideal at a time when you’re still experiencing heightened medical needs and things like that. So that’s something that deserves a careful look.” During the last few months, Powell and other expert economists – both Republicans and Democrats – have reinforced this central point and the need to address these problems swiftly with significant federal assistance that meets the challenges. In fact, Powell and other Fed officials have stressed again in recent days that the U.S. recovery is highly dependent on the nation’s ability to better control the coronavirus, and that further fiscal stimulus is likely needed to support jobs and incomes.

Unfortunately, in the continuing pandemic, states and localities already implemented budget cuts and layoffs. A net of more than one million state and local government workers have lost their jobs. In April 2020 alone, these lost jobs exceeded the cumulative jobs lost across the entire U.S. economy in the worst month of job losses in the Great Recession. The solution is clear and within reach. Given today’s interest rates are historically low – near zero – and economists agree there’s active harm in not funding states and localities to preserve needed public services, Congress should act immediately. The price of inaction is too high.

What’s Needed?

AFSCME supports federal fiscal relief for states and localities to fund the front lines, preserve public services, and protect public workers and at-risk residents. To minimize the recession’s short-term and long-term harm, keep Americans safe from the pandemic, and shorten and strengthen recovery, AFSCME requests robust flexible direct grants to states and localities; enhanced federal Medicaid funds; and increased funds for public K-12 and higher education. We need:

- **Direct Flexible Grants to States and Localities:** Congress should immediately appropriate at least \$1 trillion in unrestricted direct grants to states and localities. These grants should be flexible, allowing broad eligible uses so jurisdictions can address their specific circumstances related to COVID-19 relief and recovery, including replacing lost revenues and preparing for, preventing and responding to coronavirus. This flexibility also should retroactively cover the \$150 billion in grants enacted in the CARES Act’s Coronavirus Relief Fund, but flexibility alone is not enough.
- **Enhanced Medicaid/FMAP Funding to States:** Congress should increase federal funding to states for Medicaid and the Federal Medical Assistance Percentage (FMAP) to ensure states can finance rising Medicaid caseloads and per capita costs without diverting resources from other vital public services. AFSCME strongly supports the provision in the “Take Responsibility for Workers and Families Act” (H.R. 6379), which proposes permanent counter-cyclical enhanced Medicaid assistance through a formula based on state-by-state unemployment rates, which

when needed, will automatically provide enhanced Medicaid funding to states. At a minimum, AFSCME supports increasing FMAP by a total of 14 percentage points to supplement the increase of 6.2 percentage points enacted in the second COVID-19 package. The higher FMAP rate should be retroactive to Jan. 1, 2020 and extend until at least Dec. 31, 2021. Congress also should suspend the Trump administration's Medicaid Fiscal Accountability Regulation (MFAR) for at least two years to avoid cutting federal subsidies for state Medicaid spending, which would annually save states a cumulative \$13-\$18 billion.

- **Increased Education Funds to States and School Districts:** Congress should provide at least \$200 billion in new funding for public K-12 and higher education, including \$25 billion for Title I and IDEA.

America's Worst Recession Since the 1930s is Weakening States and Localities

Tens of millions of Americans are extremely concerned by the continuing recession, predictions it will worsen, and their daily struggles to make ends meet. If, as some health experts expect, this winter brings a second wave of COVID-19, these financial problems will be devastating across our country and many key sectors of the economy. This includes state and local governments, millions of public-sector front-line workers, safety net advocates, and tens of millions of Americans who have become newly unemployed in recent months (reaching as high as one-fourth of the total U.S. labor force). America's GDP has declined significantly. In recent months, the official overall unemployment rate reached the highest levels since the 1930s Great Depression, and while it has rebounded a bit, it's still too high.

Major ratings agencies have reported more federal fiscal relief for states and localities is needed because the \$150 billion enacted for these jurisdictions is too little and unnecessarily restricts funding to costs of unbudgeted COVID-19 needs rather than funding lost revenues or cash flow gaps. The National Association of State Budget Officers (NASBO) has noted it expects this downturn to affect every state and that "states are currently facing revenue impacts that could dwarf what was observed in the last recession. Over a two-year period during the Great Recession, total general fund revenue declined by 11.6 percent in states. States are currently forecasting steep revenue declines of up to 20 percent." Unfortunately, in 2020 the budget problems are worse. The Center on Budget and Policy Priorities (CBPP) estimates state governments' cumulative FY 2020-2022 revenue shortfalls exceed \$500 billion. State-by-state data further illustrates the breadth of these budget problems as many states estimate the decline in their general fund tax revenues for FY 2021 or FY 2022 will exceed 10 percent, including California, Colorado, Connecticut, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Vermont and Washington.

In addition to state budget shortfalls, cities, counties and other localities are also suffering budget problems. The National League of Cities estimates over three years, cities face a cumulative revenue loss of \$360 billion. The National Association of Counties estimates through FY 2021 counties anticipate a cumulative budget impact \$202 billion. When states, counties, cities and other localities are added together, the projected cumulative total shortfall for states and localities exceeds \$1 trillion. To address these budget problems, the bipartisan National Governors Association requests \$500 billion in federal fiscal relief to help state governments continue

delivering needed public services. The bipartisan National League of Cities requests \$500 billion over two years to help municipalities continue delivering needed public services.

COVID-19 Fiscal Crises Causes Layoffs and Public Service Cuts that Worsen the Recession

Current state and local government revenue shortfalls (e.g. income tax, sales tax, business tax) are magnified because nearly all are required to balance their budget. In past recessions, this traditionally led to spending cuts that reduced vital public services and personnel, including layoffs, furloughs, hiring and pay freezes, and workers' givebacks on wages, pensions and health benefits. Worse, when states and localities cut public services and laid off workers, it imposed a heavy drag that significantly weakened and delayed private sector growth and overall economic recovery.

Simultaneously, with tens of millions of Americans newly unemployed during recent months of the pandemic, demand for states and localities to deliver more public services is skyrocketing and significantly raising their needed expenditures. These jurisdictions must help address their constituents' lost wages and benefits, medical needs, homelessness, food insecurity, requests from hospitals and health care providers, and personal protective equipment for front-line workers. Demand has increased for unemployment benefits, Medicaid services, housing, SNAP and nutrition, and other vital public services. Individuals in need are suffering longer waiting times and longer lines for many vital services. However, for states and localities, these falling revenues and rising demand for services are huge problems that without offsetting federal assistance will increase unmet needs and prolong the recession. If forced evictions are allowed to occur, millions of American families are at risk. Thus, while initially a COVID-19 health crisis, these problems have exploded into two intertwined crises – a national pandemic and the worst U.S. recession since 1930s – and without swift effective action it will become a depression.

Conclusion

AFSCME thanks the Committee leadership for convening this hearing and focusing attention on the need for federal aid to states and territories, supporting first responders, assisting schools, and preventing mass layoffs of public sector workers. We appreciate the testimony of Governors Michelle Lujan Grisham of New Mexico; Tim Walz of Minnesota; Laura Kelly of Kansas; and Lourdes Leon Guerrero of Guam. AAF's Douglas Holtz-Eakin also provided interesting testimony. We appreciate Representatives' participation in the hearing and thoughtful statements highlighting the state and local needs and support for federal assistance.

Congress must act swiftly to provide at least \$1 trillion in federal funding to states and localities. This should include unrestricted flexible direct grants needed to preserve vital public services and protect local economies. Congress must also provide enhanced Medicaid funding and a 14 percentage point increase to the federal Medicaid match (FMAP) to provide counter cyclical relief and ensure states can afford to care for millions of newly unemployed and low-income Americans temporarily needing Medicaid's safety net services. Congress must also provide at least \$200 billion for public K-12 education and higher education, including \$25 billion for Title I and IDEA.



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

ANDREW M. CUOMO
GOVERNOR

July 29, 2020

Dear Senators Schumer and Gillibrand and Members of the New York State Congressional Delegation:

Let me begin by thanking you for your time and attention on behalf of the people of our state during this COVID pandemic. As I'm sure you agree, government performance is more vital today than in decades.

The HEALS Act that you are currently considering is critical to New York. As you know, the National Governors Association has called for \$500 billion in unrestricted state aid. Many notable economists have opined that without state and local aid the national economy will suffer and a recession is possible. As you also know, the past CARES Act distributed aid by a funding formula that was politically driven to favor Republican states and painful for New York.

New York State received \$25,000 for every COVID case from the federal government and Alaska received \$2.5 million for every COVID case.

The legislation will actually de facto establish the state's budget. The state legislature passed a budget this year constructed to rely on the federal aid you provide. As you know, New York State has a \$14 billion revenue shortfall in the current fiscal year and \$16 billion in 2022 as a direct result of the pandemic and without additional federal aid we will need to reduce funding for hospitals, schools and local governments by 20%. To the extent the federal legislation provides the state with funding, will be the extent of the reduction in that 20% cut. For example, if the state receives the \$14 billion requested, we could fully fund the budget for one year (2021). Likewise, if the state receives \$7 billion, schools, hospitals and local governments will be cut 10%. The current Republican Senate bill requires full funding for education. If New York State does not receive at least the \$14 billion for 2021 and \$16 billion for 2022, but must fully fund education, there will be a greater cut to hospitals and local governments. It is zero sum game. In the absence of full funding for the revenue shortfall, full funding for education will require additional cuts above the 20% for hospitals, local governments and not-for-profits.

WE WORK FOR THE PEOPLE
PERFORMANCE * INTEGRITY * PRIDE

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For the sake of clarity let me provide more details on the relevance of the Republican-proposed HEALS Act:

The MTA has a \$12 billion deficit and without funding would have to raise tolls and fares.

The Port Authority is funded by travel related activities and has suffered an \$3 billion loss. Without Federal assistance construction at LaGuardia and John F. Kennedy Airport and other improvements could very well be stopped or delayed.

The HEALS Act will also determine New Yorkers' property tax. I applaud the HEROES Act proposed by the House of Representatives, Speaker Pelosi and the New York Members. It is essential that the Senate include the HEROES Act provision on the repeal of SALT in the final bill. The Federal SALT provision passed in 2017 was effectively a theft from the people of the State of New York. That Federal action alone is costing New Yorkers as much as \$15 billion in additional federal taxes, an average cost of \$8,700 impacted New Yorkers. Repealing SALT in the bill is essential. I have publicly called on you to vote against any bill that does not include the SALT reform included in the House bill. New Yorkers have heard too many excuses for too long.

We have learned from the past COVID-19 relief legislation that the Federal Government allocating aid to individual hospitals, schools and local governments has been arbitrary and disproportionate. While I understand the political desire to deliver assistance it has not served New York State well. Funding has been unfair and uneven. The state is in a better position to make more informed decisions; therefore, we call on you once again to ensure \$500 billion in unrestricted state aid in any Senate passed relief package.

This next COVID-19 relief legislation is the most important piece of federal legislation during my years as Governor. It will have unprecedented impact on the State of New York. When this legislation is passed it will inform schools, hospitals, local government, the MTA, Port Authority and taxpayers their prospects for the year.

My office is available to provide any information you may need and is providing information to Senator Schumer as Minority Leader of the Senate and Congresswoman Lowey as Chair of the House Appropriations Committee.

I look forward to working with you on this important legislation.

Sincerely,



ANDREW M. CUOMO

*House of Representatives*DAVID RALSTON
SPEAKER332 STATE CAPITOL
ATLANTA, GEORGIA 30334(404) 656-5020
(404) 656-5644 (FAX)

August 3, 2020

The Honorable David Perdue
United States Senate
455 Russell Senate Office Building
Washington, DC 20510

Dear Senator Perdue,

We are extremely appreciative of your tireless efforts to assist the citizens of our state. The COVID-19 pandemic continues to challenge us on the state level regarding the delivery of services. We respectfully ask for your support to approve a fourth federal relief package that includes \$500 billion proportionately sent to states for flexible general fund assistance. With additional financial assistance from the federal government to mediate the depth, breadth, and immediacy of declining state revenues, we will continue to work together at our level to implement state responses that mitigate the disruption to Georgians' needs for health, education, and economic support.

As you are aware, we are doing our part. Difficult decisions made the last week in June centered on 10% cut plans from all agencies that translated into a Fiscal Year 2021 spending plan beginning on July 1st that dropped the state general fund budget by \$1.9 billion, or 8.3%, in a single year. In addition to reductions that include hiring freezes, new programs slated to begin in FY 2020 were rescinded, and the only significantly new service approved is to address Georgia's unacceptable maternal mortality rates. We have also worked to rearrange funding to maintain the decade-long investments to improve our mental health systems to comply with the Department of Justice settlement and continue successful criminal justice reforms.

In addition to constricting growth and reducing and eliminating services, the state is using its Revenue Shortfall Reserve. The state started Fiscal Year 2020 with \$2.7 billion in rainy day funds, but after appropriating our mid-year reserve for education, using \$350 million to offset general fund losses, and likely utilizing another \$1 billion to close and balance FY 2020, less than half of our savings account remains for emergencies and an uncertain Fiscal Year 2021 future. The RSR is a part of our fiscal toolbox, and while we have been diligent in building our reserve to use for these dire days and have shown a willingness to use it, the availability of these funds should not obscure the reality that leads to our need for federal assistance.

The Honorable David Perdue
August 3, 2020
Page 2

In context, revenues declined by 21% and we used our entire \$1.5 billion in reserves over two fiscal years during the Great Recession and we are mirroring that same trajectory now. Before the pandemic, we were already spending less per capita and operating with 10,000 fewer employees than we were at the turn of the century; our state government workforce is 19% smaller than it was in 2008 even while our population continues to grow. We have exercised conservative budgeting, paid our pensions, and balanced our budgets responsibly as evidenced by over 20 years of Triple A bond ratings.

Georgia's economy is typically a strong network of diverse revenues streams, but the pandemic has affected all of them, even those like motor fuel that typically tend to resist downturns. The lagging effect on our largest revenue sources, income and sales taxes, is presenting us with additional challenges for months to come. We would welcome the opportunity to share more details and clarify any question regarding this request.

Sincerely,



David Ralston, Speaker
Georgia House of Representatives

DR/kl

*House of Representatives*DAVID RALSTON
SPEAKER332 STATE CAPITOL
ATLANTA, GEORGIA 30334(404) 656-5020
(404) 656-5644 (FAX)

August 3, 2020

The Honorable Kelly Loeffler
United States Senate
131 Russell Senate Office Building
Washington, DC 20510

Dear Senator Loeffler,

We are extremely appreciative of your tireless efforts to assist the citizens of our state. The COVID-19 pandemic continues to challenge us on the state level regarding the delivery of services. We respectfully ask for your support to approve a fourth federal relief package that includes \$500 billion proportionately sent to states for flexible general fund assistance. With additional financial assistance from the federal government to mediate the depth, breadth, and immediacy of declining state revenues, we will continue to work together at our level to implement state responses that mitigate the disruption to Georgians' needs for health, education, and economic support.

As you are aware, we are doing our part. Difficult decisions made the last week in June centered on 10% cut plans from all agencies that translated into a Fiscal Year 2021 spending plan beginning on July 1st that dropped the state general fund budget by \$1.9 billion, or 8.3%, in a single year. In addition to reductions that include hiring freezes, new programs slated to begin in FY 2020 were rescinded, and the only significantly new service approved is to address Georgia's unacceptable maternal mortality rates. We have also worked to rearrange funding to maintain the decade-long investments to improve our mental health systems to comply with the Department of Justice settlement and continue successful criminal justice reforms.

In addition to constricting growth and reducing and eliminating services, the state is using its Revenue Shortfall Reserve. The state started Fiscal Year 2020 with \$2.7 billion in rainy day funds, but after appropriating our mid-year reserve for education, using \$350 million to offset general fund losses, and likely utilizing another \$1 billion to close and balance FY 2020, less than half of our savings account remains for emergencies and an uncertain Fiscal Year 2021 future. The RSR is a part of our fiscal toolbox, and while we have been diligent in building our reserve to use for these dire days and have shown a willingness to use it, the availability of these funds should not obscure the reality that leads to our need for federal assistance.

The Honorable Kelly Loeffler
August 3, 2020
Page 2

In context, revenues declined by 21% and we used our entire \$1.5 billion in reserves over two fiscal years during the Great Recession and we are mirroring that same trajectory now. Before the pandemic, we were already spending less per capita and operating with 10,000 fewer employees than we were at the turn of the century; our state government workforce is 19% smaller than it was in 2008 even while our population continues to grow. We have exercised conservative budgeting, paid our pensions, and balanced our budgets responsibly as evidenced by over 20 years of Triple A bond ratings.

Georgia's economy is typically a strong network of diverse revenues streams, but the pandemic has affected all of them, even those like motor fuel that typically tend to resist downturns. The lagging effect on our largest revenue sources, income and sales taxes, is presenting us with additional challenges for months to come. We would welcome the opportunity to share more details and clarify any question regarding this request.

Sincerely,



David Ralston, Speaker
Georgia House of Representatives

DR/kl

THE UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET NORTHWEST
 WASHINGTON, D.C. 20006
 TELEPHONE (202) 293-7330
 FAX (202) 293-2352
 URL: www.usmayors.org



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Mayor of Houston
- JEFF WILLIAMS
Mayor of Arlington, TX
- VICTORIA WOODWARDS
Mayor of Tucson
- CEO and Executive Director
TOM COCHRAN

September 7, 2020

The Honorable Donald J. Trump
 President of The United States
 The White House
 1600 Pennsylvania Avenue NW
 Washington, DC 20500

Dear President Trump:

We write on behalf of the Executive Committee of our bipartisan organization to express our concerns over your repeated attacks on cities and, more recently, your September 2, 2020 Memorandum to the Attorney General and the Director of the Office of Management and Budget. This Memorandum has no legal standing and, if implemented, The United States Conference of Mayors will challenge it in court. We strongly urge you to immediately rescind the Memorandum and halt the process of attempting to defund critical city services.

Mr. President, attacks on America's cities are attacks on America itself. America's cities represent 86 percent of the Nation's population and 91 percent of real gross domestic product (GDP). The metro-city share of total employment in the U.S. increased to 88 percent in 2018, as metros added 2.1 million jobs, accounting for 94 percent of all job gains. America's cities are home to the highest share of personal income; the metro share of U.S. total personal income stands at 89 percent and wage income at 92 percent, although deep racial inequities in income and wealth present significant challenges that mayors are working every day to address. And, cities are the Nation's incubators of talent: people flock to cities to take advantage of their accessibility, diversity, inclusiveness, vibrancy, infrastructure and innovation.

This is a time when we all need to identify opportunities to come together as a Nation. America's mayors and the cities they lead are on the front lines combatting the ongoing COVID-19 pandemic and the related economic downturn; and working to implement needed police reforms and help dismantle systemic racism. This is a time our Nation needs unity, not division, among all levels of government.

Therefore, we were deeply dismayed by the Memorandum and the intent to defund cities. We strongly believe that the Memorandum and any related effort to defund any city has no legal merit and will be quickly rejected by the courts. As you are aware, cities fought and are winning a similar battle with your Administration when the Department of Justice tried to deny public safety grants to certain cities. While we are prepared to take to the courts again if necessary, we strongly believe that the better course is to end this effort now and, instead, come together to seek common ground on a goal we can and should all agree is paramount: public safety.

President Donald J. Trump
September 7, 2020
Page 2

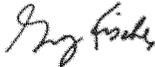
The number one priority for every mayor is public safety. Mayors have taken oaths to protect their cities, and will continue to do so, while at the same time protecting free speech. But if your Memorandum were to be implemented – slashing resources for police, firefighters, and other first responders along with a range of other essential services to residents – the result would be American cities that are much less safe. Indeed, the largest threat to public safety funding comes from the failure of the national government to provide all cities with emergency fiscal assistance as contained in the HEROES Act.

There are a number of ways in which the executive branch and the federal government are uniquely qualified to help cities. Many mayors have written to you and members of the executive branch asking for assistance in addressing critical needs. Those needs remain.

Mr. President, it is never too late for us all to work together. Our residents want leaders who collaborate to solve problems with thoughtful policies and investments.

Our organization was founded in 1932 in response to the need for a strong partnership and shared agenda between America's cities and the federal government. The United States Conference of Mayors – a nonpartisan organization of Democrats, Republicans and independents – calls upon you to support the federal-local partnership so important to the future of our Nation and to immediately rescind your Memorandum of September 2, 2020.

Sincerely,



Greg Fischer
Mayor of Louisville
President



Tom Cochran
CEO and Executive Director



MIKE DEWINE
GOVERNOR OF OHIO

Administration
Office 614.644.3555

77 S. High Street, 30th Floor
Columbus, OH 43215
www.governor.ohio.gov

June 18, 2020

Dear Ohio Congressional Delegation:

The coronavirus pandemic has underscored the importance for all levels of government -- federal, state, and local -- to work together to protect the lives and health of all Ohioans. As Congress continues to deliberate additional responses to the COVID-19 pandemic, I would like to thank you for the significant federal assistance that has been appropriated in the four bills that Congress passed and the President signed.

We are grateful for this funding, as it has and will continue to enable the state to procure personal protective equipment for our health care, public safety, and critical workers; assist with costs of our Emergency Operations Center; establish alternate health care and isolation facilities in case of a surge; expand diagnostic testing and voluntary tracing capacity; provide reopening grants to Ohio's childcare providers; and support critical food assistance programs. Federal funds also will enable Ohio to provide critical assistance to nursing homes, long-term care facilities, and other congregate-living facilities. Further, Ohio plans to use federal funds to provide the opportunity for innovative economic recovery programs for Ohio businesses and address critical broadband needs for economic recovery, education, and telehealth.

Greater Flexibility with Federal Funding

As we responsibly reopen Ohio, I ask for your continued support to help Ohioans face the public health and economic challenges that lie ahead. Ohio would benefit from greater flexibility with the federal funding, as well as an extension beyond the calendar year. This would enable state and local governments to better target federal dollars to the most critical state and local services and programs that will stimulate our economy. We are facing significant budget shortfalls, and I thank Congressman Warren Davidson for recently introducing HR 7094, the Flexibility for States and Localities Act, that would allow remaining Coronavirus Relief Fund dollars to be used to offset state or local budgetary shortfalls that are directly related to corona virus.

Prior to the pandemic, Ohio's budget was on solid ground with a \$2.7 billion rainy day fund and state revenues running \$200 million above estimates for the year. By the end of April, Ohio's revenues were below budgeted estimates by \$776.9 million -- almost a \$1 billion swing. Projections by the Ohio Office of Budget and Management (OBM) indicate that the state's revenues will continue to be significantly below estimates throughout the next fiscal year and beyond as Ohio moves through the COVID-19 pandemic.

Because Ohio is mandated to balance our budget each year and because of that \$1 billion swing, I made the difficult decision to order budget reductions this year to K-12 schools, institutions of higher education, and Ohio Medicaid. These budget reductions are in addition to the directive that I issued in March -- immediately at the onset of the pandemic -- to freeze hiring, new contracts, pay increases, and promotions at all state agencies, boards, and commissions while still providing critical public health and safety services.

Extend Temporary Increased Medicaid Support

Also prior to the pandemic, Ohio's unemployment had been steady at 4.1 percent, reflecting our strong and steady economy. Since the onset of COVID-19, a record 1.2 million Ohioans have applied for unemployment in only eight weeks. Ohio's current unemployment rate is 16.8 percent.

The record number of unemployed Ohioans produces significant financial challenges for our state, including increased enrollment in the Medicaid program. In fact, Ohio Medicaid added 140,000 Ohioans in April. Ohioans, who through no fault of their own, need short-term government assistance. It is critical to extend the temporary increased Medicaid support for states beyond the period of public health emergency to align with the gradual process of economic recovery.

Again, I am grateful for your ongoing partnership in the face of this crisis and your continued support as we work together to reopen the Ohio economy and to protect the lives and health of all Ohioans. We have many more things to do together for the people of Ohio!

Very respectfully yours,

A handwritten signature in blue ink that reads "Mike DeWine". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mike DeWine
Governor



City Council
City of Mount Vernon
Mount Vernon, OH 43050

SCHEDULED

RESOLUTION 2020-79

Meeting: 08/10/20 7:30 PM
Dept: Finance and Budget
Francis, Hillier
Category: Finance
Prepared By: Tanya Newell
Initiator: Tanya Newell
DOC ID: 2169 A

1st
2nd
3rd
7-8/10/20

A RESOLUTION SUPPORTING THE DAVIDSON FLEXIBILITY FOR STATES AND LOCALITIES ACT AND DECLARING AN EMERGENCY.

WHEREAS, the City of Mount Vernon, Ohio has experienced significant loss of revenue related to the impact of the Coronavirus pandemic; and

WHEREAS, the US Government, in response to the Coronavirus pandemic, passed the CARES Act and associated measures to support entities that suffered loss as a result of the Coronavirus pandemic; and

WHEREAS, the CARES Act funding restricted how State and Local agencies spent the funding and did not allow for flexibility to offset loss of revenue and associated budget shortfalls; and

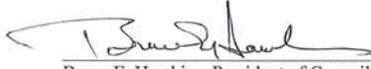
WHEREAS, the Davidson Flexibility for States and Localities Act would allow local governments to utilize their remaining funding to offset budgetary shortfalls related to Coronavirus; and

WHEREAS, this would be welcome news for the City of Mount Vernon, Ohio and for all local governments in the State of Ohio in order to continue to provide services and support to citizens in a time of large funding shortfalls due to Coronavirus.

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Mount Vernon, Knox County, Ohio, that:

SECTION 1: City Council having reviewed the CARES Act and associated measures as well as the Davidson Flexibility for States and Localities Act, does urge and support the passage of the Davidson Flexibility for States and Localities Act. This Act is necessary and will provide critical flexibility for the City of Mount Vernon, Ohio and many other municipalities. The City urges all appropriate elected officials to pass this legislation.

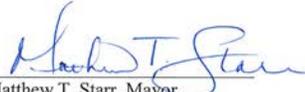
SECTION 2: This Resolution is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health and safety, and for the further reason that to promptly show support for this needed Federal legislation, and said Resolution shall, therefore, become effective upon its date of passage and approval by the Mayor, provided that it receives the affirmative vote of two-thirds (2/3) of the members elected to the Council of the City of Mount Vernon; otherwise, it shall take effect and be in force from and after the earliest period allowed by law.


Bruce E. Hawkins, President of Council

PASSED: August 10, 2020

ATTEST: 
Tanya Nowell, CMC, Clerk of Council

APPROVED: 12 August, 2020


Matthew T. Starr, Mayor



July 22, 2020

The Honorable Warren Davidson
U.S. House of Representatives
1107 Longworth HOB
Washington, DC 20515

Dear Congressman Davidson;

I am writing on behalf of our 675 member cities and villages in support of HR 7094, which would allow local governments to use funds from the CARES Act for revenue replacement to help stabilize local budgets.

Budget stabilization is the overriding concern for Ohio's municipalities as they navigate the economic fallout from the coronavirus pandemic. While not all local governments have experienced the same amount of COVID-19 expenditures, all municipalities are experiencing steep revenue loss because of the pandemic's impact on the municipal income tax. This negative impact is projected to be experienced for next several years. It is critical that municipalities are able to use current CARES Act funds, currently accessible and distributed to Ohio's local governments, for revenue replacement. It would ensure Ohio's cities and villages can continue to keep residents safe, keep essential workers on the job and continue to support local economies.

Allowing municipalities to use CARES Act funding for budget stabilization will play a critical role in helping cities through the economic downturn, buying time for local revenue streams to return as the economy recovers. Otherwise, cities will be forced to make painful cuts to essential services that will impede Ohio's ability to revitalize and strengthen our economy.

The Ohio Municipal League thanks you for your leadership and recognition of the challenges our communities are experiencing. We strongly support HR 7094 and urges its quick passage.

Respectfully,

Kent Scarrett
Executive Director
Ohio Municipal League

**2020 - 2021
Officers**

Tim Lynch, President
5614 N. County Road 11
Tiffin, OH 44883

Ed Huff Jr., 1st Vice President
P.O. Box 306
Ansonia, OH 45303

Scott Fabian, 2nd Vice President
126 Montgomery Lane
Mingo Junction, OH 43938

Ron Miller, Secretary-Treasurer
1371 Lemert Road
Bucyrus, OH 44820

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56080 Matts Lane
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Ft. Recovery, OH 45846

Larry Johns
09280 Glynwood Road
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Marissa Lautzenheiser
9091 Sandville Road N.E.
Mineral City, OH 44656

Carl Mangun
3063 Lustre Road N.E.
Carrollton, OH 44615

Sandra Reichley
17540 State Route 664 S.
Logan, OH 43138

Gary Salmon
7350 Brookville Road
Oxford, OH 45056

Tom Shay
686 Katie Adams Road
Leavittsburg, OH 44430

Robert Trowbridge
7777 County Road F
Delta, OH 43515

Mark Van Buren
4832 Keller Road S.W.
Hebron, OH 43025

Steven Woolf
3803 Baltimore-Phillipsburg Road
Brookville, OH 45309

John C. Zizka
9177 Asbury Road
Mantua, OH 44255

**OHIO TOWNSHIP ASSOCIATION**

HEIDI M. FOUGHT, EXECUTIVE DIRECTOR
6500 TAYLOR ROAD, SUITE A
BLACKICE, OH 43004
PHONE: 614-863-0045 • FAX: 614-863-9751
OHIO-TOWNSHIPS.ORG

July 21, 2020

The Honorable Warren Davidson
U.S. House of Representatives
1107 Longworth HOB
Washington, DC 20515

Re: HR 7094

Dear Congressman Davidson:

On behalf of the Ohio Township Association (OTA), I am writing in support of HR 7094, which alters the eligible expenses for local governments under the CARES Act (HR 748) to allow for revenue replacement. The flexibility is desperately needed as local governments adjust to the demands of the COVID-19 pandemic.

The COVID-19 pandemic has put immense stress on local governments across Ohio, especially townships that already run on tight budgets. Local governments have seen increased costs for safety services, technological demands, and other expenses associated with the pandemic. However, they are primarily concerned with unexpected revenue losses. Townships, which function primarily on property taxes, may also see additional revenue losses down the road, as the full impact of the pandemic materializes.

Townships in Ohio appreciate the funding allocated through the CARES Act. However, the bill was very restrictive in its use, and townships are not able to get the support they need under the current parameters of the bill. Townships in Ohio must balance their budgets each and every year and do not routinely run budget deficits. Allowing CARES Act funding to be used for revenue replacement under HR 7094 would not plug any previous budgetary gaps, but rather allows townships to adjust to circumstances that no township official could have predicted.

The Ohio Township Association supports HR 7094 and requests expeditious passage. Thank you for introducing this measure and for your consideration of our position. Should you have any questions or concerns, please do not hesitate to contact me or Marisa Myers, OTA Director of Governmental Affairs, at 614-863-0045.

Sincerely,

Heidi M. Fought
Executive Director

HMF:mm

RESOLUTION NO. R-18-20

**A RESOLUTION IN SUPPORT OF THE DAVIDSON
FLEXIBILITY FOR STATES AND LOCALITIES ACT
AND DECLARING AN EMERGENCY**

WHEREAS, the City of Avon, like other cities and villages in the State of Ohio, has experienced revenue losses related to the impact of the Coronavirus pandemic; and

WHEREAS, the US Government, in response to the Coronavirus pandemic, passed the CARES Act and associated measures to support entities that suffered losses as a result of the Coronavirus pandemic; and

WHEREAS, CARES Act funding restricted how State and Local governmental agencies spent the funding and did not allow for flexibility to offset loss of revenue and associated budget shortfalls; and

WHEREAS, the Davidson Flexibility for States and Localities Act would allow local governments to utilize their remaining funding to offset budgetary shortfalls related to Coronavirus; and

WHEREAS, this would be welcome news for the City of Avon and for all local governments in the State of Ohio in order to continue to provide services and support to citizens in a time of large funding shortfalls due to the Coronavirus.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF AVON, COUNTY OF LORAIN AND STATE OF OHIO:

Section 1 – That City Council having reviewed the CARES Act and associated measures as well as the Davidson Flexibility for States and Localities Act, does urge and support the passage of the Davidson Flexibility for States and Localities Act. This Act is necessary and will provide critical flexibility for the City of Avon and many other municipalities. The City urges all appropriate elected officials to pass this legislation.

Section 2 - This Council finds and determines that all formal actions of this Council of the City of Avon concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Council and that all deliberations of this City Council and of any of its committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

Section 3 – That this Resolution is hereby declared to be an emergency measure immediately necessary for the preservation of the public health, safety and welfare of the citizens of the City of Avon, the immediate emergency being the necessity to provide City Council's support of this measure prior to it being voted on; therefore, this Resolution shall be in full force and effect immediately upon its passage and approval by the Mayor.

Resolution No. 18-20 (Con't)

PASSED: August 10, 2020 DATE SIGNED: August 10, 2020

By: Brian Fischer
Brian Fischer, Council President

DATE APPROVED BY THE MAYOR: August 11, 2020

Bryan K. Jensen
Bryan K. Jensen, Mayor

APPROVED AS TO FORM:

John A. Gasior
John A. Gasior, Law Director

ATTEST:

Barbara Brooks
Barbara Brooks
Clerk of Council

POSTED: August 12, 2020
In Five Places as
Provided by Council

Prepared By:

John A. Gasior, Esq.
Law Director

I, Barbara J. Brooks, Clerk of the Council of the City of Avon, Ohio, hereby certify this document to be a true and exact copy of Resolution No. R-18-20, passed by the Council of said City on August 10, 2020.

IN WITNESS WHEREOF, I have on this 11th day of August, 2020, affixed my signature and official seal.

Barbara J. Brooks
Barbara J. Brooks, Clerk of the Council
of the City of Avon, Ohio

CONGRESS.GOV

H.R.7094 - Flexibility for States and Localities Act

116th Congress (2019-2020) | [Get alerts](#)

Sponsor: [Rep. Davidson, Warren \[R-OH-8\]](#) (Introduced 06/04/2020)

Committees: House - Oversight and Reform

Latest Action: House - 06/04/2020 Referred to the House Committee on Oversight and Reform. ([All Actions](#))

Tracker: Introduced Passed House Passed Senate To President Became Law

[Summary\(1\)](#) [Text\(1\)](#) [Actions\(2\)](#) [Titles\(2\)](#) [Amendments\(0\)](#) [Cosponsors\(7\)](#) [Committees\(1\)](#) [Related Bills\(2\)](#)

There is one version of the bill.

Text available as: [XML/HTML](#) | [XML/HTML \(new window\)](#) | [TXT](#) | [PDF](#) (PDF provides a complete and accurate display of this text.) [?]

Shown Here:

Introduced in House (06/04/2020)

116TH CONGRESS
2D SESSION

H. R. 7094

To amend title VI of the Social Security Act to expand the permissible use of funds under the Coronavirus Relief Fund.

IN THE HOUSE OF REPRESENTATIVES

JUNE 4, 2020

Mr. DAVIDSON of Ohio (for himself, Mr. BUDD, Mr. CHABOT, Mr. GIBBS, Mr. ROUZER, and Mr. BISHOP of North Carolina) introduced the following bill; which was referred to the Committee on Oversight and Reform

A BILL

To amend title VI of the Social Security Act to expand the permissible use of funds under the Coronavirus Relief Fund.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Flexibility for States and Localities Act”.

SEC. 2. EXPANSION OF PERMISSIBLE USE OF FUNDS UNDER THE CORONAVIRUS RELIEF FUND.

(a) **IN GENERAL.**—Section 601(d) of the Social Security Act, as added by section 5001(a) of the CARES Act ([Public Law 116–136](#)), is amended to read as follows:

8/6/2020

Text - H.R.7094 - 116th Congress (2019-2020): Flexibility for States and Localities Act | Congress.gov | Library of Congress

“(d) USE OF FUNDS.—A State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section—

“(1) to cover those costs of the State, Tribal government, or unit of local government (or of any other unit of local government with a population not greater than 500,000 within such State, Tribal government, or unit of local government) that—

“(A) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);

“(B) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and

“(C) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020; or

“(2) to offset budgetary shortfalls of the State or government that occurred due to such public health emergency and that were not accounted for in such budget (except that such funds may not be used to make contributions to any underfunded pension plan in excess of the contributions accounted for in such budget).”

(b) APPLICATION OF PROVISIONS.—Amounts appropriated for fiscal year 2020 under section 601(a)(1) of the Social Security Act (as modified by subsection (a)) shall be subject to the requirements contained in Public Law 116-94 for funds for programs authorized under sections 330 through 340 of the Public Health Service Act (42 U.S.C. 254 through 256).

RESOLUTION NO. R2020-23

A RESOLUTION SUPPORTING THE DAVIDSON FLEXIBILITY FOR STATES AND LOCALITIES ACT AND DECLARING AN EMERGENCY.

WHEREAS, the City of Middletown has experienced significant loss of revenue related to the impact of the Coronavirus pandemic; and

WHEREAS, the US Government, in response to the Coronavirus pandemic, passed the CARES Act and associated measures to support entities that suffered loss as a result of the Coronavirus pandemic; and

WHEREAS, the CARES Act funding restricted how State and Local agencies spent the funding and did not allow for flexibility to offset loss of revenue and associated budget shortfalls; and

WHEREAS, the Davidson Flexibility for States and Localities Act would allow local governments to utilize their remaining funding to offset budgetary shortfalls related to Coronavirus; and

WHEREAS, this would be welcome news for the City of Middletown and for all local governments in the State of Ohio in order to continue to provide services and support to citizens in a time of large funding shortfalls due to Coronavirus.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Middletown, Butler/Warren Counties, Ohio, that:

Section 1

City Council having reviewed the CARES Act and associated measures as well as the Davidson Flexibility for States and Localities Act, does urge and support the passage of the Davidson Flexibility for States and Localities Act. This Act is necessary and will provide critical flexibility for the City of Middletown and many other municipalities. The City urges all appropriate elected officials to pass this legislation.

Section 2

This resolution is declared to be an emergency measure necessary for the immediate preservation of the public health, safety and general welfare, to wit: to provide City Council's support of this measure prior to it being voted on, and shall take effect and be in force from and after its adoption.



Nicole Condrey, Mayor

Adopted: July 21, 2020

Attest: Amy Schenk
Clerk of City Council

H:\law\leg\2020 LegF Support of Davidson Flexibility Act

RESOLUTION NO. 2507-20

A RESOLUTION SUPPORTING THE DAVIDSON FLEXIBILITY FOR STATES AND LOCALITIES ACT AND DECLARING AN EMERGENCY

WHEREAS, the City of Willard has experienced significant loss of revenue related to the impact of the Coronavirus pandemic; and

WHEREAS, the US Government, in response to the Coronavirus pandemic, passed the CARES Act and associated measures to support entities that suffered loss as a result of the Coronavirus pandemic; and

WHEREAS, the CARES Act funding restricted how State and Local agencies spent the funding and did not allow for flexibility to offset loss of revenue and associated budget shortfalls; and

WHEREAS, the Davidson Flexibility for States and Localities Act would allow local governments to utilize their remaining funding to offset budgetary shortfalls related to Coronavirus; and

WHEREAS, this would be welcome news for the City of Willard and for all local governments in the State of Ohio in order to continue to provide services and support to citizens in a time of large funding shortfalls due to Coronavirus.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Willard, Huron County, Ohio, that:

Section 1. City Council having reviewed the CARES Act and associated measures as well as the Davidson Flexibility for States and Localities Act, does urge and support the passage of the Davidson Flexibility for States and Localities Act. This Act is necessary and will provide critical flexibility for the City of Willard and many other municipalities. The City urges all appropriate elected officials to pass this legislation.

Section 2. This Resolution is declared to be an emergency measure necessary for the immediate preservation of the public health, safety and general welfare, to wit: to provide City Council's support of this measure prior to it being voted on, and shall take effect and be in force from and after its adoption.

Dated: August 3, 2020



President of Council


Clerk of Council

Approved as to form

Rep. Warren Davidson
AUG 10 2020
Butler County District Office

A RESOLUTION NO. 6089

Supporting the Davidson Flexibility for States and Localities Act; and declaring an emergency therein.

...oooOOOooo...

WHEREAS, the City of Springfield, Ohio has experienced significant loss of revenue related to the impact of the Coronavirus pandemic; and

WHEREAS, the US Government, in response to the Coronavirus pandemic, passed the CARES Act and associated measures to support entities that suffered loss as a result of the Coronavirus pandemic; and

WHEREAS, the CARES Act funding restricted how State and Local agencies spent the funding and did not allow for flexibility to offset loss of revenue and associated budget shortfalls; and

WHEREAS, the Davidson Flexibility for States and Localities Act would allow local governments to utilize their remaining funding to offset budgetary shortfalls related to Coronavirus; and

WHEREAS, this would be welcome news for the City of Springfield, Ohio and for all local governments in the State of Ohio in order to continue to provide services and support to citizens in a time of large funding shortfalls due to Coronavirus; and

WHEREAS, it is necessary that this Resolution become effective immediately in order to provide this City Commission's support of this measure prior to it being voted on, which creates an emergency to preserve the public peace, health, safety and property necessitating the immediate effectiveness of this Resolution; NOW, THEREFORE:

BE IT RESOLVED by the City Commission of The City of Springfield, Ohio, at least four of its members concurring:

Section 1. This Commission, having reviewed the CARES Act and associated measures as well as the Davidson Flexibility for States and Localities Act, does urge and support the passage of the Davidson Flexibility for States and Localities Act. This Act is necessary and will provide critical flexibility for the City of Springfield, Ohio and many other municipalities. The City urges all appropriate elected officials to pass this legislation.

Section 2. That by reason of the emergency set forth and defined in the preamble hereto, this Resolution shall take effect and be in force immediately.

ADOPTED this 28th day of July, A.D., 2020.

Warren R. Papalau
PRESIDENT OF THE CITY COMMISSION

Joe R. Pierce
CLERK OF THE CITY COMMISSION



National Governors Association Outlines Need For 'Additional And Immediate' Fiscal Assistance To States

Apr. 11, 2020 | [Press Releases](#)



Calls On Congress To Allocate Additional \$500 Billion

National Governors Association Chair Maryland Governor Larry Hogan and NGA Vice Chair New York Governor Andrew Cuomo issued the following statement:

"Governors across the country **are leading** the on-the-ground response to the national COVID-19 pandemic, implementing a variety of stay-at-home orders and other aggressive measures that are successfully flattening the curve of the spread of the virus. While these public health strategies are working to protect the American people, they result in catastrophic damage to state economies.

"Despite this grave challenge, the recently passed federal **CARES Act** contained zero funding to offset these drastic state revenue shortfalls. To stabilize state budgets and to make sure states have the resources to battle the virus and provide the services the American people rely on, Congress must provide immediate fiscal assistance directly to all states.

"We must be allowed to use any state stabilization funds for replacement of lost revenue, and these funds should not be tied to only COVID-19 related expenses. Congress must amend the CARES Act to allow this flexibility for existing federal funding.

"Moreover, Congress must appropriate an additional \$500 billion specifically for all states and territories to meet the states' budgetary shortfalls that have resulted from this unprecedented public health crisis. This critical stabilization funding for states must be separate from much-needed fiscal stabilization for local governments.

"In the absence of unrestricted fiscal support of at least \$500 billion from the federal government, states will have to confront the prospect of significant reductions to critically

Comparison of Sales Tax Revenue versus Covid Cases

State	Sales Tax July YoY% Change	COVID Cases per 100k	Ranking
Arkansas	14.9%	2,090	13
Texas	4.3%	2,157	12
New York	-8.6%	2,274	10
California	-45.0%	1,815	20

As of September 4, 2020; Source: *The Arkansas Democratic Gazette*, *The Wall Street Journal*, Arkansas Department of Finance and Administration, Texas Comptroller

Congressman French Hill (AR-02)

Representative Hill
Questions for the Record

"The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs."

September 10, 2020

Question for Governors Michelle Lujan Grisham, Tim Walz, Laura Kelly and Lourdes Leon Guerreros:

Could you please describe the size of your rainy day fund (or whatever the equivalent may be in your state/territory) as of 6/30/2020 (FY 2020)? How much has that grown since 6/30/2010 (FY 2010)?

New Mexico's most recent estimate, issued in late September just after my appearance before the Committee, projects total general fund reserves of \$2.1 billion for FY20. For comparison, in FY10, New Mexico's total general fund reserves were \$279 million.

Our reserves fluctuated significantly in the earlier part of the decade, reaching a low of \$160 million in 2016, prior to realizing substantial growth over the last several years. That growth can be attributed to state legislation (enacted in 2017) designed to capture excess oil and gas revenue during peak years, substantial increases in oil and gas revenues, and prudent financial decisions made by my Administration.

Representative Hill
Questions for the Record

"The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs."

September 10, 2020

Question for Governors Michelle Lujan Grisham, Tim Walz, Laura Kelly and Lourdes Leon Guerreros:

Could you please describe the size of your rainy day fund (or whatever the equivalent may be in your state/territory) as of 6/30/2020 (FY 2020)? How much has that grown since 6/30/2010 (FY 2010)?

Response from Governor Walz

The size of Minnesota's budget reserve on June 30, 2020 was \$2.359 billion. Additionally, Minnesota statute sets aside a cash flow account of \$350 million. Combined, the budget reserve and cash flow account represent 5.6 percent of budgeted spending for the current FY 2020-21 biennium.

On June 30, 2010 the budget reserve balance was \$0 and the cash flow account balance was \$266 million. On June 30, 2010 the combined balance of the budget reserve and cash flow account represented 0.9 percent of budgeted FY 2010-11 biennial spending.

Kemp: August Net Tax Revenues Up 7.7%

SEPTEMBER 10, 2020

Atlanta, GA – Governor Brian P. Kemp announced today that Georgia's August net tax collections totaled nearly \$1.89 billion for an increase of \$134.5 million, or 7.7 percent, compared to August 2019, when net tax collections totaled roughly \$1.75 billion. Year-to-date, net tax revenue collections totaled \$4.03 billion after two months for an increase of \$446.3 million, or 12.4 percent, compared to the end of August last year (FY 2020).

Individual Income Tax: Individual Income Tax collections for August totaled roughly \$970.3 million, compared to \$880.1 million in August 2019, which is an increase of roughly \$90.2 million, or 10.3 percent. Individual Income Tax refunds issued (net of voided checks) were up \$26.7 million, or 38.2 percent. Individual Income Tax Withholding payments were up \$88.7 million, or 10.1 percent, over the fiscal year of 2020. Individual Income Tax Return payments increased by roughly \$19.2 million, or 115.9 percent, over the last year. All other Individual Tax categories, including Estimated Tax payments, were up a combined \$9 million.

Sales and Use Tax: Gross Sales and Use Tax collections for August increased by \$60.1 million, or 5.6 percent, from a total of nearly \$1.08 billion in Fiscal Year 2020. Net Sales and Use Tax, which totaled roughly \$593.6 million for the month, had an increase of \$58.1 million, or 10.8 percent, compared to last year. The adjusted Sales Tax distribution to local governments totaled nearly \$535.2 million, a decrease of \$2.2 million, or -0.4 percent, compared to August 2019. Lastly, Sales Tax refunds increased by roughly \$4.1 million, or 79.2 percent, over last year.

Corporate Income Tax: Corporate Income Tax collections increased by nearly \$6.1 million, or 115.9 percent, from a total of roughly \$5.3 million in August 2019. Corporate Tax refunds issued (net of voided checks) fell by \$5.8 million, or -29.1

percent, from last year. Corporate Income Tax Return payments increased by \$5.1 million, or 112.2 percent, over Fiscal Year 2020. All other Corporate Tax categories, including Estimated Tax payments, were down a combined \$4.8 million.

Motor Fuel Taxes: Motor Fuel Tax collections for the month decreased by \$3.9 million, or -2.5 percent, compared to August 2019 when Motor Fuel Tax collections totaled roughly \$156.1 million.

Motor Vehicle - Tag & Title Fees: Motor Vehicle Tag & Title Fee collections decreased by \$5.7 million, or -15.8 percent, compared to last year while Title and Valorem Tax (TAVT) collections totaled nearly \$60.7 million for a decrease of roughly \$10.9 million, or -15.2 percent, compared to the previous fiscal year.

Contact Press Secretary

Cody Hall

cody.hall@georgia.gov (<mailto:cody.hall@georgia.gov>)

Contact Director of Communications & Chief Deputy Executive Counsel

Candice Broce

candice.broce@georgia.gov (<mailto:candice.broce@georgia.gov>)



September 9, 2020

Statement for the Record
 On behalf of: **National Taxpayers Union**
 Before the: **House Committee on Financial Services**

The Honorable Maxine Waters
 Chairwoman
 House Committee on Financial Services
 Washington, D.C. 20515

The Honorable Patrick McHenry
 Ranking Member
 House Committee on Financial Services
 Washington, D.C. 20515

Dear Chairwoman Waters, Ranking Member McHenry, and members of the Committee:

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to submit a statement for the record regarding an upcoming hearing entitled "The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs." At this hearing you will have the opportunity to hear first hand from governors who are managing the fiscal implications of COVID-19 on state and local governments. No doubt, these witnesses will make an appeal for the Congress to pass a bill that contains significant funding to plug budget deficits. While additional funding for these governments may be necessary, it is our hope this hearing will also highlight the need to do so in a fiscally prudent manner by, for instance, maximizing unused federal dollars already allocated to state and local governments.

The Coronavirus pandemic is the most significant public health crisis the United States has faced in more than one hundred years. In order to curtail infections and "flatten the curve," many jurisdictions implemented stringent lockdown orders that shuttered businesses or significantly altered daily life for every American. As a result of this disruption to our economy, unemployment rates spiked in every state, millions experienced a drop of income, and thousands of small businesses have been faced with permanent closure. Not only is the pandemic a public health emergency, but combined with its financial impacts it is a recipe for catastrophe.

As unpredictable and unprecedented as COVID-19 has been, the same could be said about the federal government's extraordinary response. Within weeks of the first major outbreak, the Congress spent \$3 trillion to help those most affected by job losses, lost income, and market uncertainty. The cornerstone of this response was the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which delivered direct payments to individuals, relief for businesses, unemployment aid, eviction moratorium, and mortgage forbearance for homeowners. The Federal Reserve has also taken significant new actions, including buying short-term municipal debt, a first in American history.

Pertinent to this conversation, Congress has delivered \$765 billion in federal Coronavirus spending to state and local governments to help them meet the needs of their residents. Of this amount, the federal government has allocated over \$260 billion in unemployment funds, \$175 billion for health care providers in local communities, \$30 billion for education, and billions in Medicaid spending. To this end, the CARES Act set aside \$150 billion for state, local, territorial, and tribal governments, divided to states based on population with each state given a minimum of \$1.25 billion. To say the federal government has left state and local governments out in the cold would be a complete distortion of the facts.

While the federal government has stepped up and allocated billions of dollars for states to use, it appears that state and local governments have left significant funds from the Coronavirus Relief Fund untouched. Of the \$139 billion allocated for state and local governments, these governments have only spent \$34 billion of that sum, not even a quarter of what was appropriated, according to data provided by the [Department of the Treasury](#). That means over \$100 billion in federal dollars remains unused, a significant sum that should either be used, reallocated for other purposes, or set aside for deficit reduction.

The Treasury report indicates that the vast majority of state and local governments are not anywhere near reaching the point of exhaustion of these funds. Of course, the needs of a state or locality are individualized and some have approached, or are approaching, an end balance. For example, the state of California has spent 100 percent of its allocation, as has New York City. Other state and local governments have spent 90 percent or more, but that is a small minority of jurisdictions. In many other states the financial picture is far less dire. Arkansas finished the fiscal year with \$272 million above the reduced forecast, while Idaho just ended its fiscal year with a surplus nearly three times what was expected before COVID-19, resulting in a reserve balance of \$580 million. Connecticut's rainy-day fund which stood at \$2.5 billion prior to the pandemic, now approaches \$2.8 billion, with tax receipts exceeding projections by nearly \$200 million. In April, Oklahoma projected a budget shortfall of \$416.9 million dollars and a 7 percent decline in general revenue. According to the Office of Management and Enterprise Services, the Oklahoma shortfall was \$50.3 million less than expected and the general revenue for the first month of FY2021 was 9.5 percent higher than anticipated.

It is therefore concerning that many states have come back to Congress demanding more funding despite not spending what was already given. While some jurisdictions, particularly those hardest hit from the pandemic, may need more funding, the Treasury report paints a clear picture that most state and local governments do not even need more funding just yet.

Yet the House-passed HEROES Act ignored this reality and appropriated almost \$1 trillion to state and local governments. Of that sum, \$915 billion was considered flexible aid—which can be spent for any purpose, including to backfill revenue losses—in installments over the next year. This amount is thirty-three times the level of funding that state and local governments have spent in six months. Such an exorbitant amount is not based on actual data but rather with the intent to plug budget shortfalls caused by fiscal irresponsibility in states such as New York, New Jersey, Illinois and Kentucky. The ongoing crisis should not be used as an opportunity to bail out poorly run, high tax-and-spend governments.

Considering state and local governments have only used \$34 billion of the Coronavirus Relief Fund, a \$1 trillion refill of the program would be almost thirty-times more than what they have already spent and ten times

higher than what remains in that current account. It's clear that a \$1 trillion assistance package would far exceed what is needed based on actual data and accounting.

NTU agrees with lawmakers on both sides of the aisle that more funding for some states may be necessary. Just like most individuals and businesses, state and local governments were caught ill-prepared to handle such a remarkable event. Every state, whether well managed or mismanaged were caught flat footed by the virus.

But a trillion dollar funding package as proposed by the HEROES Act is fiscally irresponsible. Instead of more funding, Congress should change the rules on how states can spend these resources, as was done recently to the Paycheck Protection Program. Currently, these funds can be used only to cover costs directly related to the coronavirus that weren't already included in the state or local governments' budgets. The funds can't be used to address increased spending on unemployment insurance or Medicaid or to make up revenue shortfalls.

In our view, it is more efficient and fair for Congress to loosen these rules and allow states to reasonably spend these unused dollars to help stabilize budget disruptions caused by the coronavirus. These changes should include safeguards so states cannot use them to address budgetary problems that predate the pandemic, like mismanaged pension funds.

Thank you for holding this important hearing and your consideration of our views. We are not yet through the challenges COVID-19 presents to the public and to the economy, but the thoughtful consideration of what it will take to revive the American economy is a task lawmakers on this committee are well equipped to handle. A fiscally responsible approach that utilizes existing resources and prudently reforms the manner in which they can be spent would be best for all taxpayers - both in the present and in the future.

Sincerely,

Thomas Aiello
Policy and Government Affairs Manager

Government vs. Private Covid Layoffs

The data show that public workers have been hurt the least.

Democrats continue to demand a bailout for the states as part of another Covid-19 relief package, claiming that government layoffs are hampering the recovery. They must have missed the August jobs report, which shows that government workers have suffered least amid the pandemic.

Government added 344,000 jobs for the month, and 238,000 of those were temporary Census workers. But dig into the bowels of the Labor Department report, and the numbers are striking even accounting for the Census. Labor tracks 16 categories of the jobless by industry and class of worker, and in August nearly all of the categories in the private economy had a higher jobless rate than the government rate of 5.7% (not seasonally adjusted).

OPINION: POTOMAC WATCH



Trump And Biden. With Eight Weeks Left

00:00 / 27:43

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The exceptions were finance (4.2%) and agricultural wage and salary workers (5.6%). The total for all workers was 8.5%, not seasonably adjusted, but for mining it was 12.4%, transportation and utilities 11.3%, and leisure and hospitality an astounding 21.3%. The self-employed had a 6.8% jobless rate.

In other words, it's far better during a government-ordered shutdown to work for the government, which can call on taxpayers at will or deficit spend at the federal

level. Private employers have little recourse but to lay off workers when government shuts them down.

NEWSLETTER SIGN-UP

Opinion: Morning Editorial Report

All the day's Opinion headlines.

PREVIEW
SUBSCRIBED

Since February the overall government workforce has shrunk by a mere 4.7% after discounting for temporary Census hires. Private payrolls have fallen 8.3%. State employment has decreased 4.2%, but 94% of these job losses are in education. While 6.2% of local government workers have been laid off, more than half are in schools. States that haven't allowed or pushed schools to reopen are at fault.

States and cities are threatening huge cuts to public services if they don't get more federal relief. Yet the \$2.2 trillion Cares Act in March included \$150 billion for states plus \$90 billion for schools, public transit and Medicaid. To put these numbers in context: All state and local income, sales, gross receipts and property tax revenue totalled \$401.8 billion in the first three months of this year—\$14 billion more than the same period last year.

Tax revenue in most states is exceeding early forecasts thanks to a rebounding stock market and retail sales. Texas's sales tax revenue was 3.2% higher and its business franchise tax revenue was up 3.1% in the fiscal year that ended Aug. 31 versus a year ago. Total tax revenue declined 2% due largely to lower oil-and-gas excise taxes.

States that maintained longer and stricter lockdowns are doing worse, but that was true before the pandemic. They also refuse to cut spending. New Jersey Gov. Phil

Murphy last month proposed a \$40 billion budget that is \$1.3 billion more than last year. Connecticut gave union state workers a 5.5% raise this summer. Illinois union state workers received an average \$1,343 pay increase on July 1. Some states like New York have delayed scheduled pay increases for workers, but they haven't cancelled them because they are counting on a federal bailout.

Senate Republicans on Tuesday introduced a slimmed-down relief bill of \$500 billion that excludes money for states, and that's the right policy and political call. State and local governments have ample liquidity thanks to the Federal Reserve's municipal lending facility and low interest rates that have held down borrowing costs. Why should taxpayers in Racine or Tuscaloosa pay for rich public-worker pensions in Illinois and New Jersey?



August 31, 2020

Senator Paul Gazelka
Majority Leader

Senator Susan Kent
Minority Leader

Senator Jeremy Miller
President of the Senate

Senator Julie Rosen
Chair, Finance Committee

Senator Richard Cohen
Ranking Minority Member, Finance Committee

Representative Melissa Hortman
Speaker of the House

Representative Ryan Winkler
Majority Leader

Representative Kurt Daudt
Minority Leader

Representative Lyndon Carlson
Chair, Ways and Means Committee

Representative Pat Garofalo
Ranking Minority Member,
Ways and Means Committee

Dear Legislative COVID-19 Response Commission,

This cover letter is an introduction to the state's Federal Coronavirus Relief Fund (CRF) Expenditure Report. The attached report is the first of what will be ongoing reports to share background, allocation process, and uses of the CRF. Data from this report is also available on the [TransparencyMN](#) website which provides checkbook-level data on how the CRF funds (and all other COVID-19 funding) have been spent.

As background, the state is using three primary sources of funds to respond to the COVID-19 pandemic:

1. **Federal Coronavirus Relief Fund (CRF)** from the federal CARES Act: \$2.187 billion allocated to Minnesota. \$317 million was distributed directly from the U.S. Treasury to Hennepin and Ramsey Counties as directed in statute in the CARES Act. The remaining \$1.87 billion was sent to the State of Minnesota in April.
2. **State funding:** \$554 million state appropriations passed in March by the Legislature and signed by Governor Walz to pay for expenses related to the state's COVID-19 response. This included the establishment of a \$200 million [COVID-19 Minnesota Fund](#).
3. **Federal grants/formula allocations** sent directly from the federal government to state agencies: \$1.4 billion for a wide range of federal programs including education, food security, housing and transportation support.

Coronavirus Relief Fund distributions to date

The attached report shows CRF allocations through August 31, 2020. Subsequent reports will be updated monthly. Of the \$2.187 billion allocated to Minnesota, \$165 million remains unallocated to date.

CRF allocations to date total \$2.026 billion, including the following significant allocations:

- \$317 million that was distributed directly from the federal government to Hennepin and Ramsey county
- \$841 million for remaining counties, cities and townships statewide
- \$245 million for schools to meet the needs for in-person instruction, online learning and to address learning loss.
- \$100 million for housing supports and rental assistance
- \$177 million to meet COVID-19 testing needs statewide
- \$76 million to support food security
- \$60 million for small business support
- \$58 million to support the increased costs for state agencies, the legislature and the judicial branch to respond to the pandemic
- \$57 million for childcare grants
- \$30 million for day services
- \$25 million for at risk populations
- \$25 million for the purchase of critical care supplies

With the remaining CRF dollars, the Walz Administration, working in partnership with the Legislature, will continue to prioritize the health, safety, and security of Minnesotans. These funds will ensure Minnesota has the resources necessary to respond to COVID-19 as it continues to spread this fall and winter.

State funding distributions to date

Within the \$554 million of state appropriations passed in March by the Legislature and Governor Walz, there were three funding sources that required subsequent allocation and review by the Legislature. Below are details on these three sources.

COVID-19 Minnesota Fund. The Minnesota Legislature transferred \$200 million from the state's general fund to the COVID-19 Minnesota Fund and appropriated it to the Commissioner of Management and Budget to be disbursed or transferred to state agencies, as necessary, to protect Minnesotans from the COVID-19 outbreak, and maintain state government operations throughout the duration of the peacetime emergency. \$191 million out of \$200 million of the COVID-19 Minnesota fund has been allocated. The legislation that created the fund also established the Legislative COVID-19 Response Commission (LCRC) to review expenditures from the fund and provide recommendations on expenditure request in excess of \$1 million. To date, the LCRC has authorized 20 requests. MMB reports the request details and provides biweekly expenditure reports on the [COVID-19 Minnesota fund website](#). Biweekly reports are distributed to the LCRC on the 15th and last day of each month, identifying total amount of each expenditure, the purpose of each expenditure, and additional information.

Health Care Response Fund. This fund was established with \$150 million appropriated by the 2020 Legislature. These funds are for grants to health care and long-term care providers to help them manage the response to the COVID-19 virus within their facilities. Funds can be used for purposes such as temporary sites to provide testing services, staffing, personal protective equipment, emergency transportation. Grant recipients are determined

August 31, 2020

Page 3

through a competitive RFP process by the Minnesota Department of Health. The Legislative Advisory Commission reviews all proposed grant awards greater than \$1 million. Grants less than \$1 million are reviewed by commissioners at the Department of Health, MMB, and the Governor's office prior to being distributed. The Department of Health has awarded \$136 million to date. Award information is on the Health [website](#). In addition, a full report is due to the Legislature on January 15, 2021.

Public Health Contingency Account. The Legislature provided \$71 million to this fund in two appropriations described below. \$68 million has been allocated to date.

- \$20.889 million was appropriated by the Legislature to be placed in the public health response contingency account in March. The Legislative Advisory Commission reviews proposed spending from this account. In March, the Commissioner of Health submitted a proposal to the Legislative Advisory Commission to use the funding for staffing, laboratory testing, aid to local public health, PPE, and funds for health care coalitions. This request was authorized by the LAC.
- \$50 million was appropriated by the Legislature for short term emergency grants for health care and long-term care providers to fund the establishment of testing and treatment sites, provider staff costs, purchase of medical equipment and supplies, and costs of quarantine and isolation. This funding was exempted from LAC review by the Legislature. All \$50 million in funds were awarded to about 350 emergency health organizations statewide through a competitive grant process and publicly announced in April. The list of awards is on the [Department of Health website](#).

The Department of Health posts grantees and the amounts awarded on their website. Additionally, an annual report is due to the Legislature detailing expenditures out of the public health response contingency account in the previous calendar year by January 15.

The \$554 million in state resources include:

- \$200 million for healthcare providers to continue care (from the Public Health Contingency Account and the Health Care Response Fund)
- \$200 million for the COVID-19 Minnesota Fund, which includes \$36 million to establish a testing program with the University of Minnesota and Mayo and \$106 million to purchase critical care supplies, including ventilators and PPE
- \$32 million to provide childcare for first responders
- \$32 million for homeless populations
- \$21 million for our public health response to the pandemic, including \$8.525 million for local public health departments (from the Public Health Contingency Account)
- \$11 million for emergency response for tribal governments
- \$30 million for small business loan guarantee program
- \$9 million for food shelf grants
- \$6.2 million for healthcare for veterans

Federal grants and programming

Of the \$1.4 billion awarded for federal programs administered by Minnesota state agencies, \$1.25 billion has been allocated to date. We report the status of funding activity on the Minnesota COVID-19 Response Capacity Dashboard and the information is updated daily. State agencies seek authority to spend these awards through

August 31, 2020
Page 4

the existing LAC federal fund review process. Many of these awards provide increased funding through existing federal programs.

Some of largest allocations of federal grants include:

- \$183 million for education support
- \$160 million for child nutrition
- \$195 million for higher education institutions
- \$132 million for COVID testing
- \$226 million for transit operations
- \$158 million in aid for airports
- \$48 million for the Child Care Development Block Grant

Transparency and accountability are vital

Along with funding to respond to the most pressing needs, the state prioritized transparency and accountability in guiding disbursement of the funds. This included the creation of a funding workgroup that supports eight cross agency groups managed through the State Emergency Operations Center. (The eight workgroups collaborate to prepare for and manage critical care supply procurement, for example.) We also created a [COVID-19 Response Accountability Office](#) to monitor COVID-19 state appropriations and federal funds, and coordinate budgeting, accounting, and internal controls activities for COVID-related funding.

Reporting to the Legislature and to the public is another practice we have put in place to provide timely funding data. To ensure stakeholder engagement, particularly with the Minnesota Legislature, state staff meet regularly with legislators on the Legislative COVID-19 Response Commission (LCRC). Staff provide expenditure requests over \$1 million for review and approval by the LCRC.

We are proud to be a national leader in transparency and accountability and look forward to providing updates as we use this critical funding to support Minnesota's COVID-19 response.

Sincerely,



Myron Frans, Commissioner



**FEDERAL CORONAVIRUS RELIEF FUND
EXPENDITURE REPORT**

August 31, 2020

Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155
651-201-8000
info.mmb@state.mn.us
mn.gov/mmb

Upon request, this material will be made available in an alternative format such as large print, Braille or audio recording. Printed on recycled paper.

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Executive Summary

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed by President Trump on March 27, 2020. The CARES Act establishes the \$150 billion Coronavirus Relief Fund in response to the Coronavirus Disease 2019 public health emergency.
- The State of Minnesota was allocated \$2.187 billion from the federal Coronavirus Relief Fund.
- Hennepin and Ramsey Counties received a total of \$317 million directly from the U.S. Treasury. The remaining \$1.87 billion was deposited into the state treasury in April 2020.
- The Fund has earned \$3.44 million in interest since April 2020. Interest may be used for COVID-19 related purposes and does not need to be returned to the U.S. Treasury.
- The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that:
 - Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
 - Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
 - Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.
- The Commissioner of Management and Budget may submit an expenditure request to the Legislative Advisory Commission for review and recommendation before spending can be authorized.
- When in session, the full legislature may direct appropriate from the Coronavirus Relief Fund.
- Any money in the Coronavirus Relief Fund that has not been used on expenses incurred by December 30, 2020, must be returned to the U.S. Treasury.
- As of August 31, 2020, \$1.709 billion has been authorized either through enacted legislation or through the Legislative Advisory Commission review process. \$165 million remains unauthorized in the fund.

Background

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the \$150 billion Coronavirus Relief Fund (CRF). The CARES Act directed the U.S. Department of Treasury to make payments from the CRF to states and eligible local governments; the District of Columbia and U.S. territories; and tribal governments based on 2019 U.S. Census Bureau population data.

The CARES Act requires that the payments from the CRF only be used to cover expenses that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The CARES Act specifies that the amount of payments made to each state be reduced by the aggregate amount of payments that was disbursed to eligible local governments within such State. A unit of local government eligible for receipt of a direct payment included units of general government below the state level with a population that exceeds 500,000.

Of the \$150 billion in the federal CRF, the State of Minnesota was allocated in total \$2.187 billion. Hennepin and Ramsey Counties have populations greater than 500,000 and received a combined \$317 million directly from the U.S. Treasury. The remaining \$1.87 billion was deposited into the state treasury in April 2020. Any amounts remaining unobligated in the state CRF on December 30, 2020, must be returned to the U.S. Treasury.

Expenditure Review Process

The expenditure review process for CRF generally follows the interim procedures for a 10-day Legislative Advisory Commission (LAC) review outlined in Minnesota Statute 3.3005. If federal money becomes available to the state for expenditure while the legislature is not in session, and an urgency requires that all or part of the money be encumbered or expended before the legislature reconvenes, a request to expend that federal money may be submitted by the commissioner of Minnesota Management and Budget to the LAC. Upon submission, the LAC has 10 days for review.

The LAC has four permanent members: the majority leader of the Senate; the chair of the Senate Finance Committee; the speaker of the House; and the chair of the House Ways and Means Committee. One additional member from each the House of Representatives and the Senate sit on the commission, which is determined by the request being considered.

This review and authorization are generally used when the full legislature is not in session, or if urgent items or emergencies arise. When in session, the full legislature may appropriate spending from the CRF.

Prior to LAC submission, the details of the request are presented to the chairs of the relevant legislative committees for the LAC as well as the members of the Legislative COVID-19 Response Commission (LCRC). The 2020 legislature established the LCRC to review expenditures from the COVID-19 Minnesota fund. Members of the LCRC are: Senate President Jeremy Miller, Senate Majority Leader Paul Gazelka, Senate Minority Leader Susan Kent, Senator Julie Rosen, Senator Dick Cohen, Speaker of the House Melissa Hortman, House Majority Leader Ryan Winkler, House Minority Leader Kurt Daudt, Representative Lyndon Carlson, and Representative Pat Garofalo.

Legislative Advisory Commission Recommendations

Upon submission of an expenditure request, the LAC has 10 days to review and provide a positive recommendation, a negative recommendation, or a request for further review. Under the provisions in Minnesota Statute 3.3005, subdivision 4 and 5, if a recommendation is not made within 10 days and no further review by the LAC is required, the commissioner may approve or disapprove the request.

Authorized Expenditures

Table 1 shows a summary of total authorized expenditures from the CRF for the period ending August 31, 2020. Dollars are represented in thousands. Minnesota Management and Budget's website has a [page](#) containing details of LAC requests and authorizations.

Row Number	Date Authorized	Authorization	Agency	Description	Amount
				INITIAL BALANCE	\$1,873,358
1	5/27/2020	20, Ch 101	MDA	Farm Loan Origination Fee Grants	\$175
2	5/27/2020	20, Ch 101	MDA	Farm Advocate Services	\$60
3	5/27/2020	20, Ch 101	MDA	Retail Food Handler Safety	\$125
4	5/27/2020	20, Ch 101	MDA	Expanded Meat and Poultry Processing Grants	\$100
5	5/27/2020	20, Ch 101	MDA	Rural Mental Health Services and Outreach	\$40

Row Number	Date Authorized	Authorization	Agency	Description	Amount
6	5/27/2020	20, Ch 101	MDA	COVID-19 Assistance to Farmers and Value-Added Businesses	\$100
7	6/2/2020	CRF LAC #1	MDH	Critical Care Supplies Preauthorization	\$19,484
8	6/2/2020	CRF LAC #2	DHS	Vendor capacity, operational costs for full implementation of Pandemic-EBT & Emergency-SNAP	\$2,005
9	6/2/2020	CRF LAC #3	DHS	Prepared Meals for Homeless Shelters and Unsheltered Adults in Encampments	\$3,668
10	6/2/2020	CRF LAC #4	MDH	Seroprevalence Studies	\$1,975
11	6/2/2020	CRF LAC #5	MDH	Mobile Coronavirus Testing	\$20,000
12	6/2/2020	CRF LAC #6	MDH	Case Investigation and Contact Tracing Software System	\$8,000
13	6/16/2020	20, SS1 Ch 1	DEED	Small Business Emergency Grant Program	\$60,000
14	6/16/2020	CRF LAC #7	MDE	Expanded Food Access for MN Children and Families	\$10,000
15	6/16/2020	CRF LAC #8	DHS	Senior Meals	\$11,300
16	6/16/2020	CRF LAC #9	MDH	Nurse Triage Line	\$3,000
17	6/16/2020	CRF LAC #10	MDH	Testing Supplies Preauthorization	\$10,000
18	6/23/2020	20 SS1, Ch 7	DHS	Housing Support Good Cause Absence Policy Exemption	\$1,135

Row Number	Date Authorized	Authorization	Agency	Description	Amount
19	6/26/2020	CRF LAC #11	MDH	COVID-19 Testing & Tracing Statewide Media Campaign	\$8,750
20	6/26/2020	CRF LAC #12	DHS	Summer Food Support for Children	\$35,500
21	6/26/2020	CRF LAC #14	DOR	Local Government Distributions	\$841,464
22	7/13/2020	CRF LAC #15	MDA	Food Bank Support	\$6,000
23	7/13/2020	CRF LAC #16	DHS	Food Shelf Support and Transportation	\$6,000
24	7/13/2020	CRF LAC #17	MDH	Long Term Care Testing Supports Staffing	\$2,430
25	7/13/2020	CRF LAC #18	MDH	Case Investigation and Contact Tracing Immediate Short Term Staffing Needs	\$3,000
26	7/13/2020	CRF LAC #19	DOC	State Correctional Facilities COVID-19 Request	\$9,090
27	7/13/2020	CRF LAC #20	MNIT	Technology Expenses for COVID-19 Situation Response	\$6,756
28	7/13/2020	CRF LAC #21	DHS	Tribal Food Assistance	\$1,608
29	7/13/2020	CRF LAC #22	DHS	Emergency Grants for Child Care	\$56,599
30	7/18/2020	CRF LAC #24	DNR	Coronavirus Relief Fund Funding Request #1	\$590
31	7/18/2020	CRF LAC #25	MNsure	MNsure Special Open Enrollment due to COVID-19	\$502
32	7/18/2020	CRF LAC #26	DHS	Operating Funding Central Office	\$5,430

Row Number	Date Authorized	Authorization	Agency	Description	Amount
33	7/18/2020	CRF LAC #27	DHS	Operating Funding Direct Care and Treatment	\$13,059
34	7/18/2020	CRF LAC #28	MDH	Operating Reimbursement Request	\$9,735
35	7/18/2020	CRF LAC #29	DEED	Operating Request	\$149
36	7/18/2020	CRF LAC #30	DPS	Bureau of Criminal Apprehension (BCA)/ Homeland Security and Emergency Management (HSEM) Coronavirus Relief Request	\$882
37	7/18/2020	CRF LAC #30a	DPS	a. BCA	[\$105]
38	7/18/2020	CRF LAC #30b	DPS	b. HSEM	[\$777]
39	7/18/2020	CRF LAC #31	MJB	Judicial Branch CRF Request	\$518
40	7/18/2020	CRF LAC #32	GALP	Guardian ad Litem Program CRF Request	\$13
41	7/18/2020	CRF LAC #33	ADM	Coronavirus Relief Request June 2020	\$402
42	7/18/2020	CRF LAC #34	ADM	Coronavirus Relief Fund Reimbursement Request	\$34
43	7/18/2020	CRF LAC #35	MMB	COVID-19 Requests	\$525
44	7/18/2020	CRF LAC #35a	MMB	a. Redeployment Costs	[\$96]
45	7/18/2020	CRF LAC #35b	MMB	b. Results Analysis	[\$158]
46	7/18/2020	CRF LAC #35c	MMB	c. Reimbursement for MAD Services	[\$271]

Row Number	Date Authorized	Authorization	Agency	Description	Amount
47	7/18/2020	CRF LAC #36	Gov	Coronavirus Relief Fund Request	\$290
48	7/18/2020	CRF LAC #37	OAH	Coronavirus Relief Fund Request	\$6
49	7/18/2020	CRF LAC #38	MNIT	Social Distancing and Safe Reopening	\$100
50	7/18/2020	CRF LAC #39	AG	Coronavirus Relief Fund Reimbursement Request	\$994
51	7/18/2020	CRF LAC #41	MetC	Homeless Encampment Maintenance and Evacuation	\$170
52	7/18/2020	CRF LAC #42	DPS	Coronavirus Relief Fund Request	\$695
53	7/18/2020	CRF LAC #42a	DPS	a. Administrative and Related Services	[\$29]
54	7/18/2020	CRF LAC #42b	DPS	b. Driver and Vehicle Services	[\$242]
55	7/18/2020	CRF LAC #42c	DPS	c. Laptop for telework	[\$26]
56	7/18/2020	CRF LAC #42d	DPS	d. Minnesota State Patrol	[\$398]
57	7/21/2020	CRF LAC #43	MDVA	Coronavirus Budget Relief	\$2,149
58	7/21/2020	CRF LAC #13	DHS	Operational Funding for Community Alternative Care Site	\$3,343
59	7/22/2020	CRF LAC #23	MDE	Operating Request	\$323
60	7/22/2020	CRF LAC #40	MetC	Deployment of Staff to MDH	\$191
61	7/27/2020	CRF LAC #44	MHFA	COVID-19 Housing Assistance	\$100,000

Row Number	Date Authorized	Authorization	Agency	Description	Amount
62	8/11/2020	CRF LAC #45	Senate	COVID-related Spending	\$19
63	8/11/2020	CRF LAC #46	House	Technology and Safety Response Needs under COVID Operations	\$118
64	8/11/2020	CRF LAC #47	MMB	COVID-19 Response Accountability Office	\$445
65	8/11/2020	CRF LAC #48	DHS	Homeless, Victim Services, and Isolation Space COVID Response	\$19,000
66	8/11/2020	CRF LAC #49	DHS	Emergency Temporary Staffing Pool for Group Settings	\$4,641
67	8/11/2020	CRF LAC #50	MNsure	Assistance to uninsured individuals for COVID-19 testing	\$225
68	8/11/2020	CRF LAC #51	MnDOT	COVID-19 Positive Client Transportation for Greater Minnesota	\$750
69	8/11/2020	CRF LAC #52	MetC	Transportation for COVID Positive Disables, Homeless, and Minnesota Care Recipients	\$150
70	8/11/2020	CRF LAC #53	DHS	Area Agency on Aging-Enhanced Home Care Benefit	\$1,063
71	8/14/2020	20, SS3, Ch 1	DHS	COVID-19 Related Retention Grants for Home and Community Based Service Providers	\$20,305
72	8/14/2020	20, SS3, Ch 1	DHS	Disability Services Provider COVID-19 Related Public Health Grants	\$10,125

Row Number	Date Authorized	Authorization	Agency	Description	Amount
73	8/17/2020	CRF LAC #54	MDE	Addressing Operating Costs and Supporting Student, Family, and Educator Needs	\$244,800
74	8/17/2020	CRF LAC #55	MDH	Providing Supplies to School Districts; Flexibility for Critical Care Supplies	\$5,200
75	8/17/2020	CRF LAC #56	MDH	On-demand Saliva Testing for Public and Private School Educators, Staff, Childcare Providers	\$6,000
76	8/18/2020	CRF LAC #57	DPS	Grants to community organizations for youth violence prevention, anti-violence and victim programs and services	\$8,000
77	8/18/2020	CRF LAC # 58	ADM	Workers' Compensation	\$5,000
78	8/22/2020	CRF LAC #59	MDH	Long-term Care Testing	\$7,000
79	8/22/2020	CRF LAC #60	MDH	Test Processing	\$55,000
80	8/22/2020	CRF LAC #61	MDH	Vault Saliva Testing	\$14,660
81	8/22/2020	CRF LAC #62	MDH	Case Investigation and Contact Tracing	\$35,091
82	8/22/2020	CRF LAC #63	MDH	Tribal Public Health Grants	\$2,579

TOTAL AUTHORIZED	\$1,708,635
CRF BALANCE REMAINING TO BE ALLOCATED 8/31/2020	\$164,723

ANN WAGNER
2nd District, Missouri
2350 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-1621
301 SOVEREIGN COURT
SUITE 201
BALLWIN, MO 63011
(636) 779-5449
wagner.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515-2502

VICE RANKING MEMBER
COMMITTEE ON
FINANCIAL SERVICES
RANKING MEMBER
SUBCOMMITTEE ON DIVERSITY AND
INCLUSION
SUBCOMMITTEE ON INVESTOR PROTECTION,
ENTREPRENEURSHIP,
AND CAPITAL MARKETS
VICE RANKING MEMBER
COMMITTEE ON
FOREIGN AFFAIRS
SUBCOMMITTEE ON EUROPE, EURASIA,
ENERGY, AND THE ENVIRONMENT
SUBCOMMITTEE ON ASIA, THE PACIFIC,
AND NONPROLIFERATION

September 10, 2020

Dear County Executive Page,

I am writing to you today to express my concern about the lack of distribution of the \$173.5 million provided to St. Louis County through the CARES Act. In Congress, I proudly supported the CARES Act and the money sent to St. Louis County.

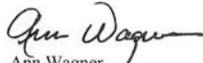
The CARES Act was signed into law on March 27, 2020. The St. Louis County Council approved the appropriation in late April, giving you sole authority to distribute these funds. Four months later, there is over \$100 million unspent, including \$47 million in a municipal reserve fund that can be spent in support of public safety officers, medical care, and housing, among other critical services.

Public safety is of vital importance to St. Louis County, especially as the pandemic continues to hurt our communities. As I have implored you in numerous conversations, the CARES Act funding needs to be distributed to our municipalities as soon as possible to fund public safety initiatives and ensure stability for communities and families. I have heard from the Municipal League of St. Louis and many of our area municipalities that they are in desperate need of these funds. This is a serious issue that demands immediate action.

I have addressed this need for fund distribution directly with you on multiple occasions, including as recently as July 7 when Rep. Lacy Clay and I strongly urged you over the phone to send these funds to local governments, and again on August 7 when I reiterated that same message to you.

I am asking once again that you distribute the CARES Act funding to our municipalities.

Sincerely,


Ann Wagner
Member of Congress