

# The Impact of Federal Relief Funding: Observations from the States

## California: California Policy Center



California's financial troubles predate COVID-19. Its problems related to COVID are largely self-inflicted. Finance experts predict this perfect storm will, in turn, generate a wave of California municipal bankruptcies beginning as early as September.

## Michigan: Mackinac Center for Public Policy



Michigan balanced its budget by withdrawing \$350 million from the state's rainy-day fund, and the governor vetoed money such as the state's Pure Michigan tourism program.

## Iowa: Tax Education Foundation



Iowa projected that there would be sufficient revenue to fund FY 2020, and they projected that there would be sufficient revenue to fund FY 2021 as long as they did not plan on increasing the total amount of expenditures year over year.

## Minnesota: Center of the American Experiment



Minnesota is projecting a \$2.4 billion deficit for the two-year budget period ending next July. State spending has increased so drastically in recent years that budget cuts are overdue. Minnesotans are already some of the most heavily taxed citizens in America. The lowest income tax rate (5.35%) is higher than the highest tax bracket in 25 states.

## Illinois: Illinois Policy Institute



Illinois projects a budget deficit of \$6 billion at the state level and \$1.2 billion for the City of Chicago. Neither government has instituted spending reductions or reforms. Lost revenues could result in tax increases and cuts to productive public services, that would endanger the post-COVID economic recovery.

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**-- Center of the American Experiment --**

## Nevada: Nevada Policy Research Institute



The federal government needs to permit states to remove ineligible Medicaid recipients from the program. The Affordable Care Act-directed Medicaid expansion means that Nevada's program now caters to more than 600,000 Nevadans at an annual per-recipient cost of about \$5,700. We expect the caseload to skyrocket to over 700,000. This is a major impact on the state budget and drains resources for those who need the program.

## New York: Empire Center



Governor Cuomo is demanding unrestricted federal aid because he has already spent it. The state budget adopted in April spends as much as Cuomo proposed in January, leaving a \$10 billion gap. Since then, New York has not moved to meaningfully cut any costs. Nearly every New York teacher got a contractual raise on July 1, per-patient Medicaid spending has surged to the nation's third highest, and the \$420 million-per-year film and television production subsidy is fully intact.

## Ohio: The Buckeye Institute



A trillion-dollar bailout to state and local governments will distort state finances for the next decade and incentivize bad behavior long into the future. State and local governments will use this windfall for new spending projects or temporarily fill holes in pension benefits. This money will reward prolific spenders and encourage them to seek more bailouts in the future.

## Pennsylvania: Commonwealth Foundation



We are expecting a significant shortfall come November once other budget items are fully funded for the remainder of 2020-21. But this shortfall can be made up through shifts from outside special funds and reasonable spending cuts. Additional funds will only dig a deeper budget hole for 2021-22 and the future.

## South Dakota: Great Plains Public Policy Institute



South Dakota closed the 2020 budget year in June with a surplus. The final budget for FY 2021 is one percent higher than the FY 2020 budget. It includes a two percent increase for education, state employee salaries, and community support providers.

## Texas: Texas Public Policy Foundation



State leaders have called for some state agencies to find savings of 5%, which amounts to \$1 billion, that would help close the projected FY20-21 budget deficit for the general fund of \$4.6 billion along with the \$9 billion projected in the state's rainy day fund at the end of the current FY20-21 biennium. Total revenue, including federal funds, is projected to be up in Texas in the current biennium.

## Questions?

Contact Jennifer Butler at [butler@spn.org](mailto:butler@spn.org).

## Speeding Economic Recovery: Recommendations from the States

### Alaska: Alaska Policy Forum

Give states the flexibility to direct their relief assistance to those who need it most. This added flexibility would allow state and local governments to offset lost tax and fee revenue and provide tax relief to help revive the economy.



### Colorado: Independence Institute

Reduce federal taxation and regulation. This will create more economic growth, which translates to increased revenue at the state level with no cost to states.



### Florida: The James Madison Institute

Deregulate, block grant everything possible, and encourage multi-state compacts for state-based regulation. Other than that, get out of the way.



### Illinois: Illinois Policy Institute

Any aid should not be granted without strings attached to ensure taxpayer funds are safeguarded and used for their intended purpose. Without strings attached, any amount of federal assistance will serve as a bail-out of debt and pensions for badly mismanaged states such as Illinois, to the detriment of both other states' taxpayers and residents within mismanaged states.



### Nebraska: Platte Institute

The federal government should avoid incentivizing states to spend more on new programs. Pushing states like Nebraska to ramp up spending through additional state aid could force tax increases in the years ahead, which will hinder a continued recovery from the COVID-19 recession.



### Nevada: Nevada Policy Research Institute

The Affordable Care Act-directed Medicaid expansion means that Nevada's program now caters to more than 600,000 Nevadans at an annual per-recipient cost of about \$5,700. To curb costs, Nevada should apply to the federal government for a Medicaid 115A waiver for the purpose of implementing work requirements for all able-bodied Medicaid enrollees.



### New Jersey: Garden State Initiative

Washington has the opportunity to gain a more fiscally stable New Jersey if it applies conditions to aid that would leapfrog the state to a more responsible and stable fiscal position. To receive funds states should meet certain fiscal thresholds such as rainy day funds as a percentage of annual revenue and level of pension liabilities or debt as a percentage of revenue. Give states that don't meet these thresholds the opportunity to reform those elements in order to increase their competitiveness.



### North Carolina: John Locke Foundation

Give states flexibility on how they use their coronavirus relief funds. Without flexibility, states are incentivized to create new programs while their citizens lose critical services and pay higher taxes. Taxpayers of fiscally responsible states eventually shoulder the burden of states with less constraint when it comes to new spending.



**Questions?**  
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