

Limit Additional COVID-19 Funding to States

The Problem: Due to COVID-19 shutdowns, states and localities face an estimated \$280 billion* revenue shortfall in FY 2020 and FY 2021.

Some states prepared for a downturn. Others spent beyond their means.



\$93.2 billion

Overall, states have **saved a total of \$93.2 billion** in rainy day funds & unappropriated balances.



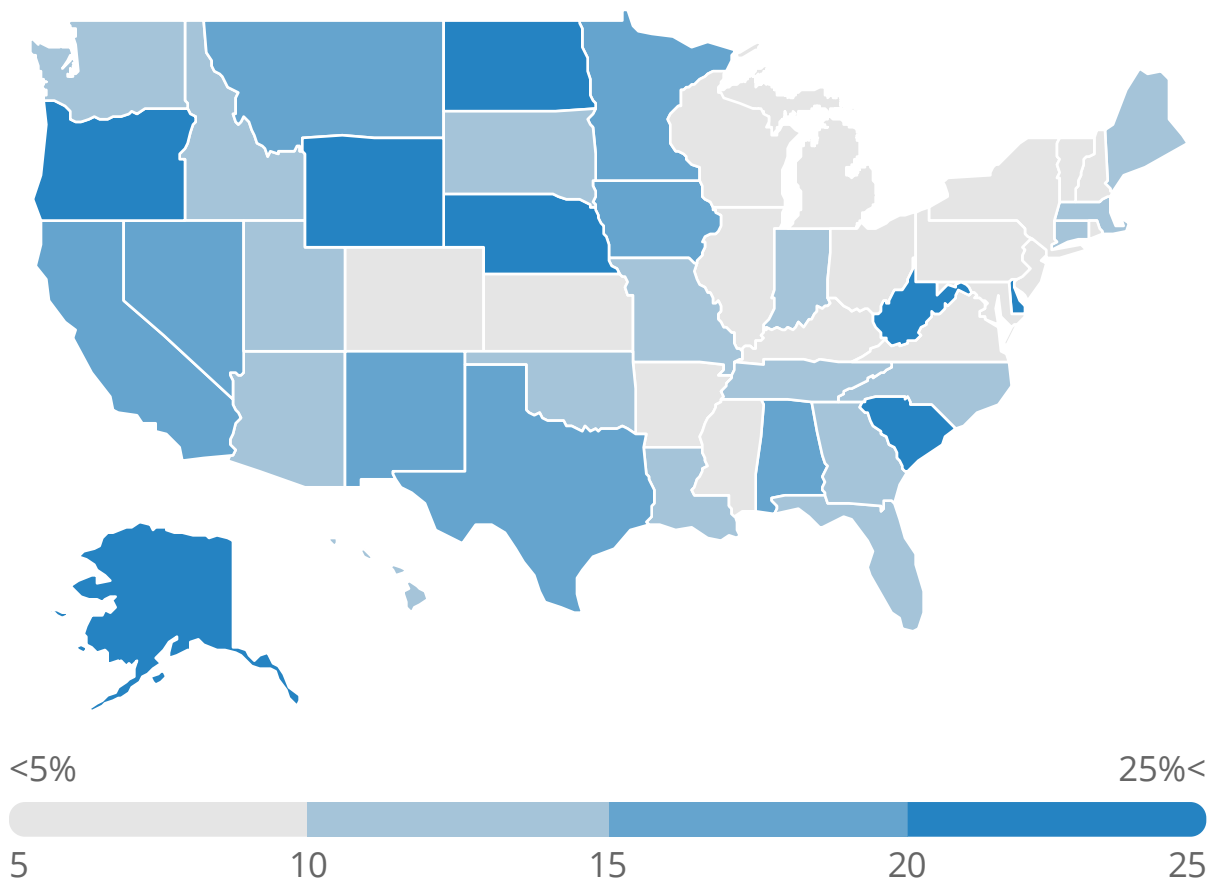
\$187 billion

These savings **bring the total revenue gap down** from \$280 billion to \$187 billion.

State Fiscal Preparedness

This map shows how prepared states were for unexpected economic challenges by comparing total fund balance, including rainy day funds, as a percentage of their FY20 general expenditures.

Source: National Association of State Budget Officers, SPN think tanks



*Sources: <https://taxfoundation.org/state-revenue-forecasts-state-tax-revenue-loss-2020/>
<https://www.taxpolicycenter.org/taxvox/covid-19-pandemic-could-slash-2020-21-state-revenues-200-billion>

Additional funding from Washington would eclipse many state budgets and undermine fiscal federalism.



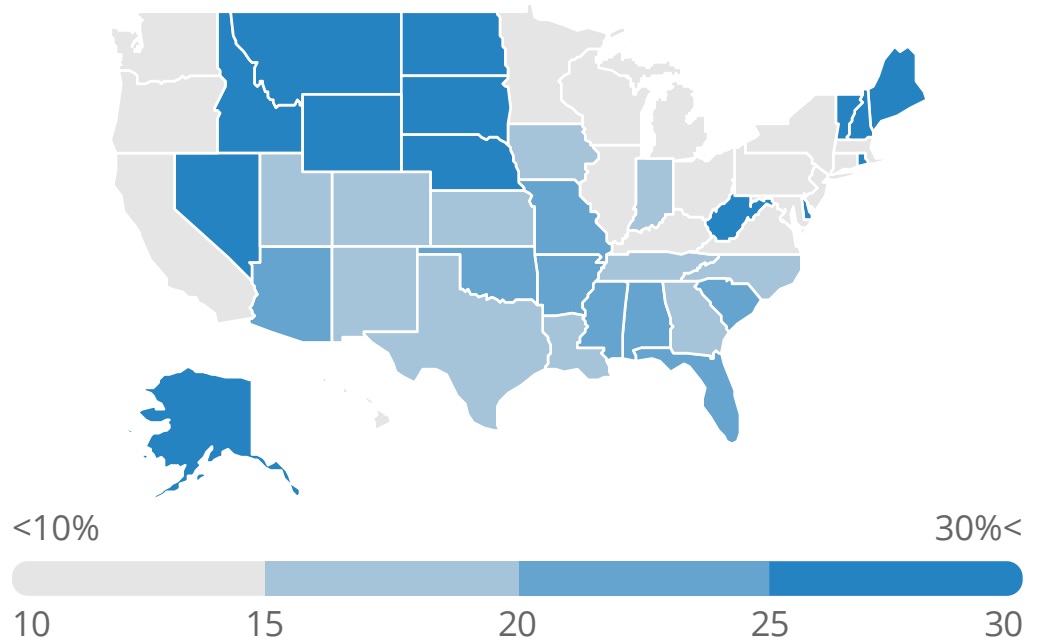
Taxpayers have contributed **over \$260 billion in direct federal aid** to state budgets and **hundreds of billions more** in indirect aid and lending capacity.



Some states are **struggling to spend** what has already been allocated.

23 states received coronavirus relief funds equal to or more than 20% of their FY 2020 revenue.

Source: National Association of State Budget Officers, SPN think tanks



Every state faces a different crisis.

Policymakers need to be cautious about **flooding state budgets** and **rewarding over-spenders**. Fiscal experts warn that **every dollar of federal relief to states results in state and local tax increases of roughly 40 cents**. (Source: <https://www.mercatus.org/publications/government-spending/do-intergovernmental-grants-create-ratchets-state-and-local-taxes-0>)

The American public agrees.

Only one in five Americans think states that have been responsible with their budgets should have to pay more in taxes to bail out states that made unsustainable financial decisions before the pandemic.

Any additional funds could delay overdue structural reforms.



Source: spn.org/state-budget-polling

The Solution: Limit additional federal funds to states.

Support local economies by providing flexibility on previously granted relief, lowering taxes, and continuing deregulation.