



Congress of the United States
House of Representatives
Washington, DC 20515-0906

May 12, 2020

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
S-220, U.S. Capitol
Washington, D.C. 20510

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

We write to express our opposition to recent proposals to send direct federal funding to state and local governments without restriction for purposes unrelated to fighting the COVID-19 pandemic. Conservatives understand that the proper role of the federal government is to protect its citizens rights to life, liberty, and the fruits of their labors. Taking resources from current and future Americans and redistributing it to state and local governments to subsidize their mismanaged budgets would exceed this proper scope.

Such bailouts would fail to directly address the immediate threat of the pandemic and carry with them a number of perverse incentives and consequences. For instance, they would reward states that have mismanaged their budgets, incentivize future bailouts and reliance on federal funding, invite a bailout of underfunded pensions, fail to push states to enact spending reforms, and feed the Left's ultimate goal of consolidating power in the federal government rather than empowering states. Many of the states calling for such a bailout have some of the highest tax rates and most underfunded pension and rainy day funds. New York and Illinois, for example, are ranked 44th and last for their rainy day funds. New Jersey and Illinois have the highest levels of unfunded pension liabilities per resident. Moreover, at a time when our federal deficit is now likely to surpass \$4 trillion, a debt-financed state bailout would further burden our seemingly insurmountable federal debt, crowd out access to capital for American people and businesses, and increase calls for economically harmful tax increases in the future.

A direct federal bailout would also ignore the fact that state and local governments already have a variety of fiscal options available to ensure that they can continue to provide essential services to their citizens while also



addressing the current pandemic. Congress recently gave state and local governments access to over \$320 billion for pandemic response, expansions of Medicaid and SNAP, disaster aid, education expenses, community development, transportation, and childcare. Increased Unemployment Insurance aid adds another \$270 billion to that sum. On May 4, 2020, the U.S. Department of the Treasury issued updated guidance to clarify that CARES Act funding appropriated for the states may even be used to help cover qualified payroll costs for county and local public health and public safety employees, among other uses. Additionally, state and local governments always have the option to reduce excessive spending and borrow funds from global bond markets, and the Federal Reserve System (FED) has pledged over \$500 billion to buy bonds from state and local governments. This credit from the FED alone is equal to roughly a full third of all annually collected state and local tax revenue. The federal government cannot acquire these funds in a less harmful or less distortionary manner than the options already available to state and local governments. It is not appropriate to bypass that process and offload that burden to the federal government.

Further, many of the states and localities that are making these requests have historically demonstrated a lack of respect for federal law and constitutional rights, and more recently a penchant for overly restrictive shutdown orders. These actions have, rightfully so, received scrutiny from the U.S. Attorney General. A bailout of these jurisdictions would only serve to condone these actions and encourage economically oppressive restrictions on American people and businesses. Beyond these egregious concerns, many state and local governments have track records of using public funds to push union and Green New Deal agendas, implementing restrictions that stunt growth and increase poverty like occupational licensing and land use restrictions, as well as providing indirect aid to abortion providers. Given the track record of these governments, it is vitally important that any further federal aid be restricted to those efforts that directly combat the pandemic. Additionally, any further aid should be dispensed through state governments so that we can place strict requirements on those funds to ensure they are used in an appropriate and intended manner.

As such, it is our resolute position that direct federal funding to state and local governments not related to the pandemic is inappropriate, particularly when it merely facilitates long-time fiscal mismanagement.

Sincerely,



Rep. Jim Banks (IN-03)
Chairman, RSC Budget and Spending Task Force



Rep. Jodey Arrington (TX-19)
Member of Congress

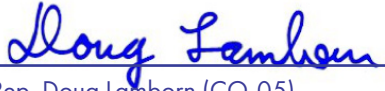


Rep. Ron Estes (KS-04)
Member of Congress

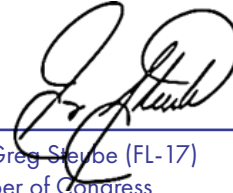


Rep. Trent Kelly (MS-01)
Member of Congress

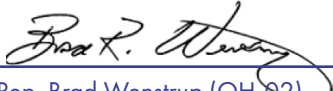




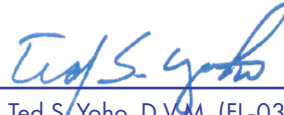
Rep. Doug Lamborn (CO-05)
Member of Congress



Rep. Greg Steube (FL-17)
Member of Congress



Rep. Brad Wenstrup (OH-02)
Member of Congress



Rep. Ted S. Yoho, D.V.M. (FL-03)
Member of Congress

CC:

The Honorable Donald J. Trump
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The White House
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Washington, DC 20500

The Honorable Mike Pence
Vice President of the United States
Chair, White House Coronavirus Task Force
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The Honorable Steven Mnuchin
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The Honorable Russel T. Vought
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The Honorable Mark Meadows
Chief of Staff to the President
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