

# THE BOND BUYER

## Trump commits to state aid in the next emergency bill

By

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Infrastructure spending and aid to state and local governments will be part of the next round of coronavirus emergency spending, if President Donald Trump has his way.

That legislation, which is being called COVID 4, will follow the Coronavirus Aid Package 3.5 that passed the Senate in a voice vote Tuesday and is expected to be approved by the House Thursday. Trump said Tuesday he expects it to include spending for state and local governments.

That \$484 billion package includes \$310 billion the Paycheck Protection Program for small businesses; \$10 billion in additional funding for Emergency Economic Injury Disaster Loan grants; an additional \$50 billion in the SBA's Disaster Loans Program Account; \$75 billion for the Department of Health and Human Services Public Health and Social Services Emergency Fund for eligible health care providers; and an additional \$25 billion for COVID-19 testing.

Efforts by state and local governments to allow some of the massive amount of federal aid in the 3.5 package and the earlier CARES Act to plug their revenue shortfalls so far have been unsuccessful.

"We are incredibly disappointed that we are left behind and that we are asked to wait until the next package," said Matthew Chase, executive director and CEO of the National Association of Counties. "We have immediate issues."

NACo estimates that county governments alone face \$144 billion in additional costs and revenue shortfalls. Counties operate over 1,000 hospitals and 800 nursing homes in addition to health departments with health inspectors.

NACo has joined with the National League of Cities and the U.S. Conference of Mayors in requesting \$250 billion in direct aid while the National Governors Association has requested \$500 billion.

“As Congress considers COVID 4 and it drafts subsequent bills it’s necessary for us to have that direct aid so we can do the work that’s expected of us by the president, by Congress, by our governors and city mayors,” said Dutchess County Executive Marcus Molinaro of New York’s Hudson Valley.

Sales tax revenue is Dutchess County’s largest revenue source and it has dropped 50% because of the pandemic, according to Molinaro, who noted that his otherwise healthy father died from COVID-19 last week at age 67.

The Coronavirus Aid, Relief and Economic Security (CARES) Act allocated \$150 billion to a Coronavirus Relief Fund to help states and local governments offset the cost of the health emergency, but the money is limited to COVID-19 related costs.

State governments and some major cities and counties already have received 50% of their share of that \$150 billion, according to the Government Finance Officer Association.

But state and municipal groups were unsuccessful in trying to amend how that money can be used to include revenue shortfalls.

“The 3.5 package does not change the treatment of the CARES Act money,” said NACo’s Chase. “The deal that was struck was that the president would [tweet out](#) as he did yesterday that he is now favorable to changing it in the next package to allow both the CARES Act money to be used for lost revenue as well as expenses. And any future state and local aid would be allowed for lost revenue and expenses.”

Chase added, “That is sort of a gentleman’s agreement that in future legislative packages this will be fixed.”

Emily Brock, director of the federal liaison center of the Government Finance Officers Association, said Trump’s tweet specifically mentioned lost revenue will be addressed in the next round of emergency legislation.

“We have a lot of bipartisan champions but there were massive negotiations around utilization of the funds and it did not make it into the final legislation,” said Brock. “That said, we are still awaiting guidance on the initial \$150 billion from the Treasury.”

Governors as well as mayors and county executives are telling the Trump administration and congressional lawmakers that they urgently need grants to cover revenue shortfalls.

Trump told reporters that he discussed the issue with New York Gov. Andrew Cuomo during a private White House meeting Tuesday.

“We mentioned briefly the state aid,” Trump said. “We talked about that -- Governor Cuomo and myself -- and I agree with him on that. And I think most Republicans agree too, and Democrats. And that's part of phase four.”

The president also said he envisions infrastructure as “a big part” of the next round emergency legislation. “We have to rebuild our country,” he said, citing the need to rebuild bridges, tunnels and “even schools.”

Trump said that Treasury Secretary Steve Mnuchin “can go and start phase four, as the ink is drying” on the legislation just approved by the Senate.

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