

THE BOND BUYER

Congress Faces Sept. 30 Deadline to Decide on State and Local Aid

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*"We will continue to work with the Senate and House on a bipartisan basis for a phase four relief package," Treasury Secretary Steve Mnuchin said Sept. 1 at a House hearing. **Bloomberg News***

The post-Labor Day return of Congress to Washington leaves lawmakers just over three weeks to agree on a stopgap to avoid a government shutdown and whatever new emergency aid might be provided to address the COVID-19 pandemic.

The deadline for acting is the Sept. 30 end of the federal fiscal year.

The House and Senate have not agreed to any of the 12 spending bills that fund various federal agencies, nor have they agreed on the reauthorization of the Highway Trust Fund.

The current surface transportation bill also expires Sept. 30 and the Republican-led Senate has balked at considering the \$1.5 trillion Moving Forward Act passed by the House. The House bill includes additional infrastructure measures such as \$30 billion in new bond authority for schools, a new program of direct-pay bonds and an increased limit on bank-qualified bonds to \$30 million from \$10 million.

“We have heard that lawmakers may be starting negotiations around combining a COVID relief package with a continuing resolution,” said Eryn Hurley, associate legislative director for the National Association of Counties.

The National Association of Counties is seeking additional direct and flexible federal aid to counties of all sizes.

NACo joined with six other state and local groups last month in requesting additional federal aid beyond the \$150 billion approved by Congress in the CARES Act.

“State and local governments aren’t seeking a bailout,” said the statement issued by seven groups that included the National Governors Association, the National League of Cities, the U.S. Conference of Mayors and the National Conference of State Legislatures.

State and local governments say they “are seeking fiscal stabilization to immediately address revenue shortfalls caused by emergency measures enacted at every level of government to contain the spread of COVID-19.”

“There is wide bipartisan agreement that state and local governments came into this recession with unprecedented rainy-day reserves to help deal with the next downturn,” the joint statement said. “No one could have anticipated a once-in-a-century pandemic combined with the worst economic conditions since the Great Depression, but with lives and livelihoods on the line, state and local governments are stepping up and answering the call.”

A spokesman for the NGA said the governors are encouraged by recent testimony by Treasury Secretary Steve Mnuchin at a House hearing “that the Trump administration supports additional aid to states with flexibility to meet the real and pressing needs in states and territories.”

“We will continue to work with the Senate and House on a bipartisan basis for a phase four relief package,” Mnuchin said at the hearing. “I believe a bipartisan

agreement still should be reached and would provide substantial funds for schools, testing, vaccines, PPP for small businesses, continued enhanced unemployment benefits, child care, nutrition, agriculture, and the U.S. Postal Service, along with liability protection for universities, schools, and businesses.”

The Trump administration, however, has refused an offer by congressional Democrats to set the price tag of the overall emergency relief package at \$2.2 trillion.

Senate Republicans have considered bringing to the floor an even smaller package of around \$500 billion to force congressional Democrats to budge from their negotiating position. But it's unclear whether this so-called "skinny" bill could get the 51 votes needed for passage.

On the other hand, the administration could agree to a higher number because it is separately asking Congress to include half a dozen pandemic-related fixes in the next stopgap funding measure or into the next COVID-19 relief legislation.

The new White House requests include additional funding for the Supplemental Nutrition Assistance Program which has added nearly 5 million recipients since the pandemic began.

Democrats say their \$2.2 trillion proposed compromise is the halfway mark between the House-passed HEROES Act and the administration's ceiling of \$1 trillion.

Hurley of NACo that her organization estimates that counties alone are facing a revenue shortfall of \$202 billion through fiscal 2021.

“Actually 68% of counties have either cut or delayed their county services,” said Hurley. Among the cuts: human services, public safety, community development, capital investments as well as furloughs and layoffs.

The August employment report released by the Bureau of Labor Statistics Friday said government employment was 831,000 below its February level.

Although government employment rose by 344,000 in August, the majority of those jobs reflected the hiring of 238,000 temporary 2020 Census workers.

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