



The Our American States podcast—produced by the National Conference of State Legislatures—is where you hear compelling conversations that tell the story of America’s state legislatures, the people in them, and the policies, process and politics that shape them.

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COVID-19: An Update From NCSL’s Executive Director | April 27, 2020 | OAS Episode 92

Hello and welcome to “Our American States,” a podcast from the National Conference of State Legislatures. On this podcast, we’re all about legislatures: the people in them, the policies, process and politics that shape them. I’m your host, Ed Smith. Thanks for joining us.

This podcast is one in a series NCSL is producing to focus on how states are taking action in response to the corona virus pandemic. The podcasts and a new webinar series look at public health responses, workplace issues, education and childcare, the economy, elections, and continuity of government. You can find links to sign up for these webinars and view archive versions, along with links to a wide range of other resources, at www.ncsl.org/coronavirus.

Today we’re talking with Tim Storey, the Executive Director of NCSL. Tim and other NCSL staffers have been talking with state leaders to understand what they need during this pandemic and advocating on behalf of states to members of Congress and the Administration.

Tim, welcome back to “Our American States.”

Tim: Oh, I’m so happy that I can be back on the show. Thanks Ed.

Time Marker (TM): 01:21

Ed: So, Tim, I know you’ve been talking with legislative leaders around the country and lots of other people. What are their biggest concerns in the short term, the next couple of months?

Tim: Well, the short term is really keeping operations going, taking care of their people, making sure that everyone is being safe and healthy. The Covid-19 health emergency has touched so many lives and the community of legislators has also been directly affected.

So, I think leaders first off are taking care of their people, their members, their staffs. And then the next issue is: How do you maintain operations and take care of the things that legislatures have to take care of, including getting a budget passed? Only about I want to say 21 states have passed budgets before the corona virus, before Covid-19, so let’s say that’s BC time.

Those other states still have to put together an FY21 budget. In the states that did pass budgets, now, as we'll talk about I'm sure during the rest of the call, those states now have serious issues around the devastating impacts of the virus on the economy and their state economies.

So, I think when I talk about staying on top of operations, leaders have been very creative about how do they convene committees, how do they convene the chambers in some cases, with some states moving to outside venues where they can keep safe distances to protect themselves from spreading the virus.

And then I'd say in the short term, it's all a waiting game in many ways. It's monitoring the economic data, waiting to see where this goes next. When are we in phase two, phase three, out of the woods? And I don't think anybody thinks we're out of the woods, but are things looking better?

And then I think the other short-term thing is that constituent requests have been pretty high and steady from a number of legislators I've talked to. A lot of those have to do with the federal issues and often constituents don't always distinguish between state officials and federal officials, and of course, the stimulus bills that have passed Congress have a big impact on state programs. So, they've been getting a lot of questions from constituents.

TM: 03:57

Ed: So, how about those longer-term concerns? We've heard some pretty big numbers in terms of revenue shortfall. Do you think this is going to be something that affects states for years?

Tim: Revenue estimating is always subject to some uncertainty. Even in the best of times, using modeling based on decades of data, you've always got an X factor in predicting what revenue will look like.

The revenue projections in the world of corona virus and its impact on the U.S. economy, the uncertainty is like a magnitude of 100. It's dramatic. I mean, no one ever imagined this kind of scenario. States prepare for recession, great recession-type downturns – what happens if we lose 5% or 10% of revenue – and those are extraordinarily high numbers.

So, I think the longer-term concerns... Everyone knows that there will be a revenue shortfall and, by the way, one interesting thing about this particular economic downturn impact is that it will affect every single state. Sometimes because different states have different revenue structures – they might rely heavily on sales tax or income tax or tourism dollars or oil and gas revenues – the corona virus and what it's doing to the economy is going to hit all 50 states and the territories.

So, what they're thinking is that we know the next crisis is the economic crisis. We're going through the healthcare crisis now and then part two is the economic crisis that lies ahead and how they manage that. And, of course, there's a lot of triage being done with the federal support around stimulus and around unemployment support and payroll protection for small businesses.

The long term... Will it go on for years? Nobody knows. How deep will it go? Nobody knows for certain. I think smart legislators are already, and legislative fiscal staff, are already anticipating sharp declines in revenue, and there are many early indicators that point to that. They know unemployment goes up, income tax revenue goes down.

Consumer spending is obviously at a standstill, with the large part of the consumer economy essentially on shutdown. So, these are going to be major issues in the future. But I think at this point the uncertainty, the unknowns, the X factor are so extraordinary that no one can know for sure.

All you can do is project a bad scenario, a worst scenario, and a catastrophic scenario, and how can you start to prepare for those things.

TM: 06:46

Ed: So, on the other side of that coin are the increased costs. How well equipped are states at this point to handle that?

Tim: They are well-equipped. Going into before corona virus, the BC time, states were in fairly good shape. Reserve funds were at their highest levels since the Great Recession of 2008/2009. Of course, states balance their budgets. Revenues were actually trending higher in most states.

So, the vast majority of states were in really good, sound fiscal situations and are well managed. Legislatures and governors are managing states about as well as they have in years when you just look at the overall fiscal health of states. That was BC.

So, now we're in a situation where, you're right, some spending will go up; there will actually be some modest savings for states. When you're not operating schools, for example, there are savings there. But then, on the other hand, there are added costs. So, you're trying to balance okay, where are the added costs.

Let's just take education, one of the biggest categories that states spend money on. If you have to completely retool how schools operate starting next fall and you have to do staggered schedules or smaller classes where kids are spread out or isolated classes, you have to think about different ways to serve lunch to kids, well this is going to put a lot of costs on states and schools, again, which are largely funded by the states, not to mention the social safety net of healthcare and unemployment and all those things.

So, states know that there could be greater demand for spending in many areas at a time when revenues are declining sharply. So, that's the vice that they're going to be in. And it's going to take a lot of creativity to figure out how to navigate that.

The good news is going into this, states were in good fiscal shape, and the federal government has supplied stimulus to the states to cover Covid issues, and we're anticipating more of that. We can talk about that in a few minutes.

Ed: Yes, I've talked to a number of NCSL experts and outside experts and increasingly people have said, whether it's education or healthcare, people are trying to figure out how to reinvent this stuff on the fly in a matter of days. So, it's got to be very, very challenging.

We've gone almost overnight from record low unemployment, a record high stock market, and now we've got skyrocketing unemployment, a market that's going wildly up and down.

TM: 09:22

Ed: What do state leaders think about the economy? Do they figure they're just going to have to wait and see what happens?

Tim: I think it's sort of a wait-and-see, hang on right now. Revenue for states lags the overall economy, so they don't know until they start doing the quarterly collections and the end of year collections. And, of course, most states delayed their income tax filing dates, as did the federal government, into July.

So, the taxpayers and businesses that don't do withholding, that pay quarterly or pay at the end of the year, they still don't know what those numbers are going to look like.

Nor does anybody know where the economy settles. When does it reach some equilibrium of not getting whipsawed by the news of the day like oh, things look better, things look worse? We lose 500 or 1,000 points on the DOW or 2-3% on the overall market. And then the next day oh, things look good; it's up 1 or 2%.

So, I think it's just a fool's errand to try to speculate because there's no analog. No one has lived through a situation like this in terms of its impact on not just the American economy and the state economies, but the world, the global economy. And there's going to be a tremendous amount of rethinking of global business operations, supply chains, and maybe having things on-shored, and bringing some manufacturing back to the United States makes a lot more sense because of stability of a supply chain that isn't subject to this kind of uncertainty with a global pandemic.

I think that's the kind of stuff that no one can predict, and no one can predict: What does a new consumer world look like? Our economy and state revenues rely heavily on consumer spending. Does that change in any kind of permanent way once we're completely through this crisis?

And back to there being no analog, I mean, some people say oh, you can look at the Great Depression in the 1930s. In many ways, certainly there is guidance from the Great Depression, but the economy of 2020 is nothing like the American economy of the Great Depression era. Our dependence on consumer spending to drive this economy is far different than what drove the economy, and technology and global trade – that's not what the economy looked like then.

So, my overall point is... This is a cliché that's been so overused in the past few weeks, but "uncharted waters" – I mean, we're off the end of the maps; there is just nothing to compare it to, which is why, back to fiscal officers and thoughtful legislators who are trying to predict where this goes, you're just having to make some assumptions that may or may not be accurate, and the X factor is massive.

TM: 12:25

Ed: Let's talk for a minute about the federal government and what action it has taken, because I understand that the states received 150 billion from the CARES Act that was passed by Congress. Is that enough?

Tim: There's a little more detail to it that you've got to put into context, which is that 55% of that money was designated for the states and 45% of that was designated for local governments. It also has to be spent under the current law directly on Covid-related expenses and can't be used for the economic fallout caused by the Covid-19 crisis.

So, there is not a ton of flexibility with that money. States are using it on the direct spending to provide immediate assistance to hospitals and healthcare systems and those kinds of things. But the states actually, and NCSL and NGA and other groups in Washington are talking with congressional leaders and the White House about more flexibility on that first stimulus. It was actually the third bill that Congress passed, but the big stimulus money, that was in that 150.

Fifty-five percent went to states, and it was on a formula basis so that the smallest states received at least 1.25 billion dollars. So, if you're one of the smaller states... seven states have only one congressional district, for example, that 1.25 billion dollars might represent up to 20% of your overall General Fund spending.

If you're one of the big, large states like California and Michigan, Florida, New York, the amount you got might be a far smaller percentage of your General Fund. So, that money was distributed differently to different states is my point.

TM: 14:04

Ed: What's the outlook, do you think, for additional aid?

Tim: I think it's pretty strong. The leaders in Washington who we've spoken with and who we work with fully understand the need for states to provide the critical services that they do. They understand that... The federal government, of course, is essentially borrowing this money from the future. States don't have that authority or don't have that ability to do that kind of borrowing.

And so, states are somewhat relying, in a national crisis like this, on federal resources to help survive the economic impact of this crisis.

We're optimistic. I think leaders in Congress and the Administration understand the need for support to states and the partnership that states play in stabilizing the U.S. economy. We will find out more in just the coming few weeks.

NCSL estimates that the revenue shortfall for states could exceed 350-400 billion dollars. That's just the decline in tax revenues to the states. If you say relatively half of the 150 billion, even if we get more flexibility for that money, it does not come even close to covering the huge hit that the states are about to take.

And, of course, states are going to use their own creativity and their own resources. They're going to look at spending money efficiently and effectively, and can they do anything to increase revenue. There will be, of course, very little appetite for tax increases with the economy at a low point.

So, I think that the states could definitely use support from the federal government, and I think that's going to happen.

TM: 15:45

Ed: Another area of concern is voting, both the primaries and the general election in November. Do you expect some sort of expansion of voting by mail, or will it be state-by-state?

Tim: Well, the elections are such a complicated matter because every election regime, every election process is completely different from every other state. I mean, you can put them in buckets of similarities. But right now, there are only five states where you've got vote by mail essentially universal within the states. So, 45 states do not.

And one of the strengths of our election system is that the different systems are designed for the culture and the history and the ability of the different states. Running an election in Alaska with the vast geography that they have is much different than running the election in Rhode Island. And running an election in a state that maybe has had a long history of potential fraud is a lot different than running in a state that has not had those kinds of problems.

I remember 20 years ago after the Bush v. Gore election and the intense examination of the election process then, Oregon I think was the only state that had vote by mail at the time. It was pretty clear that that worked for Oregon. But other states didn't think that would work for them. So, I think this is a state-by-state answer.

But now, legislators and governors are going to work together to make sure that they make it safe for the people of their states to vote, and they've got some time. But these election regimes are also complicated statutory frameworks, so to do that, you're going to have to come into special sessions.

It's like you were talking about reinventing education. You've got to be really careful when you're dealing with people's right to vote and their access. This is an absolute right in our democracy, and you can't have externalities, you can't have things go wrong when you start messing with it.

So, I think it's hard to say. I think that a lot of states are going to be looking at it. I think a majority of states are going to be looking at: How do we make sure that the people and the poll workers are safe, we protect the integrity of the election process, and make sure that everybody can express their right as an American to vote to influence the government?

TM: 18:23

Ed: It seems like years ago, but just a few months ago we talked on this podcast with you about what the upcoming year was going to look like. I'd be interested in your thoughts. At that time, you said that you didn't see any single priority for all the states, that there were different things in different states. That has changed obviously.

But I'd be interested both in your thoughts on how that is affecting states, the things they'll have to put aside, and frankly also how your priorities have changed as the executive director of NCSL.

Tim: I'm going to use one example of the state of Kansas. Kansas, I think, had only passed six bills before they suspended their session because of the corona virus. And when they come back, I think they only come back for a veto session unless they come back into a special session around budget issues, post corona virus impact.

And what had happened in Kansas, of course, was they had some big issues about Medicaid expansion, issues around abortion laws, and all of those came to a complete stop, those issues that were moving through the Kansas legislature, because they shut down essentially; they had to go home.

And I think that's the case in many states that, when people come back, one, everybody knows that the budget and the FY21 budgets are now... that's what they've got to figure out. And so, there's no revenue, there's no money to extend programs or expand programs or create new programs. And, as we said earlier, there is going to be a lot of pressure to innovate to deal with the continuing health emergency of Covid-19.

So, I think now there are two issues and two issues only: public health with the virus, and budgets, and how do you pass a responsible budget with so much uncertainty around revenue? So, yeah, this changed the world.

And then, about NCSL, I think we have been consumed; the NCSL staff have been consumed with helping states understand what other states are doing, helping them understand the complications of health law, how to keep legislatures operating, the details and the specifics of the federal legislation that's passed through.

Just like legislatures, and we really are an extension of legislatures, our focus has really shifted to almost solely Covid-19 health issues. But it affects everything. It affects transportation, it affects prison and correction systems, it affects certainly the healthcare system, education, right on down the line, elections, parks – state parks are affected by this.

So, our staff, who are experts in all of these issues, have kind of been gearing up webinars and briefing papers and our online materials are, I think, just extraordinary, really first-class, really first-grade. So, I think our whole world has changed.

There was BC and now we're AC after corona virus, after Covid-19.

TM: 21:40

Ed: Well, as I've done this series of podcasts about Covid-19 and this is the seventh in the series, every person I've interviewed has commented on how helpful they've found the resources from NCSL. So, I think the staff must be doing a good job.

I understand that behind the scenes, NCSL worked to ensure states were represented in Congress and with the Administration as they put together that third stimulus bill, the CARES Act. Can you talk about that effort and what else you guys are doing to try to make sure states are being heard in D.C.?

Tim: Yeah, that's right. We're working closely with the partners on Capitol Hill and, by extension somewhat the Administration. I have to say that the intergovernmental relations staff with the White House have done I think an astounding job of keeping us informed and making sure that they connect the dots to the right officials in different agencies.

But in terms of the legislation that's moved through Congress, we do that on multiple fronts, one of which is we partner with other groups like ours, the Council of State Governments, the National Governors Association, the Counties Association, the cities, the mayors, and that makes us stronger I think, creating a unified front.

And it's really a process of education, making sure that Congress understands that states are doing everything they can to stabilize their economies and deal with the health emergency. Even though roughly half the members of Congress are former state legislators, they do sometimes forget the pressures of operating in an environment where one, they have no credit card – they can't just borrow money – they have to pass and balance budgets, and that's a much more difficult scenario. And I think helping the members of Congress understand and appreciate that.

And we've had a lot of success with that. So, I think the NCSL staff are really doing a fantastic job making sure that Congress understands the situation states are in, and then also being partners to help address the crisis, specifically on the frontline issues of getting ventilators and PPE and those kinds of things out to people.

That's really an executive function. The governors have been taking the lead. But then there are policy issues behind all of that, and policy issues about opening up the economy. I think legislatures are stepping up on that pretty big time.

TM: 24:09

Ed: So, Tim, thanks so much for your time. To put it mildly, this is a pretty busy period for you and everybody else involved with NCSL. Is there anything else you'd like to share with NCSL's members before we wrap up?

Tim: There's the old saying that's been uttered in locker rooms a million times or more: When the going gets tough, the tough get going. That's how the NCSL staff have been. When this hit, everybody rallied and the people that support legislators and the legislative staff in the capitals in the 50 states and the territories.

The NCSL folks have been working long, long hours, through weekends to do the best, most accurate, credible analysis. So yeah, it's a tough time. The country has been through lots of extraordinary crises and challenges before. You can list them off: The Civil War, World War I, World War II, the Depression, September 11th and the global war on terrorism. These are all seminal events in the nation's history, and this is going to be right there with them.

My heart goes out because I know many of our members have been directly touched by losing loved ones and having people sick around them, and that's the real tragedy. And then, of course, there's the economic devastation that's hitting, and that's very real for a lot of people, including some of our members, many of our members.

But these are tough times and I think the NCSL staff are tough. They're moving and working hard and we're just going to keep doing everything we can to make sure that legislatures have the best, most credible information, they're able to share ideas with each other, so that they're not having to just figure it out on their own. They've got this terrific network that NCSL provides.

And making sure that our state voice is in the middle of the conversation in Washington about dealing with the economic fallout as well as the health fallout.

Ed: Well, Tim, thank you very much and you stay safe.

And that concludes this edition of our podcast. We encourage you to review and rate our episodes on iTunes, Google Play or Spotify. You may also go to Google Play, iTunes or Spotify to have these episodes downloaded directly to your mobile device when a new episode is ready. For the National Conference of State Legislatures, this is Ed Smith. Thanks for listening and being part of "Our American States."

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