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Issue Description

State and local governments seek fiscal stabilization to immediately address revenue shortfalls caused by measures enacted at every level of government to contain the spread of COVID-19. These revenue losses come as costs for health care, emergency response, workforce assistance, education and other vital programs are skyrocketing. States are limited in their ability to provide fiscal stimulus during economic downtimes. Unlike the federal government, most states have balanced budget requirements and cannot engage in deficit spending. While the federal government is responding to the current crisis by increasing spending to stimulate the economy, states will likely be forced to reduce spending to ensure it does not outpace revenue. Most states depleted rainy day funds or other special funds to make up for significant budget gaps during the Great Recession. And even though many states were in strong financial shape before the pandemic, NCSL has found, states are facing an average revenue decline of 15% for Fiscal Year 2021.
In addition, National Association of State Budget Officers found these funds were not sufficient to maintain budget stability. Moody’s Analytics stated that without federal revenue replacement, state and local governments would need to cut more than $500 billion, shaving 3 full percentage points off the GDP and eliminating more than 4 million jobs.


**NCSL Position**

NCSL supports and advocates for direct, flexible federal aid for states to mitigate the catastrophic economic effects of the COVID-19 pandemic. It is the policy of NCSL to advance and defend a balanced, and dynamic partnership among federal, state, and local governments. The role of the federal government during economic crises is to help stimulate the national economy through fiscal measures. Without additional aid to states to compensate for drastically reduced revenue, the federal government would be eschewing its critical role and force states to cut citizen services that are more necessary than ever and prolong economic recovery from the pandemic.