

State Leaders Say “No Thanks” to Federal Bailout

MAY 12, 2020

To: The Federal Government and Leaders in Washington DC

From: American Legislative Exchange Council and Partners

2900 Crystal Drive, 6th Floor, Arlington, VA 22202

The undersigned organizations, policy leaders and elected officials believe the idea of the federal government “bailing out” the states would be harmful to taxpayers, federalism, and ultimately the states themselves. Share your voice, sign the ALEC letter.

While economic conditions remain dire due to government-mandated business closures during the pandemic, federal lawmakers have already granted a general \$150 billion COVID-19 relief fund, a \$30 billion education costs fund, a \$45 billion disaster relief fund and more for state and local governments. We feel a federal bailout of state budgets would be counterproductive – rewarding states that have made poor financial decisions at the expense of those that have been fiscally responsible.

For instance, in recent years North Carolina lawmakers have done the difficult, but essential work to balance their budget while keeping spending in check. By doing so, they dramatically reduced the state’s personal and corporate income tax rates, built up an empty rainy day fund to \$1.17 billion and accumulated a balance of \$3.9 billion in the Unemployment Trust Fund, after repaying more than \$3 billion in debt. On the other end of the spectrum, Illinois’ rainy day fund would only keep the state running for about 15 minutes. Illinois state debt and unfunded liabilities surpassed \$486 billion (\$38,000 per resident) – equal to 56 percent of the state’s GDP.

History teaches us that federal bailouts are harmful to the states. During the 2009 debate on the Obama-era American Recovery and Reinvestment Act (ARRA), many ALEC legislators warned that the strings attached to federal dollars, like maintenance of effort requirements, would be far costlier than the “shovel ready projects.” That explains why each dollar of federal aid to states has been shown to drive state taxes higher by 33 to 42 cents in the long-term.

In 2009 the national debt was roughly \$10 trillion. Now, with the debt having just surpassed \$24 trillion – enough is enough. Like the federal government, many states lack spending restraint after many good years of economic growth. Even after fully accounting for population growth and inflation, state and local government direct general expenditures ballooned by 88% over the past 40 years. In many states, true spending growth was even higher, due to the growth of spending in special funds.

While the economy has produced record revenues in recent years, sadly, states have also continued to accumulate massive amounts of debt and unfunded financial liabilities. A federal bailout would only encourage this cycle of debt and spending to continue. It would also send the wrong message to states that have made difficult spending choices and practiced fiscal discipline.

State and local government budgets may be out of balance but that does not mean they are out of cash. The most recent U.S. Census Annual Survey of State and Local Government Finances shows they had \$1.66 trillion in cash and securities in 2017. That’s just what Census classifies as ‘other’ and excludes cash in insurance trust funds, bond funds, and cash held to offset debt.

For the reasons outlined above, we believe a bailout of the states would be harmful. Doing so would not only increase the federal debt, it would lead to higher taxes and spending at the state level and cause an additional erosion of federalism. Instead, states should work to craft a priority-based budget. The American people are being forced to make difficult but fiscally responsible decisions during the pandemic, and states need to do the same.

I AGREE, THE FEDERAL GOVERNMENT SHOULD NOT BAIL OUT THE STATES:

Legislators:

Speaker Philip Gunn-MS

Representative David Eastman-AK

Senator Arthur Orr-AL

Representative Arnold Mooney-AL

Representative David Faulkner-AL

Representative Mike Holmes-AL

Senator Bob Ballinger-AR

Senator Rick Gray-AZ

Senator Vince Leach-AZ

Representative David Livingston-AZ

Representative Walter Blackman-AZ

Senator Sylvia Allen-AZ

Representative Shawwna Bolick-AZ

Representative Bret Roberts-AZ

Representative Perry Buck-CO

Senator Kevin Lundberg-CO (Retired)

Senator Vicki Marble-CO

Senator John Cooke-CO

Representative Mike La Rosa-FL

Representative Randy Fine-FL

Representative Stan McClain-FL

Representative Mike Hill-FL

Representative Anthony Sabatini-FL

Representative Byron Donalds-FL

Representative Ana Maria Rodriguez-FL

Representative Spencer Roach-FL

Senator Dennis Baxley-FL

Representative Tommy Gregory-FL

Senator David Simmons-FL

Representative Juan Fernandez Barquin-FL

Senator Manny Diaz Jr.-FL

Representative Bruce Williamson-GA

Councilwoman Leslie McPherson-GA

Representative Philip Thompson-IA

Senate President Charles Schneider-IA

Representative Joe Mitchell-IA

Senator Zach Whiting-IA

Speaker Linda Upmeyer-IA

Speaker Pro Tempore John Wills-IA

Representative Skyler Wheeler-IA

Representative Jeff Shipley-IA

Senator Zach Nunn-IA

Representative Sage Dixon-ID

Representative Jim Clark-ID (Retired)

Representative Mike Kingsley-ID

Senator Steve Vick-ID

Representative Joe Sosnowski-IL

Senator Linda Rogers-IN

Representative Steven Davisson-IN

Treasurer Richard Mourdock-IN (Retired)

Senator Jim Buck-IN

Representative Renee Erickson-KS

Representative Steve Brunk-KS (Retired)

Senator Julia Lynn-KS

Senator Mary Pilcher-Cook-KS (Retired)

Senator Ty Masterson-KS

Senator Richard Hilderbrand-KS

Representative Will Carpenter-KS

Senator Mike Thompson-KS

Representative John Barker-KS

Representative Chris Croft-KS

Representative Susan Humphries-KS

Senator Gary Smith-LA

Representative Peter Durant-MA

Representative John Rogers-MA

Delegate Kathryn Szeliga-MD

Delegate Daniel Cox-MD

Senator Michael Hough-MD

Senator Andrew Serafini-MD

Delegate Susan Krebs-MD

Representative Luke Meerman-MI

Senator Dan Lauwers-MI

Representative Steven Johnson-MI

Representative Susan Pollock-MO

Representative Jason Chipman-MO

Representative Ben Baker-MO

Representative Justin Hill-MO

Representative Bruce DeGroot-MO

Senator Ed Emery-MO

Speaker Tim Jones-MO (Retired)

Representative Pat Garofalo-MN

Representative Becky Currie-MS

Representative Brady Williamson-MS

Senator Joel Carter-MS

Senator Michael Phillips-MT

Senator Roger Webb-MT

Representative Bill Mercer-MT

Representative Jason Saine-NC

Representative Dana Bumgardner-NC

Representative George Cleveland-NC

Representative Vicky Steiner-ND

Senator Michael Groene-NE

Senator John Arch-NE

Senator Steve Halloran-NE

Senator Ben Hansen-NE

Senator Steve Erdman-NE

Senator Robert Clements-NE

Senator Curtis Friesen-NE

Senator John Lowe-NE

Representative Kenneth Weyler-NH

Representative Jordan Ulery-NH

Representative Tony Lekes-NH

Representative Norman Major-NH

Representative Glenn Cordelli-NH

Representative Keith Erf-NH

Representative Dick Hinch-NH

Representative Jess Edwards-NH

Representative Mark Warden-NH

Representative Larry Scott-NM

Representative Jim Townsend-NM

Representative George Lang-OH

Representative Thomas Brinkman-OH

Representative Scott Wiggam-OH

Senator Michael Bergstrom-OK

Senator Marty Quinn-OK

Representative Robert Manger-OK

Representative Marilyn Stark-OK

Representative Mike Sanders-OK

Representative Kevin West-OK

Representative Garry Mize-OK

Representative Chad Caldwell-OK

Representative Denise Crosswhite Hader-OK

Representative Mark Lepak-OK

Senator David Bullard-OK

Senator Lonnie Paxton-OK

Senator James Leewright-OK

Representative Kevin McDugle-OK

Representative Jim Olsen-OK

Senator Nathan Dahm-OK

Senator Gary Stanislawski-OK

Senator Chuck Hall-OK

Senator Mark Allen-OK

Senator Paul Rosino-OK

Representative Nicole Miller-OK

Representative Kenton Patzkowsky-OK

Representative E. Werner Reschke-OR

Representative Francis Ryan-PA

Representative Gary Day-PA

Representative Dawn Keefer-PA

Representative Patricia Morgan-RI

Representative Bill Taylor-SC

Representative Alan Clemmons-SC

Representative Anne Thayer-SC

Representative Patrick Haddon-SC

Representative Garry Smith-SC

Representative Steven Long-SC

House Majority Leader Lee Qualm-SD

Senator Jim Stalzer-SD

Representative David Johnson-SD

Representative Tina Mullalley-SD

Representative David Byrd-TN

Representative Martin Daniel-TN

Representative Christopher Todd-TN

Representative Bruce Griffey-TN

Representative Dennis Powers-TN

Representative Rush Bricken-TN

Representative James White-TX

Representative Phil King-TX

Representative Tony Tinderholt-TX

Senator Lincoln Fillmore-UT

Representative Norman Thurston-UT

Senate President Stuart Adams-UT

Representative Mike Thompson-UT

Representative Mark Strong-UT

Representative Kim Coleman-UT

Representative Marc Roberts-UT

Senator Daniel McCay-UT

Representative Cory Maloy-UT

Representative Cheryl Acton-UT

Representative Karianne Lisonbee-UT

Representative Jon Hawkins-UT

Senator Jake Anderegg-UT

Representative Jeff Moss-UT

Representative Melissa Ballard-UT

Representative Candice Pierucci-UT

Representative Adam Robertson-UT

Representative David Murphy-WI

Senator Patricia Rucker-WV

Delegate Larry Kump-WV

Delegate Geoff Foster-WV

Senator Bo Biteman-WY

Representative Dan Laursen-WY

Representative David Miller-WY

Representative Richard Tass-WY

Representative Donald Burkhart-WY

Americans For Prosperity State Directors:

Tim Phillips- President of Americans For Prosperity

Ryan Mckee-Alaska

Stephen Shadegg-Arizona

Ryan Norris-Arkansas

Jesse Mallory-Colorado

Skylar Zander-Florida

Stephen Allison-Georgia

Andrew Nelms-Illinois

Michael Chartier-Indiana

Drew Klein-Iowa

Elizabeth Patton-Kansas

Mike Conway-Kentucky

Annie Patnaude-Michigan

Jason Flohrs-Minnesota

Steven Utroska-Mississippi

Jeremy Cady-Missouri

David Herbst-Montana

Jessica Shelburn-Nebraska

Juan Martinez-Nevada

Greg Moore-New Hampshire

Tony Howley-New Jersey

Burly Cain-New Mexico

Chris McCoy-North Carolina

Michael Fedorchak-North Dakota

Micah Derry-Ohio

John Tidwell-Oklahoma

Ashley Klingensmith-Pennsylvania

Andrew Yates-South Carolina

Don Hagggar-South Dakota

Jerome Greener-Texas

Tori Venable-Tennessee

Heather Williamson-Utah

JC Hernandez-Virginia

Jason Huffman-West Virginia

Eric Bott-Wisconsin

Stakeholders:

Cindy Tubbs-Tea Party Patriots

Amelia Jimenez-Tea Party Patriots

Deb Fuqua-Tea Party Patriots

Beth Munson-Tea Party Patriots

Linda Kinney-Tea Party Patriots

Joe Tortorici-Tea Party Patriots

Monica Fermoye-Tea Party Patriots

Michael Richards-Tea Party Patriots

Al Frech-Tea Party Patriots

Ellie Gullede-Tea Party Patriots

Nancy Lanigan-Tea Party Patriots

Katherine Kaplan-Locke-Tea Party Patriots

David Donaldson-Tea Party Patriots

Guy S. Hughes-Tea Party Patriots

Sheila Bernhard-Tea Party Patriots

Barry Thistlethwaite-Tea Party Patriots

Randy Hicks-Tea Party Patriots

Leslie Stroud-Tea Party Patriots

Helen Brown-Tea Party Patriots

Russell Blandn-Tea Party Patriots

Suzanne Guggenheim-Tea Party Patriots

Michael Ward-Tea Party Patriots

Matthew Vermillion-Tea Party Patriots

Martha Presson-Tea Party Patriots

Joseph Pero-Tea Party Patriots

Raymond Shaw-Tea Party Patriots

Thomas Schatz-President of Council for Citizens Against Government Waste

Byron Schlomach-1889 Institute

Jeff Hunt-Centennial Institute

Laurie Belsito-Fiscal Alliance Foundation

Joseph Yocca-National Tax Limitation Committee

Barbara Bailey-National Tea Party

Robert Fellner-Nevada Policy Research Institute

Brian Fojtik

Ray Chadwick-Chairman of Granite State Taxpayers

Adam Guillete-President of Accuracy in Media

Carl Bearden-CEO of United for Missouri's Future

Dave Trabert-CEO of Kansas Policy Institute

Donald Bryson-Civitas Institute

Charlie Copeland-Intercollegiate Studies Institute

Carla Sonntag-New Mexico Business Coalition

Professor Barry Poulson-University of Colorado

Greg McNeilly

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