

July 22, 2020

President Donald J. Trump
1600 Pennsylvania Ave. NW
Washington, DC 20500

Majority Leader Mitch McConnell
317 Russell Senate Office Building
Washington DC 20510

Minority Leader Kevin McCarthy
2468 Rayburn House Office Building
Washington DC 20515

Dear President Trump, Majority Leader McConnell, and Minority Leader McCarthy,

We, the undersigned organizations, representing millions of taxpayers nationwide, ask that any existing or future money appropriated to state and local governments by Congress in response to the COVID-19 pandemic be (a) made for use only in matters directly related to COVID-19 and (b) contingent on state and local reopening plans for the economy.

Transparency and accountability in federal spending is sorely needed. COVID-19 and the economic downturn caused by the pandemic have caused tax revenue shortfalls, and state and local governments are looking for ways to plug those budgetary holes.

The next phase of COVID-19 response legislation will almost certainly include more money to state and local governments. There is a concern, however, that state and local governments will try to use these funds to save themselves from past fiscally irresponsible decisions or may continue to stall or delay reopening their economies. These outcomes would be unacceptable.

As you know, Congress will soon consider this next phase of COVID-19 response legislation. Already, four bills have been signed into law in response to the pandemic, including the CARES Act, increasing the federal budget deficit by \$2.4 trillion. The legislation to be considered in the coming days will likely add at least another \$1 trillion in federal deficit spending.

As part of the CARES Act, Congress created the Coronavirus Relief Fund (CRF), allocating \$150 billion to the fund to help state and local governments respond with expenditures incurred between March 1 and December 30 related to the pandemic and for which the state didn't budget. The Treasury Department issued guidance allowing the CRF to be used for several expenses, including unemployment benefits, salaries for first responders, workers' compensation, supporting public and private hospitals, and preventing evictions of people who are out of work due to COVID-19-related economic disruptions. One impermissible use of dollars from the CRF was the replacement of tax revenues lost because of COVID-19.

One of the primary points of contention in the next COVID-19 spending package is more money appropriated to state and local governments, which have seen revenue declines due to partial economic shutdowns imposed by governors to discourage people from leaving their homes.

Simply pouring more money into state and local governments is not a sound policy approach. Congress, if it does allocate more dollars to state and local governments, must set tangible goals for them to meet. Moreover, taxpayers deserve accountability after the size of the commitment that Congress has already made in response to COVID-19.

Yes, senators must ensure that states and local governments have the resources they need to continue to respond to the pandemic, but they do not have to do it without accountability. They can and should apportion half of the funds based on population and the number of COVID-19 cases, and restrict the use of any allocated money based on the previous CRF guidance promulgated by the Treasury Department.

The second half of the funds allocated could be made available 60 days after enactment of the legislation, but Congress must tie these funds to stages of reopening. The funds would, again, be tied to population and COVID-19 cases, but they would be distributed slowly in one-third increments as states progress into three different phases of reopening as established in the White House's reopening guidance. Although the first half of the money couldn't be used to replace lost revenue, the second half could be used for this purpose.

If a state backtracks on reopening its economy before the November election, they would have to return a pro-rata share of the funds. This would encourage states to continue reopening their economies, providing a necessary "carrot and stick" approach.

We understand that state and local governments have taken a fiscal hit, but taxpayers cannot be left on the hook for years of fiscal mismanagement. If Congress decides to assist state and local governments with revenue shortfalls, the next package must come with strings attached.

Any existing or future money appropriated to state and local governments by Congress in response to the COVID-19 pandemic must be (a) made for use only in matters directly related to COVID-19 and (b) contingent on state and local reopening plans for the economy.

Sincerely,

Adam Brandon
President
FreedomWorks

Seton Motley
President
Less Government

David Williams
President
Taxpayers Protection Alliance

Phil Kerpen
President
American Commitment

Ryan Ellis
President
Center for a Free Economy

Andrew F. Quinlan
President
Center for Freedom and Prosperity

Ginevra Joyce-Myers
Executive Director
Center for Innovation and Free Enterprise

Matthew Kandrach
President
Consumer Action for a Strong Economy

Jeff Mazzella
President
Center for Individual Freedom

Dee Stewart
President
Americans for a Balanced Budget