



## Prevent Devastating Service Cuts and Unemployment in States and Localities

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States and cities are facing huge shortfalls in revenues because of the COVID-19 crisis. As businesses are forced to shut down and more than 20 million Americans lost their jobs in just the first four weeks of the crisis, governments at all levels are facing enormous losses of tax revenues because employees and business no longer have incomes on which they have to pay state income taxes, and bankrupt individuals and enterprises will not be able to pay real estate taxes. When people can't go out to shop or eat, sales tax revenues decline.

**Congress needs to implement a revenue-sharing program for local and state governments to make up for this lost revenue.**

At the same time, governments at all levels are having to take on new expenses: they are purchasing, at hugely inflated prices, medical supplies. Police and other emergency workers have to work overtime. Suddenly impoverished people need help to meet their daily needs, and children learning from home require laptops and Wi-Fi hot spots.

A new revenue sharing program needs to be simple so that it can be implemented quickly, and it must be large enough so that governments do not need to make cuts. The federal government should supply each state and local government, as well as independent agencies like New York's Metropolitan Transit Authority, with 100% of the difference between the revenues they will take in this year and in 2021 and what they collected in taxes, fees and fares in 2019. That would allow those governments to make plans for this year without worrying about the fiscal consequences of the steps we all are taking to slow the spread of COVID-19.

There should be only one condition for that aid: States and localities should not be allowed to cut taxes while they receive this federal aid. The goal is to prevent layoffs and service cuts, and that would be impossible if local governments reduce revenues with one hand through tax cuts while they accept federal money with the other. There is precedent for that condition in the \$2 trillion CARES Act, as states that will receive increased money for Medicaid to cover the new costs of treating COVID-19 patients are not allowed to make cuts in that program.