



Additional Information on Temporary State Fiscal Relief During COVID-19 Pandemic
March 21, 2020

This informational sheet serves as a follow up to the letter sent to the Administration and Congressional leadership on March 19 from the National Association of State Budget Officers (NASBO), requesting immediate direct aid to the states as they respond to the challenges presented by the COVID-19 pandemic. As stewards of state budgets, we want to emphasize the increasing pressures on our budgets and the importance of states having the resources to respond to this public health crisis quickly and with maximum flexibility.

Cash Flow/Liquidity Issues

- States are concerned with cash flow and their ability to access funds through financial markets.
- Since our March 19 letter, the Treasury Department provided temporary relief to taxpayers by extending the tax filing deadline to July 15. As a result, most states will see lower tax collections this fiscal year reducing the resources available as they escalate their COVID-19 response.¹

State Response to COVID-19

- This unprecedented economic situation, which has led to the closures of businesses and layoffs of employees, will need an immediate fiscal response to speed up any recovery.
- States are not only anticipating large declines in revenue but are also experiencing increasing demands on state services.
- Adequate fiscal resources are needed to support health care and educational systems, law enforcement and state residents who face economic challenges.

REQUEST: Fiscal Aid to States

- In conjunction with an increase to at least 12 percent for the Federal Medical Assistance Percentages (FMAP), immediate and flexible fiscal relief to the states will ensure that states can meet the evolving needs of combatting the virus on the ground and continue to fund key services.
- “Direct aid to states” could be modeled on the mechanism used in the *Jobs Growth and Tax Relief Reconciliation Act of 2003*, enacted by Congress in May 2003.²
- The act provided funds to states through a flexible grant administered through the Department of Treasury who certified the funds.
- The funds were used to provide essential government services or to cover the costs of complying with a mandate and a state could only use the funds provided for types of expenditures permitted under the most recently approved budget.
- In the case of the pandemic, states would need flexibility to redirect funds to public health and other needs that were not anticipated when budgets were enacted.
- We are supportive of the request made by the National Governors Association that this aid total at least \$150 billion, in addition to enhanced FMAP.

¹ 46 states begin their fiscal year on July 1.

² Jobs and Growth Tax Relief Reconciliation Act of 2003, [P.L. 108-27](#).