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Smaller Cities Cry Foul on Coronavirus Aid.

Mayors protesting exclusion get sympathetic ear from some lawmakers for next round of stimulus

Mayors of small cities facing big budget shortfalls say they were unfairly cut out of the $2.2 trillion stimulus law, and they are drawing support in Congress to make them eligible for direct aid in future rounds of coronavirus legislation.

Localities are seeing increased strain on first responders and police departments, in addition to bearing the cost of purchasing personal protective equipment. Meanwhile, revenue streams from sales taxes and income taxes have slowed and unemployment claims are surging. But the rescue law stipulates that only counties and cities with populations over 500,000 residents can apply directly for the $150 billion in emergency funding for state, local and tribal governments.

“It’s a terrible slap in the face to most cities around the country,” Shane Bemis, the mayor of Gresham, Ore., said of the population restriction.

The Republican mayor said he may have to look at cuts to the police force and fire department or add a levy to property taxes to continue the services, should the shutdown continue. His city, a suburb of Portland, has about 110,000 residents.

In an interview with WSJ’s Gerald F. Seib, New Jersey Governor Phil Murphy said there is room to be optimistic after his state saw a drop in the rate of new Covid-19 cases, but warned that more federal support is needed to continue the fight against the novel coronavirus. Photo: Associated Press
Lawmakers are sympathetic but are balancing many urgent priorities in future stimulus bills. Some cities may get funds through grants and aid to hospitals as well.

“This is not a question of picking A over B, it’s saying both A and B need sufficient resources,” said House Majority Leader Steny Hoyer (D., Md.) in an interview. In the next large bill that Congress considers, he wants to get additional assistance to small communities and “get them directly to the locality, as opposed to going through the states.”

House Speaker Nancy Pelosi (D., Calif.) and Senate Minority Leader Chuck Schumer (D., N.Y.) on Wednesday requested an additional $150 billion for states and local governments. They didn’t say if they backed keeping the population requirement for direct aid to cities. An aide to Majority Leader Mitch McConnell (R., Ky.) couldn’t say if the Senate leader would support changing the requirements in future legislation.

Rep. Joe Neguse, a Colorado Democrat, on Tuesday introduced legislation that would allocate $250 billion for local communities, cities and towns that are facing challenges due to the pandemic. The legislation was introduced with 75 sponsors, but it’s not known if that will be incorporated as part of a future economic stimulus package.

Meanwhile, Sens. Michael Bennet (D., Colo.) and Cory Gardner (R., Colo.) wrote to Treasury Secretary Steven Mnuchin this week, asking him to take a broad definition of what he sees as coronavirus-related needs and ensure small and rural communities receive a share of the funds approved by Congress last month.

“I don’t think there should be population limits one way or another,” Mr. Gardner said.

A spokesperson for the Treasury Department didn’t return a request for comment.

Separately, Mr. Mnuchin said that the federal government would soon announce plans to establish a facility to purchase municipal securities, responding to a Democratic effort to get the U.S. to provide a backstop for struggling cities and localities.

Lawmakers are looking at other approaches as well. Rep. Rashida Tlaib (D., Mich.) is working on part of the package of issues that House Financial Services Committee Chairman Maxine Waters (D., Calif.) will submit for consideration in future legislation. She said the goal would be to push the Federal Reserve to buy up municipal debt, providing money to help localities weather the crisis. The stimulus package gives the Federal Reserve the option to buy such debt.

Congressional aides said the 500,000 population stipulation was in the most recent bill as it was being quickly negotiated to move it through Congress faster. States that receive their share of the $150 billion can then send some to local governments, though mayors see a need for money urgently now.

“We could be off by several million dollars in our existing budget, so that’s a problem,” said Andy Schor, the mayor of Lansing, Mich., which has about 120,000 residents.

In addition to losses in tax revenue, the local minor-league baseball team, the Lansing Lugnuts, told the city it wouldn’t pay rent this month on the stadium, and the convention space the city helps subsidize lost $1.5 million in business in two days when the pandemic hit. Mr. Schor told his residents this week to stop putting their yard waste on the curb, as one of his first decisions in the pandemic was to not hire the seasonal help that picks it up.

The law also means cities with big metro areas but relatively small populations were left out.

Miami Mayor Francis X. Suarez, who was the second confirmed case of Covid-19 in his area and has since donated blood plasma to help, doesn’t expect to directly receive funding and is frustrated by the lack of information on how the money appropriated by Congress will be allocated. Miami, with just under 500,000 residents, has spent millions of dollars on personal protective equipment and coronavirus testing and has the most cases in Florida.

“We have reserves, but they are not limitless,” he said in an interview. “Right now we’re estimating a hit of $20 million a month in terms of lost revenue.”

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By Natalie Andrews

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—Siobhan Hughes contributed to this article.

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