Bond Case Briefs

Municipal Finance Law Since 1971

Trump Questions Whether to Aid States in Next Coronavirus-Stimulus Legislation.

President asks why taxpayers should bail out 'poorly run states' and cities, which he says are all controlled by Democrats

WASHINGTON — President Trump said he is skeptical of providing funding for states in the next round of coronavirus relief legislation, throwing into doubt the administration's support for hundreds of billions of dollars sought by Democratic leaders and state governors of both parties.

"Why should the people and taxpayers of America be bailing out poorly run states (like Illinois, as example) and cities, in all cases Democrat run and managed when most of the other states aren't looking for bailout help?" Mr. Trump tweeted Monday. "I am open to discussing anything, but just asking?"

In the run-up to the passage of the most recent stimulus bill last week, Mr. Trump said he supported more state and local funding in the next round, and Democrats and the Trump administration said it would be a priority in the talks. But since then, Senate Majority Leader Mitch McConnell (R., Ky.) has termed the potential aid a "blue state bailout" for the troubled pension funds of large Democratic-controlled states.

"We do want to help [states] with expenses that are directly related to the coronavirus outbreak," said Mr. McConnell in a Fox News Radio interview on Monday. "But we're not interested in helping them fix age-old problems that they haven't had the courage to fix in the past."

Mr. McConnell also said health-care providers and businesses need protection from potential lawsuits related to the crisis, calling it his "red line for the next negotiation."

Democrats rejected the criticism. New York's Democratic Gov. Andrew Cuomo defended his state on Monday as the "number-one giver," saying "nobody puts more money into the pot" than the state, referring to the amount states pay in taxes compared with how much funding they receive from the federal government.

Illinois Sen. Tammy Duckworth, a Democrat, called the president's tweet "a ridiculous statement from someone who is supposed to be the President of the UNITED States of America," in a tweet of her own. "We are in all in this together and it's literally the Federal Government's job to help every state weather a national crisis."

Last month, Congress passed a $2.2 trillion aid package with $150 billion for state and local governments, but the money can be used only for coronavirus-related expenses. Another round of stimulus spending that Mr. Trump signed into law last week included more money for small businesses and hospitals, but no additional state and local funding.

Some governors raised the issue of direct aid for states during a conference call with the president Monday, according to a recording of the conversation listened to by The Wall Street Journal.

Oklahoma Gov. Kevin Stitt, a Republican, asked for more time before Congress decides on whether and how to allocate money to states in another round of stimulus legislation. The last bill "has not even really hit our state yet," he said. "We need to figure out if we need more before we go back to the well again for a fourth round."

New Jersey Gov. Phil Murphy, a Democrat, made a pitch for direct aid, saying the money would fund core emergency services and keep government workers from being laid off. "I think about it two ways: One is this is really funding for firefighters, the police, the teachers, the EMS folks, that's where that money would go and we need it," he said. "And frankly, we've already got unemployment, huge challenge in this country. Again, whatever you can do with direct state funding would be great."

The National Governors Association has asked for an unrestricted $500 billion for states, and some governors have said they may need to lay off first responders and teachers if Congress doesn't help. Illinois Senate President Don Harmon asked Congress for more than $40 billion, including $10 billion to help its struggling pension program, according to his spokesman, who said the request reflects the likely impact over three fiscal years.

In an acknowledgment of the strains municipalities are facing, the Federal Reserve said on Monday said it would expand a program it is establishing to provide financing to state and local governments squeezed by declining tax revenue. It would buy debt of up to three years in maturity issued by 261 municipal borrowers, including the 50 states, the District of Columbia, counties of at least 500,000 residents and cities of at least 250,000. It had previously limited the program to counties of at least 2 million and cities of 1 million. The Fed will lend up to $500 billion through the program.

The timing of when Congress would consider future coronavirus legislation is unclear. Mr. McConnell plans to reconvene the Senate next Monday and called for legislation to protect health-care workers and entrepreneurs from lawsuits and liability related to the crisis. The House is also set to return next week.

House Speaker Nancy Pelosi (D., Calif.) said Monday that funding for states is critical for the next bill.

"We have to have state and local," Mrs. Pelosi said on MSNBC on Monday. "We have to protect our heroes: the health-care workers, the first responders, police, fire, emergency services, people transportation, food, the Postal Service and the rest."

The Wall Street Journal

By Natalie Andrews and Catherine Lucey

Updated April 27, 2020 7:40 pm ET

—Rebecca Ballhaus contributed to this article

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com