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States, Cities Shelve Public Works as Recession Hammers Revenue.

- **Without aid, austerity promises to exert a drag on recovery**
- **Most cities reported rolling back infrastructure spending**

America's states and cities are putting infrastructure projects on hold as tax revenue tumbles, threatening to deal another setback to an already sputtering economy.

New York's Metropolitan Transportation Authority, the operator of the nation's largest public transit system, is putting its \$51.5 billion, five-year capital program on hold as the pandemic decimates subway ridership. The Port Authority of New York and New Jersey said in securities filing that its plans may also need to be delayed. In Massachusetts, the agency that runs Boston's Logan Airport said it's cutting \$100 million in spending and shelving \$1 billion of projects.

Across the country, about two-thirds of cities reported delaying or canceling infrastructure and capital spending since the coronavirus drove the nation into a recession, according to a survey by the National League of Cities. At least \$9 billion of construction work on transportation projects has been shelved so far, according to the American Road & Transportation Builders Association.

David Berger, mayor of Lima, Ohio, with 36,000 residents, said the city doesn't have the money for large-scale infrastructure projects without federal help and needs to reduce its payroll by 10% to make up for lost revenue.

"Our budget has been severely impacted," he said.

The cutbacks illustrate how local budget deficits will weigh on the recovery, just as they did in the wake of the last recession, if aid isn't forthcoming from Washington. While the U.S. House approved a \$3.5 trillion stimulus measure that provides about \$1 trillion to states and cities, Senate Republicans intend to scale the spending back and are balancing the aid against other priorities, including calls to extend federal unemployment benefits that are set to lapse.

The cutbacks also threaten to worsen the state of America's infrastructure, which the American Society of Civil Engineers already said needed \$2 trillion of additional investment over 10 years. While President Donald Trump promised to deliver a major infrastructure program when he ran for office, none has been enacted.

With interest rates holding at the lowest in decades, governments have been aggressively refinancing their debts to save money. But even during the economic expansion they were loathe to take on new obligations, which has kept the amount of state and local government debt outstanding roughly steady for the past decade.

Randy Gerardes, head of municipal strategy at Wells Fargo Securities, said the outlook for borrowings to fund new projects looks grim.

“Generally, they’re trying to deal with the virus and what’s right in front of them,” he said.

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