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Stressed U.S. Cities See Slim Shot at Covid Relief After Shutout.

- **Supreme Court fight pushes stimulus to backburner for Congress**
- **East St. Louis trying to avoid payless paydays for workers**

Syracuse, New York, is negotiating with unions to furlough almost all of its more than 300 public-works employees. In Illinois, the town of East St. Louis is trying to stave off payless paydays. Arlington, Texas, might drop trash collection to once a week from twice.

After Covid-19 cratered tax collections, U.S. cities have been cutting, postponing and squeezing. While states and big cities from New York to California are also suffering and have complained loudly, leaders of smaller cities argue they're worse off because they've been left out of direct federal pandemic relief in the first stimulus and are now watching their chances of aid fade as Congress remains at an impasse about a month from the election.

"The days of being cautiously optimistic are gone — in some ways, we've run out of time," said Syracuse Mayor Ben Walsh, an independent. "Our problems aren't going away. They are only getting worse."

Most towns across the U.S. didn't get direct aid in federal stimulus packages earlier this year because their populations fell below a 500,000-person threshold. Out of 19,000 cities, towns and villages in the U.S., only about 36, representing 14% of the nation's population, met that benchmark for direct aid, according to the National League of Cities. Yet as early as April, nearly all municipalities with more than 50,000 residents forecast falling revenue this year, according to the group's survey of 2,463 cities, towns and villages.

Negotiations between the White House and congressional Democrats are at a critical juncture this week. On Monday, House Democrats released their latest plan, a \$2.2 trillion package with \$436 billion for one year of aid to state and local governments. Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin are in discussions, which will help decide if another package is enacted before the election. Democrats on Wednesday were waiting for a Mnuchin counteroffer.

The plan proposed on Monday includes \$179 billion for a coronavirus local relief fund that would help cities, counties and other local governments "to mitigate the fiscal effects stemming from the public health emergency," according to a copy of the bill.

Even though the financial circumstances of U.S. municipalities before Covid-19 varied, most now face similar threats. Syracuse forecasts its revenue to fall \$41 million during fiscal years 2020 and 2021 because of hits on sales taxes and reduced state aid. It's making \$18 million in cuts in fiscal 2021 such as limited furloughs.

New York City expanded week-long furloughs to more than 9,000 employees to save \$21 million starting Oct. 1. Chicago is trying to close a nearly \$800 million budget gap that will expand to \$1.2 billion next year.

Without fresh aid from Washington, cuts by local governments may weigh on the recovery like they did during the last recession. New York Federal Reserve President John Williams said Tuesday he's "concerned about state and local governments" given requirements to balance budgets led states to "cut back dramatically" on spending following the last downturn.

While some states are struggling, cities, especially the smaller ones, have less control over their own destinies. States often determine key taxing measures applied at the local level. In 2017, state funding made up about 17%, or roughly \$83 billion, of local revenue, said Michael Pagano, the director of the Government Finance Research Center at the University of Illinois in Chicago.

Unrestricted state aid to municipalities had been falling before Covid struck — down 3% in the decade through 2017 — but the pandemic may exacerbate that trend, he said. New York's fiscal 2021 budget cut \$8.2 billion in aid to localities.

"Cities are in a more vulnerable position than states," said Pagano, one of the authors of the National League of Cities City Fiscal Conditions 2020 report.

The urgency for aid to avoid economic consequences is crucial because states are expecting a \$200 billion revenue shortfall from fiscal 2020 through 2022 and local governments of all types about \$175 billion during that period, said Dan White, head of fiscal policy research at Moody's Analytics. The firm reduced its estimate for needed state and local aid to as much as \$400 billion, down from \$500 billion in June.

'Toughest Days'

"Cities across America still have some of the toughest days ahead," said Arlington Mayor Jeff Williams, a Republican. "We are one of the major economic engines of America."

The town nestled in Northern Texas between Dallas and Fort Worth is forecasting its first deficit after five years of surpluses. The local economy had been booming before the pandemic, but sales taxes have plummeted. Williams is worried about a hit next year from property taxes and concerned many small businesses that are barely hanging on will close down.

Arlington is working on cuts from 2% to 12% across its departments. It's delaying infrastructure projects and may drop garbage pickup from twice a week to just once.

'Payless Paydays'

Towns that were in fiscal trouble before the pandemic struck, like East St. Louis, Illinois, are in especially dire straits. Last year, a portion of its tax revenue to be intercepted for its underfunded police and fire pensions. This year, gaming receipts from a casino, one of the main sources of taxes, have fallen to \$2.2 million from \$6.6 million in the first nine months of 2019, according to data from the city.

City Manager Brooke Smith is delaying overtime payments to police officers and fire fighters to maintain cash, but she worries if federal aid doesn't come through that "payless paydays" could be in East St. Louis' future.

As winter approaches in Dayton, Ohio, Mayor Nan Whaley worries about having enough city snow truck drivers to clear roads quickly enough and whether small businesses can make it when outdoor dining and other activities cease. She has already cut almost 70 employees through layoffs and early retirement.

"I don't think we've seen the bottom," said Whaley, a Democrat and vice president with the U.S. Conference of Mayors who is lobbying Congress for direct aid to cities. "Fourth quarter is make or break."

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By Shruti Singh

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