



Press Release

ICYMI: Should State and Local Governments Receive \$1 Trillion?

ANDREW EVANS | AUGUST 12, 2020

Congressional Democrats are pushing for the federal government to include \$1 trillion for state and local governments in the next pandemic-response legislation, but is this the right amount? In today's Daily Dish, AAF President Douglas Holtz-Eakin estimated the magnitude of state and local governments' budgetary shortfall between now and the end of next year. He finds that the shortfall is closer to \$230 billion — “not chump change,” he writes, but still “a far cry from \$1 trillion.”

An excerpt:

How might my crude, back-of-the-spreadsheet estimate understate the need? ... A third possibility is simply to count more years, adding up the gap through 2022, 2023, or even longer. That will certainly make the numbers larger. But it also raises the policy question, how long does the federal government attempt to freeze in time the structure of state-local finances? At some point, surely, states and localities will have to restructure in the same ways that private industries will. How long should that moment be put off?