May 8, 2020

The Honorable Mitch McConnell  
Majority Leader, U.S. Senate  
317 Russell Senate Office Building  
Washington, DC 20510  

The Honorable Charles Schumer  
Minority Leader, U.S. Senate  
322 Hart Senate Office Building  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker, U.S. House of Representatives  
1236 Longworth  
House Office Building Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader, U.S. House of Representatives  
326 Cannon  
House Office Building  
Washington, DC 20515

Dear Leader McConnell, Speaker Pelosi, and Minority leaders Schumer and McCarthy:

The undersigned organizations, members of the State Policy Network, would like to encourage you not to support any future state or local financial bailout that is not directly associated with the COVID-19 pandemic.

Some state lawmakers have used the COVID-19 pandemic as a reason to call upon Congress for help in grappling with fiscal problems that predate the COVID-19 pandemic. Federal lawmakers should refuse such requests. Relief efforts should primarily be about providing relief, not covering over profligate states’ self-inflicted fiscal harms.

As one example, state senators from Illinois have asked Congress for over $40 billion in support, including $10 billion to address their state employee pension systems, which are underfunded by over $100 billion. Other legislators and other governors may also want federal money to paper over problems that existed before the pandemic.

Bailing out states — especially for problems unrelated to the pandemic — is problematic for a few reasons. It rewards states for being fiscally irresponsible and it punishes lawmakers from other states that made hard choices and did the legislative heavy lifting that was necessary to fix fiscal problems themselves.

States have the tools to address their fiscal problems already. Rather than let pension liabilities continue to balloon out of control, Michigan, for example, began offering new state and school employees 401(k)-style benefits that prevent the kind of underfunding Illinois struggles with. It also increased contributions to pay for existing debts and now uses better assumptions about existing debts to prevent future underfunding. States can fix their own messes without federal support, which comes at the expense of residents elsewhere.

In addition, any bailout would also increase the already skyrocketing federal debt which must be serviced. If state lawmakers have fiscal problems that they are unwilling to address, they should ask Congress to help them lower their own expenses in an equitable way, rather than asking people from other states to fix their problems for them.
States should be allowed to solve their own problems. All still have policy tools to balance their own budgets without a bailout, and the lack of political will in states to address their problems should not be masked by federal transfers.

Sincerely,

John Hinderaker
President
Center of the American Experiment, Minnesota

Carol Platt Liebau
President
Yankee Institute, Connecticut

Annette Meeks
Chief Executive Officer
Freedom Foundation of Minnesota, Minnesota

Kyle Wingfield
President & Chief Executive Officer
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Paul Gessing
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Daniel Erspamer
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