

ELIZABETH WARREN
MASSACHUSETTS

COMMITTEES
BANKING, HOUSING, AND URBAN AFFAIRS
HEALTH, EDUCATION, LABOR, AND PENSIONS
ARMED SERVICES
SPECIAL COMMITTEE ON AGING

United States Senate

UNITED STATES SENATE
WASHINGTON, DC 20510-2105
P: 202-224-4543

2400 JFK FEDERAL BUILDING
15 NEW SUDBURY STREET
BOSTON, MA 02203
P: 617-565-3170

1550 MAIN STREET
SUITE 406
SPRINGFIELD, MA 01103
P: 413-788-2690

www.warren.senate.gov

March 27, 2020

The Honorable Steve Mnuchin
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Secretary Mnuchin:

I am writing regarding your new authority under the Coronavirus Aid, Relief, and Economic Security (CARES) ACT to distribute \$500 billion in “loans, loan guarantees, and other investments”¹ in response to the economic collapse created by the coronavirus pandemic. The vast majority of this assistance will support lending to “businesses, States or municipalities.” I urge you to use these funds to fully meet the needs of state and local governments before sending any taxpayer dollars to bail out large companies. State and local governments and the citizens they serve have urgent needs, and unlike large corporations - which will not be required to use the bailout money to preserve jobs and protect salaries and benefits - have not spent the last decade buying back their stock, paying their CEO’s outrageous salaries and bonuses, or creating new ways to evade U.S. taxes.

State and local governments are facing stunning budget gaps because of the combination of the coronavirus outbreak and the economy falling off the cliff, and may fall trillions of dollars short of budget needs.² In New York City, Mayor DeBlasio warned that the crisis could cause a \$10-\$15 billion shortfall in the city’s budget;³ in Massachusetts, the state could face a revenue shortfall of up to \$3 billion⁴ – and will have to spend millions more to equip hospitals and address shortages of ventilators, respirators, personal protective equipment, and other costs related to the pandemic. And the extended tax deadline will cause additional budget shortfalls as

¹ CARES Act, Section 4003.

² Politico, Governors Brace for Coronavirus Cliff as Tax Dollars Evaporate, March 19, 2020, <https://www.politico.com/news/2020/03/19/coronavirus-governors-state-budgets-136190>.

³ CBS New York, Coronavirus Update: Cuomo Says New York Likely To Lose \$10 15 Billion As A Result Of Pandemic, March 26, 2020, <https://newyork.cbslocal.com/2020/03/26/coronavirus-update-new-york-budget/>.

⁴ Boston Globe, Coronavirus Restrictions Will Help Protec the Public. They May Also Crate The State Budget, March 17, 2020, <https://www.bostonglobe.com/2020/03/17/nation/coronavirus-restrictions-will-help-protect-public-they-may-also-crater-state-budget/>.

states have to wait longer for tax payments, as payments that would normally be received in April are delayed until July.⁵

Meeting state and local needs is a matter of life and death. Governor Andrew Cuomo of New York has warned that the spread of coronavirus is a “bullet train” speeding through the state and that other states will soon face overcapacity hospital systems and health care workers struggling without proper equipment to stave off a mounting death toll. “New York is the canary in the coal mine,” Governor Cuomo stated this week. “New York is happening first, what is happening to New York will happen to California and Illinois, it is just a matter of time.”⁶ Governor Charlie Baker of Massachusetts said this week that the state is in a race against time to properly equip health care workers to safely fight the virus: “Our first responders, our health care workers, everybody deserves to have that gear, and we're killing ourselves trying to make that happen.”⁷

The \$150 billion Coronavirus Relief Fund in the CARES legislation is designed specifically to help states, territories, and tribal nations address the costs of the pandemic. These new funds, including almost \$2.7 billion for Massachusetts,⁸ will provide some immediate relief – but it will not be nearly enough: “it will be nowhere near sufficient to prevent cascading state and local government layoffs and cuts to critical public services,”⁹ and “[g]iven the economy’s extremely rapid decline and the extraordinary damage being done to state, tribal, and local budgets, federal policymakers very likely will need to come back and provide more help to states and families affected by the crisis.”¹⁰

The CARES Act gives you the funds and authority to provide immediate relief to state and local governments. Specifically, section 4003 of the legislation provides at least \$454 billion, available immediately, to “to provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus,” by making “loans and loan guarantees to, and other investments in [Federal Reserve programs]... that supports lending to eligible business, States, or municipalities.”¹¹

Congress made its intent to help states and local governments through this program clear by directing you to “endeavor to seek the implementation of a program or facility ... that provides

⁵ Wall Street Journal, U.S. Income Tax Delay to Strain States, March 25, 2020, <https://www.wsj.com/articles/u-s-income-tax-delay-to-strain-states-11585143724>.

⁶ New York Times, Coronavirus in New York: ‘Astronomical’ Surge Leads to Quarantine Warning, March 24, 2020, <https://www.nytimes.com/2020/03/24/nyregion/coronavirus-new-york-apex-andrew-cuomo.html>.

⁷ WCVB, Fiery Mass. Gov. Baker Expresses Anger, Frustration Over Obtaining Gear, March 26, 2020, <https://www.wcvb.com/article/fiery-mass-gov-baker-expresses-anger-frustration-over-obtaining-gear/31944840>.

⁸ Center on Budget and Policy Priorities, How Much Each State Will Receive From the Coronavirus Relief Fund in the Cares Act, March 26, 2020, <https://www.cbpp.org/research/how-much-each-state-will-receive-from-the-coronavirus-relief-fund-in-the-cares-act>.

⁹ Washington Post, Catherine Rampell, States and Cities Should Brace Themselves for a Downward Spiral, March 26, 2020, https://www.washingtonpost.com/opinions/states-and-cities-should-brace-themselves-for-a-downward-spiral/2020/03/26/76be6aa4-6fa1-11ea-a3ec-70d7479d83f0_story.html.

¹⁰ Center on Budget and Policy Priorities, How Much Each State Will Receive From the Coronavirus Relief Fund in the Cares Act, March 26, 2020, <https://www.cbpp.org/research/how-much-each-state-will-receive-from-the-coronavirus-relief-fund-in-the-cares-act>.


¹¹ CARES Act, Section 4003(b)(4).

liquidity to the financial system that supports lending to states and municipalities.”¹² Providing additional assistance to state governments through this and other programs “could well be the difference between a brief recession and a prolonged depression.”¹³

Establishing this flow of funds and immediately providing aid to State and local governments should be your top priority. Communities in Massachusetts and nationwide are deeply in need; they can put the money to use immediately to address the coronavirus pandemic and other community needs as a result of the ongoing catastrophic economic disruption. In contrast, because there are no payroll retention requirements on the big corporations eligible to receive bailout funds, they could make state and local budget problems worse by taking bailout money and firing workers – who then end up paying no income taxes while needing unemployment insurance, Medicaid, or other taxpayer-funded assistance.

States and municipalities have significant, acute financial shortfalls due to the coronavirus pandemic, and you have the authority to provide them with billions of dollars almost immediately. Before you begin the process of bailing out big corporations, I urge you to establish programs to provide aid to hard-hit states and municipalities so that they can be providing additional assistance to Americans who need it.

Sincerely,



Elizabeth Warren
United States Senator

cc: Jerome H. Powell, Chair, Board of Governors of the Federal Reserve

¹² CARES Act, Section 4003(c)(3)(E).

¹³ Washington Post, Catherine Rampell, States and Cities Should Brace Themselves for a Downward Spiral, March 26, 2020, https://www.washingtonpost.com/opinions/states-and-cities-should-brace-themselves-for-a-downward-spiral/2020/03/26/76be6aa4-6fa1-11ea-a3ec-70d7479d83f0_story.html.