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Cassidy, Menendez Introduce Bipartisan SMART Fund to Help Frontline States, Communities in COVID-19 Fight

WASHINGTON – U.S. Senators Bill Cassidy, M.D. (R-LA) and Bob Menendez (D-NJ) today will formally introduce bipartisan legislation to deliver critical, federal resources to states and communities on the frontlines of the COVID-19 fight. The State and Municipal Assistance for Recovery and Transition (SMART) Act targets \$500 billion in emergency funding to every state, county and community in the country, while prioritizing assistance to the areas with the greatest need.

Sens. Joe Manchin (D-W.Va.), Cindy Hyde-Smith (R-Miss.), Cory Booker (D-N.J.) and Susan Collins (R-Maine), who represent a cross-section of the country's broad political spectrum, have signed on as original cosponsors, only further reinforcing the SMART Fund as the only bipartisan path forward to providing states and communities badly needed, direct federal assistance.

"States and local communities shut down when the federal government asked and then lost billions in sales tax and other revenue. These states, communities either lay off workers or they get help. The SMART Act helps. The SMART Act keeps the thin blue line, firefighters and teachers from being casualties of Covid-19. It keeps our communities alive," **said Dr. Cassidy.**

"In the midst of a national emergency, the federal government cannot sit on its hands and watch our communities go bankrupt and our people suffer. This isn't a blue state or red state issue—this is an American issue—and it requires a national response," **said Sen. Menendez.** "The SMART Fund is the commonsense, reasonable and bipartisan approach our frontline states and communities need to deliver them the necessary flexible funding to defeat COVID-19, maintain critical services, avoid mass layoffs and tax increases, and expedite our economic recovery."

First unveiled by Cassidy and Menendez last month, the SMART Fund answers the bipartisan call for help from our nation's governors by providing \$500 billion in flexible funding to states to help cover rising costs to combat COVID-19 and lost revenues due to the economic fallout. Without this federal assistance, governors, mayors and county leaders have warned of deep cuts to essential services and layoffs of police, firefighters, paramedics, teachers, sanitation, public health and public works employees, and other frontline workers.

These funds can be used to help state and local governments meet the current demand, expand testing capacity and contact tracing, provide further assistance to residents, local hospitals, small businesses and schools, in addition to maintaining critical services residents depend upon. **The bill prohibits the use of funds for deposit into any state or state-affiliated pension fund.**

More background on the bill can be found lower in the release. Bill language can be found here.

SUPPORTING ORGANIZATIONS

Louisiana Municipal Association Executive Director John Gallagher said it is estimated that for fiscal years 2020 and 2021, Louisiana's local governments will incur revenue losses of over \$787 million in lost property taxes, sales taxes, and mineral revenue. That figure doesn't include other diminished revenue bases such as traffic enforcement or other fines and fees.

"Not only do Louisiana's municipalities provide essential services and infrastructure, but they are economic drivers throughout the state who provide critical employment opportunities in vulnerable communities. The SMART Act would provide funding for municipal economic recovery that will support the reopening of businesses and allow

Louisiana to move forward together. We are grateful for Senator Cassidy's bipartisan efforts and for his longstanding partnership with Louisiana's municipal governments and the LMA," **said Gallagher.**

"The SMART Act is a bipartisan solution that provides much-needed relief to Louisiana parishes during this unprecedented health crisis," **said Louisiana Police Jury Association Executive Director Guy Cormier.** "The economic downturn caused by the coronavirus pandemic has strained our essential parish resources. We are grateful for bipartisan efforts in Congress to address our dire needs and thank Senator Cassidy and his colleagues on both sides of the aisle for partnering with local governments to keep our residents safe and our economy stable."

"The SMART Act provides essential federal aid for counties at a time when our revenues are plummeting, yet demands for our frontline public health and public safety services are skyrocketing. We are encouraged by lawmakers on both sides of the aisle working with us to address the urgent needs of county governments, including our economic response and recovery priorities," **said Matthew Chase, director of the National Association of Counties Executive Director.** "We thank Senators Menendez, Cassidy, Manchin, Collins, Booker and Hyde-Smith for their bipartisan leadership to achieve our shared goal of saving lives and restoring our economy."

"With widespread bipartisan agreement on the need for this assistance, we cannot afford a partisan process that turns this urgent relief into another political football. This is not a red state and blue state crisis. This is a red white and blue pandemic. The coronavirus is apolitical. It does not attack Democrats or Republicans. It attacks Americans," **said National Governors Association Chair Larry Hogan (R-Md.) and Vice Chair Andrew Cuomo (D-N.Y.) in a joint statement issued May 13.** "The nation's governors are counting on our leaders in Washington to come together, put partisanship aside, and to get this done for the American people."

"We are pleased that a bipartisan group of senators, led by Senator Menendez and Senator Cassidy, have put forward a plan that recognizes the urgency of the fiscal crisis facing cities. These senators understand that this is not a partisan or geographic issue. COVID-19 has done fiscal harm in every state and every city. The next package that Congress passes must include strong and flexible fiscal assistance that provides direct emergency relief to all cities and can be used to help mitigate budget shortfalls resulting from the pandemic. Cities are on the frontlines of this crisis, and Washington's response must rise to meet the tremendous challenge cities face in responding to both the public health crisis and its dire economic impacts," **said Tom Cochran, CEO and executive director of The United States Conference of Mayors.**

"The National League of Cities welcomes introduction of the bipartisan SMART Act, a bill that would assist all local governments with maintaining their core responsibilities, including keeping emergency responders on the job intervening in localized outbreaks of COVID-19; and restoring the economic activity of their communities long term. Providing federal relief for municipalities across the nation is critical to advancing the reopening of America and our national economic recovery, on which thousands of jobs and the livelihoods of American families depend. The SMART Act is another positive sign that Members of Congress want to help the local leaders they represent; and that momentum is growing for the next emergency response package to include fair and appropriate levels of assistance to all cities, towns, and villages," **said Clarence Anthony, CEO of the National League of Cities.**

SENATE COSPONSOR STATEMENTS

"The fact that cities and counties face layoffs, reductions in essential services, and even bankruptcies is cause enough for us to look at responsible ways to ensure people have access to the services they need. This bill represents a good-faith effort to help communities, counties, and states weather the financial hardships of the coronavirus emergency," **Hyde-Smith said.**

"West Virginia's cities and municipalities are facing drastic cuts in revenues as a result of the COVID-19 pandemic. If Congress doesn't act now, our local officials will be forced to make difficult choices between providing essential services like first responders and retaining their employees to balance their budgets and avoid bankruptcy. It is unacceptable to allow our small businesses or our local governments to face bankruptcy for doing the right thing during this crisis. This bipartisan legislation will ensure our state and local governments can keep essential services up and running during this pandemic. I continue to hear from my friends in city and country government that the need for additional support is urgent and this bill delivers \$500 billion in additional support so they are able to continue operating through this difficult time," **said Manchin.**

“Our state and local governments are on the frontlines of this crisis,” **Booker said**. Without increased resources, they will be forced to make deep cuts to public services, including laying off essential workers such as police, firefighters, paramedics, and teachers at a time when they’re needed the most. This common sense, bipartisan proposal will provide local leaders with the critical funding they desperately need to respond to and begin the recovery from COVID-19.

“In addition to its tragic health effects, COVID-19 has devastated communities and slammed Maine’s economy. The impact on Maine’s revenues could be among the worst in the nation,” **said Collins**. “Dramatic revenue shortfalls will force state and local governments to either increase taxes or slash or suspend important services in health care, education, and transportation construction, which are needed now more than ever in the midst of this crisis. The SMART Act would help avoid the worst of these consequences by providing Maine’s state and local governments with flexible funding that can be used to directly offset some of their plummeting revenues. Congress must act now to protect vital services and to prevent widespread furloughs of state and local public servants, including police, firefighters, medical professionals, and educators.”

U.S. HOUSE OF REPRESENTATIVES COMPANION BILL SPONSORS

Reps. Mikie Sherrill (D-NJ) and Peter King (R-NY) are leading bipartisan companion legislation in the House of Representatives. The House bill is cosponsored by Josh Gottheimer (D-NJ), Tom Reed (R-NY), Tom O’Halloran (D-AZ), Fred Upton (R-Mich.), Ted Lieu (D-CA), Brian Fitzpatrick (R-PA), Debbie Dingell (D-MI) and Elise Stefanik (R-NY).

“State and local governments in New Jersey are a critical line of defense in the effort to respond to COVID-19,” **said Sherrill**. “The federal government has a responsibility to help. This legislation is an important, bipartisan step toward getting towns, counties, and states the resources they need to keep their residents safe. I want to thank Senator Menendez and Senator Cassidy for their leadership and quick response to the needs expressed by our counties and governors. I appreciate their partnership, and I’m proud to bring colleagues from both sides of the aisle together to lead on this important piece of legislation.”

“This legislation is absolutely essential to defeating and crushing the Coronavirus pandemic,” **King said**. “State and local governments must have the necessary funding support so that the cops, firefighters, healthcare workers and all first responders can get the job done. Too much is at stake to do otherwise!”

“I thank my colleagues for their willingness to work over the last two months in a bipartisan, bicameral fashion on a solution that properly addresses the magnitude of the economic challenges facing state, county, and municipal governments in this country,” **said Reed**. “I care about protecting American communities across the country by ensuring they have the resources to continue providing essential public health services and safely facilitating the reopening of the nation’s economy. Speaking with local leaders every day, and as a former small town mayor myself, I knew it was only fair that this bill protect localities and specifically safeguard the critical federal support they will receive.”

"I'm fighting to get federal resources back to each county and community in hard-hit North Jersey — the eye of the COVID-19 storm. We need to get the backs of those on the frontlines of this crisis, including EMS, firefighters, and law enforcement. It's Congress' responsibility to help the hardest-hit communities. No excuses from the Moocher States. This new bipartisan, bicameral bill puts country first," **said Gottheimer**.

BACKGROUND ON THE BILL

The SMART Fund builds upon the \$150 billion set aside in the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help state and local governments, created by Sen. Jack Reed (D-R.I.). It eliminates the current 500,000 population threshold, allowing every state, county, municipality, U.S. territory and the District of Columbia to qualify for direct federal assistance, regardless of its size. After talking to numerous stakeholders—including Sens. Manchin, Hyde-Smith and Collins—since unveiling their plan, which initially dropped the population threshold ten-fold to 50,000, Sens. Menendez and Cassidy decided to fully eliminate it in the final bill.

Additionally, the SMART Fund targets funding to areas of greatest need based upon infection rates and revenue losses, and overturns the U.S. Treasury’s erroneous guidance that placed undue restrictions on how state and local governments could use the CARES stabilization funding.

Specifically, the SMART Fund would provide \$500 billion to state, local, and tribal governments in order to avoid mass layoffs, steep tax hikes, and a breakdown of essential services. After a \$16 billion set-aside for Native American tribal governments, the remaining funding would be allocated to states through three equally divided tranches:

- 1) **One-Third Based on Population Size.** This tranche of funding will be allocated to all 50 states, D.C. and U.S. territories in proportion to each respective state or territory's percentage of the U.S. population. Counties and municipalities will each get a share of one-sixth of their state's respective allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's proportion of the state's population for this tranche.
- 2) **One-Third Based on Infection Rates.** This tranche of funding will be allocated based on each state's relative share of the nation's infection rate. States that have disproportionately high infection rates will incur significantly higher expenses and will likely need to continue stay-at-home orders for longer periods of time, leading to larger revenue losses. Counties and municipalities will each get a share of one-sixth of their state's respective allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's proportion of the state's population for this tranche.
- 3) **One-Third Based on Revenue Losses.** This tranche of funding will be allocated based on each state's revenue loss in proportion to the combined revenue loss of all the states from January 1, 2020 through December 31, 2020. States that took strong actions to curb the spread of the coronavirus should not face additional budget shortfalls as a result of taking responsible action. Counties and municipalities will each get a share of one-sixth of their state's allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's revenue loss from January 1, 2020 to December 31, 2020 in proportion to the combined revenue loss for all counties and municipalities in the state over this period. This is designed to ensure that adequate funding flows to counties and municipalities that are disproportionately affected relative to their population.

Under the formula, for example, if a state is awarded \$6 billion in SMART funds, \$4 billion would go to help stabilize the state government, \$1 billion would be split among its counties and the remaining \$1 billion dispersed to each of its municipalities based upon the respective criteria in each tranche.

All States, Puerto Rico and the District of Columbia shall receive a minimum of \$2 billion combined from the first two tranches in addition to their allocation from the third tranche.

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