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State Legislators Say “No Thanks” to a Federal Bailout

ALEC releases letter with 1,500 signers

ARLINGTON, VA – (May 12, 2020) Today, the American Legislative Exchange Council (ALEC) released a letter highlighting the danger of a federal bailout of states signed by over 150 state legislators and nearly 1,400 additional state leaders and activists. The letter highlights the counterproductive nature of these bailouts, highlighting the link between previous bailouts and increases in state taxes. The letter calls for state leaders to instead act in a fiscally responsible manner and craft a priority-based budget.

[Read the full letter here.](#)

“A federal bailout of state budgets rewards states that have practiced poor fiscal restraint at the expense of taxpayers in states that have been fiscally responsible,” said Jonathan Williams, ALEC Executive Vice President of Policy and Chief Economist. “Far from being a ‘free lunch’ for states, a federal bailout would damage states on each side of the policy spectrum by weakening state autonomy and making the states more dependent on the federal government. Accepting bailout funds will lead to higher levels of state spending and taxes -- and feed the already bloated federal debt. Instead, states should put in the difficult but necessary work to balance their budgets, just like hardworking taxpayers and small businesses.”

Federal lawmakers have already granted over \$200 billion to state and local governments including a general \$150 billion COVID-19 relief fund, a \$30 billion education costs fund, a \$45 billion disaster relief fund and more. Any bailout from the federal government would be an additional expense.

“With over \$200 billion already granted to state and local governments for COVID-19 related expenses and trillions of dollars added to the deficit in 2020 alone, the federal government should think carefully before engaging in more spending. The money already allocated to the states is larger than any individual state budget,” said ALEC CEO Lisa B. Nelson. “Compliance, reporting and maintenance of effort costs from the 2009 bailout have led to tax increases. As society returns to normal, the last thing we need is a new mortgage on our future.”

Throughout the COVID-19 pandemic, ALEC has played a leadership role in communicating fact-based, official information to state and local leaders while voicing the perspectives of liberty-minded legislators to Washington, DC. The organization has shared [five federal fixes](#) and [30 state policy proposals](#) to speed American society’s return to normal.

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The American Legislative Exchange Council is the largest nonpartisan, voluntary membership organization of state legislators in the United States. The Council is governed by state legislators who comprise the Board of Directors and is advised by the Private Enterprise Advisory Council, a group of

*private, foundation and think tank members. For more information
about the American Legislative Exchange Council, please visit:
www.alec.org.*

