

Can Congress take back California's COVID relief? Senators want to try in infrastructure deal

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Body

California's \$75 billion budget surplus is proving to be an alluring target for Washington lawmakers scrambling to find a way to pay for a national infrastructure improvement plan.

"It's a massive budget surplus. The federal government is going to keep throwing this money at them," said Sen. Pat Toomey, R-Pa., of California.

"They don't know what to do with all this money so they're probably going to send out checks to people. It's ridiculous." Gov. Gavin Newsom's budget includes stimulus checks.

California officials say they not only need the federal COVID money Washington has been sending since the pandemic drove the economy into a tailspin last year, but most has already been spent or is being included in the budget for fiscal 2021-22, which begins July 1. The state has received about \$184.2 billion, according to the federal government's Pandemic Response Accountability Committee.

In Washington, a group of 21 senators from both parties is in serious talks to craft an infrastructure spending plan they say would "repurpose" unspent federal COVID relief dollars that states have been receiving.

Details are being negotiated, but among the ideas is to have states use their uncommitted COVID relief funds for roads, bridges and other such projects.

That makes sense to some senators.

"When you have a state like California which has an enormous surplus, and yet we're giving billions of additional dollars to that state, I think we can find room to repurpose some of this money," Sen. Susan Collins, R-Maine, told CBS' "Face the Nation" recently.

Sen. Jon Tester, D-Montana, one of those seeking a compromise, said that states such as California won't lose money. "Everybody's going to get more," he said, since the bill will provide an additional hundreds of billion dollars for infrastructure.

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A group of nine Democrats, one independent and 11 Republicans last week issued a joint statement pledging to work toward a compromise.

They issued a two page framework that would provide \$579 billion in new spending. They list 11 different ways to pay for the program, including "repurpose unused COVID relief funds for infrastructure."

California's unspent money

California has an estimated \$45.3 billion in yet to be spent COVID money, according to the federal pandemic oversight tracker.

Much of the unspent money is designated for education, unemployment benefits, Medicaid and disaster relief.

The unemployment funds involve money that "California spends over time, so that money isn't really available to be repurposed or rescinded," said Michael Farquharson, policy analyst at the nonpartisan Committee for a Responsible Federal Budget.

The COVID money tracker compiled by the group shows none of the \$42.9 billion available to California's state and local governments, part of the American Rescue Plan President Joe Biden signed into law in March, has been spent.

That's not unexpected, said state budget officials. The Treasury Department only published interim rules for distributing the money on May 10.

The state has just received its entire share, \$27 billion. H.D. Palmer, spokesman for the California Finance Department, said all of that money will be either allocated or obligated in the upcoming state budget for fiscal 2022, which begins July 1.

Local governments will soon get half their funds this year and half next year.

The state's 58 counties will divide \$7.7 billion. The 191 cities with populations of more than 50,000 will get a total of \$7 billion, and the 291 smaller cities will share \$1.2 billion.

These governments all have some time to spend the funds.

Funds from the American Rescue Plan can be spent up until the end of 2026. Money from last year's Coronavirus Relief Fund must be obligated by the end of this year and "payment made within a reasonable time from that date." A final report on that spending is due to the Treasury in October 2022.

Infrastructure and politics

Fourteen state treasurers, including California's Fiona Ma, wrote to Congress spelling out what they saw as the dangers of losing the funding if Congress moves to reclaim some of it.

"Repurposing COVID relief funding would result in a massive loss of revenue for large and small communities alike, at precisely the moment they need to be doing everything to get our economy going again," they said.

The White House has been cool to the idea. "There are simply not hundreds of billions of dollars in COVID-relief funds available to repurpose," Karine Jean-Pierre, principal White House deputy press secretary, told reporters recently.

Funds approved prior to the American Rescue Plan have largely been spent, she said, and of the remaining 5%, the largest categories of "unobligated balances" are in funding for rural hospitals and healthcare providers as well as disaster loans for small businesses.

None of this is stopping lawmakers from raising the specter of unspent money as a way to pay for the politically popular infrastructure plan.

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President Joe Biden wants to raise taxes on the wealthy, but Republicans won't buy that. And GOP senators have little desire to be kind to California, where 42 of the 53 House members are Democrats and which last elected a Republican to the Senate in 1988.

"Repurposing the money is maybe one of the only good ideas of (revenue) I've heard of. ...as opposed to raising taxes, which I'm against," said Sen. Josh Hawley, R-Mo.

Sen. Shelley Moore Capito, R-West Virginia, added infrastructure money will create jobs.

"So it would be a good thing to repurpose your money," she said, "because you're going to get job benefits."

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