



Statement by

The Honorable Timothy J. Walz

Governor of Minnesota

before the

U.S. House of Representatives

Committee on Financial Services

on

**The Need for Financial Aid to America's States and Territories During the
Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to**

Safely Educate, and Preventing Mass Layoffs

September 10, 2020

Chairwoman Waters, Ranking Member McHenry, members of the Committee:

My name is Tim Walz, and I am the Governor of the State of Minnesota. Thank you for the chance to speak about the critical need for additional federal support for states.

I want to acknowledge my Minnesota colleagues on the committee, Representative Dean Phillips and Representative Tom Emmer. Whether it is Rep. Phillips' work tirelessly pushing the Paycheck Protection Program Flexibility Act to become law, or Rep. Emmer's advocacy for innovative new approaches like the blockchain to mitigate the Coronavirus, Minnesota is lucky to have you in Congress and serving on this Committee.

The National Governors Association has issued a bipartisan call for at least \$500 billion in state aid as part of the next COVID-19 response. I want to thank the House for taking the first step to providing much needed resources for states by passing the HEROES Act. As you continue your negotiations with the Senate and the Administration, I would ask that you continue to prioritize funding for states.

As Governor, it is my vision that every child in Minnesota has the opportunity to succeed. And when I first came into the job in January of 2019, I worked with our State Legislature to invest in education, jobs, and housing. Minnesota is the one of the only states in the country that has a politically divided legislature, and yet we made tremendous progress making these investments while maintaining fiscal discipline around our spending.

I know there has been a lot of talk in Washington about "poorly managed states" wanting to balance their budgets with federal aid. So let me be clear: for years, Minnesota's fiscal house has been in good order. After volatile financial times during the 2000s, Minnesota went from budget deficits to budget surpluses, and we invested in our budget reserves and rainy-day funds to the highest levels ever recorded.

Minnesota has a AAA bond rating. In its 2020 analysis, one rating agency said Minnesota's AAA rating reflects our "strong control over revenues and spending that...leaves the state well positioned to manage through economic cycles."

Even as recently as our 2020 February Budget Forecast, we had a projected budget surplus of \$1.5 billion. Then the Coronavirus hit. Within a matter of months, states all across the country saw their fiscal situations rapidly decline.

Minnesota was no different. Literally in a matter of weeks, we saw our \$1.5 billion surplus turn into a \$2.3 billion projected deficit for fiscal year 2021. Today, we estimate that in the upcoming biennium, Minnesota will face a \$4.7 billion shortfall. Compared to our previous projections in February, our May revenue projections over the four-year budget horizon dropped by \$8.4 billion.

Minnesota entered the COVID-19 crisis in strong economic shape, with low unemployment and a high demand for workers. In March, our unemployment rate was 2.9 percent, well below the U.S. rate. Our labor force participation rate was one of highest in the nation. But, like everywhere else, Minnesota's economy has been rocked by the COVID-19 pandemic.

Minnesota entered this crisis better prepared than most states. We had a robust rainy-day fund. We have one of the most fiscally prudent reserve policies in the nation. We have a well-educated workforce and a diverse economic base. But that wasn't enough to insulate us from the economic destruction of COVID-19.

I'm sure I speak for my fellow Governors when I say that we appreciate what the federal government has provided thus far. The CARES Act funding has been critical. CARES Act funding helped us support our school districts as they prepared for both distance and in-person learning, and it helped get our testing and PPE operations off the ground, which are critical to our economy. It has also assisted our local governments with their COVID response.

But the needs of our citizens don't end there. Republican and Democratic governors across the country face unprecedented challenges, and the federal government is the only entity big enough to respond with the kind of fiscal firepower that can make a difference.

Having sat in your chairs as a member of Congress, I know that prioritizing so many competing needs is challenging. But I would like to impress upon you the dire difficulties that states will face as a result of this challenging year. We are at a critical juncture.

Federal support for states can change the trajectory of this pandemic. Additional, flexible resources for states can help us continue to respond to unique needs as a result of the Coronavirus, such as continuing to meet our testing and PPE needs. Additional, flexible funding could allow us to support industries that are particularly challenged in this environment, like child care, restaurants, and other small businesses.

And importantly, support from the federal government will be critical for states like Minnesota to continue to provide services to Minnesotans as we navigate through these economic times. Without your help, Governors and state legislatures will be forced to make painful decisions that will be detrimental to our ability to help people, at the moment they are most in need.

This is true not just in my state, but in each of your districts as well. These are challenging times. The need is great and partnership is essential. We know what we have to do - we just need the resources to pull it off.

Thank you for the opportunity to speak to you today. I would be pleased to answer any questions.