

Flexible Aid in an Uncertain World

The Coronavirus State and Local Fiscal Recovery Funds Program

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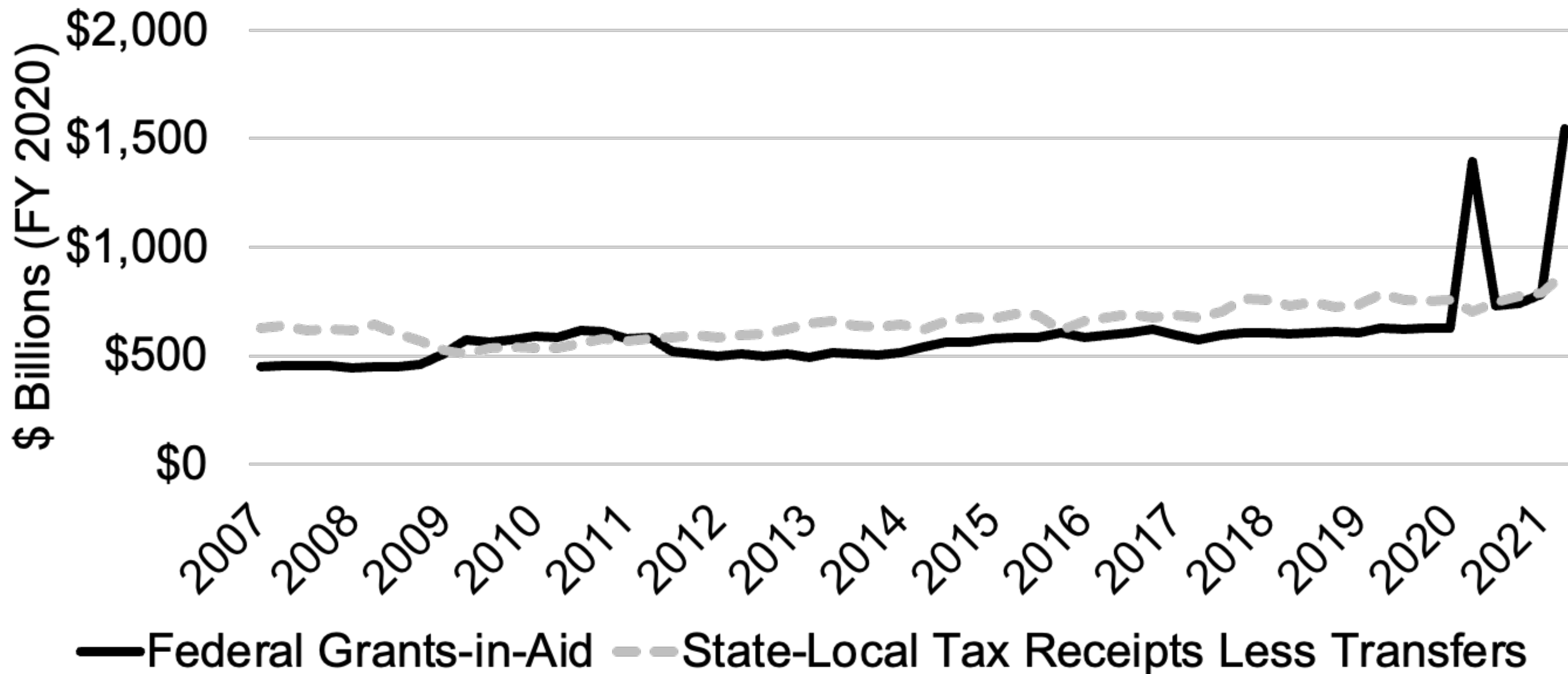


Field Notes

Flexible Aid in an Uncertain World: The Coronavirus State and Local Fiscal Recovery Funds Program

Philip Rocco¹  and Amanda Kass²

Federal grants-in-aid and state-local personal income and sales tax revenues net of nonfederal transfers, 2007–2021 (\$Billions FY 2020)



Cleveland City Hall

Cleveland City Council expresses frustration that American Rescue Plan money remains unspent

Updated: Aug. 30, 2021, 6:45 p.m. | Published: Aug. 30, 2021, 6:44 p.m.

Local

As communities suffer, local officials struggle to disburse federal aid. Now, a deadline looms.

[Washington Post, November 15, 2020](#)

Texas has \$2 billion in COVID-19 relief funds left to spend. Advocacy groups are anxiously watching.

The deadline to use the funds is Dec. 30. Texas Agriculture Commissioner Sid Miller asked the governor to support rural hospitals and food banks.

BY JUAN PABLO GARNHAM DEC. 16, 2020 5 AM CENTRAL

[Texas Tribune](#)

CITYLAB

Billions From Biden Aid Plan Left Untapped by Cash-Flush States

At least 10 states haven't spent any of the aid from the American Rescue Plan legislation as officials grapple with how to use the unprecedented federal relief that Congress approved almost six months ago.

By [Amanda Albright](#) and [Danielle Moran](#)
August 17, 2021, 5:54 AM PDT

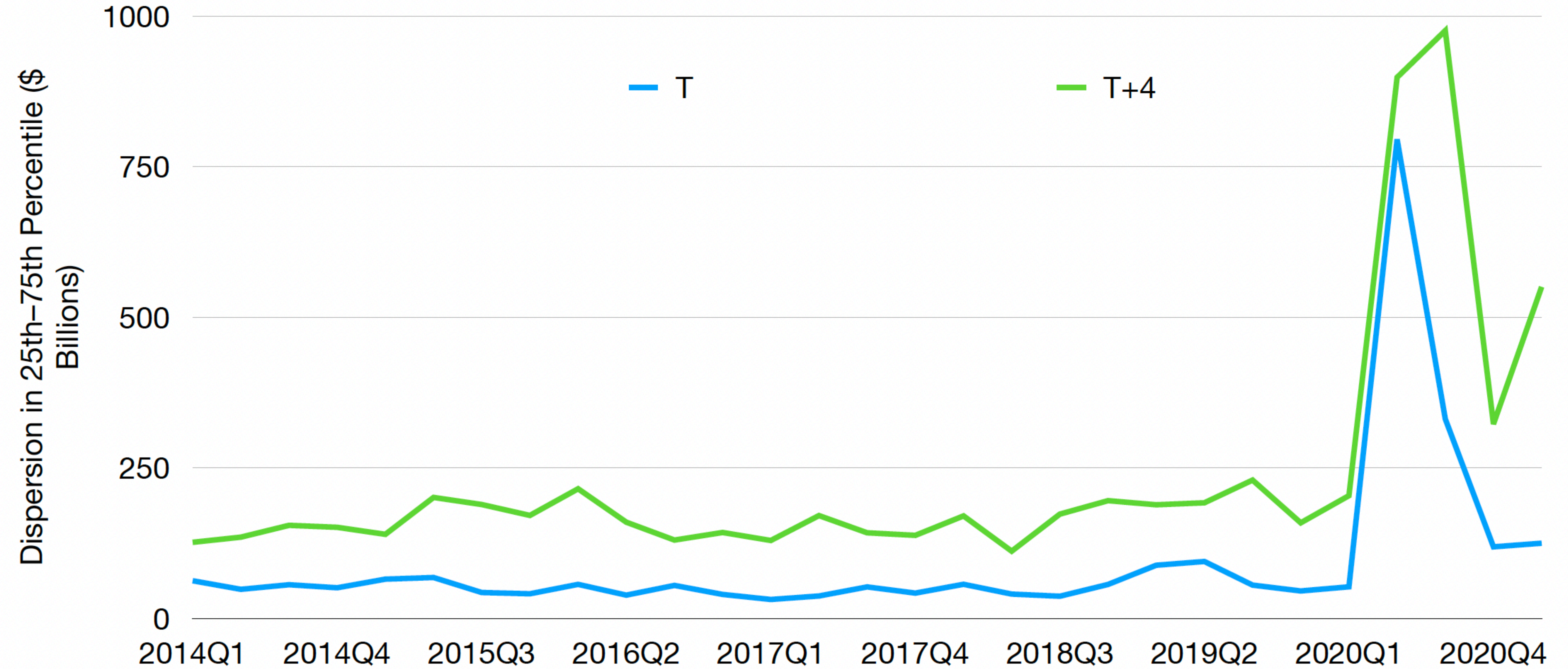
[Bloomberg City Lab](#)

Three Questions

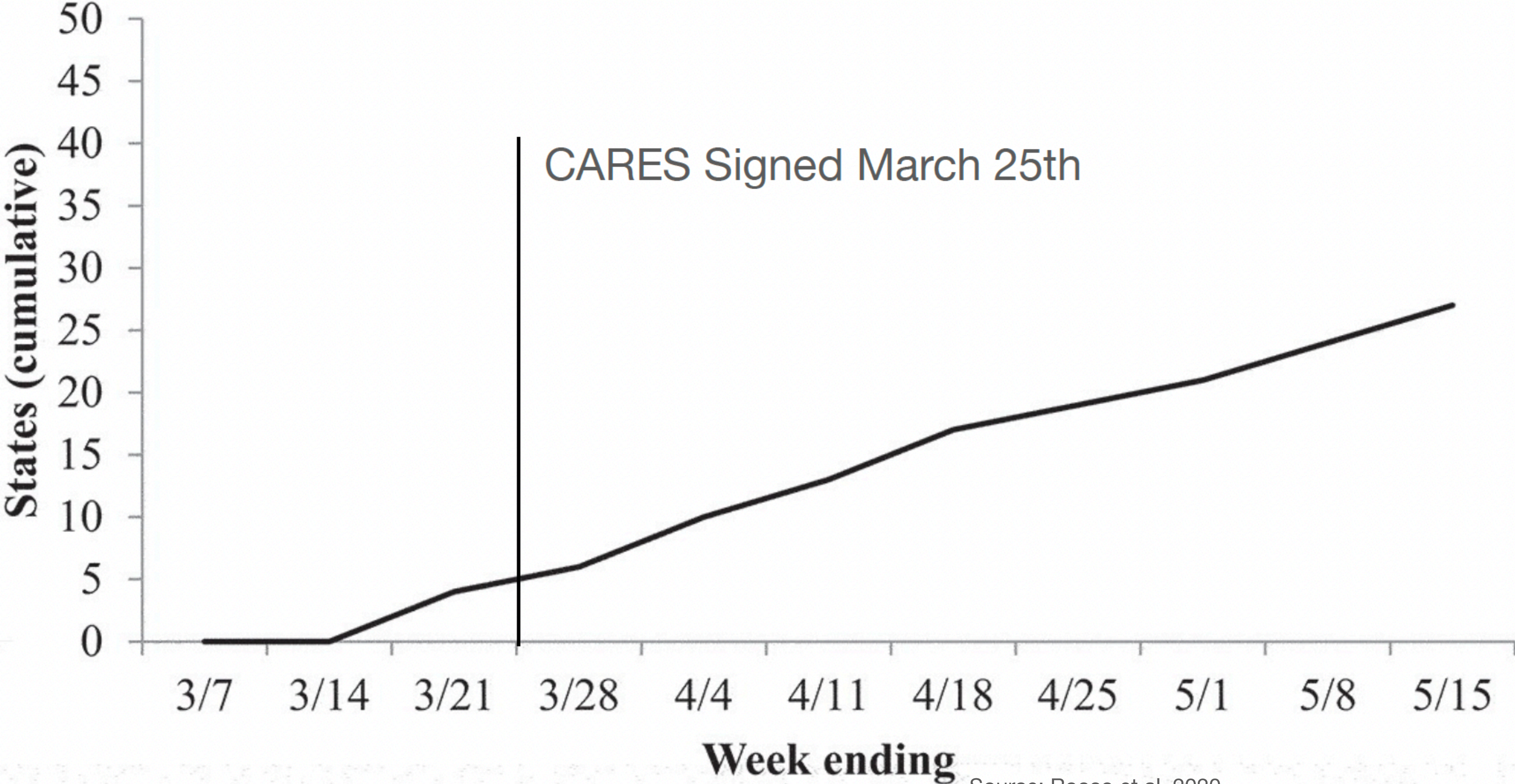
1. What explains the significant scale / flexibility found in CSLFRF legislation?
2. How did the rulemaking process at Treasury affect implementation?
3. How is program structure and decentralized politics affecting accountability?

I. From CARES to ARPA: Legislating Recovery

Quarterly GDP Forecast Dispersion (Survey of Professional Forecasters)

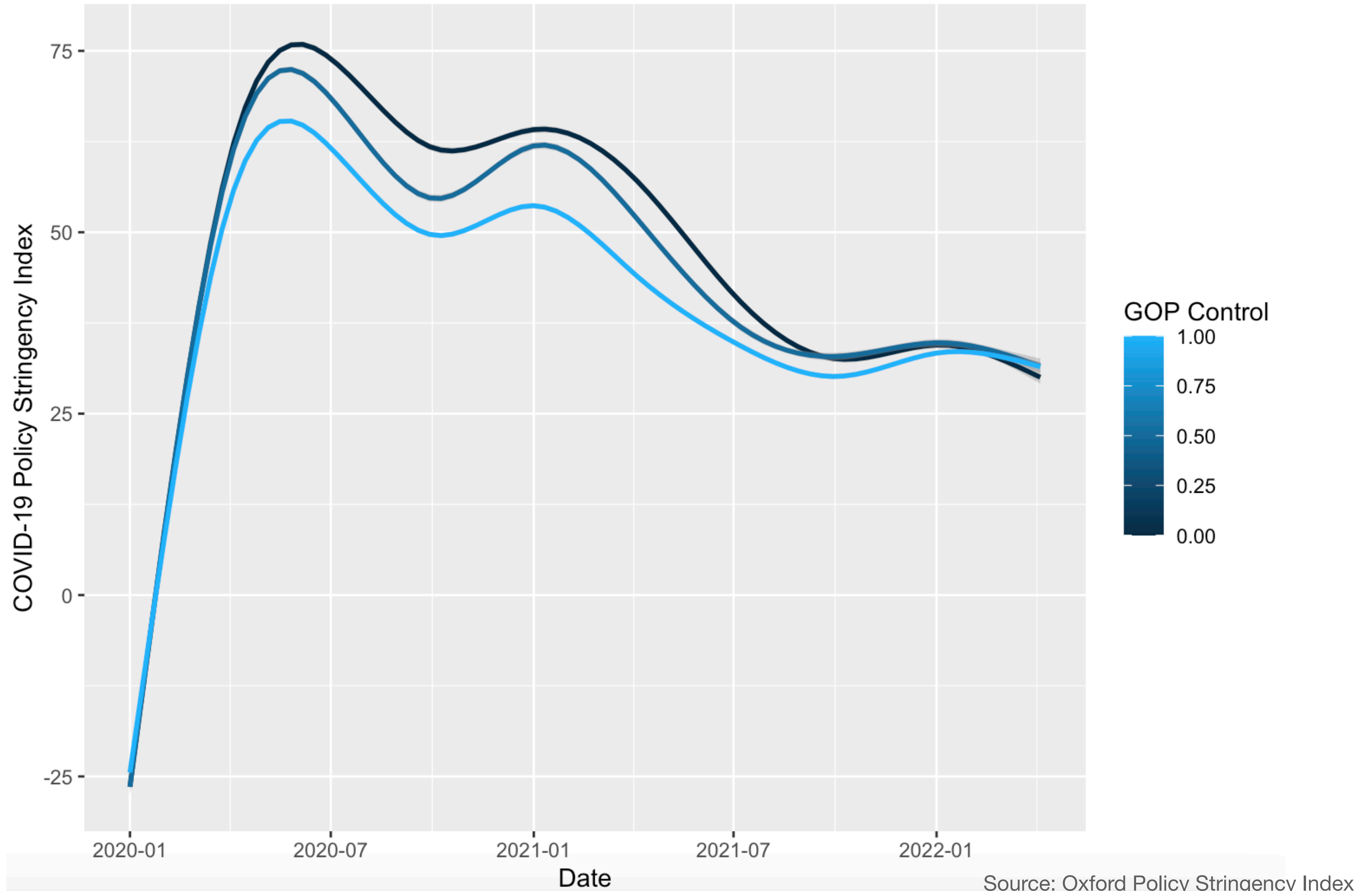


States with Revised FY 21 Revenue Projections, March 7–May 15, 2020



Source: Rocco et al. 2020

State COVID Policy Stringency by Date and Party Control of Government



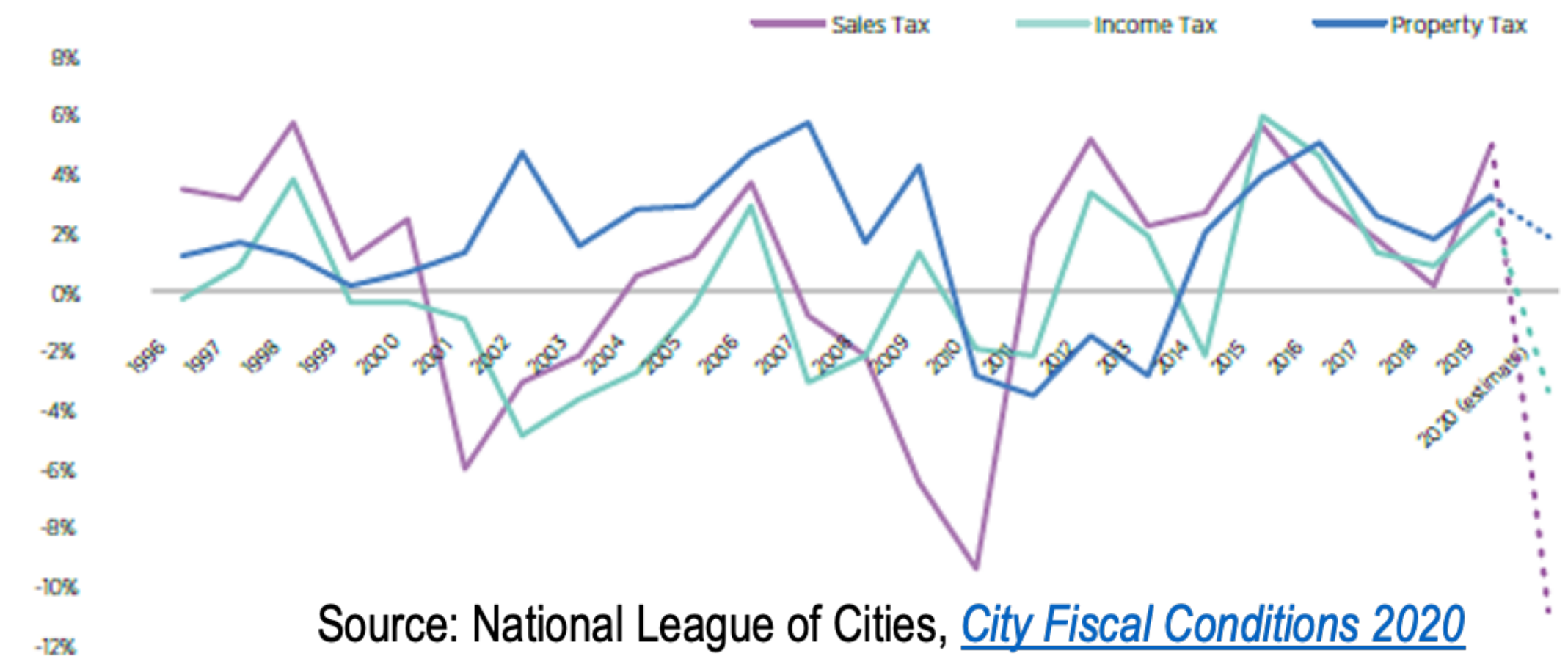
Source: Oxford Policy Stringency Index

States and Cities Anticipated Sharp Revenue Shortfalls

Estimated State Shortfalls (July 2020)

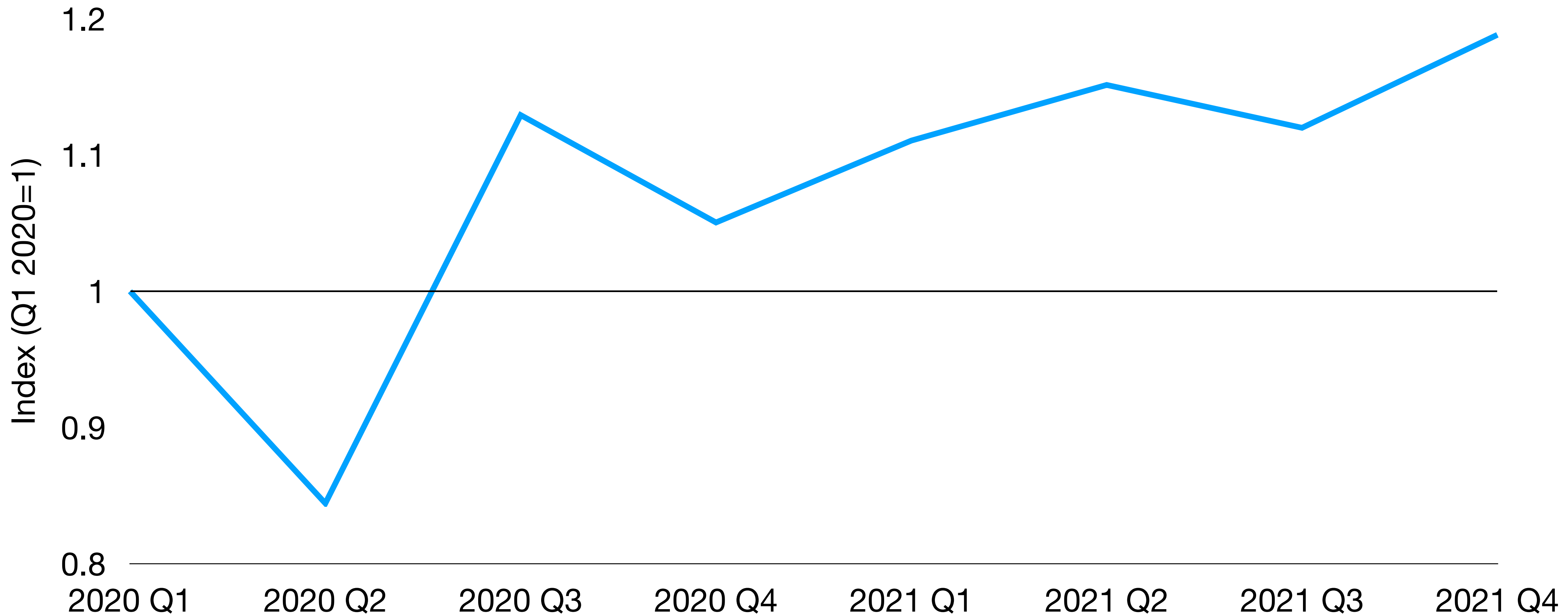
- Tax Foundation: \$121 billion over fiscal years 2020 and 2021
- Tax Policy Center: \$200 billion over fiscal years 2020 and 2021

Anticipated Drop in Cities' Revenue



But Shortfalls Weren't as Steep as Feared

Quarterly State and Local Tax Revenue Index, 2020–2021



Source: Census Bureau

Revenue Performance Doesn't Capture Need

Revenue performance relative to pre-COVID baseline is not an indicator of need.

- State and local budget account for planned spending – do not capture amount necessary to meet demands / needs of communities.
- Program numbers don't capture need: Rise in homelessness / eviction risk is not fully reflected in sign up for assistance.
- Deferred maintenance: In 2019, 41 percent of school districts needed to update / replace HVAC systems in half their schools (GAO).

The Plum Line • Opinion

Mitch McConnell to states: Drop dead



Multipurpose Aid to State and Local Governments in COVID-19 Relief Bills, 2020–2021

CARES (3/27): \$150b — **Signed into law (H: Voice; S: 96–0)**

Heroes Act (5/15): \$1,130b — **Died in Senate**

Problem Solvers Caucus (9/15): \$500b — **Never taken up in House**

Bipartisan Senate Gang (11/15): \$160b — **Deleted in “liability” logroll**

American Rescue Plan (3/5): \$350b — **Signed into law (H 219–212; S: 50–49)**



COVID RELIEF NOW
Coalition

AMERICANS NEED COVID RELIEF NOW

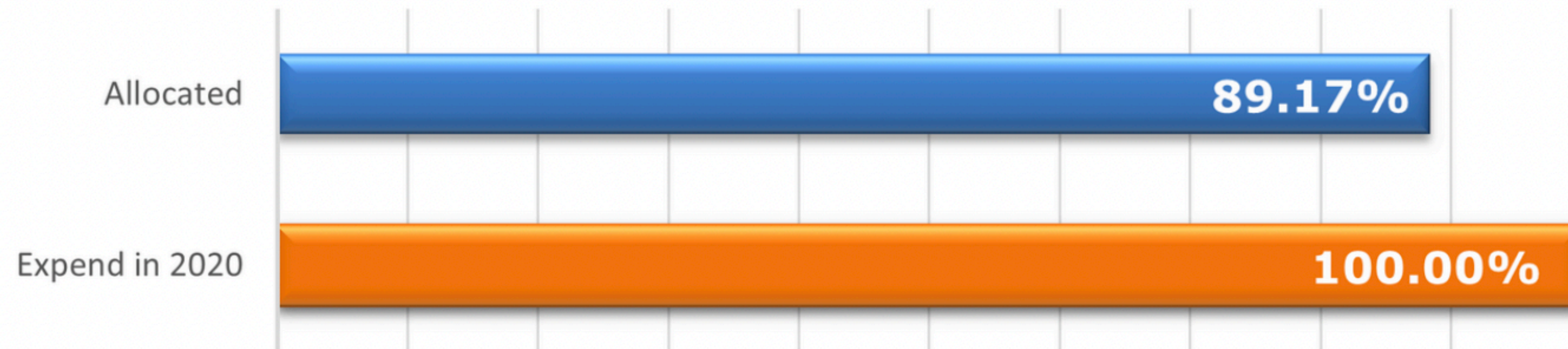
CONGRESS, WE ALL AGREE, WHY CAN'T YOU?

#NoRecessWithoutRelief

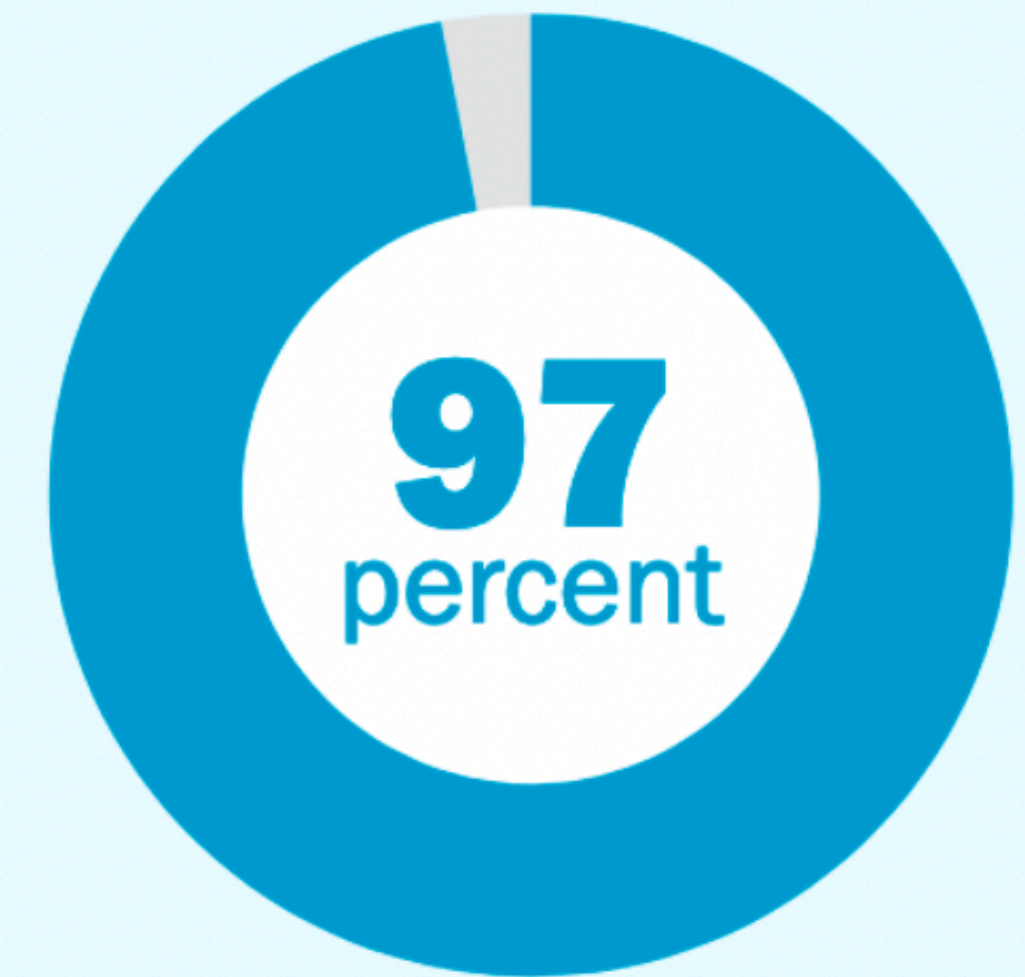




Survey Responses - CRF Dollars



NGA surveyed Governor's offices. Responses, from 42 states and territories, indicate that on average **89% of CRF funds have been allocated**, with approximately 62% of funds already obligated.



According to data from 48 states and territories compiled by the National Association of State Budget Officers (NASBO), on average, **97 percent of state/territory CRF** is spent or earmarked.

Comparison of CARES and ARP Recovery Funds

Legislation and Fund Name	CARES: Coronavirus Relief Fund	ARP Act: Coronavirus State And Local Fiscal Recovery Funds
Total Amount of Aid	\$150 billion	\$350 billion
Criteria for Local Government Receiving Funds	Population of at least 500,000	All counties, metropolitan cities, and nonentitlement units of local government
Formula for Aid Allocation	Population	<i>States:</i> \$500 million per state plus share of \$169 billion. The \$169 billion is allocated based on each state's share of national unemployment <i>Counties:</i> population <i>Metropolitan cities:</i> CDBG criteria <i>Other towns and cities:</i> population
Deadline for incurred expenses	December 31, 2021	December 31, 2024

Comparison of CARES and ARP Recovery Funds' Eligible Spending Categories

Law and Fund Name	Eligible Spending Categories
CARES: Coronavirus Relief Fund	Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (Coronavirus Aid, Relief, and Economic Security Act, 2020: 503).
ARP Act: Coronavirus State And Local Fiscal Recovery Funds	<ul style="list-style-type: none">● Spending tied to the public health emergency from COVID-19 or its “negative economic impacts”● Premium pay for essential workers● Revenue replacement and government services otherwise impacted by revenue losses● Water, sewer, or broadband infrastructure projects (American Rescue Plan Act, 2021: 236–237).

II. Redefining Flexibility: The Politics of Rulemaking

Treasury's Interim Final Rule



Coronavirus State and Local Fiscal Recovery Funds

Posted by the **Department of the Treasury** on May 16, 2021

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Major Themes in Comments

1. Minimize administrative burdens.
2. Allow for easier use of revenue replacement formula.
3. Expand premium pay eligibility.
4. Flexibility on eligible infrastructure projects.

117TH CONGRESS
1ST SESSION

S. 3011

To amend title VI of the Social Security Act to allow States and local governments to use coronavirus relief funds provided under the American Rescue Plan Act for infrastructure projects, improve the Local Assistance and Tribal Consistency Fund, provide Tribal governments with more time to use Coronavirus Relief Fund payments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 19, 2021

Mr. CORNYN (for himself, Mr. PADILLA, Mr. WYDEN, Ms. MURKOWSKI, Mrs. MURRAY, Mr. KELLY, Mr. KENNEDY, and Mrs. SHAHEEN) introduced the following bill; which was read twice, considered, read the third time, and passed



THE UNITED STATES
CONFERENCE OF MAYORS



February 24, 2022

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
(Sent Via Email)

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
(Sent Via Email)

The Honorable Charles E. Schumer
Majority Leader
United States Senate
(Sent Via Email)

The Honorable Mitch McConnell
Republican Leader
United States Senate
(Sent Via Email)

Dear Speaker Pelosi, Leader McCarthy, Leader Schumer and Leader McConnell:

RE: Support for Inclusion of State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act in the FY 2022 Omnibus Appropriations Package

WASHINGTON DC

Treasury's legal battle with states over ARPA funding heats up

By [Caitlin Devitt](#) December 06, 2021, 2:56 p.m. EST 3 Min Read



A federal appeals court is set to weigh in on a simmering dispute over states' use of pandemic relief funds in the American Rescue Plan Act.

Major Shifts in Final Rule: The Balance Between Accountability and Flexibility

1. Major reduction in administrative burdens (84% dec in hours estimate)
2. Revenue replacement definition altered, \$10m “standard allowance” created.
3. Premium-pay eligibility expanded (with limits)
4. Infrastructure spending options broadened.

III. Accountability Politics

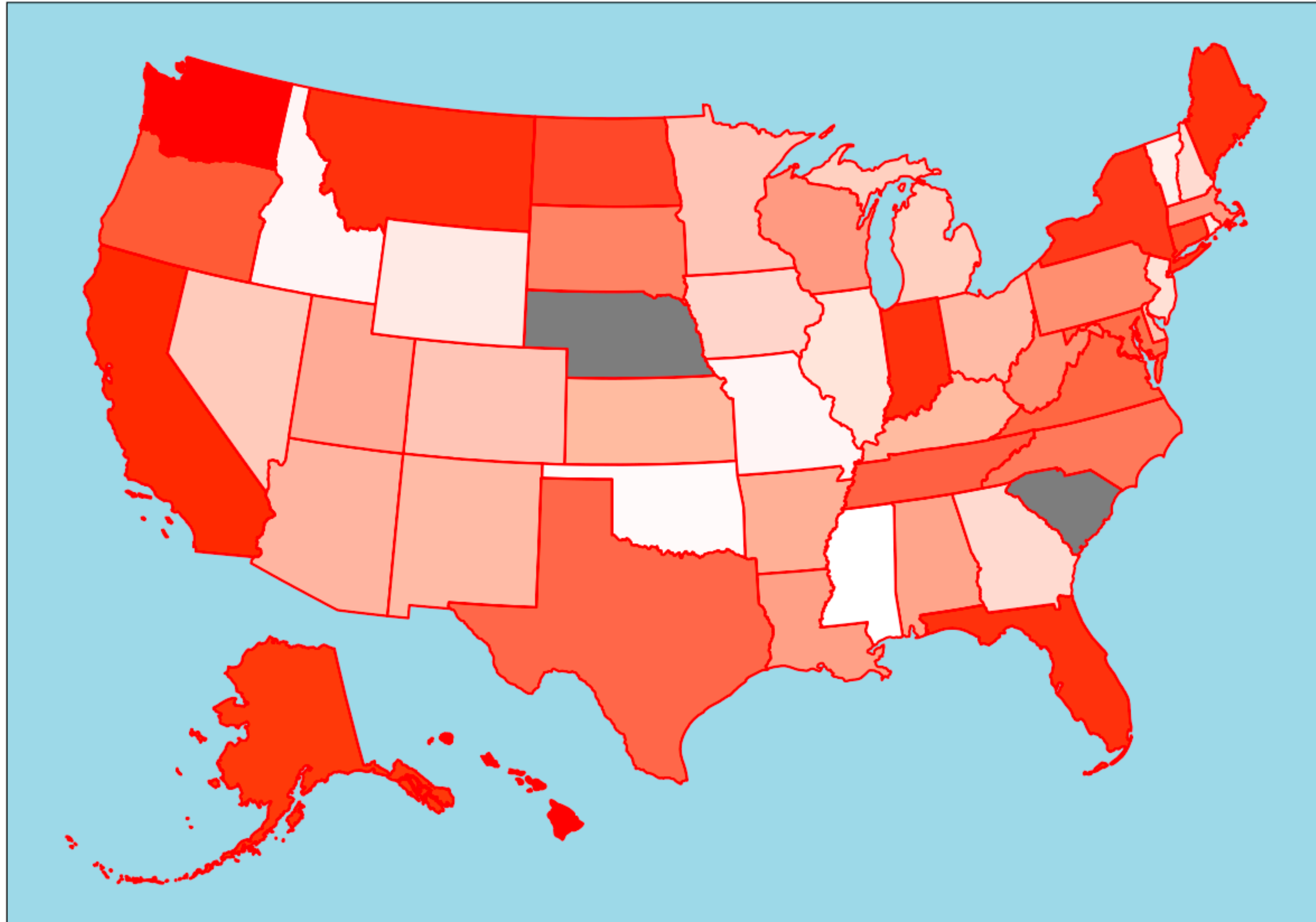
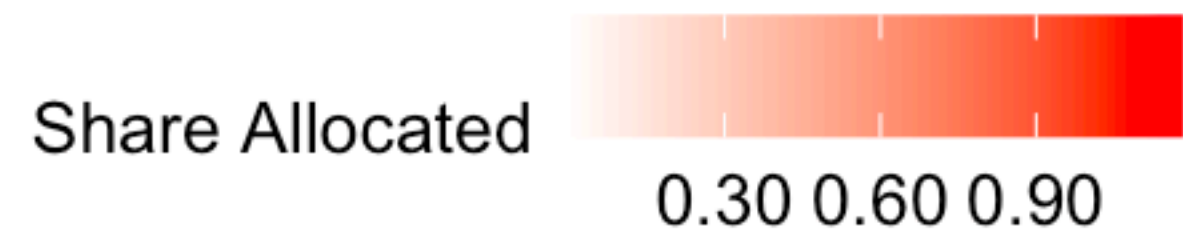
Two Kinds of Accountability Politics

Top-down: driven by reporting requirements, performance / results measurement, oversight; usually retrospective

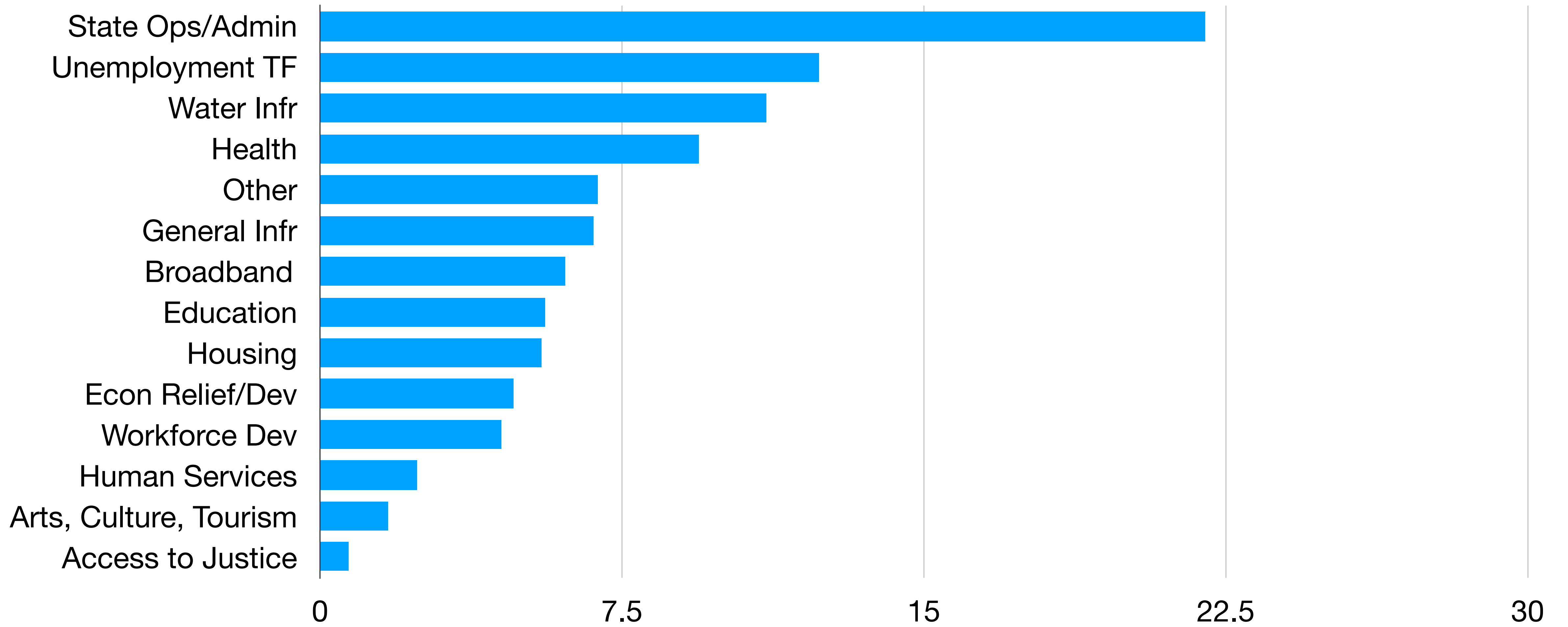
Bottom-up: driven by goal conflict among mobilized stakeholders, elected officials (as agents of constituents), institutional capacity at state-local level; usually prospective

Tier	Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
1	States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021 or 60 days after receiving funding if funding was received by October 15, with expenditures by category.	By January 31, 2022, and then 30 days after the end of each quarter thereafter	By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31
2	Metropolitan cities and counties with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding, and NEUs that are allocated more than \$10 million in SLFRF funding.	<i>Note: NEUs were not required to submit an Interim Report</i>	<i>Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs will be April 30, 2022.</i>	
3	Tribal Governments that are allocated more than \$30 million in SLFRF funding			
4	Tribal Governments that are allocated less than \$30 million in SLFRF funding		By April 30, 2022, and then annually thereafter	
5	Metropolitan cities and counties with a population below 250,000 residents that are allocated less than \$10 million in SLFRF funding, and NEUs that are allocated less than \$10 million in SLFRF funding.			

Share of State ARPA Dollars Allocated



% Total State CSLFRF Allocations by Category



Source: based on CSG data

Local Government ARPA Investment Tracker

A Partnership of



Note: Within this interactive tracker, users can select search filters below—including by location and type of expenditure—or search through the map, to find detailed information on large city and county plans for deploying American Rescue Plan Act (ARPA)'s State and Local Fiscal Recovery Fund dollars.

This tracker was last updated on April 13th, 2022 and contains project data from Recovery Plans submitted by local governments to the Department of the Treasury on August 31st, 2021. This tracker will be updated as more information becomes available

of Local Governments

151

of Projects

2277

Total \$ Tracked

\$18.5bn

% of Funding Budgeted

50.3%

Download Data

Submit Your Local Gov's ARPA Plan

National Sample Average ⓘ

GOVERNMENT OPERATIONS
37.6%

INFRASTRUCTURE
11.9%

HOUSING
12.5%

ECONOMIC & WORKFORCE DEV
11.1%

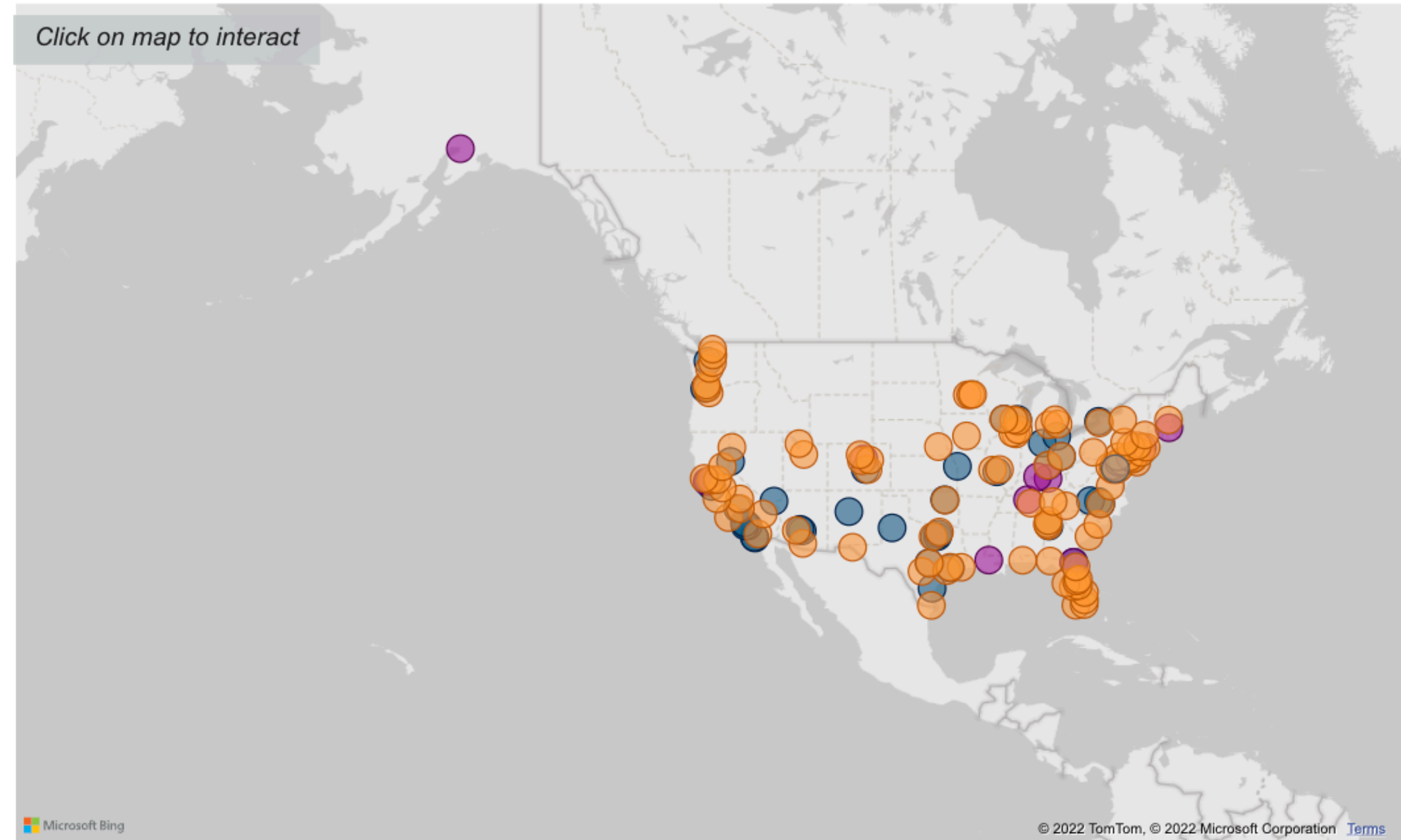
COMMUNITY AID
12.3%

PUBLIC SAFETY
2.3%

PUBLIC HEALTH
12.2%

Local Gov Type ● City ● Consolidated City-County ● County ● Independent City

Click on map to interact





Millions in Stimulus Aid, and Clashing Over How to Spend It

As communities across the United States receive pandemic relief money, fierce debates have erupted over priorities, and who has the power to set them.

Tempers flare over the allocation of the city of Charleston's ARPA funds

by DANIELLE DINDAK
Monday, May 2nd 2022

Tight Milwaukee budget means historic federal pandemic aid would go to propping up city services

[Alison Dirr](#) and [Vanessa Swales](#) Milwaukee Journal Sentinel

Published 5:00 a.m. CT May 5, 2022



Don't Let JPMorgan Chase Take Chicago's Relief Money!

FACT SHEET

Mayor Lori Lightfoot should spend the \$1.9 billion in federal relief on Chicago's communities. The 2021 American Rescue Plan Act (ARPA) federal stimulus is intended to go directly into communities suffering the most from the devastating economic and health effects of the pandemic. Instead of prioritizing the hardest hit Chicagoans, the Mayor has proposed diverting \$1 billion of the federal stimulus to Wall Street banks and investors to pay off bad bank deals. \$465 million of that would go directly to JPMorgan Chase. She wants to use the rest to plug holes in her 2021 budget, which already prioritizes policing over community needs.

If JPMorgan Chase would waive just \$9 million/year in interest, Chicago's Black and Brown communities could have their recovery money. Last December, Lightfoot borrowed \$465 million from JPMorgan Chase. She wants to use nearly 25% of Chicago's ARPA money to pay back this loan quickly to avoid interest payments. The interest on this loan is just \$9 million a year. *Instead of taking \$465 million from our communities to pay back Chase, Lightfoot should call on Chase to waive interest payments on this loan.* Congress passed the ARPA to go to communities, not to America's largest bank, with \$3.3 trillion in assets. Chase gave CEO Jamie Dimon \$30 million in bonus pay for 2020. It can afford to forgo just \$9 million a year in profit.

Takeaway Points

- CSLFRF Program is distinctive not just in size but in design
- Design of legislation and Treasury rules represent major political success of intergovernmental orgs.
- Flexible aid creates a dual politics of accountability—both top-down and bottom-up.
- Pre-existing fiscal challenges and conflicts are inflecting debate over allocation of CSLFRF dollars.