Early Data Shows State and Local Governments Are Committing Recovery Funds to Build an Equitable Recovery

By Jacob Leibenluft, Chief Recovery Officer

During the Great Recession, state and local governments were forced to make deep budget cuts, resulting in devastating service cutbacks and creating strong headwinds for the economy. As Secretary Yellen said in March, fiscal challenges meant cities and states to "had to slash spending, and that austerity undermined the broader recovery." The American Rescue Plan (ARP) was designed to avoid repeating that history by establishing the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to provide $350 billion to state, local, territorial, and Tribal governments to bolster their response to the COVID-19 emergency and its economic impacts. Following the ARP's passage, Treasury quickly provided over $240 billion—over 99% of funds available in the first year—to state, territorial, local, and Tribal governments. Now, governments are putting these funds to use. Based on initial reporting received from recipient governments, Treasury estimates that states have appropriated or budgeted 45% of the funds they had on hand as of July 31, with likely even a higher proportion of funds allocated in the last two months.

Within the first seven months of implementation, these funds have prevented severe cuts and layoffs, bolstered pandemic response efforts, and allowed states and localities to plan longer term investments that will put them on stronger footing coming out of the pandemic. The first benefit of these funds can be seen in what *hasn't* happened: simply knowing these funds were in their coffers has allowed state and local governments to avoid budget cuts and layoffs, preventing a repeat of the Great Recession. For example, in January 2021, Hawaii's governor announced plans for furloughs for over 10,000 state employees and said that the state would have to cut its budget by $600 million. Less than a week after the American Rescue Plan was passed, the governor announced that these cuts were off the table. Other state and local governments who did make cuts are now using their funds to rehire public sector employees: Wichita, Kansas plans to use funds to hire for positions that have been held vacant since March 2020 due to budget uncertainties, and has already begun the hiring process.

Congress designed these funds so that governments could both meet their immediate needs and help power a long-term economic recovery. And as the efforts to combat the Delta variant have shown, providing the capacity for states, localities and tribes to respond to unforeseen challenges has been especially important. In just the first few months since states and localities have had access to these funds, early data illustrates that governments are balancing both the short-term uses of these funds to address immediate needs with making longer-term investments in their community's prosperity, especially with funding available through 2026. An early review of the reports received by Treasury shows some of the key investments that the State and Local Fiscal Recovery Funds are supporting, including:

Combating the spread of COVID-19: With 186 million Americans vaccinated, the nation has made significant progress in defeating the COVID-19 virus, but the pandemic is still ongoing. The majority of states and localities who submitted initial reports to Treasury plan to use a portion of their funds to address the immediate public health crisis, especially with the surge related to the Delta variant. For example, Leon County, Florida plans to expand vaccine access for high-risk and underserved populations by supplementing state and federal funding to hire additional staff at vaccine clinics and conduct additional community engagement to promote vaccines through partnerships with churches and other non-traditional providers reaching underserved populations. The Pasqua Yaqui Tribe was one of the first to create a $100 vaccine incentive to support Tribal citizens who receive vaccines and they have been using this to combat the high-rates of COVID-19 in Arizona Tribal communities. Utah has appropriated funds for the state department of health's vaccine operations, including expanded staffing, to prepare for vaccine booster shots. The City of Boston is also planning to use funds to remove barriers to vaccination, including providing mobile vaccinations, community vaccine ambassadors, and vaccine incentives programs.

***Fostering a robust, equitable economic recovery*:** To foster a robust, equitable economic recovery, governments are using the State and Local Fiscal Recovery Funds to get more people into the workforce and grow their local economies – with special focus on the disadvantaged communities hardest hit by the pandemic. For example, Snohomish County, Washington is funding programs to provide dislocated workers with job training to enter high-demand occupations in growing industries. Orange County, Florida is planning to fund childcare in high-poverty areas, in order to provide more equitable access for families as well as help more working parents re-join the workforce while the City of San Jose is similarly planning to use funds to continue childcare programs for vulnerable families that were originally funded by CARES Act funds.

Making long-term investments: Many governments are using these funds for long term priorities that will address disparities exacerbated by the pandemic and enhance economic opportunity for many years to come. The State of Colorado is planning to invest $75 million to expand broadband infrastructure throughout the State, including to currently unserved areas. The State of Kentucky is also planning to invest in broadband infrastructure, spending $300 million to expand services to unserved and underserved communities, and devoting $250 million to water and sewer infrastructure projects, which Kentucky notes will deliver safe and reliable water to people across the state while also creating more than 3,800 direct and indirect jobs.

Engaging communities: Even as they respond to the immediate challenges posed by the pandemic, states, localities and Tribes are also engaging in deliberate planning to make the best use of their resources. To combat historic inequities, many governments are conducting robust community engagement efforts to ensure that these funds address their residents' needs. Jurisdictions like Cleveland, Ohio, Buffalo, New York, and Durham, North Carolina, are using online surveys, discussions with advocacy groups, and listening sessions to understand the needs of their communities and address inequities, while Harris County, Texas has already established an equity framework to guide its investments. These and other equity focused approaches will lead to smarter investments in the future.

Just over six months since the passage of the American Rescue Plan, these funds are ensuring that state, local and tribal governments can do the crucial work of responding to the pandemic today and building for a stronger recovery—rather than face devastating choices that would hold the economy back. And looking ahead, the State and Local Fiscal Recovery Funds has positioned these governments to do even more as they invest in their communities.

For additional information on how recipient governments are using State and Local Fiscal Recovery Funds see highlights here.

The examples cited above are based on an initial review of recipient reports, and their inclusion in this blog does not constitute an explicit approval of these projects by Treasury.