National League of Cities:

One-Year Anniversary of ARP and Impact of SLFRF

Jacob Leibenluft Remarks to NLC Legislative Conference on March 15, 2022

Introduction

Thank you for having me here today, I want to especially thank the leadership of the National League of Cities, including Clarence Anthony, President Vince Williams as well as Irma Esparza Diggs and her staff on the federal relations team for their great partnership. It's especially wonderful to be seeing you in person, after having a chance to see so many of you only on screen over the course of the past year.

It is an opportune time for me to be speaking with you as last week was the first anniversary of the American Rescue Plan, which became law on March 11, 2021. Yesterday, you heard from President Biden – who, as you know, is pretty fired up about what we've been able to achieve alongside cities through the ARP. He's a tough act to follow, but I hope that I can use our time today to talk a little bit about how we see the State and Local Fiscal Recovery Funds at Treasury – where we've come, where we are today, and what we are hoping to achieve going forward.

Context of American Rescue Plan

First, let's start with a quick reminder of where we were just 14 months ago when President Biden took office:

- The country was in its worst wave of COVID deaths.

- Vaccines had yet to become widely available.

- More Americans were applying for unemployment insurance each week than during the worst week of the Great Recession.

For cities – on the frontlines of responding to the pandemic – the outlook was still dire. NLC reported in December 2020 that 90% of cities were experiencing revenue declines, and 76% were shouldering increases in costs due to the pandemic. Another survey of local officials found that 70% of cities anticipated making dramatic service cuts. For many cities who did not receive direct allocations of funds through prior relief packages, the outlook was particularly troubling.

Cities and their mayors knew that action was needed – and were critical in getting robust state and local relief passed as part of the American Rescue Plan. Indeed, the $350 billion State and Local Fiscal Recovery Funds included in the ARP probably would not exist were it not for the leadership of mayors across the country.

And now today, one year into the American Rescue Plan Act, our country is in the midst of one of the strongest periods of economic growth in a century. The American Rescue Plan has made a difference in the lives of millions of Americans – expanding access to COVID-19 vaccines and testing, providing economic relief that has kept millions of children out of poverty, preventing evictions and foreclosures, and helping small businesses keep their doors open. Recent analysis by outside organizations have found that the ARP is responsible for adding over 4 million more jobs in 2021, that millions of renters avoided the threat of eviction last year due to the federal government's unprecedented interventions, and that State and local governments have maintained relatively strong fiscal positions because of ARP.

Secretary Yellen has said that the American Rescue Plan acted "like a vaccine for the economy" and it "immunized us against the potential that new variants would upend our recovery." I think that no one understands that better than the local officials sitting in this room who have been on the front lines of responding to budget shortfalls, new variants, and the twists and turns of the pandemic over the past two years.

State and Local Fiscal Recovery is Structured to Meet the Needs of Government

At Treasury, we knew from the moment the ARP passed a year ago that it was not enough to pass state and local aid into law – implementation mattered, both by us at the Treasury Department and by state and local leaders across the country.

For our part, we worked to structure the rules for the Fiscal Recovery Funds with sufficient flexibility so that recipients could respond to varying local needs and to an evolving pandemic and an economic recovery we could not fully predict. We were also intentional in structuring the program to work for a wide and diverse range of governments – from the biggest state to the smallest locality.

I want to emphasize a few of the ways we've worked to make sure that smaller local governments can use these funds effectively.

First, we took the step of issuing an Interim Final Rule very quickly after passage of the ARP, which allowed governments to spend funds while we went through the process of developing a final rule.

This flexibility made sure that governments, especially smaller localities that had not previously received direct federal aid during the pandemic, were able to immediately spend funds to address their most urgent needs.

Second, throughout the process of developing program rules, Treasury has robustly engaged with stakeholders, including NLC and many of you in this room. We met extensively with stakeholders, answered questions, and received over 1,500 public comments. As a result, we made changes in the final rule that provide expanded flexibilities, increased simplicity, and greater clarity for recipient governments, especially smaller governments, so they can focus on maximizing the impact of these funds. I want to take a moment to thank you for your helpful feedback about what worked well and what could be improved.

Perhaps the biggest step we've taken is allowing any government to choose a $10 million standard allowance for revenue loss, which permits them to use these funds for general government services. Examples of these government services range from road construction to public safety to supporting schools.

For many recipients – including, I imagine, many of the cities represented in this room – the standard allowance is higher than their allocation, which means that all of their funds can be used under this highly flexible category.

In the other categories of eligible uses, we've worked to simplify the program by providing simple and clear eligible uses of funds – especially for responding to the public health and economic impacts of the pandemic.

We recognize the urgent needs facing many communities – and made sure that the rule provides easy, clear pathways to use funds to respond. For example, the rule establishes broad, presumptive eligibility for uses of funds to mitigate COVID-19 through tools like vaccines, testing, and safety measures. The final rule expands eligible uses for affordable housing, helping small businesses, supporting public sector staff, investing in water, sewer, and broadband infrastructure, and too many other areas to name here.

We also made it easier to determine which communities are eligible to receive services by providing safe harbors for populations most impacted by the pandemic, such as those that are low or moderate income, so that they are automatically able to get a wide range of assistance. And we put a particular focus on ensuring that a broad range of services were allowable in communities and for populations that faced the greatest harm as a result of the pandemic – knowing that those disproportionately impacted faced challenges due to inequities that pre-dated the crisis.

State and Local Fiscal Recovery Funds Impacts

Of course, our work at Treasury in developing the structure and rules of the program is about setting the stage for local governments to succeed as they use their funds. And it's been exciting to see how local governments are seizing this opportunity and using funds to make a difference for thousands of American communities.

For example, the funds have helped cities plug their revenue gaps, keep staff on payroll, and rebuild public sector capacity after decades of cuts. In Pittsburgh, rescue plan funds averted 634 planned layoffs in the second half of 2021. Denver rehired 265 workers.

These actions are important because we saw what happened in the Great Recession, where state and local government employment was cut drastically, reducing services and creating a drag on the overall economy. Without Fiscal Recovery Funds, too many governments would not have had the staff or funding to fight the pandemic as effectively as you have – and we would be in a weaker position to support a strong recovery.

And of course, jurisdictions are using funds to respond directly to the pandemic. The majority of states and nearly 800 cities and counties are using SLFRF to respond to public health impacts of the pandemic through vaccinations, testing, surge capacity at hospitals, and more.

This includes places like Peoria City, Arizona, which is expanding a Community Paramedic Program in order to host more COVID vaccination clinics in schools, assisted living facilities, and churches to target underserved areas. Or West Hartford, Connecticut which is using funds to improve its in house COVID testing program to better serve the city's first responders.

And communities are addressing needs that were exacerbated in so many places by the pandemic – whether by investing in affordable housing, quality education, or otherwise addressing the health and economic disparities that left some more vulnerable to COVID-19.

For example, Madison, Wisconsin is funding the full spectrum of housing programs from emergency shelter improvements to converting a hotel into permanent affordable housing. Austin, Texas is using $3.3 million to provide childcare to families with low incomes. Memphis, Tennessee is providing 2,000 young people with meaningful summer employment experiences to prepare them for the workforce.

There are thousands more projects like these that are delivering real improvements in the everyday lives of millions of people—which you can find in NLC's Local Action Tracker database on their website. Taken together these local projects are delivering big results across the country:

- 770,000 households have received rent, mortgage, or utility assistance through the Fiscal Recovery Funds, on top of the Emergency Rental Assistance separately provided by Congress;
- over 116,000 households have received help with internet access, a vital necessity throughout the pandemic;
- and over 740,000 essential workers have received premium pay, offering extra compensation to recognize the sacrifices made by teachers, nurses, police officers, public health workers, and so many others.

What's Ahead

Thanks to these funds and your efforts, we are better off today than we would be without the American Rescue Plan. But these funds are not just about rescuing us from the pandemic economy; making smart investments with SLFRF can strengthen our economy and our local communities for years to come. They can be a major step toward remedying decades of underinvestment that made the pandemic's impacts particularly acute for underserved communities. These funds are an opportunity for every city in America to build a stronger and more resilient economy that provides opportunity for all.

To that end, I would urge you to use your funds to confront the most pressing challenges that our economy and our nation face. Engage with your local communities, and use data to help spend your funds in the wisest ways. Share best practices with other cities – through events like today's. Look at ways in which these funds can help address inequities that made our communities more vulnerable to the pandemic.

And of course, I'd note that while the activities I'll mention are available under the "public health and negative economic impacts" portion of the rule – jurisdictions can, of course, pursue them with their revenue loss dollars. So we'd encourage even those cities whose entire allocation can be used under the revenue loss section to consider these actions, given their importance in communities big and small across the country.

What are some of the activities that can make the biggest difference?

- First, cities have the opportunity to continue making critical investments to fight the coronavirus. While we've made tremendous progress over the last year, the virus will require continued vigilance, using the protections we now have like vaccines and treatments to keep on track.

- Second, there is the opportunity to bring more workers into the labor market. With many businesses and governments facing shortages of key workers, steps to raise pay and improve career opportunities are crucial. To that end, State and Local funds can be used to offer premium pay to retain essential workers, raise wages to help with recruitment, and expand job training to prepare more workers for careers in in-demand local sectors.

- Third, Treasury encourages using funds to support the public employees who teach our kids and keep our communities safe. That means reinvesting in public services and rehiring public sector staff. From education to public safety, this is an opportunity to maintain and strengthen public capacity to make lives better for the people we serve.

Living through the Great Recession, we've seen firsthand the impact of cuts to the public sector, and we cannot repeat that history.

- Finally, these funds are a generational opportunity to make investments that build a more equitable economy and revitalize underserved communities. Affordable housing in particular is an area where Treasury sees immense opportunity for these funds to make a lasting difference.

These are just a few of the examples of how Fiscal Recovery Funds can be used to foster a strong recovery from the pandemic – we encourage you to seize this opportunity, and stand ready at Treasury to do everything we can to support you. We're so excited that conversations like the ones that NLC is facilitating today are happening – which allow cities to hear from each other and collaborate around approaches that can best solve the challenges your communities are facing, in a way that is robust, lasting and equitable.

If the first year of the ARP was about the immediate recovery from health and economic impacts of COVID then the coming years are about renewal -- making sure we no longer underinvest in the key services and supports that our communities need to thrive for decades to come. We have a once in a generation opportunity to revitalize our cities and our country. And we look forward to continuing to partner with you all, and the National League of Cities, to build a stronger and more equitable future for all.