Why The American Rescue Plan's $350 Billion In State & Local Aid Is Urgently Needed, Not Too Much

> *"It is not true that this is a big city or a blue state problem. That's nonsense. I can tell you there are Republican mayors just like me who are in immediate need of fiscal relief. I can tell you there are cities all across Texas, big and small, that are all facing the same crunch."*
>
> — Mayor Jeff Williams of Arlington, Texas

A year of rising costs and depleted revenues have left state and local governments in dire need of additional federal aid.

- State and local governments face staggering **budget shortfalls of at least $300 billion through 2022.**
- This $300 billion figure **does not include a host of additional Covid-related costs,** like testing and tracing, providing PPE, and emergency mental health and food assistance programs.
- Nor does it include lost investments from states forced to scale back plans like Florida nixing a planned teacher pay raise and Maryland canceling a school funding plan.
- Local governments, which make up 13 percent of all employment, have already had to **lay off 1.4 million workers.** That's nearly double the amount of jobs lost after the Great Recession. **Millions more jobs are at risk** without more federal help.
- Cities alone lost up to $134 billion in revenue this year, and will lose $360 billion over the next three years — causing 74% of municipalities to start making cuts to things like PPE and essential services in anticipation of additional shortfalls.
- Rising pandemic costs forced 65% of cities to delay or cancel capital expenditures and infrastructure projects, which in turn stifles job growth, slows local economic activity, and inevitably places additional long term fiscal burdens on the federal government.

- A year ago, funding from the CARES Act helped prevent a greater disaster — proving that stimulus works. But now, experts estimate that state revenues are still nearly 8% below pre-Covid projections even after 90% of **available Covid relief funds have been allocated**. Much more is needed to stave off further damage to our communities and economy.

Investing in state and local aid boosts the economy, while underfunding state and local governments will prolong the country's economic recovery.

- Every dollar invested in **state and local aid generates $1.36 in GDP** growth.

- In 2008, deficit hawks stripped billions in state and local aid from the American Recovery and Reinvestment Act. Without the aid they needed to keep government workers on the job, it took nearly a decade for state and local governments to return to pre-crisis employment levels, slowing the pace of the recovery for the country.

Experts agree that failing to give substantial aid to state and local governments will slow the country's economy:

> *"Without federal funding state and local government revenue recovery will be slow and will cause a drag on the overall economy."*
>
> — Lucy Dadaya, Senior Research Associate at the Urban Institute

> *"The long-term costs and the economic damage will be even greater in the long run if we fail to act now and support a comprehensive unemployment package that includes direct aid to municipalities in order to stop the bleeding."*
>
> — Clarence E. Anthony, Executive Director of the National League of Cities

> *"State and local governments will feel the aftereffects of the pandemic for a long time. They will continue to be a drag on national GDP for a year, if not more... The longer the aid is put off, the worse it is for state and local governments."*

— Vikram Rai, Municipal Bond Analyst at Citigroup Inc.

The Bottom Line: State and local governments need urgent help to address budget shortfalls of up to $300 billion on top of ever-rising costs associated with the pandemic and lost investments. Failure to invest in state and local governments will hamper economic growth and put a drag on the recovery of the country.