Bond Case Briefs

Municipal Finance Law Since 1971

How States Can Avoid a COVID Relief Fiscal Cliff.

States that used COVID relief for one-time and short-term expenses and carefully managed the funding will be well positioned when federal funding expires.

After COVID-19 descended on the U.S. and forced a partial shutdown of the world's biggest economy in early 2020, Congress approved $5 trillion in emergency relief to respond quickly to the unprecedented disruption. The intervention worked. Though the two-month COVID recession was deeper than even the Great Recession of 2007-09, the U.S. bounced back much more quickly.

A key piece of the pandemic aid came in 2021, when Congress provided $350 billion in Coronavirus State and Local Fiscal Recovery Funds, or SLFRF, to support the budgets of states, cities, counties and tribal governments that had been forced to mount massive relief efforts while simultaneously seeing their tax revenues plummet due to lockdowns and layoffs. Included in the American Rescue Plan, SLFRF was intended to address health and economic impacts, as well as maintain critical public services during the pandemic.

The funding kept state governments afloat and helped prevent the recession from dragging on for years. But now, with SLFRF funds set to expire by the end of 2026, states face a new challenge. As detailed in a new issue paper from the Volcker Alliance authored by Beverly Bunch, states must confront the fiscal cliffs they could face if they allocated the recovery aid to recurring programs rather than one-time costs stemming from the pandemic.

Continue reading.

Route Fifty

By Beverly S. Bunch and William Glasgall

OCTOBER 16, 2023