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Long Fiscal COVID: The Lingering Governmental Disease

Federal aid helped states and localities cope with the biggest costs of the pandemic. But good things don't last forever, and this one didn't.

Well, it sure seemed like a good idea at the time.

In 2020-2021, the federal government sent half a trillion dollars to state and local governments to help them survive COVID-19. Public health experts worried that the pandemic would be bigger than anything since the influenza outbreak of 1918, which struck one-fourth of the U.S. population and killed 675,000 people.

COVID-19, economists projected, would surely produce a big economic downturn. There was a sudden stall as things shut down early in 2020, but the economy began recovering almost immediately. State and local governments brought in more revenue than anyone expected. Many of them got hooked on the federal cash, and now that money is drying up, revenues have softened and lots of state and local governments are facing big deficits. The relief plan ended up blowing a hole in the federal budget, digging the country deeper into debt and luring many state governments into a fiscal hole.

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