Lessons from the American Recovery and Reinvestment Act for an Inclusive Recovery from the Pandemic

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State and local governments play a vital role in the US economy and in providing essential public services that individuals, businesses, and communities depend on every day. They are also subject to a well-known budgetary mismatch: during economic downturns, revenues fall because of declines in economic activity, but demands for public services escalate, especially for social safety-net programs. Because virtually all state and local governments face limits on their ability to run deficits or to borrow to cover shortfalls, they must cut spending or increase taxes even if these actions risk slowing local and national recoveries (Gordon 2020).

Recognizing this budgetary mismatch, the federal government has provided fiscal assistance to state and local governments in economic downturns. The American Recovery and Reinvestment Act of 2009 (ARRA) was the largest of such efforts until responses to the COVID-19 pandemic, which include the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA).

An inclusive recovery from the pandemic is crucial because of its inequitable economic and health impacts. Throughout the pandemic, Black, Latinx,[*] and Native American communities have been more likely to contract, be hospitalized for, and die from COVID-19.[1] They have also faced higher rates of job losses and have been more likely to have to use their savings or sell their assets to meet basic spending needs.[2]

The federal response to the previous recession can help illustrate the risks of inadequate attention to addressing racial and ethnic disparities. ARRA did not explicitly center principles of equity and inclusion in its allocations nor in its guidance to states and localities on how to spend those funds. This

[*] We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of these groups may identify with these terms. Language is constantly evolving, and so will we.

was despite the fact that in the lead-up to the Great Recession, Black and Latinx families were disproportionately targeted by financial institutions for subprime loans, causing many to lose their homes and livelihoods through foreclosures.[3] Black and Latinx families lost 53 to 66 percent of their household wealth in the Great Recession, compared with 13 percent for white families (Kochhar, Fry, and Taylor 2011). Racial disparities in labor markets, as measured by Black-white and Latinx-white unemployment rate gaps, grew after the Great Recession and only returned to prerecession levels in 2016.

Persistent racial inequities impose burdens not just on those directly affected but also on our economy overall.[4] Research quantifying the opportunity costs of racial disparities in economic opportunities and outcomes has found estimates of nearly $23 trillion over a 30-year period; in other words, there are huge economic gains to be made in addressing racial inequities (Buckman et al. 2021). With proactive fiscal efforts that prioritize an inclusive recovery, policymakers have the opportunity to accelerate and sustain those economic gains.[5] ARPA's emphasis on equity, along with an unprecedented infusion of flexible federal funds, has provided states and localities a unique opportunity to do just that.

In this brief, we contrast state and local provisions of recent COVID-19 relief bills with those from the Great Recession, primarily comparing ARPA with ARRA and focusing on mechanisms and lessons to improve transparency and accountability and center equity and inclusion in state and local spending of federal economic recovery funds. We primarily base these lessons on the research literature on ARRA and its impacts on state and local governments.

Our review finds that ARRA marked a pivotal shift in transparency and accountability for tracking federal funding flows. Despite some pains with new reporting requirements, state and local officials adopted interjurisdictional and cross-sector collaboration strategies to effectively deploy ARRA funds. We find that ARRA's emphasis on "shovel-ready" projects and lack of attention to equity and inclusion may have hampered the reach of state and local funds. Nonetheless, federal agencies' emphasis on antidiscrimination and equal opportunity in implementing select ARRA programs shifted the status quo of federal grant regulations. Overall, the record fiscal relief delivered to state and local governments likely helped mitigate a wider economic collapse.

Basics of the American Recovery and Reinvestment Act

The Great Recession officially ran from December 2007 to June 2009, but its effects were felt much longer. At its peak in 2009, over 15 million people were unemployed, and nearly 44 million people, including 16 million children, were in poverty, with disproportionately higher poverty rates for Black and Latinx children (Cunningham 2018).[6]

The federal government responded with several major policies aimed at stimulating an economic recovery.[7] Enacted in February 2009, ARRA was the largest and most ambitious program, with an estimated cost of about $840 billion. ARRA cut taxes for individuals and businesses, increased spending on programs for individuals directly affected by the downturn, and increased revenues to states through higher matching formulas for education and Medicaid. It also launched new federal investments in transportation, health information technology, and renewable energy. Overall, discretionary fiscal stimulus legislation enacted by Congress between 2008 and 2012 totaled over $1.5 trillion; just over half was in the form of tax cuts, about one-fifth each was through individual transfers and public investments, and one-tenth was in state and local fiscal relief (Furman 2018). Almost all of the state and local fiscal relief funds were in ARRA.

ARRA marked a significant shift in federal support for state and local governments during economic crises. Before the 2000s, federal support for states and localities in recessions was limited (Randall, Gault, and Gordon 2016). ARRA's state and local funds were on a much larger scale and initially helped close major budget shortfalls (Oliff, Shure, and Johnson 2009). However, most aid expired in 2010, when state and local budget shortfalls were reaching their peak. As a result, state and local employment declined, and gross domestic product contributions from state and local governments saw slow growth for years after the Great Recession was officially over.[8]

The largest discretionary funding for state and local governments in ARRA included a temporary increase in Federal Medical Assistance Percentage reimbursement rates for Medicaid and a new State Fiscal Stabilization Fund for public education. Because Medicaid and K–12 education represent states' two largest budget functions, additional federal dollars freed up state resources to be used for other purposes. Federal Medical Assistance Percentage funds and the State Fiscal Stabilization Fund effectively functioned as unrestricted aid to state governments. Aid was also allocated using existing federal formulas, which expedited the receipt of funds and helped target funds to places in need.[9]

The federal government also increased grants for transportation and infrastructure investments (including highways, public transit, and Amtrak) and awarded new Transportation Investment Generating Economic Recovery grants to regional transportation authorities, cities, and counties. These funds were disbursed on a reimbursable basis and prioritized projects that could be completed within short timelines.

Beyond education, health care, and infrastructure, the federal government also provided smaller grants to local governments to retain jobs at risk because of declines in local tax revenues and state aid. For example, ARRA revived funding for the Community Oriented Policing Services program, administered by the US Department of Justice since 1994, which provided direct grants to law enforcement agencies to hire or retain officers at risk of layoffs because of the recession (James 2019). However, the bulk of ARRA funds were distributed by formula, with smaller portions through competitive and discretionary awards (GAO 2010).

State, city, county, and other local governments also benefited from federally-subsidized borrowing to pay off debts or fund new capital projects with Build America Bonds, most of which went toward educational facilities and utilities.[10]

Comparing ARRA to ARPA

ARRA and ARPA were historic pieces of federal legislation that provided much-needed funds to state and local governments to support and sustain a national economic recovery. During the Great Recession, ARRA's total bill of $840 billion was considered a mammoth investment by the federal government. Since the start of the COVID-19 pandemic, the federal government has passed the $2.0 trillion CARES Act, the roughly $900 billion COVID-19 stimulus bill within the Coronavirus Response and Consolidated Appropriations Act, and the $1.9 trillion ARPA.

Besides the scale of investment, ARRA and ARPA differ in key ways in their treatment of state and local governments, as summarized by the Massachusetts Taxpayers Foundation and shown in table 1.

TABLE 1

Major Differences between the ARRA and ARPA

Category	ARRA	ARPA
Goal	Addressing global economic downturn with local impacts	Addressing public health crisis creating economic harm
Financial position	Three-year state and local revenue dip causing budget cuts	Four-month state and local revenue dip followed by strong growth
Allocations	Funds for cities through states or smaller competitive grants	Direct and flexible funds for cities
Use of funds	Funds needed to patch over budget cuts and spur capital spending	Funds to support an equitable recovery

Source: Massachusetts Taxpayers Foundation, "Forum 2: Applying the Lessons of the Great Recession to the Pandemic Recovery." (Boston, MA: Massachusetts Taxpayers Foundation, 2021).

Notes: ARPA = the American Rescue Plan Act of 2021; ARRA = the American Recovery and Reinvestment Act of 2009.

Before ARPA, the CARES Act established a $150 billion Coronavirus Relief Fund that disbursed direct payments (weighted by population) to all states, territories, and local governments whose populations exceeded 500,000 people. The Coronavirus Relief Fund payments could be broadly used for necessary expenditures incurred from the COVID-19 public health emergency from March 2020 through December 2021, but not spending that was already accounted for in the jurisdiction's most recent approved budget as of March 2020.[11] The CARES Act also provided additional support for state and local governments through the Federal Emergency Management Agency Disaster Relief Fund; funds to support Federal Reserve lending facilities available to state and local governments; and supplemental appropriations for COVID-19 response, unemployment insurance administration, food assistance, housing and energy assistance, K–12 and higher education, child and family services, veteran health care, transit, and economic development (Congressional Budget Office 2020).

Following the CARES Act, ARPA further expanded the scope for state and local aid by going beyond specific education, infrastructure, housing, and social safety-net program provisions, which typically include some support for state and local governments. ARPA also included direct and flexible aid for state and local governments with $350 billion in the Coronavirus State and Local Fiscal Recovery Funds

(CSLFRF). These funds can be broadly used to support public health expenditures; replace lost public-sector revenue; address economic harms to workers and small businesses; provide premium pay for essential workers; or invest in infrastructure for water, sewer, and broadband services.[12]

Notably, and somewhat controversially, states cannot use ARPA funds, with limited exceptions, to offset state tax cuts.[13] Specifically, Treasury rules dictate that "states and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue due to a change in law from March 3, 2021 through the last day of the fiscal year in which the funds provided have been spent" (Treasury 2021c). As ARPA funds are meant to support vital public services and repair economic harms, states may not reduce their own revenues and use ARPA funds to offset net tax revenue reductions. Multiple states have filed lawsuits contesting this restriction. The same restriction does not apply to localities.

ARPA's CSLFRF allocated $195.3 billion directly to states, including $25.5 billion allocated equally across all 50 states and the District of Columbia, and the rest allocated in proportion to the share of the nation's seasonally adjusted unemployed individuals residing in each state. In addition, it allocated $65.1 billion for counties and $19.5 billion for state governments to distribute to cities, villages, towns, townships, and other local governments with populations below 50,000 according to a population-weighted formula. For larger cities, $45.6 billion was allocated based on the Community Development Block Grant program's classification and formula. This formula was adjusted to account for all metropolitan areas, including urban counties, and factored in measures of poverty, population, and housing age and overcrowding.

State and local fiscal relief funds in ARPA will be disbursed in two tranches, in May 2021 and May 2022, with some exceptions for territories and tribal governments and for states that experienced a significantly higher net increase in unemployment.

ARPA also funded various grant programs for specific purposes to states and localities, such as $10 billion for small-business credit expansion initiatives and $21.6 billion for emergency rental assistance for households unable to pay rent or utilities.[14] Under ARRA, which provided no direct and flexible aid for localities, these types of small grant programs were the only ways localities were able to directly access ARRA funds (the rest would be allocated by their respective state governments). Table 2 compares state and local recovery provisions in ARRA and ARPA.

TABLE 2

Comparison of Major State and Local Recovery Provisions in ARRA and ARPA

Billions of dollars

Category	ARRA	ARPA
Unrestricted aid	▪ Temporary Medicaid boost ($99)[a] ▪ State Fiscal Stabilization Fund ($53.6)[b]	▪ CSLFRF ($350)
Education	▪ Title I grants ($10) ▪ Individuals with Disabilities Education Act grants ($11.3) ▪ Pell Grants ($15.6)	▪ K-12 education ($126) ▪ Higher education ($40)
Transportation and infrastructure	▪ Highway formula grants ($27.5) ▪ Amtrak and rail ($9.3) ▪ Transit ($8.4) ▪ Energy tax incentives ($2.2) ▪ Competitive TIGER grants ($1.5) ▪ Airports ($1.3)	▪ Transit ($30.5) ▪ Airports ($8) ▪ Amtrak ($1.8)
Housing	▪ Housing and Urban Development programs ($14)	▪ Emergency Rental Assistance ($21.5) ▪ Housing and Urban Development programs ($21)
Community and economic development	▪ New Markets Tax Credit ($3)	▪ State Small Business Credit Initiative ($10) ▪ Economic development ($3)
Social safety-net	▪ Nutrition assistance ($20.7) ▪ Child care ($2)	▪ Nutrition assistance ($12.9) ▪ Child care ($39) ▪ Low Income Home Energy Assistance ($4.5)
Other	▪ None	▪ FEMA Disaster Relief Fund ($50) ▪ COVID-19 vaccine distribution and administration, testing, and mitigation activities and public health efforts ($64.7)

Sources: Congressional Research Service, "American Recovery and Reinvestment Act of 2009 (P.L. 111-5): Summary and Legislative History" (Washington, DC: Congressional Research Service, 2009); Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014" (Washington, DC: Congressional Budget Office, 2015); and Bruce Katz, Colin Higgins, Karyn Bruggeman, Aaron Thomas, and Paige Sterling, "American Rescue Plan: Federal Investment Guide" (Philadelphia, PA: Drexel University, Nowak Metro Finance Lab, 2021).

Notes: CSLFRF = Coronavirus State and Local Fiscal Recovery Funds; FEMA = Federal Emergency Management Agency; TIGER = Transportation Investment Generating Economic Recovery.

[a] Estimates of ARRA's Medicaid costs vary, ranging between $87 billion and $105 billion. Prior to ARPA, the Families First Coronavirus Response Act (March 2020) temporarily increased the Federal Medical Assistance Percentage to 100 percent. The increased matching rate applies retroactively to January 2020 and through the end of the COVID-19 public health emergency declaration. The funding amount reflects the budgetary impact as assessed by the Congressional Budget Office; all other provisions reflect appropriations.

[b] The State Fiscal Stabilization Fund, for K-12 funding purposes, included $4.4 billion set aside for competitive state incentive grants, also known as the Race to the Top initiative.

Lessons from ARRA for Transparency and Accountability

Publishing Detailed and Timely Information on Federal Funding Flows Marked a Pivotal Shift in Transparency

ARRA's reporting requirements and oversight structure improved federal spending transparency, but the introduction of new systems and requirements challenged grantees. ARRA created the Recovery Accountability and Transparency Board (RATB) to coordinate agencies' monitoring efforts and publish reporting data on a new website, Recovery.gov (Brass 2009). ARRA generally required grantees to report their uses of funds and jobs created each quarter through FederalReporting.gov, a new central data collection system launched by RATB (Orszag 2009a). Specific agencies that administered grant programs, such as the Department of Education, sometimes required weekly instead of quarterly reporting.[15] State officials reported difficulty with several novel aspects of the reporting requirements, including changes in guidance and responsibility for monitoring the accuracy of subrecipients' jobs numbers (Centers on the Public Service 2013).

The recovery portal marked a pivotal shift in transparency and accountability in federal spending by providing regular and timely access to federal, state, and local finance reporting and trends over a cloud infrastructure. It also served as a model for the Government Accountability and Transparency Board, founded in 2011, and the Digital Accountability and Transparency Act, enacted in 2014.[16]

ARRA mandated that RATB dissolve on September 30, 2015. The Digital Accountability and Transparency Act gave the Treasury the authority to take over RATB's data assets after that date, but the transfer did not take place, and the Recovery.gov website was no longer active. At the time, the Government Accountability Office (GAO) noted this would likely limit oversight of federal expenditures by the Office of Inspector General, which previously had relied on RATB's data (GAO 2015). The discontinuation of Recovery.gov resources may have limited public awareness and research.[17]

In administering ARPA and other recovery funds, the federal government could improve public awareness and oversight by further centralizing reporting across grant programs, as well as indefinitely hosting submitted recovery plans and analyses of uses of funds. The Pandemic Response Accountability Committee, which is hosted within the Council of the Inspectors General on Integrity and Efficiency and is slated to disband in 2025, is already considering logistics to ensure that its library of datasets and analytics tools will continue to have a permanent home after 2025.[18]

Collaboration across States and Localities and Innovation from Public and Private Actors Helped Track Progress

ARRA's unprecedented reporting requirements and rapid implementation timelines pushed local public officials and agencies to coordinate and share information. For example, New York City officials formed the ARRA Big City Network with over 20 other large cities across the country, including Los Angeles, Philadelphia, Phoenix, and Seattle (GAO 2014). The Big City Network facilitated regular communications among city officials and between local and federal officials. Its efforts to assemble lists of issues in administering ARRA funds were considered key inputs by the RATB and the White House, and the Big City Network was also used as a platform to disseminate information to local governments and nonprofit and advocacy organizations (GAO 2014).

In the years after the Great Recession, federal agencies, nonprofit organizations, and commercial ventures also created new local public transparency and accountability platforms, including ones unrelated to ARRA (Gordon 2018). For example, the federal government created a new Office of State and Local Finance within the Treasury Department tasked with monitoring municipal bond markets, state and local pension systems, and infrastructure financing. City governments and nonprofit entities developed web portals, such as Checkbook NYC and Open Budget Oakland, to help residents keep track of their cities' spending.

With ARPA, state and local officials may benefit from leveraging existing and new partnerships with peers to learn from each other's planning, spending, and evaluation strategies, and engaging local advocacy, nonprofit, and neighborhood organizations throughout the planning, obligations, and outlays process. In fact, efforts for peer-to-peer learning are already under way. Vermont's state government, for example, has funded the Vermont League of Cities and Towns to establish an ARPA Coordination and Assistance Program, and elsewhere, statewide entities are hosting forums for city ARPA coordinators to convene (League of Minnesota Cities 2021; Vermont League of Cities & Towns 2021).[19]

Reporting Requirements Posed a Steep Learning Curve for State and Local Officials

ARRA's enhanced quarterly reporting requirements presented a steep learning curve for both RATB and recipient states and localities. Errors on Recovery.gov led to public criticism of RATB and ARRA: for example, misnumbered congressional districts and zip codes were included on the portal, and some job counts were overstated.[20] These errors, which were missed by RATB reviewers, were largely made by state and local officials who struggled to meet swift reporting deadlines, often having to enter key recipient and award data manually and facing constraints on staff resources and capacity. In addition, grantees were required to report the same information to multiple reporting systems when ARRA funds were administered by specific federal agencies; they also faced difficulties accurately defining projects' geospatial boundaries and the number of full-time equivalent jobs created or retained (GAO 2014).

The GAO deployed auditors to 16 large states and the District of Columbia to provide a closer look at implementation. In collaboration with statewide executives, budget officials, and other program staff, this allowed for ongoing troubleshooting, including with accountability measures.[21] The Office of Management and Budget also coordinated with membership organizations of state and local officials, such as the National Governors Association and National Association of State Budget Officers.

To help address reporting challenges under ARPA, the Treasury Department is providing guidance and hosting webinars on compliance and reporting, evidence and evaluation, and assessing and addressing equity gaps for all state and local CSLFRF recipients (Treasury 2021a). Other agencies, such as the US Department of Housing and Urban Development, are similarly providing technical assistance tailored to specific programs and specific reporting requirements.[22]

Technical assistance from federal agencies has previously played an important role in equipping state and local officials to use federal funds effectively;[23] the federal government can therefore continue to support state and local governments by hosting additional webinars and presentations, posting user guides, and answering questions from state and local officials. Furthermore, state and local officials could benefit from reporting portals that consolidate and streamline reporting definitions, templates, and timelines across federal agencies so as to reduce the strains of redundant paperwork.

Lack of Outcome Measures May Have Undermined Accountability

The transparency and accountability measures in the regulations and guidance implementing ARRA's various funding programs generally focused on monitoring fraud and waste. Federal agencies paid less attention to ensuring that states and localities spent the funds effectively and equitably (Johnson 2011). The key outcome metric to be reported by all ARRA recipients was number of jobs created or retained (Orszag 2009b).

Federal agencies administering specific ARRA grant programs could require additional reporting on other outcome metrics. For example, the US Department of Justice required grantees in the Justice Assistance Grant Program to report on the number of participants in drug treatment programs, where relevant, as well as other milestones (GAO 2010).

Unlike ARRA, ARPA's guidance prioritizes an equitable distribution of government benefits and investments in underserved communities. Under CSLFRF, in particular, most recipients, including large cities, must submit annual reports to the Treasury that describe, using both quantitative and qualitative measures, how their current and future use of funds will produce meaningful equity results (Treasury 2021a).

The specific outcome data required varies by expenditure category: for example, CSLFRF recipients deploying funds for housing must report how many people or households received eviction prevention services or the number of affordable housing units preserved or developed (Treasury 2021a). But beyond those top-line numbers, recipients must also articulate how they are promoting equitable outcomes using data disaggregated by race, ethnicity, gender, and income, where applicable. State and local officials will want to consider the varying reporting requirements across ARPA funding streams early in the planning process in order to standardize data elements and reporting formats across contracts and projects.[24]

Lessons from ARRA for Equity and Inclusion

Emphasizing Antidiscrimination and Equal Opportunity Helped Shift the Status Quo

ARRA represented the federal government's largest economic stimulus effort since major advances in civil rights law in the 20th century. According to Johnson (2011), the federal government's emphasis on "antidiscrimination and equal opportunity" in its guidance for ARRA fund disbursement, coupled with the initiative taken by certain federal agencies to explicitly prohibit practices that may create disparate impacts, differentiated ARRA from previous landmark federal stimulus legislation such as the New Deal.

For example, the Department of Housing and Urban Development invoked Title VI of the Civil Rights Act and Title VIII of the Fair Housing Act to detail strategies that Homelessness Prevention and Rapid Re-Housing Program grantees could proactively use to expand fair housing, including marketing programs to people with disabilities and providing fair housing counseling (Johnson 2011). Additionally, the US Department of Education's State Fiscal Stabilization Fund, among the largest funding sources for states and localities under ARRA, required states to address educational inequities facing schools serving larger numbers of children in poverty (who are also more likely to be students of color). However, recent evidence suggests that existing formulae that prioritize funding for high-poverty schools, though well-intentioned, can sometimes add avoidable complexities and widen funding disparities across places.[25]

The federal government's emphasis on equitable outcomes with ARPA goes beyond equal opportunity and demonstrates an awareness of and urgency to tackle social inequities. One of CSLFRF's guiding principles is to "address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic," and the Treasury's interim final rule for CSLFRF highlights the importance of addressing racial disparities in employment, education, and health.[26]

This explicit focus may enable and encourage state and local leaders to integrate equity into their own budgeting strategies in the long term. In fact, even before ARPA, state and local officials had begun to systematically evaluate their budgeting strategies and revamp them in accordance with equity principles; these changes create a different foundation than the one they had with ARRA and may be of help with their ARPA plans.[27] Beyond ARPA, federal officials could also reconsider the ways that federal funds flow toward public schools given the evidence on housing segregation and education inequities.[28]

Initial State and Local Allocations Helped Avert Government Service Cuts

States initially used ARRA funds to reverse planned budget cuts for education and health care programs. In doing so, they reduced or averted loss of services and government layoffs (Oliff, Shure, and Johnson 2009). Black workers, and Black women in particular, constituted a disproportionately large share of state and local public workers, and therefore the state and local allocations helped initially preserve their employment (Cooper, Gable, and Austin 2012). However, recent research suggests that the employment concentration of Black women set them into a "post-recession double disadvantage," as they were already more likely than white workers to experience job losses, and state and local public employment shrank for years after the Great Recession, after federal support dissipated (Laird 2017).

The allocation formulas for Medicaid reimbursements, Community Development Block Grants, and state K–12 aid for school districts, which were the primary mechanisms for state and local aid under ARRA, channeled resources to places that had higher levels of poverty (Boone, Dube, and Kaplan 2014). Because of racial inequities in income in most cities and states, such allocations may have helped reduce inequalities not only by income but also by race (Boddupalli and Rueben 2021). However, after most federal aid ran out within two years, most states made budget cuts to education, health care, services to the elderly and disabled, and public employee compensation because of continued budget imbalances.[29] Similarly, weak property tax revenue growth and declining federal and state aid caused many larger cities to cut budgets, mostly in housing and community development (Pew Charitable Trusts 2016).

Researchers have studied the effectiveness of federal aid to states and localities in spurring job and economic growth, but they have reached different conclusions. Some conclude that although ARRA's expansion of Medicaid funds to states was associated with increases in jobs and gross domestic product, the same may not have been the case with K–12 funds (e.g., Chodorow-Reich 2019; Feyrer and Sacerdote 2011).

An enduring criticism of ARRA is that the total state and local funds were insufficient to both fill budget gaps and set a foundation for equity-focused initiatives. For example, in 2009, school district officials in Flint, Michigan, noted that although they had hoped to improve early childhood education program and public school facilities, the State Fiscal Stabilization Fund was only adequate to meet budget deficits for current education programs, not for new programs or for necessary infrastructure repairs (Mihm 2009).

The larger scale of funding in ARPA creates a historic opportunity for state and local leaders to go beyond patching budget gaps to truly integrate equity into their spending and revenue streams. However, states and localities should strategize how to avoid a fiscal cliff when federal funds run out and how to sustain equity gains in the long run.

Agency Regulations Shaped Equity Measures and Reporting

Congress delegated key implementation and accountability decisions to the federal agencies administering ARRA state and local aid programs, creating a patchwork of reporting with varying attention to equity outcomes. For example, the US Department of Agriculture's reporting on expanded Supplemental Nutrition Assistance Program funding included some performance measures, such as the amount of benefits issued, but did not meaningfully study food insecurity outcomes of populations historically most in need or most impacted by the Great Recession (Fong 2014).

Other agencies selectively applied equity and inclusion criteria. For example, Johnson (2011) notes that the Federal Transit Administration denied funds to a public transit agency in California after residents protested the agency's failure to account for how the project would impact service delivery to communities with large shares of people of color, among other reasons. However, it is not clear if this funding denial was unique or whether such determinations were made by the Federal Transit Administration for all fund allocations under its purview.

Under ARPA, the Treasury requires state and local governments to analyze and describe how they are using CSLFRF funds to advance equity in the recovery plan reports that grant recipients must publish and file annually. For example, per CSLFRF guidelines, the ARPA spending proposal from Buffalo, New York, included disaggregated service industry employment data by race and various maps of the city by neighborhood to illustrate how Buffalo's spending programs will help promote equitable outcomes.[30] Elsewhere, recipients of ARPA funds from Housing and Urban Development's HOME Investment Partnerships Program are required to report on the number and race/ethnicity of homeless and not-homeless households assisted with supportive services and housing counseling (Community Planning and Development 2021).

The January 2021 executive order "Advancing Racial Equity and Support for Underserved Communities through the Federal Government," which highlights equity as an administration-wide priority, also created an Equitable Data Working Group.[31] This cross-agency body of executive officials could play an important role in helping the federal government develop guidance for all federal funding administrators and recipients in terms of how to collect data and track outcomes disaggregated by race, income, and other factors, and consistently define terms of what should be reported.

Prioritizing "Shovel-Ready" Projects May Have Undermined Equity and Inclusion Outcomes

Most of ARRA's competitive grant programs for states and localities emphasized "quick start" and "shovel-ready" projects. For example, ARRA required that most infrastructure grants prioritized projects that were either already under way or could be initiated within rapid deadlines, some as short as 120 days (Fox, Walsh, and Fremstad 2009).

This practice may have implicitly prioritized the status quo and sidelined equitable measures that would have required more strategic planning. Some Environmental Protection Agency staffers and state officials participating in the agency's focus groups noted the "conflicting goals" of awarding projects quickly but also to the benefit of disadvantaged communities and small businesses. They said that achieving both would potentially extend timelines past the deadlines and that there were no existing processes to identify and target disadvantaged communities (Environmental Protection Agency 2013).

However, expediency did not necessarily come at the cost of progress. For example, most transportation funds, the largest infrastructure category under ARRA, went toward highway paving and bus procurement (Mallett 2020). Previous studies have shown that these uses offer better cost-benefit returns than "ribbon-cutting" spending on new highways and possibly better equity outcomes (Glaeser and Poterba 2021).

COVID-19 relief responses also faced challenges with expediency. The CARES Act's Paycheck Protection Program, for example, primarily relied on the biggest banks to administer funds rapidly and efficiently. Some banks favored their existing base of customers, which meant that Black- and Latinx-owned businesses, more likely to be smaller and newer, faced significantly longer loan delays and higher rates of loan denials.[32] With the second round of Paycheck Protection Program loans in early 2021, the federal government revamped some of the program's rules by expanding available funds first to community banks and to small borrowers.[33]

With ARPA funds, more lenient deadlines may have mitigated concerns about expediency and "shovel-ready" investments competing with more equitable investments. In addition, many places may already have robust community engagement plans or even dedicated agencies in place that are focused on centering racial equity in government operations. Still, state and local leaders can advance equity and inclusion by engaging communities and relying on existing community-informed equity plans, strategizing how to incorporate equity into all ARPA spending, and consistently evaluating equity outcomes with use of ARPA funds.

Conclusion

In examining state and local aid during the Great Recession as part of ARRA, we found some lessons on transparency, accountability, equity, and inclusion that can inform current state and local efforts to leverage ARPA funds toward an inclusive recovery from the COVID-19 pandemic (Poethig et al. 2018).

In implementing ARRA, the federal government emphasized preventing fraud, waste, and abuse while simultaneously spending aid dollars quickly and creating jobs. The legislation created new institutions and processes for overseeing the uses of federal funds that laid an enduring groundwork for greater transparency and accountability. State and local officials struggled to meet new reporting requirements without sufficient oversight resources, but they collaborated with other jurisdictions as well as with nonprofit and private-sector partners to address challenges. The exigency of spending ARRA funds quickly made it challenging for recipients to implement equity-informed projects, and some federal agencies took an uneven approach to prioritizing equity and inclusion absent an overall mandate in the ARRA legislation.

Guidance for ARPA state and local funding, most notably in CSLFRF, explicitly highlights equitable outcomes while building on the data-reporting framework established by ARRA. Time horizons for ARPA funds are several years long, giving state and local governments more time to plan their uses of funds in response to community needs. More states and localities across the country, from Rockland County, New York, to Victoria, Texas, are using surveys and town hall meetings to solicit detailed feedback on how to use their ARPA allocations. In some places, such as Richmond, Virginia, and Milwaukee County, Wisconsin, government officials are tasked with ensuring that feedback on how to reverse historical disinvestments in Black communities in their jurisdictions are incorporated.[34] State and local leaders can continue to ensure a high degree of inclusivity by using a wide range of methods (such as surveys, town halls, focus groups, and social media) to engage residents and community-based organizations and by publishing easily accessible reports that are tailored to highlight how and where community inputs were incorporated into ARPA decisions.

State and local governments have an opportunity to create unprecedented investments in the communities that were disproportionately harmed by the pandemic and that, without intervention, are likely to be left out of our nation's economic recovery. And with equity stated as an administration-wide priority, the federal government is making active efforts through its guidelines, webinars, and technical assistance to hold itself and state and local governments accountable. Both the federal government and state and local governments can continue to center equity and ensure a high degree of transparency by producing detailed analyses of equity processes pursued and equitable outcomes achieved in their ARPA reports.

Notes

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2 "Tracking COVID-19's Effects by Race and Ethnicity," Urban Institute, https://www.urban.org/tracking-covid-19s-effects-race-and-ethnicity.

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