Ed: Hello and welcome to “Our American States,” a podcast from the National Conference of State Legislatures. This podcast is all about legislatures: the people in them, the policies, process and politics that shape them. I’m your host, Ed Smith.

“We’ve been hearing about this tremendous amount of funds since the pandemic started. But really, truly, how much has the federal government actually given to states and to citizens to help fight the virus? Well, a hugely unprecedented amount equalling about 5 trillion dollars over 10 years, if you can imagine.”

Ed: That was Erlinda Doherty, director of the Budget and Revenue Committee at NCSL’s Washington, D.C. office. She’s one of my guests on the podcast. She’s joined by Austin Reid, senior legislative director for education policy at NCSL, and Emily Maher, a senior policy specialist in NCSL’s fiscal affairs program.

Our focus on this podcast is the more than 5 trillion in coronavirus relief and stimulus funds that were approved by Congress, and how states have used the money. They discuss the size and complexity of the different pieces of legislation, the push to give states flexibility in how they spend the money, and why most of the federal education funding was given directly to school districts. Here’s our discussion.

_Time Marker (TM): 01:34_

Ed: Erlinda, Emily, Austin, welcome to the podcast. Let me ask each of you to give our listeners a brief notion of the role you play at NCSL, particularly in tracking this federal spending. Emily, why don’t we start with you.

Emily: My role at NCSL and with these federal stimulus funds is tracking how states are spending the funds, the trends in those allocations under the CARES Act and the American Rescue Plan Act, those two separate pods of flexible funds for states and local governments.
We’re trying to understand not only the trends and the ways that states are spending those funds, but also the authority over those funds and the eligible and ineligible uses of those funds, and really communicating that information to our members so they can make the best decisions moving forward.

TM: 02:21

Ed: Great. Erlinda, can you break down your role for us a little bit?

Erlinda: Thanks again so much for having us, Ed, and for having me here. I’m the senior legislative director for the Budgets and Revenue Committee at NCSL in our Washington, D.C. office. Our job is to essentially be the voice for the states before the Hill. And so, as Emily mentioned, she has been tracking the boots-on-the-ground implementation and execution of the funds.

Our role in D.C. is to essentially help advocate for the funds. Our office, along with my colleague, Austin, who is here, were integral in securing and advocating for flexible funds for states to help fight the economic and health effects of the virus.

TM: 03:06

Ed: Austin, you get the last world this round. Tell us about your role.

Austin: Hi. I’m Austin Reid. I cover federal education policy for NCSL, and I lead our state and federal relations work in education. Our federal education policy team has been tracking how states are spending education relief aid.

TM: 03:22

Ed: I’m going to admit I know that Congress passed a tremendous amount of funding around stimulus packages during the pandemic, but I don’t know exactly how much that was and how many programs there were. I imagine there are a few listeners who might be in the same position as I am.

So, why don’t we start out with that and break it down for me and for the listeners. Erlinda, why don’t we start with you.

Erlinda: Yes, thank you, Ed. You are absolutely right and, of course, we’ve been hearing about this tremendous amount of funds since the pandemic started. But really and truly, how much has the federal government actually given to states and to citizens to help fight the virus?

Well, a hugely unprecedented amount equalling about 5 trillion dollars over 10 years, if you can imagine. Just an enormous amount of money that’s almost impossible in some ways to fathom.

This was done in five pieces, if you will, five chunks, five tranches, however you want to describe it. Starting at the very beginning of the pandemic with our health international aid, that was about 8 billion dollars. And then, of course, the first major group of funds, or first package of
funds that was passed, called The Families First Coronavirus Response Act, to the tune of 192 billion dollars.

Then the CARES Act, of course, which is the second largest of the six packages that were passed, which a lot of the programs we’re going to be talking about became or had their genesis from, which was about 1.7 trillion dollars. Then we had the Paycheck Protection Program, which infused another 483 billion. And the year-end spending coronavirus relief package, which was basically an omnibus package at the end of last year for 868 billion dollars.

And finally, the ARPA or the American Rescue Plan Act, which Emily referred to earlier, which was passed the spring of 2021 in the amount of 1.8 trillion dollars.

So, all of that in those six tranches essentially equaled about 5 trillion dollars over 10 years. No aid has ever been passed or put together for states in that regard by our federal government ever.

TM: 05:40

Ed: Austin, I know that your focus is in the education area. I wonder if you could talk about that portion of the money that was allocated.

Austin: Of course. So, all told, Congress has invested about 290 billion dollars in dedicated educational relief aid since March 2020. Most of that, it’s about 190 billion dollars, goes to support public K-12 education through what’s called the Elementary and Secondary School Emergency Relief Fund, which is commonly known by its acronym, ESSER.

Another 76 billion dollars was sent out to almost every college and university through the Higher Education Emergency Relief Fund. At least 50% of those funds were distributed directly to students based on need, and the remaining funds could be used to help colleges and universities respond to pandemic-related challenges and revenue declines.

There was also 4 billion dollars in flexible aid to governors and over 5 billion dollars in relief for private K-12 schools.

TM: 06:31

Ed: Emily, let me ask you a little bit different approach to this. How did Congress’ approach to state stimulus spending differ from the way they’ve done things in the past? Are there things we can look back on and say: This is sort of the playbook for this? Or is this kind an all new one to everyone?

Emily: Significantly more funding has been distributed under the COVID-19 pandemic stimulus packages, especially in comparison to the Great Recession. Just by comparison between 2008 and 2012, Congress enacted 1.8 trillion dollars of fiscal stimulus and other economic support, and as Erlinda mentioned, the pandemic federal relief is nearly 5.2 trillion dollars, much of which is going to state, local and tribal government aid rather than being passed through agencies. That is something drastically different than the responses under the Great Recession.
The amount of aid going out the door has also been accelerated extremely quickly in comparison to the Great Recession stimulus. There was a significant amount of time for those recession dollars to be spent by states and local governments, and other kinds of funding within these federal stimulus packages have sometimes taken between one to two years, and others between one to five years. So, that amount of money is significant and many compare these pandemic stimulus fundings to the size of the New Deal under F.D.R.

The pandemic is something that we are all kind of trudging through in understanding the nuances. I think everything has been very different in comparison to historic relief in the past. So, certainly a lot of lessons learned just in the past year between the CARES Act and ARPA with regards to state and local aid to those governments.

Congress has really adjusted their playbook. Under the CARES Act, the coronavirus relief funds, state and local governments were given 150 billion dollars to use towards pandemic-related relief. Initially states and local governments had around eight months to spend those funds. That deadline was later extended twice.

There were certain restrictions, while flexible, under those funds, whereas the second federal flexible funds, the coronavirus state and local recovery fund program, was 350 billion dollars. States have three years to obligate those funds; four years to actually spend those funds; and there were expansions in the eligible and ineligible uses to really respond to the adjustments that we're all going through with responding to the pandemic, not only at a public health standpoint, but also from an economic recovery perspective.

TM: 09:18

Ed: So, Erlinda, I’m wondering what your perspective from D.C. is. You mentioned before that you and, of course, others advocated on behalf of states in how this money package was put together. Does it differ in terms of the amount of flexibility from your view? Was that something that folks like yourself fought for?

Erlinda: As Emily mentioned, the two, I would say major funding streams for states to use to handle not specifically education, but all of the virus-related expenses and so forth were in the CARES Act, which passed in March of 2020, and then the American Rescue Plan, which was just this past spring, the ARPA plan.

The CARES Act was very interesting because, again, this had never happened before, this notion of giving money to states to handle this problem, this situation that is constantly changing. We worked as best we could with frequent communication with the Administration and Congress to really advocate for funds that could be used as agilely, as nimbly as possible, because we just didn’t know what we were dealing with, with respect to that.

So, I would say that Congress was, and ultimately the White House was fair in providing this initial 150 billion dollars for states, but it was a little more limited than what we had initially wanted. Then, again, it was really just to cover the emergency costs for the funds but was not allowed to be used for revenue shortfalls, which we were very concerned about. We were really concerned about the economic effects of the virus and states being able to use these funds the
way they saw fit to deal with the revenue shortfalls that we all anticipated. But, again, we made our points. We argued very clearly that the more flexible for states the better.

Now, with the ARPA plan, which did in fact give another 350 billion dollars to state and localities, we were successful in advocating for the use of these funds to be used for revenue shortfalls. We definitely considered that to be a much more successful program, or I guess more useful, utile program for states to deal with the economic effects.

So, at first, we had the CARES Act, which was a little more restrictive than we had originally wanted or had advocated for, and then the ARPA plan, which was definitely a lot more flexible and was able to be used for the revenue impacts as well as investing in infrastructure. That was another big piece of it too. So, yeah, interesting.

Again, this was a learning process. We had never dealt with this before – tons of money flowed down to states in a very short period of time. Looking back on it now, I think we did the best we could to make this work, and states are. States are implementing and executing projects and plans and initiatives to use this money in accordance with the guidelines that were put out by Treasury.

**TM: 12:14**

**Ed:** Well, the good news is going into 2022, the states are in, as Tim Storey pointed out in a podcast earlier this month, are probably in the best fiscal condition they've been in, in a very long time.

Austin, let me ask you: When I think about education funding from the federal government, I think of Race to the Top and similar things like that in the past. How does this money differ from that? I guess it’s more emergency oriented. Fill us in on that.

**Austin:** For starters, Congress has sent three times as much education aid during the pandemic as it did during the Great Recession. But I think the biggest difference, as you kind of alluded to, between these two approaches to education relief is who is in charge of setting priorities for receiving and spending the money.

During the Great Recession, the federal education response was really focused on two goals. They were fiscal relief and education reform. So, about half of the 100 billion dollars in education aid then was intended to help schools maintain their budgets and to prevent layoffs during state revenue declines.

But in order to receive fiscal aid, states had to agree to advance certain education reforms. These relief funds also included the infamous Race to the Top program, which was a competitive grant program that further incentivized states to adopt federal priorities. It was only a 4-billion-dollar program, which is very small in comparison to the money we’re dealing with today, but it did have an outsized impact.

Many would characterize the Great Recession aid as a top-down approach that was driven by federal priorities. In contrast, this time, and it’s partly due to the backlash against that Race to the Top program, this pandemic-era funding really reflects a bottom-up approach. So, unlike the Great Recession, states did not have to agree to enact new policies to receive COVID aid, and
states are actually able to spend about 10% of the relief funds on their own statewide priorities. We’ve seen many legislatures pass bills directing how those statewide funds are spent.

But the big story this time around is that school districts get to decide how the vast majority of these education funds are spent. In fact, states and the federal government are prohibited from setting any priorities on how these funds are used.

*TM: 14:15*

**Ed:** So, legislatures really don’t have an oversight role on that particular tranche of money then?

**Austin:** They do, and they can play a role in terms of helping states clarify their reporting requirements and maybe some guidelines, but in terms of having authority to direct local school districts on how their funding is to be spent, they are prohibited from doing so by federal guidance.

Now, of course, legislatures in certain states have taken authority over that 10% of funds that could be set aside for state uses like I mentioned, but largely, this is left up to school districts.

*TM: 14:46*

**Ed:** Emily, let me ask you more generally: Who actually has the authority to spend this money? I know we’re talking about this money coming to the states, but what does that really mean?

**Emily:** Well, I don’t have an exact answer in every kind of state. It really depends on their state constitutions, their laws on the books of who has authority over those funds. But what I will say is that under the CARES Act when the nation and the world were a little bit more under an emergency state, a lot of executive branches did have a role in these funds, and the legislatures certainly had a big voice as well.

These are unanticipated federal funds, so they function very differently than federal funds that typically come to the states. States were really grappling with who had authority over those funds. Under the American Rescue Plan Act, there is a longer time to spend the flexible funds and both branches want a piece of the pie. So, we did see a little bit of tension throughout the last two years over the significant amount of funding, the magnitude of funding coming into their states and which branch has authority to actually make decisions on those funds.

So, it really varies across the board. We see some states where executive authority is very clear-cut and others where legislative authority is very clear-cut. In a few states, the legislatures are giving the governor authority or discretion over those funds as well. We are seeing those tensions dissipate over the last few months since ARPA passed, and there is collaboration from both branches, as I think leaders and policymakers in both branches really want these funds to be effective in the long term, and also address immediate needs within their states and localities.

*TM: 16:38*
Ed: Well, I have to say my reaction would have been shocked if you’d said all the states were doing it the same way because we know that every state does it a different way, or at least a little bit differently.

Erlinda, let me ask you in terms of how the money is spent: Has the federal government issued clear rules to the states? Does everybody understand where the guardrails are and how they can spend the money?

Erlinda: That is a great question. Of course, the devil is always in the details, right, with respect to funds and federal guidelines and especially with money of this amount.

For the CARES Act, which, again, was the first chunk of money that went to the states, the 150 billion dollars that was not allowed to be used for revenue shortfalls, I would say that the process for releasing the guidelines and the rules regarding the funding were a little disorganized. That’s just my opinion. But it was, again, I’m trying to give everybody the benefit of the doubt, but it was piecemeal. It wasn’t a big, planned-out effort, but again, we were all drinking out of a firehose.

There were challenges with that because I think states were, again, this was the first time this sort of money was being given to states, states were a little wary, a lot of states did want to use the money for the revenue shortfalls but couldn’t, and were trying to find ways to use it in other ways to make sure that the funds were being used appropriately and according to the intent of Congress and the Administration.

We had a lot of communications. We were fortunate with our role at NCSL to be able to communicate with Treasury on our concerns regarding the funds, and we were integral in helping to answer a lot of questions or at least bring the questions from the states to the agency to get more clarification on how the funds were to be used.

Now, the second round of funds, the ARPA, the additional 350 billion, I would say that the rule-making process was a little smoother. The CRF, or the coronavirus funds from the CARES Act, had already been implemented, so there was some experience with how to deal with the distribution of these funds. There were much more organized communications and ways for states to ask for further information or clarification on how to use these funds and, again, we were involved in our office with bringing all of the questions and concerns that states had to the government.

I would say the second time around, we were a little more seasoned in how that happened and ultimately, again, with the ARPA, we were able to clarify that yes, these funds were allowed to be used for revenue shortfalls, which was something that states had asked for at the beginning.

The devil is in the details with implementation. But it was a learning curve and I think the second time around it went a little more smoothly. I wonder if Austin, maybe you feel that same way too with the education funds that came down to states as well.

TM: 19:36
Ed: Yeah, Austin, how about that? Do you feel as though the districts are clear on how they can spend that money?

Austin: Well, the education relief funds were intended to be extremely flexible and, like I mentioned, districts have control over spending, about 90% of those dollars, which is about 170 billion dollars and it’s right under $4,000 per student.

So, districts have until about early 2025 to spend the money and they have broad discretion on how to spend it. That’s including what this money is spent on and how it’s distributed among schools and students.

The rule of thumb is that if an expense can be linked to responding to student needs that have arisen during the pandemic, then that spending is permitted, and student needs can be defined pretty broadly, whether that’s meeting student academic needs, improving school safety, promoting physical and mental health, or addressing social and emotional concerns.

So, to answer your question more directly, there is not a lot in the way of specific spending rules. These funds are under local control and we’re really seeing districts take advantage of that flexibility.

Now, up until recently we really didn’t have a great national view of how these funds are being spent at the local level, but the emerging data suggests that many districts are using funds on hiring or rewarding educators, counselors and school staff, providing extended learning opportunities for students including summer and after school programs, and making facilities upgrades including installing new HVAC systems.

Ed: Thanks, Austin. We’re going to take a short break and then be back with the rest of our discussion.

MUSIC and Gene VO

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TM: 21:34

Ed: So, Emily, more generally, do states, from the people you talk to, are they feeling as though they do have the direction? It sounds as though it’s getting better out of Washington, but do they feel as though they have the direction they need?

Emily: The word that Erlinda used, seasoned, is probably the best way that we can describe this. Policymakers – that includes legislators and also the legislative staff that support them – have a better grip on what these flexible funds mean. At the federal level, there has also been a better understanding of how states and localities function, their budgetary processes.
I think under the second round of flexible stimulus funds, they not only got a grasp on the eligible uses because they’re very similar to the previous stimulus funds, but there’s also an expansion as Erlinda mentioned on the use of those funds including the revenue replacement. States were also able to use it towards broadband, water, and sewer infrastructure.

And it’s very clear cut when states have to actually spend these funds, those federal stimulus packages, the coronavirus relief fund and the coronavirus state and local fiscal recovery fund. So, they’re very well aware. NCSL is working with Treasury, as Erlinda mentioned, to iron out a lot of the technical details within the guidance and communicate that to our members so that they have a full understanding of the ways that they can utilize these funds, and then they can go off and make the decisions on how best to utilize them.

One thing I also want to mention is Treasury issued an interim final rule on the ARPA coronavirus state fiscal recovery funds in May. They just recently issued their final ruling the first week of January; that goes into effect in April. Treasury has been very cognizant of listening to the needs of lawmakers and kind of implementing adjustments as necessary so that they’re not just throwing money out into governments, but they’re making sure that the intention of those funds is being best utilized and assisting with the utilization of those funds and not just throwing them out off a cliff and figuring out what to do with those funds, really adjusting for the nuances within those decision-making processes.

*TM: 23:54*

**Ed:** Well, Emily, I wonder if we can stick with you for a minute and maybe you could tell us a little bit about how states are spending their money. I know that NCSL has a database where you’re tracking what the legislation is that states are using to make those decisions. Can you talk a little bit about that and what the takeaways are as you look at those legislative efforts?

**Emily:** Absolutely. This harks back to your mention earlier, Ed, that it really varies across the board with states. NCSL does have a database that’s tracking allocations of the coronavirus relief funds, but also most recently those coronavirus state fiscal recovery funds. Our database includes over 1,200 allocations and to date, at least 42 states have acted on those funds and the District of Columbia.

States received their funds in two tranches. Some states received all their funds at once and others are receiving their second half this summer. There are different allocation timelines as legislative procedures and the spending authority exists within states, but overall, we’re seeing 15 categories that states are really diving into.

Of those funds, broadband, sewer, and water infrastructure with the expansion of those eligible uses are certainly large categories in addition to the revenue replacement. Public health is still a major priority as these variants in the coronavirus pandemic continue to arise and the states are delivering funds to those; housing, economic relief, and development such as small business support.

So, what we’re seeing with these categories is states are really diving into where exactly the pandemic is affecting their communities the most, disproportionately affecting communities, and they’re trying to also implement evidence-based policies around certain allocations.
What we do know is that states are still acting on these funds. We expect much more action to come in the 2022 legislative sessions and even the 2023 legislative sessions as states have until 2024 to make obligations. Lawmakers are being very methodical with these funds and understand the responsibility that they have with this amount of funding, and are really seeking ways to be transformative within their communities so that there is a long impact within their states and their local governments.

TM: 26:20

Ed: So, one thing I have to imagine when there’s this much money and this many players involved is that everybody doesn’t agree, whether it’s on the state level, between the executive and the legislative branch, or in other areas about how to spend this money.

I’m not sure who might have the best response to this, but are you seeing any disagreements over how this money should be spent? Are you seeing that reflected in legislatures?

Emily: I’ll jump in here, Ed. As we discussed earlier, there certainly are some disagreements on the authority of those funds and we’ve seen some of those disagreements play out legally. Those tensions, again, have dissipated a bit, but states are taking the approach of setting priorities. They aren’t spending all of their funds immediately because they’re still kind of understanding where best to utilize those funds.

They’ve created interim committees or taskforces either within one branch or collaboratively between both branches. I think those sorts of disagreements that you’re alluding to are playing out within those committees or taskforces on the best ways to utilize those funds and every lawmaker has their own priority as well.

But what we’re really seeing is that once those disagreements kind of play out, there are overarching priorities and criteria on how those funds can be spent.

TM: 27:45

Ed: Well, as you’ve all alluded to, this is going to take some years to have all this money work its way through the system, so I know you’ll all be keeping an eye on that. I wonder what advice you might be able to give to our listeners, legislators, legislative staff, on what kinds of challenges you think they might be facing and the best way for them to keep themselves up to date on this. Austin, why don’t you start.

Austin: Understandably, the biggest challenge is tracking these funds, at least for education. Districts are supposed to come up with plans for the funds and post those publicly. But given the challenges of school this fall and this winter, some schools have been delayed in making those plans or they’ve even had to shift plans. Even where plans exist, they can be hard to find on state or district websites.

It’s also difficult to get an accurate gauge of how much of these funds have actually been spent, what exactly they’ve been spent on. These funds are extremely flexible, but existing reporting systems aren’t always set up to provide a great level of detail and there could be significant lag
time between when the funds are committed to being spent and when they’ve actually left the account.

I should note that these systems for tracking federal funds are relatively limited. There is six times as much federal funding in the system right now than the Department of Education appropriates in a given year. So, systems in some ways are overburdened.

Now, in terms of the statewide spending, NCSL does have an up-to-date and complete tracker of how states plan to spend that 10% of statewide funds. We do plan to brief and update our members on how states are spending those district funds once a clear picture has become available.

*TM: 29:14*

**Ed:** Erlinda, what would your advice be to our listeners over the next couple of years?

**Erlinda:** An interesting I guess controversy arose as the money was getting... actually, the debate for whether or not funds should even happen was something that was interesting because Emily was talking about some disagreements between the executive branch and the legislature on how to use the money. But there was also some disagreement about whether or not states actually needed money or wanted the money.

We had some states saying: Well, we don’t really need all this money. We don’t know what to do with it or we just don’t need it, or it’s irresponsible. There were some political items that were happening. Not all the states just wanted it. It was interesting.

There was not debate, and that’s actually valid because sometimes or many times, actually, a state will receive funds and if they’re one-time funds, they’re challenged to find ways to use this money and not create dependency on the money. That’s understandable. You know, you have all this money coming in. How can we use this money to help our citizens or our businesses or our economy, yet not create this dependency, because we know it’s not going to be coming back, or it’s not going to be recurring?

That was actually a valid concern, I think, that a lot of the states had mentioned. So, with respect to this concept of a challenge, my advice would be you have to be creative. How can you... in the form of grants or loans, whatever – be creative on how you’re going to use this money because it may not be replenished. It won’t be. It’s not designed to be replenished. That makes it challenging.

But states have risen to the occasion. I have to say that I don’t know if I can actually give states advice. I think they’ve done a decent job and a great job of trying to figure out how to use this money responsibly. And also, with the extended timeframe to use the money, there are more opportunities now to do that and not feel so hurried and rushed. There’s a little bit more planning involved in how to use the funds over time.

They can probably give us advice next time on how to use big tranches of money coming down to states.
Ed: Emily, let me give you the last word: thoughts about some of the challenges, and also what kind of advice, resources, that sort of thing that NCSL can offer.

Emily: Sure. Erlinda took the words right out of my mouth. Avoiding this fiscal cliff that eventually will be coming is top of mind for lawmakers. As you mentioned earlier in the podcast, Ed, states are in a better place budgetarily than ever before and especially than ever expected when the pandemic first hit us.

So, understanding one time versus reoccurring funds. Hiring staff to assist with these new programs or bolster existing programs is something to be really cognizant of, as the funding to actually fund their salaries and benefits will run out eventually as well.

And as Austin mentioned, the reporting side of things is complicated and can be cumbersome. States have to not only report to the federal government on how these funds are being spent, but also to their state authorities as well. That takes a lot of staff time and it’s very important as these funds can always be recaptured if a state is not utilizing them to the intention of the law.

So, those are two really big pieces. And one other piece is the public affairs side of things and communicating to constituents that these funds are not long-term and that certain programs may not be there in the future. I think that it’s really challenging for our members to get the word out the door of these nuances of the funding across the board. So, those are three really big items.

In terms of resources, NCSL is constantly turning out how the funds are being spent, the trends of the funds, and I think this goes for the education piece as well. As we mentioned, there are a few databases available and NCSL staffers always available to answer questions. Our D.C. folks and Erlinda do an awesome job of communicating to federal agencies about some of the questions that arise in our membership.

Our virtual doors are always open for those questions and help around these federal stimulus funds.

Ed: Well, I would agree. I think you all do an awesome job of tracking this material and communicating it, and I think you did a great job here today. I know I understand this a lot better and I’m sure our listeners do as well. Take care, all of you.

MUSIC

Ed: And that concludes this episode of our podcast. We encourage you to review and rate NCSL podcasts on Apple podcasts, Google Play, Pocket Casts, Stitcher, or Spotify. We also encourage you to check out our other podcasts: Legislatures, The Inside Story, and the special series Building Democracy. Thanks for listening.