

The American Rescue Plan helps cities

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Peter King: Was my last one okay? I think I tripped a little bit on that, but I was wingin' it.

Emma Shepard: It sounded really good!

Jacob Ewing: Yeah it sounded really good.

ES: Peter, we're gonna invite you back more often!

ES: Welcome to the AWC CityVoice podcast where we explore the issues that impact Washington cities, I'm Emma Shepard.

JE: And I'm Jacob Ewing, we have a special guest joining us today to talk about a new federal aid package: AWC's CEO Peter King. Welcome Peter!

PK: Well, thanks Jacob, thanks Emma! Thanks for having me. You two are the podcast pros. You know, I've listened to my share and podcasts, but this is really my first time being in on the discussion so glad to be here.

ES: Thanks Peter, glad to have you. Jacob is our policy analyst here at AWC who helps cover our federal portfolio alongside Peter. They've been busy this year, among other things, they were involved in the success of securing a portion of the state's Coronavirus Relief Funds for cities. These CRF funds, as they're called, were included in the federal aid package that Congress passed last March, known as the CARES Act. As some listeners might remember, the CRF funds included in the package were only sent to states and local governments with more than 500,000 residents.

JE: That essentially meant that, besides the state only Seattle, as well as Spokane, Pierce, and King County got direct aid from the federal government. However, in early May of 2020, Governor Inslee announced that the state would share a portion of the state's relief funds with cities, who did not receive a direct allocation. This was big news for many of our cities. Over the next several months, cities used their CRF allocations to support local nonprofits and businesses, provide protective equipment to city workers and residents, and invest in technology allowing cities to continue operations through the pandemic.

While these funds were incredibly helpful to cities addressing the COVID-19 pandemic, the federal CARES funds were limited in how they could be spent, how long cities had to spend them, and also required cities to front the cost before being reimbursed. For example, cities could not replace lost sales tax revenue due to state lockdown orders that closed many retail establishments in their community.

But that all might be changing! We're here today to go over some of those impacts and talk about some good news on the federal relief front. We have been advocating and waiting for this to happen for almost an entire year, and here it is: Congress is close to an agreement on passing a new federal aid package that includes direct and flexible aid to cities totaling \$65 billion.

ES: That's right. We're here to give our listeners a rundown of what's in the package for cities as currently drafted. But I want to caveat that as of this recording nothing has passed yet and it's possible that something's changed by the time this hits your ears. Peter let's get your perspective here, you attend a lot of NLC (that's National League of Cities) calls and briefings where city federal advocates update you on what's going on in Congress. What's your sense of the situation currently?

PK: Well, Emma, it is really important to point out that everything is in flux right now. You know as Yogi Berra said, "it ain't over till it's over" and that's very true of the legislative process at the federal level. You mentioned the National League of Cities, you know, AWC is a member of NLC as are some 30 or so cities here from our state. And I've been on strategy and update calls every other week for about an hour and a half each since last March, so about a year with NLC and my counterparts from other associations of cities across the country. You know, it started out conversations about the CARES Act and how different groups were working with their governors, expecting regulations out of the Treasury Department, those kinds of issues. But we quickly pivoted to conversations and strategies on advocacy to get additional flexible funding to all cities and towns, regardless of population.

Jacob mentioned that the CARES Act had a direct allocation to cities above 500,000 and counties above 500,000 and our goal in this next round of funding was that every city would get a direct allocation. So the bill itself is about a \$1.9 trillion coronavirus aid bill. The portion that deal with state and local aid is about \$350 billion and as Jacob mentioned it's about \$65 billion that would be allocated to cities and towns across the country.

The bill itself includes a variety of different programs. You've probably read about those in the popular press: unemployment benefits extension, discussion about increasing the federal minimum wage to \$15 per hour, additional money for vaccine distribution, and also \$1,400 direct payments to individuals with certain income limits. So the portion that will really want to focus in on is the 65 billion that's going to be going to cities and towns. You know, unfortunately it has become a partisan bill. There's a lot of conversation about the fact that \$1.9 trillion is a huge investment and some are questioning whether the price tag is too high. There are others who just flat out say that state and local government don't need additional federal support, and I certainly disagree with that based on the experience that we've had in our state with the 281 cities and towns. So where we stand right now is the House is slated to vote on Sunday, February 28 on this package. And then, very quickly, the Senate is expected to take it up the next week, so that is a very quick response from Congress, I know they're facing a mid-March deadline that they want to get this package through the House, through the Senate, agreed to, and on the president's desk.

ES: We surveyed our cities twice last year once in the summer and again in the fall and asked them about the impacts they faced. In the fall, 92% of cities said they have incurred expenses from the COVID-19 pandemic. And 62% of our cities answered that they're projecting revenue losses this year, and of those cities, a large majority expect to see losses of at least 5%. Most cities have incurred expenses related to transitioning city operations to meet the needs of their residents and staff. Cities saw increased costs everywhere, but the top four were for expenses in operations, information technology, public safety, and public works. And finally, 78% of our cities said that funding assistance would help mitigate the impacts of COVID-19. I want to explore that last point a little further—I think we've heard pushback from some members of Congress who have argued that cities don't need or want any federal assistance, what are

you hearing from our cities on this issue and what's your take?

PK: Well, I think we have heard at the national level from some federal officials that cities don't need or want federal assistance. I have not heard that from our communities here in Washington, in fact, I think our cities and our communities need federal money in order to continue to recover from the pandemic. You know we've been in a response mode, we're hopefully moving into recovery mode.

But, cities utilize CARES monies for a variety of purposes, and you know I'm really proud of the fact that our cities and towns spent 98% of the amount that the state allocated on the CARES relief act money earlier this year. Now there were lots of rules and regulations, it was unclear as to how the money might be able to spent, so the fact that our cities stepped up and used that to support their communities really is a testament to the fact that it was needed and used very wisely.

But as, as we all know, the money that came into the CARES Act was restricted in how cities could spend it. We did some survey work and the Department of Commerce at the state level compiled data and the two top areas of spending were economic support, including for local businesses and payroll expenses for staff that were directly involved in responding to COVID-19.

I think another area that we really haven't talked too much about is that city utilities are suffering from non-payments. You know, funding for public works projects is dried up, projects have been delayed, some have been stopped, park programs and facilities have lost tax revenue. And so it's fair to say that really we still have a long road back to full recovery, but that would be even longer and more difficult if there are no federal dollars involved to support local activities.

ES: Let's get into the specifics of this package proposal, how do they define city sizes in the bill?

JE: So in the bill, cities are going to be broken up into two categories there's going to be entitlement communities and non-entitlement communities. And this is going to be based off of the federal government's Community Development Block Grant Program. So entitlement cities are also sometimes known as CDBG cities, so Community Development Block Grant Cities and they're defined as cities that have a population of 50,000 or more residents. And, they also receive CDBG funds

directly from the federal government so that's a key there for those entitlement cities. Non-entitlement cities are going to be defined as cities that have a population of less than 50,000 and do not receive direct CDBG funding from the federal government. Now, in Washington, there are several cities that would meet the 50,000 resident threshold to be a CDBG city, however, they don't receive their CDBG funding directly from the federal government. So if that's the case, these cities will fall into the non-entitlement category.

ES: As currently drafted how fast will states and local governments receive the aid once it's passed?

PK: Well entitlement communities, as Jacob mentioned, will receive their funds 60 days after submitting their certificate, and that would come directly from the Treasury. Non-entitlement communities will need to wait just a little bit longer because the funding will flow through the state and they'll need to wait 30 days after submitting a certificate to the state. But the state also needs to wait 60 days to receive the funding from the federal government, I think, a key difference between this money (if it's approved as crafted) compared to the CARES Act money is there is an absolute requirement that the state government pass those monies through to cities and counties. Under CARES Act, there was no requirement that the state share those monies, we were fortunate in that our governor chose to share CARES Act money, but in this case, as drafted, the federal law would require that distribution from every state.

ES: How can cities find out how much they could expect to receive?

JE: So nothing is final at this point. Peter earlier mentioned Yogi Berra, nothing's over till it's over. So we still need to wait for this bill to pass through the House, the Senate, and be signed by President Biden. However, right now, we do have on our website a chart that lays out guesstimates of what amount a city could receive. Again, not final numbers but a good guesstimate. Funding will be based on population, so our smaller cities may see under 100,000, medium sized cities: a few million, and larger cities could expect 10s of millions. So for a couple of examples here for our entitlement communities, we could look at the city of Kennewick right now, their guesstimate is \$16 million. Over here on the Westside, if we look at a city like Mont Vernon \$9 million, and then a larger city like Spokane could see \$77 million, so there really is going to be a wide range. Now one thing

that's going to be a little bit different for non-entitlement cities is that there is a cap for them, and so that cap is going to be 75% of their last adopted budget as of January 27, 2020. There is parameters and guidelines set up for how that money will be distributed to them from the state, but they are going to be capped at that 75% of their budget.

ES: I know with the CARES Act we mentioned that there were restrictions on how the funds could be used so I'm wondering in this package, are there any restrictions on how these funds can be used?

PK: Well, the good news is they're much more flexible than the CARES Act money, so it will be flexible, but they must be used to respond to the COVID-19 pandemic, ensuring continuation of essential services, or to address the negative economic impacts, including replacing lost city revenue, which was a key goal that we had in working with the National League of Cities and other cities and associations across the country to be able to replace lost revenue that results from the ongoing pandemic.

ES: So, this is pretty exciting news I'm wondering how should cities get involved? What can they do to help get this package passed?

PK: Well it's not only exciting but it's historic that the federal government is looking at stepping up and supporting cities directly. It's been decades and decades since this has happened. So, right now it's important that city officials either email or get on the phone or somehow contact their member of Congress, encouraging them to support this bill and support additional flexible spending for all cities and towns, we did send out some information and encourage you to contact your legislators. We've been very fortunate in our state that the majority of the members of our congressional delegation have been strongly supporting this position for quite some time. So there are many states where it's a difficult conversation between city officials and members of Congress, but in our state, for the most part, members of our congressional delegation have been very supportive so we're fortunate and certainly appreciate that.

ES: So where should cities go if they have questions that they can get answered?

JE: So, right now, because things are still in motion and still being voted on there aren't a whole lot of answers to questions at this point. We do expect, though, that after the bill passes, that there will be guidance coming out from the Treasury Department, similar to what they did with the CARES Act funding. So for right now, we just need a little bit of patience as things move through the process and then, once we start getting information from the Treasury Department, AWC will make that available, but we also encourage cities to look on federal websites and look for their answers there as well.

ES: Peter and Jacob having you here today was really great and informative, I was glad you guys were able to join me today. That's it for the CityVoice Podcast. If you want to find the infographic on some of the statistics I mentioned visit the data and resources tab at WAcities.org or visit our website and look up "how are cities doing infographic" in our search bar.

JE: Stay tuned to our legislative Bulletin every Monday, where we will continue to update you on this aid package as it moves forward. Thanks everyone.