FROM RECESSION TO RECOVERY: EXAMINING THE IMPACT OF THE AMERICAN RESCUE PLAN'S STATE AND LOCAL FISCAL RECOVERY FUNDS

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Tuesday, March 1, 2022

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND REFORM,
Washington, D.C.

The committee met, pursuant to notice, at 10:06 a.m., in room 2154, Rayburn House Office Building, and via Zoom; Hon. Carolyn Maloney [chairwoman of the committee] presiding.

Present: Representatives Maloney, Norton, Lynch, Connolly, Krishnamoorthi, Raskin, Khanna, Mfume, Tlaib, Porter, Bush, Brown, Davis, Wasserman Schultz, Welch, Johnson, Sarbanes, Kelly, Lawrence, DeSaulnier, Gomez, Pressley, Comer, Foxx, Hice, Grothman, Cloud, Gibbs, Higgins, Sessions, Keller, Biggs, Clyde, LaTurner, Herrell, and Donalds.

Chairwoman MALONEY. The committee meeting will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

I now recognize myself for an opening statement.

Before we begin, I just want to say that our hearts go out to the Ukrainian people. Russian President Putin personally provoked this conflict with a peaceful neighbor, and he alone bears full responsibility for the tragic and bloody consequences that are unfolding. I am grateful to President Biden for rallying the world to support the brave people of Ukraine. As we begin our work today, I want to make clear that this committee stands with Ukraine as well.

Two years ago, global attention was seized by a different crisis as the Coronavirus pandemic disrupted life across the world. Under the last Administration, the American economy experienced its worst contraction since 1946, and in April 2020, the unemployment rate skyrocketed to almost 15 percent, the highest rate since the Labor Department began collecting this data more than 70 years ago. In the months that followed, hundreds of thousands of Americans died, and millions more suffered the loss of their family members, jobs, and income.

The country had a decision to make. Faced with a destructive recession and public health crisis, would we show the courage necessary to save lives, support communities in need, and revive our stalled economy? President Biden's answer was "yes." He proposed the American Rescue Plan on his very first day in office along with the National Vaccination Program and direct support for families and small businesses. The plan included $350 billion in Recovery Funds to States, tribes, territories, and local governments. I am proud to say that this committee in a bipartisan way played a key role in designating and passing these crucial Recovery Funds. We received input from hundreds of bipartisan stakeholders, including Governors, tribal leaders, mayors, union, industry leaders, and public health officials, and we listened to what they had to say.

First, Congress provided aid directly to governments of all sizes, many of which had been left to fend for themselves during the previous Administration. Second, rather than a top-down one-size-fits-all, we ensured the aid was flexible so that states, and cities, and local governments could invest in the solutions that fit their communities and priorities. Third, we ensured the aid would help restore the 1 million public sector jobs already lost due to the pandemic, including teachers, healthcare workers, and first responders. Fourth and finally, this aid was designed to promote an equitable recovery, ensuring those hit hardest by the pandemic received the help they deserved. One year later, I am pleased to report that the American Rescue Plan worked and has put our communities and our country on the path for a strong recovery from the recession and public health crisis that began under the previous Administration.

Adjusted for inflation, America's gross domestic product rose by 5.7 percent in 2021, far surpassing earlier forecasts. Last quarter's growth was an impressive seven percent. The American Rescue Plan has also led to a strong jobs recovery. Last month, the unemployment rate dropped to four percent, and that is lower than earlier forecasts predicted for all of 2022. That means more money in Americans' pockets. Even adjusted for inflation, Americans' incomes rose by an average of 5.6 percent in 2021. And those in the lower 50 percent of income distribution have raised their income at almost double that rate, helping to make our recovery more equitable. Making sure economic gains are distributed equitably across income brackets is one of my top priorities and is the focus of our bill, the Measuring Real Income Growth Act.

According to independent experts at Moody's Analytics, if Congress had not passed the American Rescue Plan, the country could have plunged into a double-dip recession. That would have meant lower growth and millions more people without jobs. Of course economies around the world have many challenges in the last year, including supply chain issues and inflation, which have been made worse by recent Russian aggression, but the American Rescue Plan has put America in the best position to manage these headwinds. In fact, the U.S. was the first Nation in the G7 group of large, developed economies to reach its pre-pandemic level of GDP, and our economy has grown at least three times faster than any other G7 country since the start of the pandemic. That is twice as much growth as that of all G7 countries combined.

But what matters most is how this law, and especially the state and local Recovery Funds, are impacting the lives of Americans every day. In New York City where the virus hit early and hard, Recovery Funds are supporting the Vaccine for All Corps, which brings vaccination opportunities to hard-to-reach populations, while creating entry-level clinical jobs for disadvantaged populations. The funds have also helped small businesses survive the pandemic through efforts, like the Open Restaurants, Open Streets, and Open Storefronts Programs, which helped save more than 100,000 jobs.

Our witnesses today will share many more stories from around the country and from the state, tribal, and local levels. The American Rescue Plan has been transformative in savings jobs and small businesses, protecting public health, and promoting an equitable recovery that supports opportunity for all. The Recovery Funds have helped move our country from a deep recession to a strong recovery, and today's investments will strengthen our country for decades to come.

I now recognize the distinguished ranking member, Mr. Comer, for an opening statement.

And I just want to mention that our bill that we worked on together in a bipartisan way from the ground up is under consideration before the U.S. Senate. It passed overwhelmingly in the House with strong bipartisan support, and we are hopeful that it will pass the Senate and put our Post Office on a firmer financial standing going forward to serve the American people. I want to publicly thank Mr. Comer for his leadership on that bill. Thank you.

I yield to Mr. Comer.

Mr. COMER. Thank you, Chairwoman Maloney. Thank you for calling this hearing today. I want to welcome our witnesses here today, and thank you for your testimony and input, especially my very good friend for many, many years, Boone County Judge-Executive Gary Moore. And, Judge Moore, I have to throw this in. I was in your county Saturday night. I spoke to the Kentucky Letter Carriers Association, Madam Chair, and gave them a very positive update on the progress of our bipartisan bill and what is going on in the Senate. And so I always enjoy going to Boone County, and it is just amazing the growth that you continue to experience up there. Very, very impressive.

But, Madam Chair, despite our great bipartisan work and accomplishments with postal reform which this committee has legislative jurisdiction over, I must say that I question the underlying premise of this hearing today. While states and localities surely appreciate billions of dollars in Federal aid, what exactly are we doing here? This is certainly not conducting oversight, and, as you can see, our side of the aisle, we are passionate and interested about conducting oversight. The bill Democrats passed might have sent plenty of money out the door, but they refused to put guardrails in place to ensure that it was spent well.

Democrats simply threw money out the door like they were throwing beads off a Mardi Gras float on Fat Tuesday. But economists across the political spectrum warned sending trillions of dollars out under the guise of COVID relief—money well in excess of what was needed—would result in a world-class hangover, and that is what we have got now in the form of the highest inflation rates we have seen since the early 1980's. Instead of celebrating Democrats' reckless spending binge today, we should instead address the many crises and issues that matter to the American people: inflation, the origins of the COVID pandemic, the energy crisis, the broken border, the disastrous withdrawal from Afghanistan, and now the war in the Ukraine. Sadly, this list continues to grow almost daily. These are the issues Republicans on the House Oversight Committee are concerned about.

Yet Democrats think the best use of our time is to give themselves a pat on the back, a job well done, giving out piles of cash for anything, any need, real and perceived, needs like green homes, stimulus payments for illegal immigrants. Yes, stimulus payments for illegal immigrants. This morning, I spoke at the Kentucky Farm Bureau meeting at the JW Marriott, and I had two farmers come up to me and say, is there anything you can do about these stimulus payments my H–2A workers are getting? I mean, is that where taxpayer dollars are supposed to go: stimulus payments for state parks and trails, golf courses, and the local zoo, and who knows what else? Who knows, because it is unclear if anybody is keeping track. There is no required public reporting.

I am sure states and localities can point to projects important to their communities, and I am sure Democrats will try to point to such projects in my home state of Kentucky, but that doesn't make the underlying facts disappear. Congress gave out trillions of recovery dollars that weren't needed for recovery, which has led to record-breaking inflation and kicked the door open for waste, fraud, and abuse. But it seems like the Oversight strategy is simply to not look. I am confident that strategy will change in January.

Madam Chair, I yield back.

Chairwoman MALONEY. The gentleman yields back, and today's hearing is very important. It is oversight. It is oversight of the $350 billion that this committee voted on and sent out to our communities across the country. We have leaders from tribes, from cities, from states here to testify on what it meant in their communities or what problems are still there, and I think the proof is in the pudding. The facts tell a story that is very different. We have over 6.6 million new jobs created since President Biden took office, and, in fact, the U.S. was the first Nation out of the G7 group of large, developed economies to reach our pre-pandemic level of GDP, and our economy has grown at least three times faster than any other G7 country since the start of the pandemic. And if you look at that, that is twice as much growth as that of all of the G7 countries combined. And I have reports from the League of Cities, and from Moody's, and others that say that the American Rescue Plan contributed to this.

And I just want to say that I am disappointed that my Republican colleagues continue to make misleading claims about the Biden Administration's response to the pandemic and, I would say, the oversight work of the committee. The truth is the Select Subcommittee held 14 hearings and briefings last year. In January, they held a member briefing with top health officials, including CDC Director Walensky and one of the witnesses that Republicans have required, and they have another hearing planned for tomorrow on the impacts of the Coronavirus on childcare. The Biden Administration has made tremendous progress in expanding access to vaccines and testing, saving thousands of lives in the process. We have held numerous oversight hearings on the F–35, on contracts that were let for the Coronavirus, reclaiming funds, and we are conducting very, very vigorous oversight.

So with that, I would like to turn to the distinguished chairman of the subcommittee on this committee, Mr. Connolly.

Mr. CONNOLLY. Thank you, Madam Chairwoman, and let me join you in wanting to have this kind of oversight hearing. My friends on the other side of the aisle want to avoid talking about things that are uncomfortable. My friend, Mr. Comer—and I respect him—he and I had an exchange a number of months ago in which he actually raised the question: why should his constituents in Kentucky be paying for certain things that benefited largely other parts of America? But then a tornado hit your district, and all Americans responded, including this one, in wanting to provide relief, emergency relief, for people who were affected by a tragedy because we are all Americans.

A senator of Kentucky, minority leader of the U.S. Senate, in talking about the plight of local governments at the height of the pandemic, said, "Let them file for bankruptcy." That was his ethos. By the way, the fact that constitutions in many states prohibit that notwithstanding, if local governments had, in fact, followed Mitch McConnell's advice, the bond market in the United States would have been destroyed. Services would have collapsed at the height of the worst pandemic in over 100 years.

Criticism of President Biden is fascinating to listen to if you want to forget that his predecessor, Donald Trump, was advocating drinking Clorox as a possible solution to the virus. We have come a long way. Economically, we have come a long way because of the investments we have been willing to make with some Republican support. The bill we passed in March of last year is one of the most transformative investments in response to this pandemic we could have made. We cut child poverty in half. And instead of having an economic collapse as was being predicted at the height of the pandemic, we had, as the chairwoman said, robust growth, the most robust growth of any industrialized nation in the world during this pandemic. We had a 5.7 percent GDP growth rate last year. We haven't had that since 1984. We had the lowest number of unemployment filings the last quarter of last year since 1969. We had, as the chairwoman said, the largest number of job growth in the history of America in the first year of any President.

I am proud of the investments we made, but I, like the chairwoman, and I hope all members of this committee, want to know what did we get right and what did we get wrong. How can we learn best lessons so that we do it even better as we move forward? So I am glad we are having this hearing, Madam Chairwoman. I thank you for convening it, and I would hope we will focus on the subject at hand instead of political gimmickry and posturing that helps nobody as we are trying to come out of this pandemic and continue the economic growth pattern that President Biden has overseen.

Thank you.

Mr. COMER. Point of order, Madam Chair.

Chairwoman MALONEY. The gentleman is recognized.

Mr. COMER. I just want to make the point, and Mr. Connolly knows this. There is a difference between emergency relief funding, which is a function of the government, and unnecessary pork spending. I yield back.

Mr. CONNOLLY. Madam Chairwoman?

Chairwoman MALONEY. The gentleman——

Mr. CONNOLLY. I think a pandemic is an emergency.

Chairwoman MALONEY. I agree with the gentleman, but we have so many important witnesses that have flown in from all over the country, including Kentucky, so I want to hear what they have to say. So I hope we can focus on the topic before us. I thank Mr. Connolly for his opening statement, and I now recognize Mr. Hice, who is the ranking member of the Government Operations Subcommittee.

Mr. HICE. Thank you, Madam Chair. And, you know, it is amazing to me, Madam Chair, that you mentioned creation of 6 million new jobs. It is stunning that you did not mention the tens of millions of jobs that were lost by Democratic policies to pay people not to work, nor was mentioned the fact of the millions upon millions of jobs that were lost by the ridiculous vaccine mandates and so forth. And here we are yet again. Like so many of the hearings in this committee as of late, this is yet another one that is but a farce. Here we have the Democrats trying to take a victory lap, and, quite frankly, they are not even in the race, trying to somehow claim that the American Rescue Plan has created a booming economy.

That is laughable that somehow we have a booming economy now. I wonder if my friends on the other side of the aisle even look at what is happening in our country. Nobody is buying this argument, nor should they. We have rising energy costs, we have rising rent costs, we have got grocery bills skyrocketing, and we are going to try to sit here today and listen to the Democrats claim that we have a booming economy. The American Rescue Plan literally spewed—spewed—money on states and localities under the guise of pandemic relief, in spite of the fact that economists all across the political spectrum were arguing that that kind of money was not even needed.

And as has already been mentioned, I am sure these states and localities were happy to receive all that money, but it is absolutely reckless spending, like throwing lighter fluid on a bonfire of inflation, and now we literally have a wildfire of inflation that is out of control. In fact, we haven't seen rates like this since the miserable days of Jimmy Carter's Administration. The rising rates are obviously the result of a toxic brew of bad Democratic policies, trillions of dollars in spending for pet projects and liberal wish lists a mile long.

And I will say it again: the only reason that unemployment numbers might be falling is because Democrat policies, like paying people not to work and enforcing vaccine mandates that kept workers off the job—and by the way, those things didn't have any impact on preventing COVID—but those things are finally coming to an end. That is why we are seeing a change. It is not because of this American Rescue Plan. There are so many other things this committee should be spending its time on, but, quite frankly, time is a resource, and like money, Democrats are more than happy to waste it.

With that, Madam Chair, I yield back.

Chairwoman MALONEY. The gentleman yields back, and the facts tell a very different story than my good friend. And I would like unanimous consent to place in the record a Moody's report on the American Rescue Plan and inflation, and it is an economic analysis published just last week by Moody's Analytics where our minority witness worked for over five years.

This report completely debunks my Republican colleagues' claims that the American Rescue Plan is responsible for the inflation we are seeing today. The report states, and I quote, "The American Rescue Plan has been criticized as being too large, overstimulating an already fast-improving economy and significantly contributing to the currently uncomfortably high inflation. This perspective is not consistent with our results." Moody's found that any inflation from the American Rescue Plan occurred primarily early in 2021 and was actually a positive sign that businesses were finally returning to normal prices after the pandemic had forced them to sell below market rates. According to Moody's, the inflation we have seen recently is caused by the Delta and Omicron surges and the global supply chain, not the American Rescue Plan. In fact, Moody's found that the American Rescue Plan is, and I quote, "responsible for adding well over 4 million more jobs in 2021," and that it sped up our Nation's jobs recovery by more than a year and helped our country avoid a double-dip recession.

I ask unanimous consent to put this in the record, and I urge my Republican colleagues to read this report. It is a very important one.

Without objection.

Chairwoman MALONEY. I would now like to yield briefly to my colleague, Congressman Krishnamoorthi, to introduce our first witness. Raj?

Mr. KRISHNAMOORTHI. Thank you, Chair Maloney. As an Illinoisian, and I am proud to introduce my Governor, Illinois Governor J.B. Pritzker. A descendant of immigrants from the Ukraine, Governor Pritzker has heralded a renaissance in Illinois' finances as well as its health and well-being. He has balanced the budget, he has reduced debt and pension obligations, and because of his efforts, all three credit rating agencies have upgraded Illinois' credit. On top of that, during the pandemic, he led a robust vaccination program and very, very strong relief for small businesses. In short, it is a new day in Illinois, and we look forward to hearing Governor Pritzker explain why. Thank you, Governor Pritzker.

Chairwoman MALONEY. After Governor Pritzker, we will hear from Fawn Sharp, who is the president of the National Congress of American Indians. Next, we will hear from Victoria Woodards, who is the mayor of Tacoma, Washington. Next, we will hear from Gary Moore, who is the judge-executive of Boone County, Kentucky. Next, we will hear from Dr. Michael Leachman, who is the vice president for state fiscal policy at the Center for Budget and Policy Priorities. Finally, we will hear from Marc Joffe, who is a senior policy analyst at the Reason Foundation.

The witnesses will be unmuted so we can swear them in. Please raise your right hands.

Do you swear to affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

[A chorus of ayes.]

Chairwoman MALONEY. OK. Let the record show that the witnesses answered in the affirmative. Thank you.

Without objection, your written statements will be made part of the record.

With that, Governor Pritzker, you are now recognized for your testimony.

STATEMENT OF THE HONORABLE J.B. PRITZKER, GOVERNOR, STATE OF ILLINOIS

Mr. PRITZKER. Thank you very much, Madam Chairwoman. I want to thank my friends who represent us in Illinois who are on this committee: of course, Congressman Krishnamoorthi and Congresswoman Robin Kelly. To you, Chair Maloney, Ranking Member James Comer, distinguished members of the committee, thank you for the opportunity to speak with you this morning.

I've governed through this pandemic focused on a central tenet, and that's the role of government in a crisis is to end the crisis as quickly as possible and to alleviate the pain it inflicts on the people that we serve. Roughly one year into the pandemic, the American Rescue Plan injected a burst of resources into the national economy at a critical time. With all our efforts over the last two years, our investments in working families and small businesses are paying off. In 2021, our Illinois job growth rate outpaced all our neighboring states and exceeded the national average. Also in 2021, Illinois grew new startups at a faster clip than all other midwest states and at a higher rate than the top eight most populous states nationally, states like California, and Texas, and Florida. There's no doubt in my mind that the ingenuity and resilience of our people played a huge role in shaping that trajectory.

I also know that my administration has used our resources, including ARPA funds, to provide as much short-and medium-term stability as possible to fuel our progress with great results. The program we discuss today provided the state of Illinois with $8.12 billion. Our local governments, including Chicago, are on track to receive another $5.93 billion. We view these resources as one-time recovery opportunities. We put half a billion dollars toward some of the most direct building blocks of our recovery: small businesses, tourism support, work force development, and restoring our commercial corridors. That includes $300 million for our Back to Business Grant Program, building on our $500 million 2020 program to bring relief grants to small businesses all across Illinois.

Our ARPA funds also made a significant impact on the No. 1 challenge of the last two years: our ability to manage and mitigate the virus itself. The state coordinated almost 8,000 mobile vaccination clinics for some of our most vulnerable residents, including more than 2,000 school and youth vaccination clinics. And at the peak of the Omicron surge, Illinois had nearly 3,000 healthcare workers deployed across the state to keep our healthcare system operating. That is in addition to the healthcare workers we already employed. We increased support for immigrant welcoming centers. We ensured continuous government services at frontline agencies like the Department of Public Health. We launched an unprecedented commitment to combat firearm violence. We accelerated infrastructure investments, including our Internet Connectivity Expansion Program, and the list goes on.

I have always believed that our economic recovery, both as a Nation and as a state, goes hand-in-hand with our recovery from COVID–19, a truth that played out after the 1918 pandemic, and a truth that I expect history will tell of the moment that we live in now. The virus has remained a threat for far longer than any of us would like, but we continue to find ways to live our lives, grow our economy, and protect the vulnerable all at the same time. I appreciate the Federal Government's ongoing support of that mission, and I thank you, all of you, on the committee for the privilege of presenting my testimony to you and look forward to your questions.

Thank you, Madam Chair.

Chairwoman MALONEY. Thank you. President Sharp, you are now recognized for your testimony.

STATEMENT OF THE HONORABLE FAWN SHARP, PRESIDENT, NATIONAL CONGRESS OF AMERICAN INDIANS

Ms. SHARP.[Speaking native language.] Good morning, Chairwoman Maloney, Ranking Member Comer, and members of the House Committee on Oversight and Reform. I am Fawn Sharp, vice president of the Quinault Indian Nation and president of the National Congress of American Indians. Thank you for holding this hearing on the impact of the American Rescue Plan's Fiscal Recovery Funds.

Like all other governments, tribal nations strive to ensure the health and well-being of their citizens and all those who reside within their communities. Like all other governments, when the COVID pandemic struck, tribal nations deeply felt the toll on our collective health, economies, and cultures. And like all governments, tribal nations led the charge in ensuring that our communities were as safe as possible, using the resources we had available. While no government was fully prepared for all of COVID's impacts, Indian Country began the pandemic on unequal footing compared to state and local governments. Our needs, especially in the areas of healthcare funding and infrastructure development, have historically been neglected or, in some cases, completely ignored.

Since the COVID outbreak in the early 2020, we have lost many of our elders, those who help protect our languages, our ceremonies, and our cultures, and we have lost some of our youth, the future leaders of our nations. These devastating losses will no doubt have impacts for generations to come. Also, due to the pandemic, Indian Country has been dealing with unprecedented economic impacts. Where Federal, state, and local governments rely heavily on tax revenues, we in Indian Country do not have the same ability because of dual taxation and other economic policies and barriers. Most tribal nations rely on our businesses for commercial profits, as opposed to governmental revenues, through a system of taxation to provide essential services and make up for the Federal funding gaps that have existed for decades or longer. Further, because much of our governmental revenue is generated from tourism and service industries, when reservations closed for public health reasons, when travel stopped, and when tribal offices were shut down for extended periods of time, it took a disproportionate toll on our economies. Tribal gaming lost $4.4 billion in revenue in 2020 alone and another $1 billion in lost wages. After one year of the pandemic, only a fifth of tribal governments, tribally owned businesses, and tribal organizations had stable revenues, and over half of those lost at least 40 percent of their revenues, while most tribes saw operational costs rise by 20 percent or more.

It will take time to fully quantify the economic impacts of COVID–19 to Indian Country, but there is no doubt that the pandemic has had a uniquely devastating effect on tribal nations' economies and our ability to provide essential governmental services. The American Rescue Plan Act of 2021 was a crucial measure to support the immediate needs and help address the systemic under funding of Indian Country. Its $31 billion in funding to Indian Country represents the largest single infusion of Federal funding to Native Americans in history, and we thank Congress and the Administration for hearing our call and acknowledging the needs of our nations.

I would like to share with you some of our success stories, from Alaska to the Southwest, to the Heartland in Oklahoma, to the Great Lakes, up into the New England area, and down into the Gulf of Mexico. In healthcare and wellness, many tribes, like the Mississippi Band of Choctaw Indians, invested in improving their healthcare centers, and the Cherokee Nation made investments in healthcare services while also emphasizing mental health. Several tribes invested funding into healthcare mobile units, like the Northern Arapaho Tribe's mobile medical unit and Gila River Indian Community's mobile COVID–19 vaccination unit. The Osage Nation expanded its farming and meat processing, while the Round Valley Tribes developed a much-needed food bank to address food insecurity. To support our economies and infrastructure, we saw tribes, like the Saint Regis Mohawk Tribe, create a pandemic recovery business support program to help nearly 300 tribally registered businesses. Tribes like the Navajo Nation and many others are investing in new water lines, electric lines, broadband, road improvement, and housing. To support operations, several tribes, like the Oglala Sioux Tribe, constructed new infrastructure for their emergency management, and many tribes addressed housing issues, like the native village of Saint Michael in Alaska, who constructed 26 small homes, increasing the number of homes in the village by nearly 25 percent.

The Fiscal Recovery Funds acknowledge our inherent sovereignty and bring us one step closer to achieving governmental parity. It provides not just funding but the deference and flexibility to use funds as we see fit. Parity, deference, and acknowledgement of our tribal nations' inherent rights are the foundation for building a stronger Nation-to-nation relationship. This must be the new standard for engagement between our tribal nations and the Federal Government going forward. We have seen what we can do when we began to work together as sovereigns. We must continue down that path, and only then will tribal nations fully flourish.

We thank you.

[Speaking native language.]

Chairwoman MALONEY. Thank you. We now recognize Mayor Victoria Woodards, and she is the vice president of the National League of Cities. You are now recognized for your testimony.

[No response.]

Ms. WOODARDS. Sorry about that. Got to get myself off mute this morning.

STATEMENT OF THE HONORABLE VICTORIA WOODARDS, MAYOR, CITY OF TACOMA, WASHINGTON, ON BEHALF OF FIRST VICE PRESIDENT, NATIONAL LEAGUE OF CITIES

Ms. WOODARDS. Good morning, Chair, and thank you so much for having me here this morning to be able to speak to you about the work that you all have done that has been so helpful to my community.

Chairwoman Maloney, Ranking Member Comer, and members of the committee, I am Mayor Victoria Woodards of Tacoma, Washington, and I am also, as it's been said, the first vice president of the National League of Cities, or NLC, an organization that represents 19,000 cities, towns, and villages nationwide. I am honored to testify before the committee today on the State and Local Fiscal Recovery Funds Program, which was a part of the American Rescue Plan Act of 2021. I want to thank the committee for their relentless work drafting ARPA and for working closely with outside stakeholders, including NLC, to ensure that every local government, regardless of size, received an SLFRF grant.

In the spring of 2020, our Nation faced an unprecedented public health emergency with devastating economic repercussions for our communities. There was a nationwide shutdown of businesses, schools, services, entertainment, and more to stop the spread of COVID–19. This shutdown, which was needed, halted all local economies, resulting in the national economic crisis at the same time of a national public health crisis. Local governments, like Tacoma, continued to provide critical services during this time to keep our city running and meet the needs of our most vulnerable citizens.

As the pandemic continued, city of Tacoma employees continued to provide essential services, and the city absorbed unforeseen costs across every municipal department while overseeing the local public health response and addressing community needs. Pre-existing problems and inequities within our city were exacerbated by the crisis. Sadly, many constituents got caught in the virus and experienced related health problems while the broader community contended with its impacts, including job loss, income insecurity, housing insecurity or homelessness, food insecurity, and declining business. The Federal Government relied on their partners at the local level to address these challenges, and we did so for nearly a year without access to any direct or flexible funding.

That changed in March 2021 when lawmakers passed the American Rescue Plan Act, providing $350 billion to inter-government partners, including $45.57 billion worth of assistance for metropolitan cities, like the city of Tacoma. My colleagues and I heralded the arrival of those critical resources last spring, which empowered us to manage the public health emergency, address the urgent needs of our community, anticipate long-term impacts, and pave the way for a more equitable recovery. We would not have been able to accomplish that without the critical Federal funding provided by the American Rescue Plan Act.

Tacoma faced over $59 million worth of estimated revenue loss due to the COVID–19 pandemic and public health emergency. During 2020, the city took quick action to reduce expenses through program elimination, time reductions, and temporary furloughs to address the projected revenue losses based on the projected losses of 2021 and 2022. The city of Tacoma planned significant cuts to our central and basic community services. Our story is not unique, but what is unique is that the SLFRF Program transferred the decision-making process from the Federal Government to local governments, empowering those of us who know their communities best with resources to enact real, immediate, impactful change. This is a major step forward in recognizing the vital role of local economies, and stabilizing our national economy, and bolstering our collective recovery.

In Tacoma, this Federal funding allowed us to sustain essential services and to meet emergent needs of our community across a variety of issues. Most importantly, the funding makes a difference in the lives of our residents. Tacoma leveraged ARPA dollars and existing resources to increase services and support programs targeting our city's most vulnerable populations. Though our partnerships, we provided shelter, case management, and other supportive services to our homeless youth and adults. We are expected to serve almost 10,000 bed nights in 2022. Those stabilization efforts included health and wellness appointments, employment services, and financial counseling for those in need. Our service providers connected our veterans with benefits, housing, employment, and other resources. And as a veteran myself, I am particularly proud of our work to support this population.

While this work in recovery is very much still under way, I want you to know that there is a long road ahead of us, and I am thankful to the members of this committee for your leadership and advocacy. Thank you again for allowing me to be here this morning to testify, and I look forward to your questions.

Chairwoman MALONEY. Thank you so much for your testimony.

We will now hear from Honorable Judge Moore, judge-executive, Boone County, Kentucky. He will be testifying on behalf of the National Association of Counties. You are now recognized, Judge Moore.

STATEMENT OF THE HONORABLE GARY MOORE, JUDGE-EXECUTIVE, BOONE COUNTY, KENTUCKY, AND IMMEDIATE PAST PRESIDENT, ON BEHALF OF NATIONAL ASSOCIATION OF COUNTIES

Judge MOORE. Thank you, Chairwoman Maloney, Ranking Member Comer, my friend and fellow Kentuckian, and distinguished members of this committee. My name is Gary Moore. I am the elected judge-executive in Boone County, Kentucky. I'm also here today in a role as the immediate past president of NACo, the National Association of Counties. Since the onset of the Coronavirus pandemic, counties have served on the frontline. We support over 1,900 local public health departments, nearly 1,000 hospitals and critical access clinics, more than 800 long-term care facilities, and 750 behavioral health centers. We're also responsible for emergency operations, 9–1–1 service, protective services for children, for seniors, and for veterans, among many other responsibilities.

I am here today to discuss the impacts of the American Rescue Plan's Coronavirus State and Local Fiscal Recovery Fund and the critical importance to this program, which is needed to help support Federal, state, and local recovery.

I would like to begin first by expressing counties' appreciation for the work and passage of the American Rescue Plan, which provided aid to all counties of all sizes. As the pressing challenges and needs continue to outstrip depleted resources of many counties during this unprecedented national emergency, this law recognizes counties' vast responsibility to care for our most vulnerable residents: our sick, unemployed, elderly, and our youth. Counties are steadfastly committed at the local level to good financial stewardship, investing these Recovery Funds quickly and effectively to support the health and safety of our residents and strengthen the economy. I want to add we were also supportive of guardrails for these funds.

Since the enactment of ARPA, American counties have been working hard to develop Recovery Fund implementation plans that will spur an equitable economic recovery across our Nation. NACo analyzed 200 county ARPA Recovery Fund plans, revealing county-designed community investments across key areas of the need. In my home county of Boone County, Kentucky, we're investing funds to address critical infrastructure challenges. With the help of our ARPA dollars, we've been able to expand and improve broadband accessibility to 40,000 households. We're in the middle of our plan now. It'll be completed by March of next year. We have also used Recovery Funds to ensure access to clean drinking water for schools and improve sewer and water systems for our residents.

Beyond infrastructure investments, counties are using funds to support children, families, and individuals. Los Angeles County, California was able to implement a comprehensive homeless strategy to provide 24-hour emergency shelter services to individuals over the course of the pandemic. In Arizona, a significant portion of Recovery Funds have been invested to provide educational, social, emotional, and mental health services tailored to the community's high veteran population. And in Howard County, Maryland, the county has used $8 million in Recovery Funds to address staffing challenges from the pandemic and to provide support to public school employees. These stories are being replicated across the country as counties of all stripes are eagerly investing Recovery Funds. To date, over 99 percent of the Nation's 3,069 counties have accessed their Recovery Funds—99 percent. This bipartisan demand of access to the funds demonstrates the critical need of the program.

While the American Rescue Plan offered vital relief to local governments and is an important critical step toward supporting our

Nation's recovery, there are additional tools that our Federal partners can leverage to further help local governments address budget challenges, stagnant revenue pools, and unfunded state and local mandates. Counties urge Congress to pass the bipartisan State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act. Passage of this legislation on a bipartisan compromise that unanimously passed the U.S. Senate is key to successfully achieving our shared goals of helping our residents thrive.

Once again, I want to thank this committee, Chairwoman Maloney, and Ranking Member Comer. Thank you.

Chairwoman MALONEY. Thank you very much for your testimony.

We will now hear from Dr. Leachman, who is the vice president for state fiscal policy of the Center on Budget and Policy Priorities. Thank you. You are now recognized.

STATEMENT OF MICHAEL LEACHMAN, PH.D., VICE PRESIDENT FOR STATE FISCAL POLICY, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. LEACHMAN. Chairwoman Maloney, Ranking Member Comer, distinguished members of the committee, thank you for the opportunity to testify today. I am Mike Leachman. I am vice president for state fiscal policy at the Center on Budget and Policy Priorities, a nonpartisan research and policy institute in Washington, DC.

After the Great Recession hit a decade ago, Congress provided fiscal relief to states that was important, but it was too small and it ended too soon. So states laid off hundreds of thousands of workers and cut services just when the need for services was particularly high. Cities, counties, and tribal governments got no direct fiscal help at all. As a result, the economy's recovery was much slower and weaker than it needed to be. For the first two years after the recession ended, the private sector added 1.3 million jobs, but states and localities cut 450,000 jobs. They were effectively still in recession, and that limited the economy's recovery. This time, the Federal response has been much more robust with aid and multiple pandemic bills in 2020, and the American Rescue Plan has also been a huge success, helping to make the recession the shortest on record and creating much less hardship than we otherwise would've seen. In fact, Mark Zandi and other economists at Moody's Analytics recently found that if Congress hadn't enacted the Rescue Plan in early 2021, the economy would've been at serious risk of a double-dip recession.

The Rescue Plan's State and Local Fiscal Recovery Funds were an important part of that success. Before the Rescue Plan, mid-sized and small cities and counties received no direct flexible fiscal aid, and tribal governments received much less than they needed. States received some flexible aid in the CARES Act of 2020, but they couldn't use the aid to cover revenue losses. And before the Rescue Plan, states had to spend their fiscal relief on a short timeline. Fiscal Recovery Funds, by contrast, can be allocated through 2024, giving governments time to better address the pandemic's ongoing impacts on, for instance, mental health and children's learning, which are key steps to building a stronger recovery.

States are putting most of the funds to work already. As of a few weeks ago, states had appropriated 72 percent of the funds they've received so far, and many states are in legislative sessions right now developing plans for using the rest. The limited data that we have about local governments suggest they also have allocated most of their funds. So far, states are using most of the funds for four primary purposes: first, to pay for existing government services that they were finding harder to provide because of pandemic-induced revenue losses; second, to provide healthcare and human services for people affected by the pandemic; third, to help affected businesses and for needed economic development and infrastructure; and fourth, to shore up state unemployment trust funds, which were hit hard after the pandemic and resulting spike in unemployment. Localities, tribal governments, and territories also are using the funds in ways that help achieve the Rescue Plan's goals.

Since December 2020, states and localities have added back 470,000 jobs. The Moody's analysis that I mentioned earlier estimates that without the American Rescue Plan and earlier Federal pandemic aid, states and localities would've laid off another 1.2 million workers in 2021. In other words, they would be holding back the recovery like they did after the Great Recession. The bottom line is that unlike after the Great Recession, states, localities, territories, and tribal governments are contributing to the recovery instead of constraining it and are well positioned to leave the country more prepared when the next downturn hits.

In the future, policymakers should avoid the mistakes of the Great Recession's fiscal aid response and provide enough aid to enable states and other governments to meet the needs of residents and businesses. Congress should also enact a system of automatic stabilizers, such as automatic increases in Medicaid matching rates, when unemployment rises and other automated aid that links the amount and duration of aid to economic conditions. And they should require states and other governments to spend sizable portions of their aid to help low-income people, communities of color, and others who are particularly likely to be hurt by an economic crisis.

Thank you again, and I'd be happy to take your questions at the appropriate time.

Chairwoman MALONEY. We will now hear from Mr. Joffe, who is a senior policy analyst for the Reason Foundation. Mr. Joffe.

STATEMENT OF MARC JOFFE, SENIOR POLICY ANALYST, REASON FOUNDATION

Mr. JOFFE. Chair Maloney, Ranking Member Comer, and Oversight Committee members, thank you for giving me the opportunity to share my observations about the state and Local Fiscal Relief Funds provided under the American Rescue Plan Act. My name is Marc Joffe, and I am a senior policy analyst at Reason Foundation, specializing in fiscal policy issues.

When U.S., Federal, state, and local governments began implementing COVID–19 public health measures two years ago this month, it was reasonable to expect that states, counties, cities, and smaller government jurisdictions would face large and widespread revenue losses. But by early 2021, in the run-up to the passage of ARPA, it had become apparent that the severe revenue losses government entities were expecting had not materialized and were unlikely to occur. Thanks to recent technological innovations, such as cloud computing and video conferencing, large parts of the American work force were able to work remotely without significant productivity losses. While some sectors of the economy, like travel and hospitality, were hit hard, consumers substituted online purchases for visits to retail stores. Most Americans received Federal stimulus checks, and Federal Reserve stimulus helped elevate stock and real estate values. As a result, tax receipts from income, capital gains, sales, and property taxes all remained robust.

In February 2021, I determined from a review of interim state fiscal reports that state governments had suffered an overall revenue decline of just 0.01 percent between calendar years 2019 and 2020. Similarly, quarterly Census Bureau data on local government revenues also suggested that they had not suffered much through that point of the pandemic. These totals hid variability across governments. Entities heavily dependent on tourism, such as Hawaii, Nevada, and the city of Anaheim, home to Disneyland, were hit harder than other places. California also suffered significant revenue losses at the beginning of the pandemic, but these losses were offset by a gusher of income and capital gains taxes from technology companies and their employees, who benefited from the pandemic-driven boom in online activity. While the facts available to us last March may have justified a targeted revenue program for a small number of government entities, it clearly did not support a generalized Federal aid program. Unfortunately, advocates of the stimulus largely relied on stale revenue projections as well as overly pessimistic responses from a survey of city officials that was taken at the start of the crisis.

The Federal funds were not only excessive, but they were also poorly targeted. The state of California, which received $26.5 billion, or 7.6 percent of the total aid package, went on to report record state budget surpluses. There was also a disturbing discrepancy in per capita aid distributions. While Florida's state, county, and local governments were allotted $739 per capita, the Commonwealth of the Northern Mariana Islands and its local governments are receiving more than $10,500 per capita. The Commonwealth itself was allotted $482 million to spend on its 47,000 residents. The most recent interim report submitted by states, counties, and metropolitan cities to the Treasury Department indicated that governments had spent less than $10 billion of the revenues as of July 31, 2021. The largest share of expenditures went to replenishing depleted state unemployment funds. While this was a judicious use of relief proceeds, it is not one that provides any near-term stimulus. With so little of the Federal funds being spent on employee supplies and services, it is clear that state and local ARPA spending had little impact on economic growth during the 2d quarter of last year. In hindsight, this result undermines another dubious justification that was used to call for the quick passage of ARPA: that it would provide a quick stimulus to lift the economy out of the pandemic-induced recession. In fact, we know the economy had already been growing for 11 months before ARPA was signed.

Legislative restrictions on the use of the Federal proceeds and complex Treasury regulations have compounded challenges to effectively use the funds. Several states are litigating a ban on using the money to backfill tax reductions, which could stimulate economic activity. Other states, like Illinois, which might have used ARPA funds to pay down debt from their unfunded public pension liabilities, were prohibited from doing so. The Treasury Department did not publish final regulations on the usage and reporting of funds until January 2022 after most of the money had been distributed. The Department was also slow to publish reports it received from recipient governments, and, contrary to the spirit of the bipartisan GREAT Act of 2019, did not provide machine-readable reporting standards for grantees. As a result, our understanding of the overall impact of the Federal funding is based more on anecdotes than on rigorous data analysis.

Thank you for your time today, and I look forward to answering your questions.

Chairwoman MALONEY. Thank you so much. I now recognize myself for five minutes for questions.

The Great Recession left a tremendous drag on the economy that slowed growth for many years, and a major reason was insufficient Federal support for state and local governments. Thanks to the American Rescue Plan, the recession caused by the Coronavirus pandemic was the shortest on record, and the country was able to avoid a double-dip recession in the spring of 2021. This chart says it all. Since the beginning of the pandemic, U.S. GDP has grown at more than three times the rate of any other G7 country. That is a remarkable achievement, and this chart expresses it.

Dr. Leachman, what was the role of the State and Local Fiscal Recovery Funds in contributing to this really remarkable outcome?

[No response.]

Chairwoman MALONEY. Can you speak up and turn on your mic?

Mr. LEACHMAN. Excuse me. Thank you.

Chairwoman MALONEY. Mm-hmm.

Mr. LEACHMAN. After the Great Recession, states and localities really held back the economic recovery. You know, they were still laying off workers when the rest of the economy was trying to get back on its feet, and this time, states and localities are contributing to the recovery, and that is very important. The Fiscal Recovery Funds are helping to make that happen by providing funds to continue pushing back on the virus, hire back workers, and restore cuts that were made earlier in the pandemic to help people struggling due to the pandemic to eat, and to remain housed, and to pay their basic household expenses, help businesses that were hurt by the pandemic to get rolling again, and tackle some of the challenges that the pandemic caused that will take sustained investment to unravel, as I mentioned, like increased mental illness and helping children to recover the learning time that they have lost, and, finally, to address the structural inequities that have made the pandemic especially harmful in some communities. Those are the people that are hardest hit, and so investments there will have the biggest bang for the buck.

Chairwoman MALONEY. Thank you.

And after the catastrophic job and income losses under the previous administration, wages have also seen strong growth in the last year. Even after adjusting for inflation, incomes in the U.S. rose on average of 5.6 percent in 2021, and incomes for the bottom 50 percent of wage earners rose by nearly 11 percent.

This is a very rapid recovery, as you can see. In contrast, after the Great Recession, it took more than a decade for job growth to reach just three percent. So I would like to ask Governor Pritzker, did the recovery funds in the American Rescue Plan help boost the job growth in your state over the last year, and how has this impacted the people you represent?

Mr. PRITZKER. Madam Chairwoman, we had significant growth during 2021, in part because of ARPA. We made investments that would make it so because of those resources. Just one example is, as you know, one of the challenges people faced was childcare. The pandemic itself limited the availability of childcare. We had people who wanted to go back to work but needed childcare and needed help to get that childcare.

We used a large amount of resources to keep our childcare system going and to reward people for staying in that line of work and then helping people get into the business of providing childcare. So that's one area that helped us achieve significant growth. Our growth, by the way, was higher in 2021 than all of our neighboring states, and we're proud of the growth that we saw during that period.

One other item I'd point out is our Back to Business grant program, which supported our small businesses across Illinois, helped people stay in business, helped people to grow their business, to bring back workers they may have had to lay off or keep them on. So we're very pleased about the results of the ARPA dollars that we got and the investments that we made on a state level with our own GRF dollars to invest in training programs to get people into jobs that they may not have otherwise been able to obtain.

Chairwoman MALONEY. Thank you.

President Sharp, I would like to hear from you. What would the forecast look like for tribal governments right now if they did not have the access to the recovery funds?

Ms. SHARP. Yes, thank you for that question.

The outlook would certainly be bleak, and I can't help but think actual lives were saved. I remember in the early days of the pandemic, we saw images coming out of Italy and Spain, and at that time, we didn't have even direct access to the National Strategic Stockpile for PPE. And tribal nations are disproportionately affected, both in terms of infection rate and death. So the outlook would not only be grave for economies and jobs, but actual loss of massive life.

And we know historically when tribal nations have gone through pandemics, including the 1918 pandemic, entire communities were wiped out. So this was a significant safety net for all of Indian Country.

Chairwoman MALONEY. Thank you. I am glad that our country's growth rate for the GDP, the gross domestic product, is booming, thanks to the American Rescue Plan.

My time has expired, and I yield back.

And I now recognize the distinguished chairman—nope. We are going to go to the gentleman from Georgia. Mr. Hice is recognized for five minutes.

Mr. HICE. Thank you, Madam Chair.

Mr. Joffe, let me begin with you. The total price tag of this alleged COVID bill was nearly $2 trillion, and Congress had actually already spent and passed a $4 trillion COVID relief package, of which, by the way, about more than $1 trillion of that had not been spent when this bill was passed. What, in your opinion, was the impact of this unprecedented spending on inflation?

Mr. JOFFE. I think it was—it was very inflationary, as the—as the numbers show. The state and local funds didn't really have much of an effect in 2021 because they really were not spent. But a lot of the other stimulus, including the individual checks that went out, clearly went right back into the economy, and drove up prices at a time that we had supply chain issues.

Mr. HICE. As of January this year, in fact, the inflation rate has risen to a record-breaking 7.5 percent, higher than at any point in the last 40 years. I think we all know, but what are some of the impacts that this has on the average American family?

Mr. JOFFE. It really undermines people's sense of security. People who have saved a fixed amount of money for retirement, for example. Now they have to worry, in fact, is that going to run out? The people who are living paycheck to paycheck. Are their wage increases going to be keeping up with the increased price of gas, food, and other—other essentials?

So I think it really undermines people's sense of security.

Mr. HICE. You know, one of the other issues of this whole thing that is greatly disturbing to me is the fact that this massive Democratic spending bill included some $350 billion for state and local governments, in addition to $100 billion that Congress had spent just the year before. But $350 billion in this alone with no guardrails.

So how in the world are we even having a hearing today supposedly regarding oversight on $350 billion that had no guardrails on it? Do you know of any guardrails?

Mr. JOFFE. Well, there was one guardrail, which I think was very unfortunate, which is the restriction on making deposits into an underfunded pension fund. And I think a lot of state and local governments could have used that to have achieved more long-term fiscal stability. Another unfortunate guardrail was the restriction on using it to backfill tax cuts, and tax cuts in many states would help stimulate economic growth.

Other than that, I agree, there were very few restrictions on how the money could be used, and it clearly has not been used in a uniform way to recover from the pandemic. It's been used really to fund a wish list of preexisting ideas.

Mr. HICE. So here we are, having a fake oversight hearing on money that we don't have any idea where it went, really. It is my understanding that you have submitted a FOIA request to the Treasury Department to try to get a report on the funding in this ARPA bill. Have you been successful?

Mr. JOFFE. Right. Last September, I submitted a FOIA request asking for all of the interim fiscal recovery reports, and that was not—that was not handled. I resubmitted the request in January, and I'm still waiting for a response.

Oddly enough, while I was preparing for this, I stumbled across a page on the Treasury's website where they had, in fact, posted all the reports, and I analyzed them for my testimony today. But they haven't really made much of an effort to alert the public to where they can find all of that information.

Mr. HICE. So what reason have they given you, or have they given you any reason for not providing an ARPA funding report?

Mr. JOFFE. The response was really strange. The FOIA representative in Treasury last year told me our FOIA office doesn't have these reports so we can't fill your request. But Treasury clearly had these reports because they had to be submitted on Treasury's online portal. So I didn't find the fact that the FOIA office itself didn't have the reports to be a very convincing reason to not fill the FOIA.

Mr. HICE. Well, I thank you for being here today.

And yet again, Madam Chair, I mean, without these reports being made public, there is simply no one, including this committee, that is having any degree of oversight over the money that has been spent. This is unacceptable.

And with that, I yield back.

Chairwoman MALONEY. The gentleman yields back, and the gentlelady from the District of Columbia, Ms. Norton, is now recognized.

Ms. NORTON. Thank you, Madam Chair.

And let me thank you for giving us the opportunity to indicate what the American Rescue Plan has done in the kind of detail we are doing here today. The CARES Act was one of the starkest examples in recent years of why Congress should grant statehood for the District of Columbia. The Republican-led Senate intentionally treated D.C. as a territory instead of a state for fiscal relief in the CARES Act, depriving the District of $755 million during the most critical time of the pandemic.

Republicans did so even though the District residents not only pay the same Federal taxes, but the highest per capita in the United States, more than 27 states. So we are grateful that the recovery funds in the American Rescue Plan retroactively provided that $755 million to the District and treated D.C. as a state, county, and city to reflect the reality that D.C. provides services to each of these levels, and I thank the chairwoman for her support for these provisions.

The District of Columbia is allocating—and this question is for Dr. Leachman—is allocating $900 million of its recovery fund allocation allotment for services for disproportionately impacted communities. That is more than we are investing in any other expenditure category.

Dr. Leachman, based on the data we have available, is the District of Columbia unique in prioritizing this expenditure category above others, and should other states and localities follow what the District is doing?

Mr. LEACHMAN. Excuse me, Representative Norton, could you please repeat the area in which the District is focusing its—I didn't quite hear.

Ms. NORTON. Its services for disproportionately impacted communities.

Mr. LEACHMAN. Oh, thank you. You know, this is—this is a very important response. The impact of the pandemic has been very unequal by race, by gender, and by community. And so directing resources in ways that—that help those communities particularly is a really central part of what the response needs to be.

We are seeing communities and states around the country focusing attention in that way, and the Treasury Department's guidance really encourages it. You know, I could give you a couple of good examples. In California, for instance, they're revamping their youth mental health system using fiscal recovery funds in ways that will have—will have equitable impact, will improve particularly the mental health services that are received by youth of color and low-income—and low-income youth.

In Maryland, the fiscal recovery funds are going to invest in education investments that will particularly benefit communities that have historically been disinvested in the education system. So I really appreciate the District focusing its funds in that way. I think it's right in line with what Treasury has been encouraging and in line with what will help build a strong recovery.

Ms. NORTON. Governor Pritzker, you have been a leader in investing recovery funds to support disadvantaged communities, which is my focus in these questions. Can you review some of the highlights of these investments, and do you believe they have created a more resilient future in your state?

Mr. PRITZKER. Well, thank you for the question.

Let me begin by saying that, as you know, Coronavirus had its most devastating effects on the most disadvantaged communities, communities that have been disinvested from for many, many years. And so we focused many of our resources precisely on those communities, not just in the vaccination and other healthcare recovery efforts, but also in the economic recovery effort.

So, for example, within our Back to Business program and the prior small business program in 2020 from the CARES Act dollars, we focused on making sure that businesses that were owned by people in those disadvantaged communities were getting a large piece of the pie. Remember, the PPP didn't cover everybody, and in fact, many people—black and brown people, people of color across the state of Illinois—couldn't access PPP—they didn't have the right resources—or navigate it.

We created community navigators to help those small businesses access funds not just at PPP, but very importantly, our state funds that came through the dollars that were provided by the Federal Government. So those are just examples of things that we were doing and continue to do to this day because the recovery hasn't completed. I mean, we have much more work to do to lift up communities that have been disadvantaged and affected by COVID–19 more than others.

Chairwoman MALONEY. The gentleman's time has expired. So I now recognize the gentlelady from North Carolina, Ms. Foxx. She is now recognized.

Ms. FOXX. Thank you, Madam Chairman.

My questions are going to be for Mr. Joffe. Mr. Joffe, under the Obama-Biden administration's $800 billion American Recovery and Reinvestment Act in 2009, or stimulus, there was extensive oversight and accountability provisions. There was even the Recovery Accountability and Transparency Board to provide transparency in relation to the recovery-related funds and prevent and detect fraud, waste, and mismanagement, specifically in the law.

Does the American Rescue Plan contain any oversight and accountability provision similar to the Recovery Accountability and Transparency Board? And as large fiscal stimulus packages are implemented, is there a potential for waste, fraud, abuse, and mismanagement?

Mr. JOFFE. The controls seem to me not as strong as they were under ARRA. There is a reporting requirement for state, local governments, territories, and tribal entities to periodically account for what they've spent, but many of those entities have not been required to report yet. Their first report will not be due until April 30 of this year.

So some of the money will have been spent and committed, or much of the money will have been spent and committed without any documentation about how it's—how it's being spent.

There is the Pandemic Recovery Accountability Committee, which I think is doing some good work. So there is—there is some—there is some oversight being conducted, but it doesn't seem to me to be as complete as what we had under ARRA.

Ms. FOXX. Do you have any insights into why common sense oversight and accountability measures were not included in the legislation?

Mr. JOFFE. I mean, I have a—I have an educated guess. I think there was a rush to pass this, and so a lot of the kinds of bells and whistles and belts and suspenders controls that would normally go in didn't because it was—it was so rushed.

Ms. FOXX. OK. My next question is Congress passed the CARES Act in March 2020, now two years ago, to deal with the economic turmoil and uncertainty at the time. Despite, again, the fact that the bill was drafted quickly, did it include any mechanisms to provide for oversight and accountability?

Mr. JOFFE. Congresswoman, I'm not as familiar with that. I believe there were, but I cannot speak to the details of that.

Ms. FOXX. Well, since every CARES Act program falls under the jurisdiction of at least one oversight mechanism, I think it is reasonable to expect that the American Rescue Plan would do the same. Had Democrats worked with Republicans, who were willing to provide oversight and accountability mechanisms, the American people might have known how their tax dollars given to state and local governments were spent.

My last question is the American Rescue Plan Act has an official price tag of nearly $2 trillion. This is in addition to the nearly $4 trillion in COVID relief that was spent before. Can you tell us how this exorbitant spending has fueled inflation and the higher prices Americans are facing?

I know that the Democrats are trying to blame everything on high gas prices and Ukraine, but let us talk about how that spending that was done has fueled inflation.

Mr. JOFFE. Certainly. I mean, we have to look no further than Larry Summers, who's on the Democratic side, who warned that an oversized stimulus package could be inflationary, and I think his warnings were prescient. It should really be no surprise to anyone that we're experiencing the inflation that we are now, given the excessive amount of spending that was authorized under ARPA.

Ms. FOXX. And many of us absolutely warned that that was going to happen and warned that without strong accountability measures the hard-working taxpayer dollars would be wasted.

Thank you, Madam Chair. I yield back.

Chairwoman MALONEY. The gentlelady yields back. The gentleman from Illinois, Mr. Krishnamoorthi, is now recognized for five minutes.

Mr. KRISHNAMOORTHI. Thank you, Chairwoman Maloney.

I want to ask a few questions of Governor Pritzker. Governor Pritzker, before you became Governor, the state faced a $17 billion backlog of unpaid bills. Correct?

Mr. PRITZKER. That's correct.

Mr. KRISHNAMOORTHI. You have eliminated this backlog of bills, right?

Mr. PRITZKER. That's correct. Actually, even before the ARPA dollars or support from the Federal Government.

Mr. KRISHNAMOORTHI. And before you became Governor, the state did not have a surplus, right?

Mr. PRITZKER. That's correct.

Mr. KRISHNAMOORTHI. And now you almost have a $2 billion surplus, with surpluses projected for years to come, right?

Mr. PRITZKER. Yes, sir.

Mr. KRISHNAMOORTHI. And before you became Governor, the credit rating agencies downgraded Illinois' credit multiple times, right?

Mr. PRITZKER. That's correct.

Mr. KRISHNAMOORTHI. And now you have seen Illinois' credit upgraded at least twice, right?

Mr. PRITZKER. Exactly.

Mr. KRISHNAMOORTHI. Have you seen a single Governor, Republican or Democrat, return the ARPA money that their states received?

Mr. PRITZKER. I have not.

Mr. KRISHNAMOORTHI. Are you aware of a single representative or Senator of either party demanding that their state or local governments return any of the ARPA money that they have received?

Mr. PRITZKER. No.

Mr. KRISHNAMOORTHI. Let me turn your attention to Connect Illinois for a second. This is a fascinating program that expands broadband free of charge to all K through 12 students in Illinois public schools, right?

Mr. PRITZKER. Correct.

Mr. KRISHNAMOORTHI. Why is that important?

Mr. PRITZKER. Well, as we all saw during the pandemic, if you're not connected, it was nearly impossible to get your homework assignments or to turn in your homework assignments or to have online classes or to connect with your teacher or a tutor. We—you know, we needed to expand and speed up.

There were Internet connections, and our schools are connected, but many of them are slow connections. And more importantly, outside of school, many people don't have a high-speed connection to their homes. And so the Connect Illinois dollars, both at the state level and then the dollars that we've received from the Federal Government, really have helped us to accelerate the program that we had in place to make high-speed Internet ubiquitous.

Mr. KRISHNAMOORTHI. And indeed, I think 40 percent of rural areas do not have access to high-speed Internet, and so this was a—and many urban connections lack high-speed broadband speed. So thank you for doing that.

Let me talk about Back to Business, this B2B program that you started. Can you talk about a couple stories or at least one story where this Back to Business program actually made a material difference for Illinois small businesses?

Mr. PRITZKER. Well, I think you're aware that many restaurants and bars, because there were limits to capacity that they had to adhere to in order to keep their patrons safe, suffered throughout the pandemic. And there's a terrific bakery that I visited, the Blackbird Bakery in Staunton, Illinois, where a couple had started their business there. It's a very popular local place. And you know, they really—they raised their family there, too. Their kids are running around while they're baking in the back and serving up front.

And they suffered mightily in the early days of the pandemic. They needed a little bit of help to stay on their feet, and they got that. And they're back. They're doing very well, and the family is doing well, too, I might add.

Mr. KRISHNAMOORTHI. Well, they are back to business. That is exactly what the grant program envisioned.

Let me talk about re-imagining public safety. This is something that obviously is incredibly important to so many Americans. I guess, can you talk a little bit about how the ARPA funds allowed you to reduce significant gaps in mental health treatment for youth and young adults, who unfortunately are sometimes in the middle or in the crossfire of firearm violence?

Mr. PRITZKER. Yes. So let me be clear. We have seen an increase in gun violence across the state in various urban environments, and that's something that's happened all across the Nation, I might add. But it doesn't make it any easier to know that.

We have to address those problems directly. And putting dollars in this year and in the coming two years, as we have pledged to do, helps us to support violence interruption programs, youth job programs, to make sure that we're addressing the fundamentals of the causes of crime, as well as our support for police training, for example, and our state troopers.

Mr. KRISHNAMOORTHI. Thank you so much. I yield back.

Chairwoman MALONEY. The gentleman's time has expired. The gentleman from Wisconsin, Mr. Grothman, is recognized for five minutes.

Mr. GROTHMAN. Yes, Mr. Joffe, I would like your comments on a few things as we look at the economic situation right now.

I am not a big fan of Mr. Powell at all, at all, at all. I wasn't a fan of him under the last administration either. I am looking right now at a graph of the M2 money supply, and it shows that in the 1970's, which we think of as kind of the heyday of inflation, there were times at which the year-to-year change just got a little bit over six percent, almost seven percent. More recently, the change in M2, month over, you know, a year ago, is up to almost 45 percent.

When I tour my local manufacturers, and I have more manufacturing jobs in my district than any other congressional district in the country, when I hear of the particularly dramatic increase in the cost of metals, increase in the cost of getting things from abroad, almost uniformly my owners of manufacturing or the people who run those firms feel that things are only going to get worse.

I would like you to comment on the year-to-year change in M2 getting over 40 percent and the role increased Government spending has in that and whether you think we can continue with these massive increases.

Mr. JOFFE. Thank you, Congressman.

I certainly share your concerns. And when the Government runs large deficits, it has to issue more bonds. And when bonds are paying negative real yields, it's hard to find private investors who are willing to buy them. And so the Fed necessarily has to step up and buy them by printing new money. And so that is exploding the money supply right now, and I think the long-term effects are very concerning.

You know, when we had the episode of inflation back when a lot of us were little kids, it started in the late 1960's, and it wasn't taken care of really until the early 1980's, and there was a lot of misery in between. And I'm just afraid that the current Federal Reserve has really, you know, let the—let the bulls out of the barn, and it's going to be very, very hard to bring them back in, you know, with so much money supply growth.

Mr. GROTHMAN. Do you agree with my manufacturers that inflation is actually only going to get worse?

Mr. JOFFE. You know, it's really hard to project month-to-month. I think over the next couple of months because of the gasoline prices, we'll definitely see a worsening. It may calm down after that, but I think over the long term, unless the Fed really tightens up, we are destined for much higher rates of inflation.

Mr. GROTHMAN. And this is, to a certain extent, caused by excessive Government spending. Correct?

Mr. JOFFE. Right. The Fed has to monetize all the debt that's being created because private investors won't buy it.

Mr. GROTHMAN. Right. Right now, again, when I tour my manufacturers—and to me, manufacturing is the backbone of any economy—they are experiencing an across-the-board shortage of workers for any job whatsoever. Actually, the same thing is true of retail. Same thing is true of tourism. Same thing is true of ag.

Do you think now is the time to increase Government spending or hire more Government workers? Or now, when we have I think record number of job openings, is maybe the time to rein in Government spending out of necessity? As a matter of fact, given all the jobs out there, I can't think of a time in my lifetime in which it is more demanding of decreasing Government spending and freeing up some of those jobs for the private sector.

How do you feel about that?

Mr. JOFFE. I agree. I think that the labor shortages in the private sector are very concerning, and there's really no need for Government to be competing for able-bodied, competent people. They can work in the private sector right now.

Mr. GROTHMAN. Do you think now is a good time to maybe cut back on Government with the economy booming so much?

Mr. JOFFE. Absolutely.

Mr. GROTHMAN. OK. One other thing. There has been kind of an increase in a variety of benefits they are trying to do in this Build Back Better bill. They have increased SNAP benefits, President Biden on his own.

We have near record numbers of men sitting on the sideline not working now, from ages 25 to 55. Do you think any of that can be attributed to an excessively generous safety net?

Mr. JOFFE. Yes. I think when the stimulus checks went out and the child tax credit was available, and there were other sources of free money, I think people were—had less of an incentive to work. And I think we're continuing to pay the penalty for that.

Mr. GROTHMAN. Thank you, Mrs. Chairman.

Chairwoman MALONEY. Thank you. The gentleman yields back. I now recognize the gentleman from Virginia. Mr. Connolly, you are now recognized.

Mr. CONNOLLY. Thank you, Madam Chairwoman.

And it is kind of interesting to hear my friend refer to the economy as "booming." I thought I had heard just earlier what a mess the economy was under the current administration. So good to hear it is booming.

State and Local Fiscal Recovery Funds were designed to prevent a crisis from turning into a depression. As we learned from the Great Recession 10 years ago, bolstering state and local budgets in times of great economic hardship can be a key to recovery.

Today, we have heard the sentiment across the aisle that dire warnings about state and local budget shortfalls really were overstated, and actions weren't warranted at all. To that, I would direct you to the chart on the screen, Slide 8. State government job losses peaked in October 2020 at 340,000, and we are still below pre-pandemic levels by 210,000 in mid–2021.

Governor Pritzker, welcome. How have these losses had an effect, from your point of view, on the delivery of government services, particularly during Coronavirus peaks and surges?

Mr. PRITZKER. Well, I think the first way in which it's affected things is just the number of people that we've needed to deliver healthcare services across the state. I'm talking now about delivering vaccines into people's arms, making sure that we're providing, you know, access to medical care that people need. These are all things—we have a Department of Public Health that is understaffed still, even though we've had a complete focus on staffing it to the necessary level.

Don't forget that in our Department of Health and Family Services and in our Department of Human Services, they have been—had to double or triple the number of people that they're helping in a variety of areas, mental health being one of them, substance use treatment, et cetera. And so the idea that we could provide more and more and more services with fewer people in state government is just—it's an impossibility. These things don't go together.

And so the assistance that we got from the Federal Government in a variety of ways to help us staff up was vital. And I'll just say as one, I know we're focused on ARPA, but being able to hire healthcare personnel for our hospitals to augment what hospitals needed during the omicron surge, which took us to our highest level of hospitalizations throughout this pandemic, was vital. And I want to express my gratitude to you for that as well as for the many other ways in which you alleviated the burden on state government and allowed us to go hire people that we needed.

Mr. CONNOLLY. So hardly unwarranted assistance?

Mr. PRITZKER. We needed it.

Mr. CONNOLLY. Thank you.

Judge Moore and Mayor Woodards, local governments suffered even worse than state governments, losing 1.2 million jobs in May 2020, at the height of the pandemic. By mid–2021, a year later, we were still short at the local level 500,000 jobs compared to pre-pandemic levels.

Same question. How has that affected your ability to deliver services at the county and city levels?

Judge MOORE. Well, an example that we are facing in Kentucky currently is an extreme shortage of State Highway Department workers.

Mr. CONNOLLY. Did you say Kentucky, Judge Moore?

Judge MOORE. Yes, in Kentucky.

Mr. CONNOLLY. In Kentucky?

Judge MOORE. In my county.

Mr. CONNOLLY. Yes.

Judge MOORE. The State Highway Department informed us that they had a severe employment shortage and that they were asking the county to supply manpower and—and equipment to be able to clean the streets with snow and ice treatment just recently. So we have contracted for one year to treat state highway roads with county crews and funds for the next 12 months.

We are being compensated some by the state, but not 100 percent. So then that responsibility falls to the county to then fill jobs and add personnel to be able to pick up that additional requirement. And we decided to do it because our residents often don't know the difference between a county road and a state road. So we wanted to get services done, and that's one example.

Mr. CONNOLLY. And would you say that the Federal funding provided in the various COVID relief bills was helpful to you in that endeavor?

Judge MOORE. I'm not sure where the state is finding the funds to pay us for that service, but that would have to—someone would have to dig deeper there.

Mr. CONNOLLY. My time is up, Madam Chairwoman.

I ask unanimous consent to enter into the record a January survey by MissionSquare Research Institute showing that more than half of state and local government employees are considering leaving their jobs because of burnout and heavy workload because of the pandemic.

Chairwoman MALONEY. Without objection.

Mr. CONNOLLY. I thank the chair.

Chairwoman MALONEY. Thank you so much. And the gentleman from Ohio, Mr. Gibbs, is now recognized for five minutes. Mr. Gibbs?

Mr. GIBBS. Thank you. Thank you, Madam Chair.

I think I want to reflect back a little bit. When this pandemic started in early spring of 2020, we didn't know what we were facing. We were facing a virus that society could carry and transmit and not exhibit symptoms. So we locked down the economy. We shut the economy down.

And in a bipartisan basis, we passed legislation to get liquidity out there to businesses and households to prevent a depression and just a total disaster, and I think that program has worked pretty well. And then, a year later, the administration changed, and then we started to come out with this new package of nearly $2 trillion when there still was $1 trillion unspent from the previous packages that we passed in 2020.

And so now, you know, we have had the supply chain crisis. We have got a worker shortage crisis. And because those kind of go hand-in-hand, we saw the economy turn around before we passed this nearly $2 trillion. Things were getting better. One of the evidence that things were getting better because nobody expected demand to pick up the way it did. So we had supply chain shortages because demand all of a sudden perked up, and I think we have seen some of that in some of the testimony already.

And so what has happened, we have got supply chain, worker shortages. We pay people not to work, pay people to stay home, and then we put in another nearly $2 trillion in the economy this time a year ago and to fuel that demand. So the textbook definition of inflation is too many dollars chasing too few goods and services, and that is exactly I think what happened.

And then, when you couple that on with this administration's energy policy, we just added to the inflationary crisis and all the way across the board, and putting more money into it, especially without guardrails, creates a huge problem. And I will give you a couple of examples, what we saw happen at the local level, at state level here in—let us see.

The unemployment checks for illegal aliens. In New York State, lawmakers used nearly $2 billion of this rescue money to pay illegal aliens. They call it the Excluded Workers Fund.

We also saw another example in Georgia. A surprise holiday stimulus payment of $6,300 went to medical students. And according to the Atlanta Journal-Constitution, they also stated colleges and local governments have occasionally found themselves scrambling to find ways to spend these funds.

I have seen that back in my state. Privately, I have county commissioners telling me, hey, we have got a lot of money we don't know what to do with. Some of them said don't send us anymore.

You know, so I think with what we have done here is we have funded a lot of wish lists and caused a lot of other problems.

I would like to say I also see another example. Washington, DC, Mayor Bowser used $70 million of this allocated state and local fund to transition homes to green energy. Was that really help with the pandemic when we have kids who couldn't go to school, or was this an agenda?

We also had different areas of the county using these funds for things like why would that affect anything to help these people? So, Mr. Joffe, would you agree that a lot of this funding has really been wasted, is really just answering a wish list that a lot of states and localities had before the pandemic, and now we just fully funded it? Especially when we have seen states like California and Illinois that had massive deficits before the pandemic now have large surpluses?

Mr. JOFFE. Yes, it seems that there were a lot of categories of possible spending—I think about 70 different categories—and many of them have little or nothing to do with pandemic relief or revenue loss replacement. So, yes, there are preexisting wish lists that are being fulfilled.

In California, for example, a lot of the money went to homeless services, and yes, we've been spending billions of dollars here in California on homeless services, and we're not taking care of the homeless problem. So it's not clear to me how this is really beneficial.

Mr. GIBBS. Would you agree, too, that this massive inflation that we haven't seen in 40 years—I lived through the inflation of the President Carter years and how that affects, adds to costs and people's take-home wages are going down. Their buying power is going down. And so we should really be addressing this inflationary cost and how we can address that.

Of course, one reason I think we can address that is by opening the spigots here and producing energy again, and it solves a lot of the problems that we are seeing around the world. But that inflation, would you agree, causes massive hardships to families, more so than just giving a wishful list to our local governments, Mr. Joffe?

Mr. JOFFE. Yes, definitely. It makes—it makes it harder for people to make ends meet.

Mr. GIBBS. I thank you. I yield back. I am out of time.

Chairwoman MALONEY. The gentleman yields back. The gentleman from Illinois, Mr. Davis, is recognized.

Mr. DAVIS. Thank you, Madam Chairman.

And I want to thank all of our witnesses for being here.

And given the fact that I am a proud resident of the state of Illinois, I want to acknowledge and thank you, Governor Pritzker, for the tremendous leadership you have provided to our state during the last three-plus years. And I was, indeed, pleased and proud to stand beside you on Sunday and with Mayor Lightfoot at the very impactful Support Ukraine rally held in my district in a community we call Ukrainian—fondly Ukrainian Village.

In President Biden's first year in office, the country gained 6.6 million jobs, by far the strongest job growth record of any President's first year in office. If we look at the slide that is on the board, we will see that this chart shows that job growth has remained strong since passage of the American Rescue Plan, despite the unpredictability of new Coronavirus strains.

But as people's everyday lives have changed during the pandemic, the work force has also been forced to change to account for new spending patterns. To ensure that businesses have the work force they need and workers are prepared for today's opportunities, states and local governments are using recovery funds to provide training programs for their residents.

Governor Pritzker, because Illinois is one of the states leading the way on this, let me ask you how has Illinois supported work force development with its recovery funds, and why have these investments been a priority?

Mr. PRITZKER. Well, thank you, and I want to thank you for your leadership, Congressman Davis, and your partnership in helping us address these challenges.

Workforce development enormously helpful throughout Illinois during this pandemic as we were trying to, you know, get people back into jobs that were available. Some of those jobs came back faster than others, and some of them required skills development, "upskilling" as I would like to say, at our terrific community college system. And so we made investments in programs at those community colleges to allow people to gain new skills to get the kind of job that they were hoping to get.

We—I heard other congresspeople mentioning the challenges of there are too many "help wanted" signs out there. Well, that's right. But there are also people who are unemployed who don't have the skills for those jobs that are available.

So, you know, we have put in place grants for our community colleges to address those work force needs. For example, trucking. Helping people get their commercial driver's licenses. In areas like in electric vehicle development, which are new jobs, good-paying jobs that are available in Illinois, and we need people to get the proper skills to take those jobs.

So we've taken some of those ARPA dollars, as well as our General Revenue Fund dollars, and put them together in order to create new programs for people to access. And it's really all across the state.

Mr. DAVIS. Thank you very much.

Dr. Leachman, are other states making similar investments?

Mr. LEACHMAN. Yes, Representative Davis, they are. The use of ARPA dollars to invest in people who have lost their jobs, to help them get back on their feet, to make sure that they have the funds that they need to meet their basic household expenses, those are key uses that we're seeing so far for states and localities.

Mr. DAVIS. Thank you.

And let me ask you, Mayor Woodards, how is Tacoma using its recovery funds to support this activity?

Mayor Woodards. Thank you for the question.

We're doing it in a couple of ways. One, I want to be clear that we are making investments in work force training and skills development. We have set up two programs in Tacoma that have been helpful for us. One is a transitional employment pathway, which is a low-barrier transitional employment approach to move displaced individuals into part-time work that is structured and monitored and allows residents to focus on barrier reduction while transforming—while transitioning back into the work force.

The other thing I'll just say real quickly is we're also investing in medical workers, both mental health and nurses, by providing a free apprenticeship training program for residents to get into for seven weeks and then take that training that they've gotten and branch out into other potential opportunities in healthcare.

Mr. DAVIS. Thank you all, and I yield back, Madam Chairman.

Chairwoman MALONEY. Thank you. And the gentleman from Pennsylvania, Mr. Keller, you are now recognized.

Mr. KELLER. Thank you, Chairwoman Maloney, Ranking Member Comer, and our witnesses, for being here today.

This time last year during this committee, Republicans warned Democrats of potential pitfalls with the American Rescue Plan's State and Local Fiscal Recovery Funds, or SLFRF. Republicans were not alone. Even President Obama's chief economic adviser, Larry Summers, cautioned against reckless spending that the then-proposed funding would be three times as large as the projected shortfall.

Unfortunately, Democrats ignored all words of caution and pushed $350 billion through committee after giving Republicans only 48 hours to review the text. Americans are now living with the direct ramifications of the Democrats' spending spree, with inflation topping 7.5 percent.

Mr. Joffe, at the time the SLFRF was passed, had all $4 trillion from the previous COVID funding been spent?

Mr. JOFFE. No.

Mr. KELLER. How much—do you know how much was still left at that point in time or——

Mr. JOFFE. I think something on the order of $1 trillion, but I'm not——

Mr. KELLER. OK. Does the additional $1.9 trillion Democrats injected into the American economy correlate with the 40-year high inflation?

Mr. JOFFE. Definitely. I think one thing to point out is some analogies have been made to ARRA before, but that was during the recession. The 2009 stimulus was passed during the recession.

ARPA was passed 11 months after we got out of the recession. So it was fueling a rocket that had already taken off.

Mr. KELLER. So that caused prices to increase because you had people with money to spend, and we weren't producing goods? I mean, I guess I would say that because——

Mr. JOFFE. Exactly. We were pumping more money into the economy, and it was—it wasn't really necessary to stimulate employment. In the chart that we saw just a little earlier, you could see that employment was rising steadily after April 2020. So we had many months of employment growth, and then this came, and it was something that really was more inflationary than stimulus.

Mr. KELLER. Well, and we would have seen that—I am sure would have seen that growth regardless of who was in the White House because we had an economy where nothing was being produced or almost nothing was being produced prior. So to take credit for jobs that were coming back simply because people were going back to work I think is, I guess, the ultimate in how politics work.

You don't need to answer that one. Just another thing. Americans are paying more for everything, including gas, energy to heat your homes, clothing. In retrospect, did the American Rescue Plan do what the Democrats claimed it would?

Mr. JOFFE. Well, it certainly didn't make that much difference to economic growth, at least the state and local funds, in mid–2021. Because as I mentioned during my testimony, only $10 billion of the $350 billion was spent by July 31. So that money is really long-term money. They have until 2024 to obligate the money and 2026 to spend it.

So it's just sort of this ongoing padding of state and local government budgets that in some cases may be needed, but in most cases aren't.

Mr. KELLER. So there is up to another four years to spend money that was voted on last year?

Mr. JOFFE. That's correct.

Mr. KELLER. I wonder why politicians would give up to four years, particularly even-numbered years, to spend money in economies to prop things up? I mean, particularly during the middle of a recovery.

I mean, there are two things that happen. There is an election in 2022, there is one in 2024, and there is one in 2026. Just gives me pause to think why people would support doing that when we are supposed to be having a pandemic recovery, which we are, by all accounts—not wearing masks now—coming out of it. So why would we continue to be spending money that far into the future unless there were some other reason to do it? And I can't come up with that reason right now.

So, with that, I yield back. Thank you.

Chairwoman MALONEY. The gentleman yields back.

Unfortunately, I have an announcement. Governor Pritzker has a hard stop at 12 p.m. because he has pressing business in the Illinois state government. Members may still submit questions for the record to Governor Pritzker. We thank the Governor for his time, and you are excused.

And we now recognize the gentlelady from Ohio. Ms. Brown, you are now recognized.

Ms. BROWN. Well, thank you. Thank you. Thank you very much, Madam Chairwoman, for holding this hearing.

And thank you to all the witnesses for joining us today.

America's small businesses have faced considerable hardship during the pandemic, faced with decreased demand and unpredictable operating challenges. They were forced to cut hours, lay off workers, decrease production, or shut down completely.

In late 2020, a Federal Reserve survey showed that about 25 percent of surviving small businesses feared they would not fully recover without additional assistance, and 57 percent of small businesses reported fair or poor financial conditions.

According to the National League of Cities, almost half the Nation's work force is employed by small businesses, and the success of small businesses hinge on significant engagement by local government. Mayor Woodards, how are America's cities using recovery fund dollars to support small businesses, and can you list some examples of the great work being done?

Mayor Woodards. Right. Thank you, Representative Brown.

So the Federal dollars have supported really the continued revitalization of our small businesses. Here in Tacoma, we were able to support our most vulnerable local businesses and instead of with grants we were—I mean instead of with loans we were able to provide them grants. These grants went to small businesses owned by residents not exceeding 80 percent of the area median income. So these, and with 15 or fewer full-time employees. And so this means that we were providing support to our smallest of businesses who struggled the most.

In San Jose, California, I'll give you another example, all of the large metro cities included NLC—even those that NLC is tracking, San Jose has the most projects related to small business support. They are investing approximately $9.1 million out of their $83.6 million to support local business.

Those are just two examples of what's happening across our country.

Ms. BROWN. Thank you very much.

I also know my constituents are anxious to see recovery funds put to work as well. Cleveland, a city I represent, has said it plans to use these funds to increase private sector financing, access to capital, and access to contracting markets for minority-owned small businesses and startups. The recovery funds are also supporting this work at the county level.

Judge Moore, how are counties choosing to support small businesses with their recovery fund allocations?

Judge MOORE. So some examples we have is Howard County, Maryland. Howard County has allocated approximately $15 million to address COVID–19 negative economic impacts and $10 million to fund services for disproportionately impacted communities. Within those funding categories, the county will focus on children and families as a key priority to fully address the breadth of the economic challenges residents continue to face.

Montgomery County, Maryland, supporting a variety of equity programs, including expanding the Working Families Income Supplement to financially assist households with children, allocating $2.9 million to implement holistic and culturally competent wraparound services for Latino communities in the county, $1.7 million for African-American health programs, $1.15 million for an Asian American health initiative, and $3.6 million for health and human service hubs to promote lasting equity in the county's immediate pandemic response.

Ms. BROWN. Thank you very much, Judge.

When Cuyahoga County invested CARES Act funding in its Small Business Stabilization Fund, it used an equity lens to ensure that 50 percent of this funding support went to minority-owned businesses. So, Dr. Leachman, why is equity such an important consideration as states and localities consider small business support through recovery investment funds?

Mr. LEACHMAN. Thank you.

The pandemic had very unequal impacts by race and gender and community, and so our response needs to address those disparities. That is how we build a strong recovery.

Ms. BROWN. Right. Thank you. Thank you for that.

So, clearly, I think we can all agree small businesses are the backbone of America's economy, and I just look forward to seeing how recovery funds can continue to support small businesses and jobs in our community.

And with that, thank you again, and I yield back.

Chairwoman MALONEY. The gentlelady yields back. The gentleman from Texas, Mr. Cloud, is now recognized.

Mr. Cloud?

Mr. CLOUD. Thank you, Chairwoman, and thanks for being here today for this hearing. As has been mentioned, we are seeing inflation at 40-year highs. Disproportionately, this affects lower middle class families and, you know, what is tragic about this, of course, is that it was predictable.

It has been said many people predicted this, including, of course, former Obama chief economic adviser Larry Summers, who pointed out that we are spending three times as large as the projected shortfall.

And so, Mr. Joffe, could you speak to how inflation impacts families and the disproportionate effect of it upon our constituencies?

Mr. JOFFE. Right. You know, if you don't have a lot of money invested in the stock market and you are living paycheck to paycheck, it can be very worrying when gasoline prices, food prices, and other key staples that you need for your family keep going up, especially in an unpredictable way.

So it is definitely something that really hurts our working class and middle class families.

Mr. CLOUD. Yes. Some estimates have said it is costing American families over $250 a month and that, of course, during this time where we are trying to rebuild our economy is very, very challenging.

It has been said that, you know, a lot of the spending is—we are not really fiscally sound right now and it has been said that if the Federal Reserve is projected—raises interest rates that our interest spending will surpass our military spending.

Could you speak, generally speaking, to the importance of sound fiscal policy even as it relates to our national security and wellbeing as a nation?

Mr. JOFFE. Sure.

Well, we have about $23 trillion in federally—in publicly held debt right now. So if the interest rate on that went up to five percent, on average, you know, you would be looking at $1.2 trillion of annual spend, which does exceed the defense budget by quite a margin.

So, yes, it does have national security implications.

Mr. CLOUD. But even in the sense of how great nations rise and fall, how important is sound fiscal policy to us continuing to be a strong economy and a premier influence in the world?

Mr. JOFFE. Well, I am glad you asked that. I am a student of Roman history, and if you look at what happened during the 3d century A.D. you can see how the emperors gradually reduced the precious metal content in coins to the point where they became almost unrecognizable from what they had been seven—in years earlier, and the empire collapsed, largely, as a result of that.

Mr. CLOUD. Now, in Washington, DC, politicians often get away with kind of measuring our personal compassion by how much of other people's money we give away. I have always thought, you know, true compassion would be having the due diligence to make sure that the investments we are making are actually having the impact that they desire.

You have had some—you put forth some effort in bringing accountability to the spending, submitting FOIA requests to the Treasury Department and just trying to get a handle on what is going on.

Can you speak to that experience and what you have been able to find?

Mr. JOFFE. Well, as I said in my testimony, one thing that is a huge frustration with the disclosure that we are seeing is that it is not organized, structured, machine readable data like Congress envisioned with the GREAT Act of 2019.

So you have just a lot of anecdotal information. You have, you know, an essay test here and it depends on how the professor reads the essays.

If you are sympathetic to more government programs and more government spending, you are going to find the anecdotes in this mound of documentation that are going to support your narrative.

But that is not really a rigorous way of looking at the effect of this program.

Mr. CLOUD. So you would say that the data coming forth is not very transparent, not usable, really, for the American people to make a good analysis or bring accountability?

Mr. JOFFE. Definitely not as convenient and easy to use and as transparent as it should be.

Mr. CLOUD. What recommendations would you have us, as an Oversight Committee, going forward, as we continue to look at the spending here and its effects on the American family?

Mr. JOFFE. I think we could have more granular classifications of how the money is being spent. I think that we should have machine readable data standards for disclosing that information and the Treasury should, on a real time basis, update the totals and the details as they come in. That would provide much more ability for your committee and others to monitor the spending.

Mr. CLOUD. Thank you very much. I yield back.

Chairwoman MALONEY. Thank you. Thank you. The gentleman yields back.

The gentlelady from Florida, Ms. Wasserman Schultz, is now recognized.

Ms. WASSERMAN SCHULTZ. Thank you, Madam Chair. As a mother of three, I have seen firsthand how hard the past two years have been on young people. Children's lives were disrupted at a critical time in their development and many still struggle with depression, anxiety, and stress.

Thankfully, many states, including Florida, devoted state and local recovery funds from the American Rescue Plan to various education initiatives, and those investments helped K through 12 students recover lost ground in the pandemic, steered financial aid help to help students attend college, and delivered funds for higher education campuses.

In my district, Florida's 23d, recovery funds hired school nurses, fed the larger school community, and implemented the New Worlds Reading Initiative, a free book delivery program designed to help grade school children achieve their potential through the power of reading.

Dr. Leachman, we already know that the COVID–19 academic slide is taking a mounting toll on many students across the country. How are other states and local governments using recovery funds to support children who need to make up lost educational time due to the pandemic?

Mr. LEACHMAN. Thank you.

Yes, this is another important reason why the fiscal recovery funds are needed now and over the next—over the next three or four years because that learning loss that so many of our children have sustained as a result of the pandemic is both a crucial, important, immediate need that we have to help them get back on track and it is going to take time.

It is not just one summer school or some tutoring that is going to recover from what in some cases is a year or more loss of learning time and, of course, that matters not only for those kids and their families but for our country's future. These kids will be tomorrow's work force.

Ms. WASSERMAN SCHULTZ. In drafting the American Rescue Plan, Congress recognized the adverse effects in learning loss the pandemic might manifest—might manifest over months or years and, subsequently, gave governments until the end of 2026 to spend recovery funds.

Mayor Woodards, why is it extended time horizon so important when considering investments to support children?

Ms. WOODARDS. Thank you for the question.

And so there are a couple things. One, we still don't know and won't know for quite some time the effects of COVID–19 and this pandemic on our young people.

So a rush to spend that money quickly would be devastating to all of our communities. We need the time to make sure that as we recover from COVID that we can make those investments where they are needed.

It also gives us the time to do a couple of other things—one, to be innovative, to be creative in thinking about how we can solve some of the issues that will face our young people in our communities across America.

And the only other thing that I will add on top of that is that it also gives us the ability and the time to engage with our community, which was—which is so incredibly important.

As policymakers, we don't know everything, but being able to make sure that there is community engagement and relying on engaging with our residents who have young people or are actually engaging with our young people as to what their needs are, being able to take that time and get it right is what is going to be so incredibly important for most of our communities.

So having that additional time to address all of those issues is really important to cities, towns, and villages across America.

Ms. WASSERMAN SCHULTZ. Thank you. The very fact that there will be education concerns and setbacks after the peak of the pandemic is over makes clear that we must ensure states utilize every tool at their disposal to support students.

While Florida utilized some of the recovery funds for student success, we were the last state to apply for the bulk of the critical education dollars in the American Rescue Plan, the Elementary and Secondary Education Emergency Relief ESSER funds, and, distressingly, Governor DeSantis is still refusing to distribute them.

These dollars would address learning loss, provide access to critical mental health resources, and offer more staff to support students' needs. Florida knows that our students in schools desperately need this funding, which is exactly why they listed these items in their plan to the Department of Education months ago.

Dr. Leachman, what long-term impact of delays like these have on schools, communities, and, most importantly, students?

Mr. LEACHMAN. Well, very serious ones. Already the pandemic has caused very concerning problems in our schools for our children's learning. So many kids have had difficulty during the pandemic receiving schooling and staying on track, and that is vital for us to address as soon as possible.

The longer we delay the worse it is going to be and the longer it is going to take for those kids to get back to a place where they need to be where they can—where they can succeed in school and——

Ms. WASSERMAN SCHULTZ. Thank you.

Mr. LEACHMAN [continuing]. Be well in the future. Thank you.

Ms. WASSERMAN SCHULTZ. Thank you.

Madam Chair, Governor DeSantis must make these badly needed dollars available to Florida school districts immediately or our children, teachers, and local taxpayers will suffer and bear the long-term burden, and that will rest squarely on his shoulders.

Thank you. I yield back.

Chairwoman MALONEY. The gentlelady yields back.

The gentleman from Arizona, Mr. Biggs, is now recognized.

Mr. BIGGS. I thank the chair.

And I am disappointed that there has been some misinformation coming from the Democrats in this hearing today as we start considering inflation, and the chair mentioned that there have been wage increases.

Yes, there have been wage increases. Fortune Magazine, CBS News, CNN, all point to wage increases. But they all also point to the fact that the inflation that has been caused by this particular bill that we are discussing about today has eroded and actually, basically, superseded any kind of a wage increase. The only areas where you see that differential is in restaurants and bars and a few other small sectors.

And why? Because of the baseline effect. It is the baseline effect that changes this, not the fact that you have—you haven't—you, basically—let us just face it, you haven't taken into account the real impacts of inflation here.

And nobody here today has mentioned what inflation does to fixed income families and households. It is devastating to fixed income families and households, of which many are in my district.

So I am kind of surprised that we didn't hear about that. You know, the classical definition of inflation and, quite frankly, Ludwig Von Mises said it is the increase in the stock of money.

That is it. That is what inflation is. An increase in prices is sometimes an effect of inflation. But when you are a fixed income family, you really get hammered by inflation.

So let us get back to this bill for a second. And this is interesting to me because at the start of this bill, you had—and a lot of people talked about former Obama chief economic adviser Larry Summers, who said they don't need this. The states don't need this. They are going to be fine without this.

Jason Furman, also chairman of President Obama's Council of Economic Advisers, told the *Washington Post* the state fiscal relief total in this bill that we are talking about today exceeds the amount states immediately need.

CBO said that already the states have been coming back and GDP had risen and was at a pre-pandemic level by 2021 by the time this bill kicked in.

Others, Manhattan Institute, and the reality is this money came out anyway. So let us just talk about this. California. California had a surprising result. What was their result? A lot of people were able to work from home and the state's coffers were flush.

So after we gave them more money, they found themselves instead of having a $27 billion budget surplus having a $75 billion budget surplus. Other states, similarly. New Jersey, instead of having a small surplus, went to $7 billion. My home state of Arizona, instead of having a billion dollar surplus, expanded on that and received, I think, it was $5 billion from this bill.

Texas went from having a very small deficit contextually to having just under a billion dollar surplus.

So I guess my question for you, Mr. Joffe, is this. How many states went from being at budget balance or from a small surplus to having an even bigger surplus through the bailout to states in this bill?

Mr. JOFFE. I would say that the vast majority of states got to a point where they had more money than they needed or more money than their 2019 baseline suggested that they should expect to have.

So I think it is the vast majority.

Mr. BIGGS. So and what was the total amount of impact with those budget surpluses that were given to most states?

Mr. JOFFE. Well, again, in 2021 very little of this money was spent. So it is really a long-term issue of over the next four or five years how much of this extra money is going to be spent for things that, you know, may or may not have anything to do with the pandemic.

Mr. BIGGS. And when you put that kind of money without a productive or a consumption background to it, primarily without production creating it and you are just flooding the market, if you will—the money market with dollars—Federal dollars—what does that do to the value of the dollar?

Mr. JOFFE. It is driving it down and we are seeing that day by day last year and now this year.

Mr. BIGGS. Which is another way of saying you got inflation.

Mr. JOFFE. Yes.

Mr. BIGGS. Thank you. I yield back.

Chairwoman MALONEY. The gentleman's time has expired.

The gentlelady from Michigan, Ms. Tlaib, is recognized.

Ms. TLAIB. Thank you so much, Chairwoman and thank you so much for our panelists for being here.

Mr. RASKIN. I would like to submit for the record a written statement by Mayor Vince Williams of Union City, Georgia, who serves as the president of the National League of Cities.

Chairwoman MALONEY. Without objection.

Ms. TLAIB. We all know the American Rescue Plan's local fiscal recovery fund, Union City qualifies as, quote, "a nonentitlement unit of government," or I think some would refer to as NEU, which is, generally, a city or a town or a village of less than 50,000 residents.

So, Mayor Woodards, since you work closely with Mayor Williams, can you tell us what the recovery funds have meant to the Nation's NEUs?

Ms. WOODARDS. Absolutely. Again, thank you for the question.

You talked about Union City already. But let me share with you Cheney, Washington, a city right here in my own state, a city of just more than 12,000 residents.

The City Council approved a $50,000 grant to help with rental assistance as the current eviction moratorium was extended and is set to expire at the end of October.

Many families fall behind on rent nationally due to job loss and reduced hours, and the SLFRF funds allow the community to ensure that residents who struggle to pay their rent would not lose their home.

In Henderson, North Carolina, the city has designated $1 million of its money from the American Rescue Plan to not—to give to nonprofit organizations serving the Henderson area.

Two hundred and fifty thousand dollars will be awarded to nonprofits each year over the next four years through an application process, and we know that a lot of our CBOs—community based organizations—and nonprofits are on the front line delivering the many services that are most needed during this time.

Ms. TLAIB. Thank you so much. I know Mayor Woodards—I mean, while I was proud to, obviously, help authorize the historic relief effort, I was concerned to see, you know, especially my NEUs' allocations would be first sent to the states, who would then distribute the funds to our smaller cities.

And so, Dr. Leachman, you know, why were the recovery funds dispersed in this way?

Mr. LEACHMAN. Well, it is just an administrative challenge for Treasury to deliver funds to thousands of towns. This is the way that it works in the CDBG program, the Community Development Block Grant Program, so they have that sort of structure to go to states and then out to these smaller places.

You know, I would say that states have—I understand that they have distributed 95 plus percent of the funds to NEUs with some—

with the exceptions just being because for a variety of reasons that a little town isn't able to respond, they may have been annexed—the town officials may be understaffed or facing other challenges.

Ms. TLAIB. Sure. You know, and I know that—you know, this makes sense. But I also think there should have been a limit to how many extensions states could request to provide small cities with their rightful allocations.

For example, you know, Treasury documents show that the state of Michigan requested at least eight extensions, which really impacted, again, my local communities that really were the ones who lacked the most capacity to crush this virus.

And I know the American Rescue Plan was a historic endeavor to provide relief to our local governments. Unfortunately, when the critical allocations were delayed, it is our small town residents who suffer the most. You know, most of my constituents in Romulus City, Ecorse, Garden City, Wayne, Inkster, they really deserved us to move with that urgency.

So I also wanted to touch, you know, based on the flexibility of the funds. You know, the minority witness has previously, you know, claimed that the recovery funds have, quote, "so many strings attached" as Congress limit how state and local governments would—you know, could allocate aid in various ways.

But, Dr. Leachman, would you call the ways the funds can be spent, quote, "limited?"

Mr. LEACHMAN. No, I wouldn't characterize the funding as being particularly limited or having a lot of strings. It is really quite flexible and Treasury's guidance has made it even more so.

You know, anything that counts under the revenue loss provision can be used for government services. You can use the funds to address the pandemic and its negative economic effects defined in a way that gives governments room to really evaluate the circumstances in their local environment and do what is best.

And the final rule that Treasury has set up the rule so that when funds are targeted to lower income communities or communities that have been particularly hit hard that recipients have a wide range of options of use in those areas.

Ms. TLAIB. Thank you.

You know, Mayor Woodards, have you found that there aren't enough eligible uses that weren't funding in Tacoma or has your experience been that there isn't enough funding to meet all your city's eligible demands?

Ms. WOODARDS. Definitely not. As I talk to mayors across the country and I have heard the conversation today about their surpluses, I don't know anybody talking about they have extra money. We are still struggling to provide all of the services that are needed coming out of this pandemic.

Ms. TLAIB. Absolutely. Yes, it takes time. So thank you again, Chairwoman, for this hearing, and I yield.

Chairwoman MALONEY. The gentlelady yields back.

The gentleman from Kansas, Mr. LaTurner, is now recognized.

Mr. LATURNER. Thank you, Madam Chairwoman.

My colleagues have called this committee hearing to attempt to draw a causal relationship between the American Rescue Plan and any economic growth that occurred in 2021 following the early days of the Coronavirus pandemic. The truth is that the American Rescue Plan Act and its flawed disbursement formula turned into a $350 billion slush fund, and rural communities in my home state of Kansas received fewer Federal aid dollars per capita, while Democrats, mayors, and Governors who chose to implement crippling lockdowns were rewarded with large slush funds.

Adding insult to injury, Kansas is now among the states that are experiencing the greatest fallout from the bill with inflation rates higher than the national average.

Over the course of 2021, prices in Kansas rose by about 7.6 percent, outpacing the national average inflation rate of 6.8 percent.

Countless economic experts on both sides of the aisle warned that this reckless spending would have a significant inflationary impact. But the Democrat majority failed to heed those warnings and now hardworking Americans are paying for that mistake.

My colleagues on the other side of the aisle often talk about helping the working class. But that is exactly who feels the pain of inflation. One year ago, a Kansan could buy a gallon of gas at just over $2.50. Today, that price has risen to $3.38 per gallon with no end in sight to the increase, and it doesn't stop there.

According to the Bureau of Labor Statistics, the cost of eggs is now 11 percent higher and milk is 9.2 percent higher. My state is facing the highest inflation we have seen since the 1980's and my working class constituents are the ones who are hurt the most.

As a former state treasurer, I understand the value in helping state and local governments implement changes that the Federal Government has mandated, and at the time that ARPA was passed, I implored the Biden administration to responsibly allocate the $1 trillion in COVID relief already provided for by Congress.

Unfortunately, Democrats authorized trillions of dollars of wasteful deficit spending that, ultimately, had little to do with pandemic recovery and which disproportionately impose the consequences of the resulting inflation on my constituents.

Mr. Joffe, the Democrat-stated purpose of this hearing is to explore how the American Rescue Plan contributed to low unemployment and record high GDP. Yet, the Congressional Budget Office released a report prior to ARPA's passage that GDP would return to pre-pandemic levels without any new congressional stimulus package.

In your view, to what extent is there a causal relationship between ARPA passage in March 2021 and the growth in national GDP?

Mr. JOFFE. I think it is fairly limited, as you stated. CBO and many other experts already noted that the economy was bouncing back very smartly from the recession. So this added stimulus at the wrong time in the business cycle. It was really very sub-optimally spent.

Mr. LATURNER. I am going to stick with you, Mr. Joffe. There is a lot of concern on the Republican side that $350 billion of ARPA was used mainly as a rainy day fund for a lot of institutions.

Here in D.C., for example, Mayor Bowser used $70 million dollars to transition homes to green energy. Now, we can debate the merits of that project, but it hardly falls into the category of pandemic-related expenses.

I am concerned about the unsustainable debt burden that Congress is placing on the backs of our children and grandchildren with these sweeping spending bills, which is why I co-sponsored a balanced budget amendment earlier in my service as a representative.

Can you discuss the broader impact of ballooning our national debt, which just exceeded $30 trillion, and the threat that publicly held Federal debt poses to our economic future?

Mr. JOFFE. Yes, definitely. Because this publicly held debt has become so large, now over 100 percent of GDP and, of course, the total government debt is well over 100 percent of GDP, this really is a systematic threat to budget stability.

If interest rates return to normal levels, if, for example, we get to the point where interest rates match the inflation rate, that is going to blow a giant hole in the Federal budget and it will be at a time when it will be very difficult for us to borrow more money because financial markets will be losing faith in America's ability to and willingness to repay its debt.

Mr. LATURNER. One more quick question. In your testimony, you discussed the limited effects of the pandemic on state tax revenues and compared those findings to Census Bureau data. Can you explain how you came to your conclusion and elaborate on your findings as quickly as you can?

Mr. JOFFE. The census does a quarterly survey of state and local revenues and I was basing it on that.

Mr. LATURNER. Appreciate it. Thank you, Madam Chair. I yield back.

Chairwoman MALONEY. The gentleman yields back.

The gentleman from Maryland, Mr. Sarbanes, is now recognized.

Mr. SARBANES. Thank you very much, Madam Chair, for this important committee hearing. As we have been hearing, the American Rescue Plan provided critical resources to help communities stay strong, to recover from the Coronavirus pandemic.

In my district, for example, these funds are helping to hire and retain school bus drivers in Anne Arundel County, expand broadband access in Baltimore City, provide rental aid and food distribution in Montgomery County. So it has really been felt positively across my district.

As members of the Oversight Committee, we work, as you know, to identify and prevent waste, fraud, and abuse of taxpayer dollars, and we have to balance this effort to get the aid out broadly and as flexibly as we possibly can, on the one hand, with accountability for how those dollars are spent, on the other hand.

And in the state and local fiscal recovery funds there are safeguards that were put in place to make sure that these investments—these historic investments—are being made wisely.

Judge Moore, what must states and local governments do to receive their allocations? In other words, what did they have to present in order to have those moneys flow?

Judge MOORE. Thank you for that question.

You know, one of the things, I think, that we maybe have missed is that, you know, the final—the final Treasury standup did not happen until May 10 of 2021.

Counties had the opportunity until August 31 to identify projects, and if you identified and you certified for those funds by July 15, by the way—so if you certified by July 15 you had a report due on August 31.

Many of our counties across the Nation were still waiting for states to stand up their programs so that they would know what was being—what opportunities might be funded by state funds through ARPA versus using their direct allocation.

For that reason, not a large number of counties had submitted their request for funds or their—or their plans. So I think that is part of why we are seeing some small numbers in that first report.

However, since then, 99 percent of all counties have done so and have their first half of their allocation. We know that counties with populations of 250,000 or more are required to post on their websites what they are using the funds for.

So when we think about transparency, that is a component that, I think, is very important, and many other counties are doing it willingly on their own, listing what their funds are being used for.

One of the things that occurred to us was that during the negotiations with the $360 billion, when the local—$350 billion—when the local aid dropped out, the total bill spending did not go down. The $350 billion did not increase the overall passage of the bill, according to our legislative leaders.

So I would suggest that decisions made at the local level, closest to the people, were the most efficient, and I think as we see this play out through the years we will find that these counties made wise investments into their community.

They are very broad. In some cases, it is more about work force. It may be about childcare. In other communities it is infrastructure based.

But I think that indicates that the flexibility at the local level and especially in the $10 million exemption for lost revenue, that we will find that communities allocated the funds best suited for their local community where they are elected by the people and where they know that community best.

Mr. SARBANES. Thank you for that description of the process. I mean, obviously, combining flexibility in terms of where the funds can flow, on the one hand, with accountability, as I said, is important.

You indicated there is an initial certification of need that has to be presented, and then the states and localities have ongoing compliance reporting that they have to do to demonstrate how these funds are being spent.

And I understand as well that there is a community input component that the states and localities, in particular, are being asked to assess the communities' feeling about how these investments are being made.

Mayor Woodards, briefly, because we are running out of time, why is it so important that governments are accountable not only to Congress but also to their communities when they make these expenditure decisions?

Ms. WOODARDS. Well, I think as I just mentioned earlier, that nobody knows their needs better than those who have them. So our ability to engage with our local communities to assess and to be really clear about what is important to them, just like you give the authority to us to make the decisions because we are closest to those, then we then pass on that opportunity to engage with our communities to make sure that we are providing the right programs and services to address their needs.

Mr. SARBANES. Thank you very much. I yield back, Madam Chair.

Chairwoman MALONEY. The gentleman yields back.

The gentleman from Georgia, Mr. Clyde, is now recognized.

Mr. CLYDE. Thank you, Madam Chair.

One year ago, President Biden and his Democrat colleagues recklessly pushed through the American Rescue Plan, a $1.9 trillion spending package which they claimed was for COVID relief. The spending package came after Congress had already passed $4 trillion in COVID relief, $1 trillion of which had not yet been spent.

Both President Biden and the Democrats chose to ignore the warning that this spending package would only fuel the inflationary fires. This spending package also gave $350 billion directly to state and local government without proper guardrails in place to protect against waste, fraud, and abuse.

After this $350 billion was recklessly handed out, we have seen countless instances where this money has not been used for its intended purpose. These funds were intended to be used to respond to the woes of the pandemic.

But we have seen that pumping billions of dollars of free money into the economy simply drives hyperinflation.

Mr. Joffe, thank you for your testimony today. We are seeing record rates of inflation higher than any point in the past 40 years.

Can you tell me, in your estimation, how long do you think this runaway inflation might last?

Mr. JOFFE. I think it could go on for many, many years because Federal Reserve interest rates are now well below the inflation rate and I think they are very worried about raising interest rates too much because of the fear of its effect on the stock market and economic growth.

So if the Federal Reserve continues to follow this low interest rate policy we could see many, many years of inflation.

Mr. CLYDE. Wow. Thank you. That is not good news. But thank you for that that testimony.

Congress gave $350 billion to states and localities. However, we do not know whether these billions of dollars went to Americans in need.

Dr. Leachman, you said that the American Rescue Plan funds were not distributed fairly based on need and you defined that as race, gender, and community, I believe.

I understand you to say that minorities were disproportionately affected and, therefore, they didn't get their fair share. Is that correct?

Mr. LEACHMAN. No, sir that is not what I said.

Mr. CLYDE. OK. Well, you made a comment—that I heard it twice in your testimony.

Mr. LEACHMAN. Excuse me. My point was that the pandemic and the economic impacts have been felt disproportionately in certain communities and unequally by race, gender, and community.

Mr. CLYDE. OK. And the American Rescue Plan did not then distribute the moneys in that way. Is that correct?

Mr. LEACHMAN. No, sir. The American Rescue Plan was designed to distribute its funds based—to states based on unemployment, which is a good measure of hardship, given that it is measured—we have data monthly——

Mr. CLYDE. OK.

Mr. LEACHMAN [continuing]. And at the city and county level based on a combination of population and poverty.

Mr. CLYDE. OK. Thank you for that understanding. I appreciate that.

While Republicans were not able to see the American Rescue Plan's complete text until 48 hours before the markup of the bill, we are—we were still able to offer common sense amendments to try and protect American taxpayer dollars from misuse.

However, Democrats in this committee refused to adopt any of these amendments to allow for guardrails to be in place. So in the ARP I noticed that the city of D.C. received $3.3 billion of funding and I am—and I also saw that $70 million dollars of which was used to convert homes to green energy.

So I am certain that when Congress acts next term—that would be the 118th—to realign the government of Washington, DC, back to the Constitution's original intent of Article One, Section 8, Clause 17, that $3.3 billion dollars will have the appropriate guardrails under the jurisdiction of this committee.

And with that, I yield back.

Chairwoman MALONEY. The gentleman yields back.

The gentlelady from California, Ms. Porter, is now recognized.

Ms. PORTER. Thank you. We have a childcare crisis in this country. One of the biggest challenges for working families over the past few years has been the rising cost of childcare, and the pandemic has led to the permanent closure of thousands of daycare facilities across the country.

I want to play a short clip from CBS News about the closure of a childcare facility in Billings, Montana, that served about a hundred kids.

[Video.]

Ms. PORTER. This same story is playing out across the country. A 2021 survey found that four in 5 daycares were understaffed and 78 percent said low wages were a contributing factor.

Dr. Leachman, how can the recovery funds be used to help address the childcare crisis?

Mr. LEACHMAN. Thank you, Representative Porter.

The lack of affordable quality childcare is just a huge problem, as your powerful video showed. It is just, for one thing, making it just much more—much harder for people to get back into the labor market, and the underinvestment in childcare has made it inaccessible and unaffordable for decades.

So the fiscal recovery funds can really help to help providers to get back on their feet. Some have been forced to close, and to meet the need that is out there to provide quality and affordable care it can also be used to help make childcare more affordable to parents.

Of course, because of the time horizon on these funds it is a temporary measure only and doesn't obviate the need for long term

Federal investment in expanding access to affordable quality childcare.

Ms. PORTER. And my understanding is that the final rule on expanded clarified—excuse me, the interim final rule clarified that childcare workers are eligible for premium pay through the recovery funds.

Judge Moore, the National Association of Counties has highlighted some great projects to address the childcare crisis.

In my city, Irvine, we have a wonderful partnership between the school district and the city and nonprofit providers. It leases facilities on elementary school campuses to nonprofit agencies to provide childcare for about 2,000 children and my own family is one that has used this service for care. My daughter, Betsy, still goes to these care centers.

Can you highlight a few of the projects that you are aware of that address the childcare crisis?

Judge MOORE. Well, the childcare crisis is a huge issue, especially in the—in regard to work force development shortages and worker shortages.

In San Diego County in California it allocated $16 million to implement a new pilot program within local schools and universities to provide apprenticeship services work force development for early childhood educator professions.

This funding also supports continuing education and increased wages to promote staff retention for educational professionals. Travis County, Texas, also, $2.5 million for child care assistance. York County, Pennsylvania, $1 million distributed over 30 organizations to support early childhood development, and there are other examples.

Ms. PORTER. I think what we are seeing here is that municipalities and cities, counties, across the country are telling us with their choice of how to use these funds that childcare is one of the biggest needs.

It is a social justice issue to make sure that we value child care workers but it is also fundamentally an economic issue. Whether you have children or not, every American benefits from a strong economy and every business, small and large, benefits from having the workers that it needs to stay productive.

So I encourage Congress, both sides of the aisle, to continue to invest in childcare.

With that, I yield back.

Chairwoman MALONEY. The gentlelady yields back.

The gentleman from Louisiana, Mr. Higgins, is now recognized.

Mr. HIGGINS. I thank Chairwoman Maloney and Ranking Member Comer for having this hearing today.

Madam Chair, I have been listening to the testimony of my colleagues and the witnesses here today. Here is the glaring message. We don't have the money. We are mortgaging our children, our grandchildrens', our great grandchildrens', future.

Congress is mortgaging the future of generations yet unborn. We are $31 trillion in debt. If this body were to run a $1 billion surplus, which it will not do, without some serious conservative adjustment—if this body were to run a $1 billion surplus, it would require 31,000 years to address a $31 trillion debt.

Shifting to the pandemic and the money that we have spent, since March 2020, America has spent $6 trillion just on COVID. That is six thousand billion dollars. That would be $120 billion for every sovereign state, or broken down by working families, according to the 2020 Bureau of Labor and Statistics, just over 83 million American families had at least one member of the family employed.

Every working family could receive $70,000 in cash tax free. You think maybe that would have helped American working families? America, would you like to receive $70,000 in cash?

Because Congress has, certainly, spent that money and it is your money. There is no such thing as Federal money. Every dime that gets spent out of this body is seized from the paycheck of a working American.

We are speaking in platitudes here today. In this committee that is responsible for oversight for government expenditure, my colleagues across the aisle are in a fantasyland. We don't have this money.

Talk about childcare and child welfare—good Lord, what kind of a family would dump unserviceable crippling debt upon their yet unborn great grandchildren in order to have, you know, solar panels on your roof right now?

Some of us are quite passionate about actually preserving our republic and restoring our constitutional rights and freedoms and restoring fiscal responsibility to this body.

And Congress talks about trillions of dollars like it is nothing saying. It is insane.

Mr. Joffe, let me give you my remaining time, so a couple of minutes. Just please address, if you don't mind, exactly what kind of actual long-term economic impact these very poorly written and loosely corralled massive spending bills that get pushed through Congress—what is the impact long term on the American economy for generations to come?

Mr. JOFFE. Well, you know, as you said, Representative Higgins, we didn't have this money to spend, and so it is a combination of printing it up and destroying the value of the dollar and then—or borrowing it and putting it on future generations and both of those have serious long-term effects.

You know, we are now getting into the period where most of the Baby Boom generation is retiring. That is going to put a lot of pressure on Social Security and Medicare expenditures through the rest of the 2020's and the 2030's, and we just don't have the gas in the tank right now to finance that sort of thing.

So it is very worrying. I do agree with you that Congress should be a lot more careful with how taxpayer money is being committed.

Mr. HIGGINS. When the CARES Act was written, which my office participated in—we helped launch the CARES Act—that was a couple of weeks of sleepless nights, bringing 4,500 community banks and credit unions online to serve this SBA product that they had not prior. We had heavy guardrails on the CARES Act, which I supported. That was a time we weren't quite sure what this pandemic was going to be. But it required action.

But since then, we have learned a lot about this virus and we have also seen a lack of guardrails on new spending. Would you agree with that assessment, Mr. Joffe?

Mr. JOFFE. Yes, I would.

Mr. HIGGINS. Thank you, sir. Thank you for appearing, to all our witnesses today, and Madam Chair, I yield.

Chairwoman MALONEY. The gentleman yields back.

The gentlelady from Illinois, Ms. Kelly, is now recognized.

Ms. KELLY. Thank you so much, Madam Chair.

As vice chair of the Energy and Commerce Committee and a member of the Subcommittee on Health, I am very concerned about expanding access to health care and advancing the health of vulnerable communities across this country.

I was encouraged to hear that the majority of states and localities that were required to submit initial reports decided to invest their recovery fund dollars in public health to prevent and mitigate the spread of the Coronavirus.

We heard from my Governor, Governor Pritzker, earlier today that Illinois is one of those states. Our state has appropriated $786 million for a wide range of public health needs including support for vaccinations, testing, contact tracing, long-term care services, mental health rehabilitation facilities, and hospitals.

As chair of the CBC Health Brain Trust, it was clear that there was a divide between white and minority communities early in the pandemic.

President Sharp, indigenous Americans suffered higher Coronavirus infection and death rates than other populations, especially at the onset of the pandemic. What public health impacts would tribes have experienced if Congress had not passed the recovery funds?

Ms. SHARP. Yes, thank you for that question.

The impacts would have been devastating. As I mentioned in an initial question, we are disproportionately impacted and already vulnerable prior to the pandemic.

As evidenced in the U.S. Commission on Civil Rights Report called the Broken Promises Report that was delivered to Congress in 2018, that report detailed on every sector—education, health care, even our business and private sector economies—have been chronically and long-standing underfunded. We can only dream of having the resources and opportunity to even get to a base level of providing for our citizens.

But with this investment, we are not only able to meet the needs but now we are in a position to look long term to make strategic investments in our communities and where things like broadband—there is a community in Alaska, the Akiak tribe, invested in broadband to service the second largest broadband gap in the United States and that means being able to access telehealth. That means education for children. These are key strategic investments that have kept us away from just being at a basic level of existence for decades, if not generations.

Thank you.

Ms. KELLY. Thank you. So that sounds like something that you are doing that could be a promising public health program or project that may be a model for other areas in the United States in regard to reducing health inequities.

Ms. SHARP. Yes.

Oh, yes, I was just going to say yes, absolutely, because public health is not, like, just the, you know, doctors and nurses. Public health is mental health. It is having an economy and educational opportunities.

Ms. KELLY. Early reviews suggest that almost three-quarters of metropolitan cities and counties are investing in recovery funds and public health.

Mayor Woodards, what are some of the best ways cities are using their recovery fund allocations to support public health?

Ms. WOODARDS. Well, I stated in my opening comments a little bit about what we are doing here in Tacoma as we talk about supporting our homeless community in terms of providing shelter and case management.

There is an opportunity there that we are using to provide more mental health services directly to those impacted.

I would also say that in Houston, Texas, they are funding a clinician officer remote evaluation program, which is a telehealth strategy for responding to behavioral health crisis calls.

So when an officer—when there is a contact made with law enforcement, they can immediately call a mental health clinician at the time of the 911 dispatch to provide appropriate intervention. So they use real-time on-the-ground innovative solutions.

Ms. KELLY. Thank you.

And, Judge Moore, talk about the best ways counties are using their funds and would you comment on are counties and cities with their programming complementing each other?

Judge MOORE. Yes, thank you for your question.

Hamilton County, Ohio, which is Cincinnati, just to the north of my county, they allocated $5 million for a community outreach for vulnerable populations to ensure health and social service information is more effectively provided to underserved populations in their county.

This program will include acquisition, programming, and marketing for permanent tech bus and ongoing outreach to educate minority and underserved populations to improve health outcomes.

In Louisville, Jefferson County, an initial $30 million in ARPA funds were allocated to address urgent needs related to the pandemic.

Of those funds, $15 million was allocated for COVID-related public health expenditures, $9.8 million for COVID–19 response and vaccination activities, $1.5 million for childcare center, emergency, and surplus supplies, and so on.

So across America, we have examples of the large urban counties investing their funds in the area of public health. And I should say that this funding is historic to rural populations—to rural counties across America.

While I don't have exact examples here, we know that our rural counties across the Nation have received these funds and that they have exciting plans for their funding.

Ms. KELLY. Thank you. My time is expired.

Chairwoman MALONEY. The gentlewoman's time has expired. Thank you.

Ms. KELLY [continuing]. To this committee. Thank you.

Chairwoman MALONEY. Thank you, and the gentlelady yields back.

And the gentlewoman from Massachusetts, Ms. Pressley, is recognized.

Ms. PRESSLEY. Thank you, Chairwoman Maloney, for convening today's hearing about the unprecedented relief provided in the American Rescue Plan.

As we approach the two-year mark since the onset of the pandemic, we have to be candid about its disproportionate impact on the lives of Black, brown, indigenous, immigrant, and low income communities.

The American Rescue Plan put forth by the Biden/Harris administration and passed by Democrats in Congress, was a lifeline for families across the Massachusetts 7th congressional District, and because we were intentional in centering equity, states had adequate flexibility to prioritize lifesaving resources to our hardest hit communities.

Cities like Chelsea, Everett, and Randolph in my district were among the most severely impacted communities and they needed additional relief, regardless of esoteric funding formulas, to support their necessary recovery from the pandemic.

That is why I, along with Senators Warren and Markey, repeatedly called on our Governor to use this flexibility to ensure equitable distribution of more than $5 billion.

Dr. Leachman, how did Congress and the Treasury Department structure the recovery funds to allow state governors to address the inequitable impact of the pandemic?

Mr. LEACHMAN. Thank you for that question. It is very important.

So the act itself emphasized that the funds were to be available to address the impact of the pandemic and its negative economic impacts, and the Treasury guidance has been very clear in encouraging states and localities and tribal governments and U.S. territories to spend to spend funds in ways that that address the inequities that the pandemic made so apparent. They have been invisible for us to see but the pandemic made them especially apparent.

And so what Treasury guidance has made clear and encouraged states and localities and other recipients to do is to focus on those communities that are hardest hit and address the disparities that will help—by addressing those disparities will—that is the only way we can really recover.

How can the community—if the communities that have been most hard hit aren't recovering because we aren't investing properly and then how can we really call that an effective recovery?

Ms. PRESSLEY. Thank you, Mr. Leachman.

And could you just speak to the reporting aspect of that so just in terms of, you know, that oversight and that accountability? So we gave that guidance. But what were the guidelines in terms of Treasury's reporting to make sure that, in fact, the funds were equitably distributed and going to the hardest hit and impacted communities?

Mr. LEACHMAN. Sure.

Well, each recipient—each state recipient and larger cities and counties have to submit an annual performance report that details a number of facts about their spending of their funds, including details about each project and their use of funds for—in that detailed level.

They also have to describe the impact on equity and the community engagement process that they used when determining how to spend the funds, both of which can work together to make sure that the funds are allocated in ways that address community needs, especially in the communities most impacted, and that the recipients are thinking about the longer-term impacts on equity so that we cannot repeat the same problems in the future.

Ms. PRESSLEY. Exactly. And, in fact, in my district, the Mass. 7th, investments with the American Rescue Plan were used—directed toward community health centers who were critical in combating health disparities, affordable housing, free transit, bonus payments to low income essential workers who risked their lives during the pandemic and showed up for their community, folks like grocery store clerks and bus drivers.

Mayor Woodards, how are you and other mayors across the country—I have heard some of your testimony but if there is more you would like to unpack—how do you use recovery funds to ensure that people who are disproportionately vulnerable to Coronavirus and economic hardship are specifically and uniquely supported? Is there anything you would like to lift up?

Ms. WOODARDS. Yes. Sure. Just so a couple things that I would like to talk about.

So one, in terms of the fact that we could use some of our money to support our rental assistance. Here in the city of Tacoma, we had an opportunity to partner with a BIPOC nonprofit to get that money out the door, and because we partnered with them, we were able to allocate over 50 percent of our funding directly to BIPOC community members for rental assistance.

I would say that in other cities, Los Angeles has created a fund called LA REPAIR and it gave grants to support job creation and organizational support and community intervention on racial healing and justice work, again, focused on our BIPOC community.

So I have lots of other examples. But those are just a few additional examples of how we are focused on those who need it the most.

Ms. PRESSLEY. Thank you.

Chairwoman MALONEY. The gentlelady's time is expired. Thank you. The gentlelady yields back.

The gentleman, the ranking member of the committee, the gentleman from Kentucky, Mr. Comer, is now recognized.

Mr. COMER. Thank you, Madam Chair.

You know, Republicans voted against this American Rescue Plan because we knew that when the government prints more money you are going to have more inflation.

Now, we will all be able to celebrate projects that were funded with this that were beneficial. But there are going to be many, many horror stories about wasted money and I will get to that in just a moment.

But, Mr. Joffe, I want to talk about another bill, because when you look at this $1.9 trillion that we are talking about here, this came on the heels of trillions of dollars passed for stimulus at the end of the Trump administration during the beginning of COVID, and then after this another several trillion dollar infrastructure bill.

Now, Mr. Joffe, historically, from my studies in history and economics, the government passes spending to stimulate the economy. But we had an economy—and Republicans kept saying this—that was on fire from stimulus that had been appropriated from Congress prior to this.

So we are historically—wouldn't you say that if and when the government stimulated the economy it would be at a time when the economy was sluggish and at a time when there was a high unemployment rate? Did we have a high unemployment rate when this $1.9 trillion was passed?

In other words, do you think that this $1.9 trillion was needed to stimulate the economy or, I guess, and also how much do you think this contributed to the current inflation we are seeing now?

Mr. JOFFE. I think it is the direction that you have to look at. So employment was rising rapidly at the time that this was enacted. So it really wasn't necessary.

Now, certainly, unemployment was still higher than it was before the pandemic, but because the economy had already developed a head of steam we didn't really need this.

And, you know, to your point about the infrastructure bill, Congressman, I just want to point out that a lot of the wins that have been presented here have to do with state and local government spending money on broadband. But that is also in the infrastructure bill as well.

So you have a lot of duplication of effort across these bills and, naturally, you are going to have a lot of waste.

Mr. COMER. The reason that I was concerned about an infrastructure bill when we passed it, I don't feel like we are going to get a lot of infrastructure.

I don't feel like we are going to get a lot of roads and bridges for the amount of money we are spending because we have massive inflation right now.

What the administration should have done is tried to get inflation under control and then see where the government needed to step in to help with infrastructure.

So I think the American people are going to be very disappointed, at the end of the day, when they see how little infrastructure is going to be constructed considering the massive amount of money that was spent.

Now, I want to ask some questions of my good friend, Judge Gary Moore. Boone County, the fastest growing county in the state of Kentucky, a real success story.

I have to respond again to Mr. Connolly. I have a lot of respect for Mr. Connolly but sometimes he competes with Adam Schiff for the most misinformation a single day as a Member of Congress.

But one thing that he was trying to compare was this spending to relief fund, and, as you know, Judge Moore, we had terrible tornadoes. Three different tornadoes on the same night went to my whole congressional district from one end to the other.

But we get calls daily from county judge executives and mayors in those counties asking if they can use some of this money we are talking about today—the state local money for tornado relief and we are trying to get the answer from the Treasury Department, and all they respond to us is with a link—the frequently asked questions, and that is not one of the questions, can you use this money for tornado relief.

So can you talk about if you have had any challenges in Boone County or you heard from any county judges, not just in Kentucky but in other parts of America that have had trouble getting answers from Treasury about how to properly spend this money?

Judge MOORE. Early in the process, yes. The rollout from Treasury took longer than we had hoped. At NACO what we did we, basically, created a list of frequently asked questions.

We assembled those because a lot of them were the same across the country. We would submit those questions to Treasury, and by the end, once they got things stood up, we were getting answers back usually in 24 to 36 hours of yes or no or here is how you might.

We posted those on our websites for our county members. So there are still frustrations at times in some of those areas that are gray. We have been told that the Federal match for FEMA, that local ARPA funds can be used for a local match, and that is one thing that we have gotten answers for.

The flexibility with the $10 million for lost revenue, we feel like that that is going to be helpful to those counties that need this flexibility.

What we did with the funds, of course, was broadband is our main expenditure and we have found that there were areas of our county that would not have had broadband if not for these funds. It is something we knew was important, but there just wasn't funding within our budget to do it. This provided gap funding to be able to make that happen.

Mr. COMER. And it is a good thing that money went directly to you and you didn't have to funnel it through Kentucky Wired so—or you never would have gotten a penny of that. But, again, thank you, Judge Moore.

Madam Chair, I yield back.

Chairwoman MALONEY. The gentleman yields back.

The gentleman from Maryland, Mr. Raskin, is now recognized.

Mr. RASKIN. Madam Chair, thank you very much. I remember when the committee was considering creating the state and local fiscal recovery funds back in February 2021 and there was a deluge of bipartisan demand from all over the country for this help.

We heard from Democratic Governors. We heard from Republican Governors like the Governor of my state, Governor Hogan. We heard from Republican mayors.

We heard from Democratic mayors, corporations, labor unions, you name it, and they all described the immense challenges they were facing due to the economic and public health consequences of COVID–19, ranging from plummeting tax revenues across the board to government furloughs and layoffs at the state, county, and local level.

Judge Moore, you are the president of the National Association of Counties, or you were at the time, and you helped lead the charge for this legislation. Why was there such unified support for the recovery funds coming from Republican and Democratic leaders alike, and was there anything partisan about this legislation in terms of how the money was distributed?

Mr. MOORE. I would say that there were differences between our members, not just Republican and Democrat but others on whether spending should occur. Once we discovered that when the state and local aid, especially the local aid, was removed from the bill, through several of the negotiations, the total amount, the $1.9 trillion, did not change.

It was then that many conservatives, not all but many conservatives chose to support the state and local aid component of the bill. We didn't have a vote in Congress, but if the money was going to be allocated we felt that direct aid to every county of every size was the way to go. So we locked arms and advocated for that, that if the funding was—if the bill passed, that local aid was a component of it.

Counties chose to distribute that based on population across the country. We thought that was the most fair and equitable way to do it. Every county, every size received direct funding, and they were able to make the decisions at the local level. We believe in local control. We support local control.

Mr. RASKIN. Well, and that provision, in fact, gave unprecedented decision-making authority to states and localities in the distribution and direction of funding where the communities needed it most. For example, in my district, in Montgomery County, the funds helped to provide financial assistance to low-income working families. It supported the broadband infrastructure program. It expanded the county's public health services. Frederick County plans to use recovery funds to expand broadband services, to provide economic aid, and improve infant and maternal health, just to name a few examples.

So do you believe that this flexibility in the allocation of the recovery funds, Judge Moore, contributed to the progress of our economic recovery?

Mr. MOORE. Yes. I would say that it has contributed to the economic recovery. It has been wonderful gap funding for those needs in our communities that otherwise would not have been funded. And my example once again, getting one gig of speed to every home in our county would not be happening without these funds. We found, during the pandemic, that connectivity was so critical.

So I do believe that it is creating jobs, it is creating economic investment, it is supplying a need that would not have been addressed without the funds.

Mr. RASKIN. Thank you. And Mayor Woodards, can you describe how flexibility in the eligible uses and distribution of the recovery money has helped your city?

Ms. WOODARDS. Certainly. I like the theme of the question because clearly giving us the opportunity to decide what is best, we are the ones who are on the ground every single day. We knew our residents in the grocery stores and in the gas stations, so we clearly understand the need. So the ability to have flexible spending and to be able to pivot quickly on the ground has been incredibly important to us.

I think about the fact that one of the things that we faced was we had to shut down an engine, a fire engine in our city. We were able to use ARPA dollars to recover that engine. That was so imperative for us because in the midst of everything that was happening with COVID we have had a string of arsons in our community. So being able to have that engine available and being able to pivot to see the importance of that was good for us, and saved lives.

Mr. RASKIN. Forgive me for interrupting. I just want to say there are a lot of us who are former state officials and local officials who serve on this committee and in Congress. We are great champions of strategic and cooperative federalism, and I think that these provisions have exemplified what it means to actually get power, get control, and get money to the county and local governments closest to the needs of the people.

I yield back to you, Madam Chair.

Chairwoman MALONEY. The gentleman yields back. The gentleman from Georgia, Mr. Johnson, is now recognized.

Mr. JOHNSON. Thank you, Madam Chair.

Georgia's Fourth congressional District, which I am proud to represent, received about $62.5 million from President Biden's American Rescue Plan, which was passed by congressional Democrats without a single Republican vote. Americans received stimulus checks, extended unemployment benefits, and $300 per month advance tax cut income from the earned income tax credit cut.

In additional to rental and mortgage assistance and moratoriums on evictions and home foreclosures, plus support for the businesses forced to close due to the pandemic, Democrats also provided financial support to state and local governments and money to support school systems.

Because of the Joe Biden American Rescue Plan, we put shots in arms, money in pockets and pocketbooks, we put kids back in school safely, and we put Americans back to work in good-paying jobs. Democrats ensured that local school systems could keep the doors open to Head Start programs, that county medical centers had the wherewithal to make it through the pandemic, and that small business owners could have a fair chance to survive and prosper. The ARP has saved so many from the catastrophic repercussions of the COVID–19 pandemic, and Democrats gave our economy a boost that surpassed pre-ARP forecasts by both the Federal Reserve and the Congressional Budget Office.

This landmark legislation proves that Congress and the President are working together for the American people, and not a single Republican in either the House or the Senate voted to pass the American Rescue Plan. But when they go back home they always take credit for legislation that they vote against, and American voters are not fooled.

My friends on the other side of the aisle are left to argue during this hearing that the American Rescue Plan was too much money, helped too many people, and caused inflation. I guess they would have preferred that President Biden leave the Nation stuck in a recession with families out of work and impoverished, unable to afford groceries and unable to afford paying the rent and keeping a roof over their head. They whine about the $1.9 trillion American Rescue Plan that helped working people, families, and small businesses, but when they had control of the House and Senate, under an insurrectionist in chief, they shoved out the door a $5.8 trillion tax cut, 83 percent of which went to the top one percent. And my friend, Mr. Joffe, was cheerleading on the sidelines with two pompoms.

The American Rescue Plan was help for those who needed that help, and I am proud to have voted for this transformative legislation, which is part of President Biden's vision to build a better America. And don't forget that Congress passed the American Rescue Plan just two months after the insurrection.

Dr. Leachman, my office assisted small business owners with over $50 million in Economic Injury Disaster Loan and Paycheck Protection Program loans as well as with $500,000 in minority small business disaster loans. There is no doubt that the American Rescue Plan provided essential aid that allowed businesses to keep their doors open. Unfortunately, the Federal Government has a well-documented history of failing to spend advertising dollars in black and minority-owned media outlets, including when advertising to black and minority communities. The ARP provided a wide variety of investments targeted to minority communities, from SBA programs to funds to provide vaccines.

Are you aware of any effort to ensure that ARP advertising dollars were invested in black and minority-owned firms, and how well do you think those loan opportunities were advertised in minority communities?

Mr. LEACHMAN. Thank you for the question, sir. This is not an issue that I have studied closely. I will say that the Treasury guidance that requires states and the larger cities and counties to report on the impacts of each project spending on equity and to describe their community engagement processes will help in this regard in helping to assure that recipients, when they receive the funds, are engaging their communities properly and thinking about what are the equity impacts. But I would certainly encourage you to continue to advocate with state and local officials there to do the outreach and engagement necessary to go hand-in-hand with the direction of these funds.

Mr. JOHNSON. Thank you. I yield back.

Chairwoman MALONEY. The gentleman yields back. The gentleman from California, Vice Chair Gomez, is now recognized.

Mr. GOMEZ. Thank you, Chairwoman Maloney. First let me thank all the speakers. One of the things that I like to focus on is just how cities and states are definitely the backbone of our democracy and the backbone of how do we get services to the people in need. A lot of folks on the other side of the aisle always say that we shouldn't be helping—the Federal Government should be out of people's lives, but yet they refuse to help the cities and counties that are there day in and day out.

Most people don't know but I actually worked for the National League of Cities once upon a time, in 2005–2006, so it is good to see you, Victoria, and I also just understand the work that you do to advocate on behalf of the cities.

The funds, as everybody knows, that would have come into the coffers of cities and local municipalities and states because of just shutting down to make sure that people were protected from the pandemic really took a toll on cities and counties, and that is something that we saw across the board. In the city of LA, they had almost a $700 million budget shortfall if it wasn't for what we did here at the Federal level, and the money that they did get allowed them to make sure that their employees had their paychecks, that they didn't have to go without, which are crucial when it comes to any economic downturns, because oftentimes local governments are the ones that can stay afloat longer than, say, a small business or a medium-sized business.

So those dollars are crucial to be circulating within the economy. They are the ones that are keeping that small business afloat because they can still continue to purchase those goods and services. So what we were doing was not just to help cities but it was also to help the local economy to help everybody, and that is why it was so crucial. And these cities, what did they do? They stepped up on their own to do COVID testing sites, vaccination sites, made sure that people were getting their food distributed, taking care of seniors, making sure that the first responders did not go without a paycheck and could respond to an emergency.

So it was so crucial, and I want to say if it wasn't for that California would be devastated. California received about $27 billion, invested in affordable housing and homelessness resources; $1.75 billion to fund the construction of new affordable homes; $1.2 billion for Project Room Key, to acquire hotels and motels to providing housing for individuals and families who were experiencing homelessness; $300 million for affordable housing preservation; and $40 million for eviction and foreclosure prevention and defense. That is just to name a few.

The County of LA received $1.95 billion. That is huge. What did they do? Build more affordable housing. They were working to keep people off the streets so that we wouldn't be dealing with a bigger health care crisis. And the city of LA received $1.27 billion, and a lot of that is still going out as we speak. But it has made a big difference.

Dr. Leachman—is he still here? I can't see him.

Mr. LEACHMAN. Yes, sir. I am here.

Mr. GOMEZ. OK. Can you describe how severe the need of housing assistance has been throughout the pandemic?

Mr. LEACHMAN. Yes, absolutely crucial. You know, a new census survey that started up right around the time of the pandemic kicked in has been valuable in helping us understand what the impact of the pandemic has been on people's ability to pay for their rent. As of October, still one in six renters were not caught up on their rent, and as in other areas, the disparities here are quite stark by racial and ethnic categories. For example, among black renters, the share was more than one in four. And still, you know, even before the pandemic, 23 million people who lived in low-income households were paying more than half their income for rent and utilities.

So the need is quite stark, and as California has shown in its allocations and many other states and localities, using fiscal recovery funds to help address this crisis, to keep people housed, at this very difficult time has been a very important and vital use of these funds.

Mr. GOMEZ. And that was something that I wanted to really highlight. These are not folks that are not working. These are often the working poor. They are working two, three, four jobs a week to make ends meet, and they still have barely enough money to survive. But when the pandemic hit they were really in a bad place and they were really struggling. So this has helped millions of people stay off the street and make sure that our communities are kept as full as possible and that we have limited the emotional and economic devastation for people of color and the working class throughout this country.

With that I am glad I am supporting. We are still helping these cities and counties, and I yield back.

Chairwoman MALONEY. The gentleman yields back. The gentlelady from Missouri, Ms. Bush, is now recognized.

Ms. BUSH [continuing]. St. Louis, and I thank you, Madam Chair, for convening this important hearing today.

The state and local funding in the American Rescue Plan included critical targeted investments that have empowered our local leaders with the resources they need to save lives. The American Rescue Plan helped deliver over $700 million to our St. Louis region, an unprecedented and much needed infusion of direct assistance during this pandemic and economic crisis. These funds are proving crucial in helping to alleviate existing injustices such as gun violence, economic inequality, and access to health care that the pandemic exacerbated. Moreover, I see the success of these investments as a blueprint for how this committee can work with local governments and advocates to broaden our public investments in the many crises of our day.

Judge Moore, you frequently referred to the recovery fund support for counties as critical. How does providing these critical resources to counties empower them to respond to emergencies?

Mr. MOORE. Thank you. In many of America's counties these dollars are being utilized to fund communication systems, 911 systems, and other tools to be able to respond to emergencies. We have already talked about public health and how additional facilities are being added and programs to deal with the health emergency component of it.

Overall, I would say that once again many of these funding needs were on the radar for capital plans or other funding requests, but probably would not have been met as quickly, or in many times not at all without the assistance and the flexibility that counties received across the country.

But I do believe it was critical. It was a critical time, and it did create jobs and provide resources for local governments.

Ms. BUSH. Yes, it did. Thank you.

One of the many things I am most proud of in the way our recovery fund was disbursed is that the city of St. Louis, under the leadership of our mayor, Tishaura Jones, engaged in an extensive community consultation process that considered over 2,500 public comments, another crucial step of the process that takes time. I am incredibly proud of the way St. Louis is pursuing evidence-based, community-informed expenditures, including $500 checks—checks—in direct cash, that are going to our community members that need it the most, aid to help boost the vaccination rates, funding to prevent evictions, and investments that have helped to promote safer communities.

Now I believe we must build on the success of this committee's contributions for addressing this pandemic and make similar investments in ongoing emergencies, including the climate crisis. The Federal Government should also support states, tribes, territories, and local governments in delivering climate and environmental justice investments, just as we did in responding to this pandemic. My Green New Deal for Cities bill, H.R. 2644, would apply Green New Deal framework to do just that.

Mayor Woodards, do cities around the country need additional Federal resources to appropriately combat the climate crisis?

Ms. WOODARDS. Simple answer, yes, we do. So these towns and villages have been leading on climate action, as you know, for years, and because local leaders are the first responders, and we are seeing the impacts of climate change every day in our communities.

We have also been calling for a Federal partner in these efforts to enact national policy that will support local efforts and to provide resources and assistance to communities, including financial assistance, and we are so pleased that the Bipartisan Infrastructure Bill makes considerable investments in building communities' resilience, reducing greenhouse gas emissions, and investing in renewable energy.

Ms. BUSH. Thank you. Ms. Sharp, should this committee make the climate justice investments in every Native American nation in this country, as we do in our bill and as we did for COVID–19 funding?

Ms. SHARP. Yes, absolutely. Not only are tribal nations disproportionately impacted by the pandemic, we are also disproportionately impacted by the climate crisis. My nation, the Quinault Nation, is currently under five states of emergency—one for the pandemic, one for sea level rise, one for a landslide that potentially will take out Highway 101, the only access road to our community.

So yes, when we convene our board of directors and we hear reports all across Indian country, we are facing the climate crisis, we are on the front lines, and we are so very grateful not only for this investment but the future investments that are on the horizon. We absolutely need it.

Ms. BUSH. Thank you. I look forward to working with each of you to fight environmental racism using the most successful framework we used to combat the pandemic, close partnerships, and resource support for states, tribes, territories, and local governments.

Thank you, and I yield back.

Chairwoman MALONEY. The gentlelady yields back. Before we close, since she was our last colleague asking questions today, I want to offer the ranking member an opportunity to offer any closing remarks you may have. Ranking Member Comer, you are now recognized.

Mr. COMER. Thank you, Madam Chair. I feel like Representative Hank Johnson just delivered my closing remarks, because he reminded every American that every Democrat voted in favor of this bill and every Republican opposed this bill. And the reason that the Republicans opposed this bill is because we warned of inflation. And here we have it: inflation.

You learned this in Economics 101 in college. I went to Western Kentucky University. When the government prints money it devalues the dollar. The government has printed a lot of money in the name of COVID. Thank goodness for Joe Manchin and Kyrsten Sinema in blocking that Build Back Better bill in the Senate, because I can only imagine what the inflation rate would be when that money hit the economy. And Representative Bush said this is a model of how this committee can help with local governments? I mean, what this committee did was just approve a blank check for the local governments.

Now I can tell you in Kentucky there will be counties, like Boone County, a progressive county, affluent county, a fast-growing county, that will spend the money wisely. There are counties in Kentucky that I can say, without hesitation, will not spend the money wisely. That is a fact.

Now, the government and this Congress and what Republicans wanted to do—what the government should do, what Republicans wanted to do—put guardrails. That is what this committee should do, Representative Bush. If we are going to oversee Federal money being reappropriated back to the local level we need to make sure there are guardrails and that this money is transparent, and that this money is actually needed. And there are needs, but again, the government is going to have to stop spending money, stop printing money, because our children and grandchildren are going to have to pay for this, and it is going to lead to more inflation.

So you are going to continue to hear Republicans talk about the ways that we need to control inflation, to stop inflation. This is one of many crises that I mentioned in my opening statement, in addition to a lack of border security, in addition to a disastrous energy policy that probably led to what is going on in Russia and Ukraine right now. So we are going to continue to talk about the issues that the American people want on this side of the aisle. The No. 1 issue that most Americans are concerned about is the issue that they face every day, when they go to the grocery store, when they go to the gas pump, when they pay rent, when they pay for their prescription drugs, inflation. And you can't continue to print and spend money without suffering the consequences of inflation.

Madam Chair, I yield back.

Chairwoman MALONEY. The gentleman yields back. I recognize myself for closing statement.

As we have seen here today, President Biden's American Rescue Plan and the state and local fiscal recovery funds have worked. They have put our communities and our country on a path for a strong recovery from the recession of 2020. Independent economists have told us that if Congress had not passed the American Rescue Plan the country would likely have plunged into a double-dip recession, with lower incomes and millions more Americans left without jobs.

Instead, the country is benefiting from strong GDP growth, low unemployment, and a faster recovery than any other develop countries. And while Republicans tried today to blame the American Rescue Plan for the inflation we face today, independent economists say this is simply not true.

As we track the progress of the recovery funds it is important that we have data to ensure our recovery is equitable. That is why I co-sponsored the Targeting Resources to Communities in Need Act, a bipartisan bill that would direct Federal investments to areas of persistent poverty.

I am thankful to our witnesses today for sharing their knowledge and stories from their state, tribal, and local governments. Your testimony has demonstrated the transformative impact the recovery funds have had on our communities, and we thank you.

I ask unanimous consent to enter into the record a number of documents and reports, including a letter from the National Conference of State Legislatures, reports from the National League of Cities and Administration.

Without objection, so ordered.

Chairwoman MALONEY. The country is grateful that President Biden announced the American Rescue Plan on his very first day in office that Congress took quick action to pass President Biden's plan, and that a year later we are in a better position than we could have hoped for. I am proud of this committee's role in designing and passing these recovery funds that are leading to an equitable recovery and helping Americans most affected by the public health crisis.

In closing, I want to thank our panelists again for their remarks, and I want to commend my colleagues for participating in this important conversation.

With that, and without objection, all members will have five legislative days within which to submit extraneous materials and to submit additional written questions for the witnesses to the chair, which will be forwarded to the witnesses for their response. I ask for our witnesses to respond quickly as you can to any requests, and this hearing is now adjourned.

[Whereupon, at 1:36 p.m., the committee was adjourned.]

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