Clarifying the Magnitude of COVID-19 Related Federal Aid for State and Local Governments: $277 Billion, Much Restricted

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- It seems very unlikely Washington will come to an agreement on a fifth phase of COVID-19 relief before the Nov. 3 elections.
- Since March 2020, there have been zero dollars ($0) of unencumbered aid distributed to state and local governments by Washington.
- State and local governments were allocated about $277 billion (8% of the total $3.6 trillion of fiscal policy) in different forms, but nothing that would be considered flexible enough to be deemed unencumbered.
- Some have argued one reason additional relief is not needed is because only a portion of aid has been spent to date. We consider this argument to be groundless. In fact, the rate at which funds have been spent is close to what we saw in 2009-2010 after the 2009 Recovery Act.
- There is a strong argument to be made for unencumbered state and local aid because of the procyclical nature of state and local government revenues.
- The overall impact from a Blue "Democrat" Wave scenario could be more supportive and credit-positive for municipal credit conditions compared to the current course, which is what we would expect under the other two potential election outcomes.

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