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Testimony to the Pennsylvania House and Senate Local Government Committees Positives Experienced for Local Government Entities During COVID-19 Pandemic September 13, 2021

Chairmen Jerry Knowles and Cris Dush, Ranking Members Robert Freeman and Timothy P. Kearney, and members of the committee,

Thank you for inviting The Pew Charitable Trusts to provide testimony on ways that state and local governments have made positive adaptations in response to the COVID-19 pandemic. My name is Logan Timmerhoff. I am a researcher working on state and local fiscal policy issues at The Pew Charitable Trusts, a nonprofit, nonpartisan organization dedicated to serving the public interest.

Although many of the worst fiscal expectations formed early in the pandemic did not ultimately come to pass for most states and local governments, the urgency brought to the task of dealing with the pandemic spurred many actions by both states and localities that may yield lasting benefits. Today, I will tell you about several new ways we have identified that states have found to help their local governments over the course of the pandemic, drawing from our work helping states support the fiscal health of their local governments. Additionally, we would like to highlight some business-related local regulatory changes that may be of interest to members.

States found new ways to help their local governments

State evolution in local fiscal risk assessments

Having a better understanding of local fiscal risks may help states anticipate and plan for local fiscal needs.

In anticipation of significant revenue losses among local governments due to the pandemic, some states, including Pennsylvania, changed the way they track and assess local government finances. Virginia's Commission on Local Government, for instance, modified its standard tool for identifying local fiscal distress to include measures of local reliance on tax revenue sources likely to be affected by COVID-19, as well as measures of local dependence on industries likely to be most affected by the pandemic.

Some states also helped assess fiscal outlooks for their local governments, many of which do not have the resources to conduct such assessments themselves. Louisiana's Legislative Auditor, for example, provided forecasts of COVID-19's effects on key revenue sources for each of its parishes (counties).

States embraced remote communication with local governments

Many states have also changed the ways that they communicate with local governments. As in-person meetings became untenable during the pandemic lockdowns, the Local Government Commission of North Carolina began holding its regular meetings with local governments virtually. As the ability to hold in-person meetings became available again, the Commission retained its virtual option. This new hybrid approach has significantly increased meeting attendance and increased the Commission's reach, as municipalities that previously found travel costs prohibitive were able to join.

The state of Rhode Island helped its local governments modernize their technological practices, better enabling them to conduct regular municipal business during the pandemic. To do this, the Rhode Island Department of Business Regulations offered subsidized video conferencing access and training for its municipalities, all of which ultimately participated.

Helping locals with federal stimulus funds

The uncharacteristically large amounts of American Rescue Plan Act stimulus funds made available in the wake of the pandemic, combined with the complex rules around the eligible uses and proper accounting for these funds, prompted many states to provide early and substantial education to their local governments. The Tennessee Comptroller's office did a "roadshow" around the state to help local governments understand U.S. Treasury guidance on the use and reporting requirements of stimulus funds. Michigan hosted separate webinars assisting local governments based on how their funds would be distributed. And Massachusetts has been providing technical assistance to local governments to help them understand the rules around revenue loss recovery.

The unprecedented federal funding has also presented a unique opportunity for state and local governments to collaborate in order to maximize the impact of the stimulus. North Carolina officials are identifying ways to best leverage state and local money to ensure that it gets spent on things that they consider to be "transformational" projects. In New Mexico, several local governments are either partnering with other local governments or with state agencies to pool funding to tackle large scale infrastructure projects.

Beneficial regulatory changes

Some cities are looking to make permanent some of the temporary changes they made to regulations governing outdoor dining and retail, or services on city sidewalks, parking lots, and streets. San Francisco has already made some of its changes along these lines permanent. Policymakers in Washington D.C., and New York are currently working to do the same.

Beyond outdoor dining, Nashville removed restrictions on a number of home-based businesses including audio recording, artisanal manufacturing, and other services. San Francisco's Proposition H permanently streamlined a host of regulations in the city, including the implementation a 30-day "shot-clock" for some business permits, and expanding permitted uses of space in commercial districts.

Conclusion

As we have shown, over the course of the pandemic, many states have helped their local governments in new ways that may improve how their local governments function or improve how states interact with local governments. And some local governments have used the opportunity to

make regulatory changes with potentially lasting benefits. Thank you for inviting The Pew Charitable Trusts to testify on this topic. We welcome questions from members of the committee.