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From Stimulus to Sustainability: Reckoning with Community Prosperity Post-ARPA

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**“Promise: Investing in Community”
2023 Convening Summary**

From Stimulus to Sustainability

Reckoning with
Community Prosperity
Post-ARPA



September 2023

**WE. UPJOHN
INSTITUTE**
FOR EMPLOYMENT RESEARCH

PROMISE
INVESTING IN COMMUNITY
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Community Strategies for Good Jobs

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BACKGROUND

Once federal relief funds dry up, how can communities continue to achieve long-term success?

On March 11, 2021, President Joe Biden signed the American Rescue Plan Act (ARPA), a \$1.9 trillion federal stimulus bill. Within that legislation, the Coronavirus State and Local Fiscal Recovery Funds allocated \$350 billion for state, local, territorial, and tribal governments to spend on resources needed to promote recovery from the COVID-19 pandemic. This funding was intended to be flexible, enabling communities to choose how best to support families and businesses, maintain public services, and make investments supporting long-term growth and an equitable recovery.

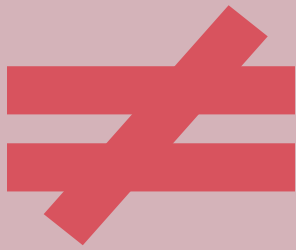
Some two and a half years later, the impending depletion of ARPA funding—and its use by several states for permanent tax cuts—may have a profound impact on state and local budgets. The fiscal landscape appears precarious, with California and New York already announcing budget deficits, and even states in fiscal surplus like Georgia making cuts in higher education. With the federal tap shut off, initiatives to expand economic opportunities appear in jeopardy unless communities can find sustainable funding.

Against this backdrop, the Upjohn Institute for Employment Research virtually convened a group of research affiliates and policy advisors as part of its *Promise: Investing in Community* place-based policy initiative. The initiative produces evidence-based strategies for state and local governments to create good jobs and give residents the skills needed to work in those jobs. This year's meeting focused on the following question: Once federal relief funds dry up, how can communities continue to achieve long-term success?

The first part of the convening asked participants what challenges are on the horizon as economic conditions potentially worsen for programs and strategies aimed at helping people find good jobs. The second part asked, given the challenges of sustainability, how can states and localities spend their money now and over the next year to promote longer-term place-based prosperity? The robust discussion covered a wide array of potential pitfalls but also yielded possible solutions to address them.

CHALLENGES AHEAD

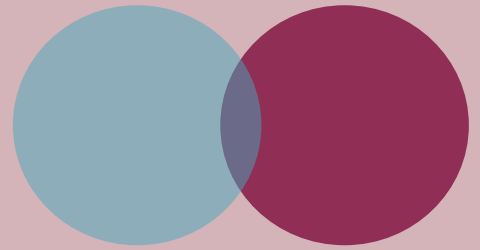
These challenges pose significant risks for state and local communities hoping to develop good jobs for residents, both now and in the future.



INEQUALITY



SHORT-TERM THINKING



POLITICAL POLARIZATION



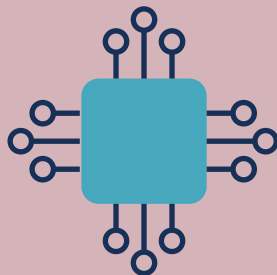
UNDERINVESTMENT IN
HIGHER EDUCATION



LACK OF CHILD CARE



BORROWING FROM THE
FUTURE



ARTIFICIAL INTELLIGENCE



LABOR SHORTAGES

KEY TAKEAWAYS

What challenges are on the horizon as economic conditions potentially worsen?

INEQUALITY

Growing inequality poses two challenges: economic and political.

- When there are big differences in economic opportunity between different groups of people and different regions of the country, it can cause conflict, anger, and a feeling that things are unfair.
- This disruption causes political polarization, making it harder for people with different ideas to agree and work together on important issues.

SHORT-TERM STRATEGIES

Short-sighted strategies for short-term political wins can displace policies with long-term gains.

- Prioritizing policies that offer the appearance of immediate benefits, but discount future consequences, risks overlooking—or outright neglecting—crucial long-term priorities like infrastructure, education, health care, and environmental sustainability.
- Short-term thinking leads to fewer resources available for future policymakers to solve these and other pressing challenges.

POLITICAL POLARIZATION

Political polarization presents a significant obstacle to successful policy implementation.

- Polarization becomes particularly dangerous when politicians prioritize sticking to party positions and maintaining ideological purity rather than seeking common-sense solutions to address societal challenges.
- The growing cultural and political divergences in some places between state and local governments make it difficult for cities to forge their own paths to attract and retain residents.

UNDERINVESTMENT IN HIGHER EDUCATION

Underinvesting in higher education raises concerns about economic mobility and workforce diversity.

- There is growing concern over the pronounced decline in college enrollment because higher education plays a vital role in the economic renewal of many cities and regions, and any backlash against it can hinder economic progress.
- A key goal for community colleges is improving graduation rates and enhancing the value of two-year degrees, as transfer degrees, often in liberal arts, may not have strong job prospects without completing a bachelor's degree.
- The public funding needed to improve educational accessibility is in jeopardy because of an anti-equity backlash against higher education.

LACK OF CHILD CARE

Long-term fixes are needed to reform a broken child care sector.

- To bring about lasting changes in access, affordability, and quality for families, the child care sector requires permanent infrastructural and fiscal intervention.

BORROWING FROM THE FUTURE

Borrowing from the future is an unsustainable practice that fosters social conflict as the younger population is left “holding the bag.”

- The persistent practice of borrowing from the future—whether through ongoing deficit spending or unaccounted environmental and climate harm—has become unsustainable as the population ages and increased projected spending is unmet with increased revenue.

ARTIFICIAL INTELLIGENCE

Advanced technologies are changing the way people work, but there is disagreement on the policies needed to soften the blow of this revolution.

- The rise of artificial intelligence is predicted to bring about a significant divergence in productivity, devaluation of specific college degrees, and the exacerbation of structural inequalities.
- The changing nature of work and the evolving relationship between work and location could affect tax revenues, housing prices, and the distribution of in-person jobs.

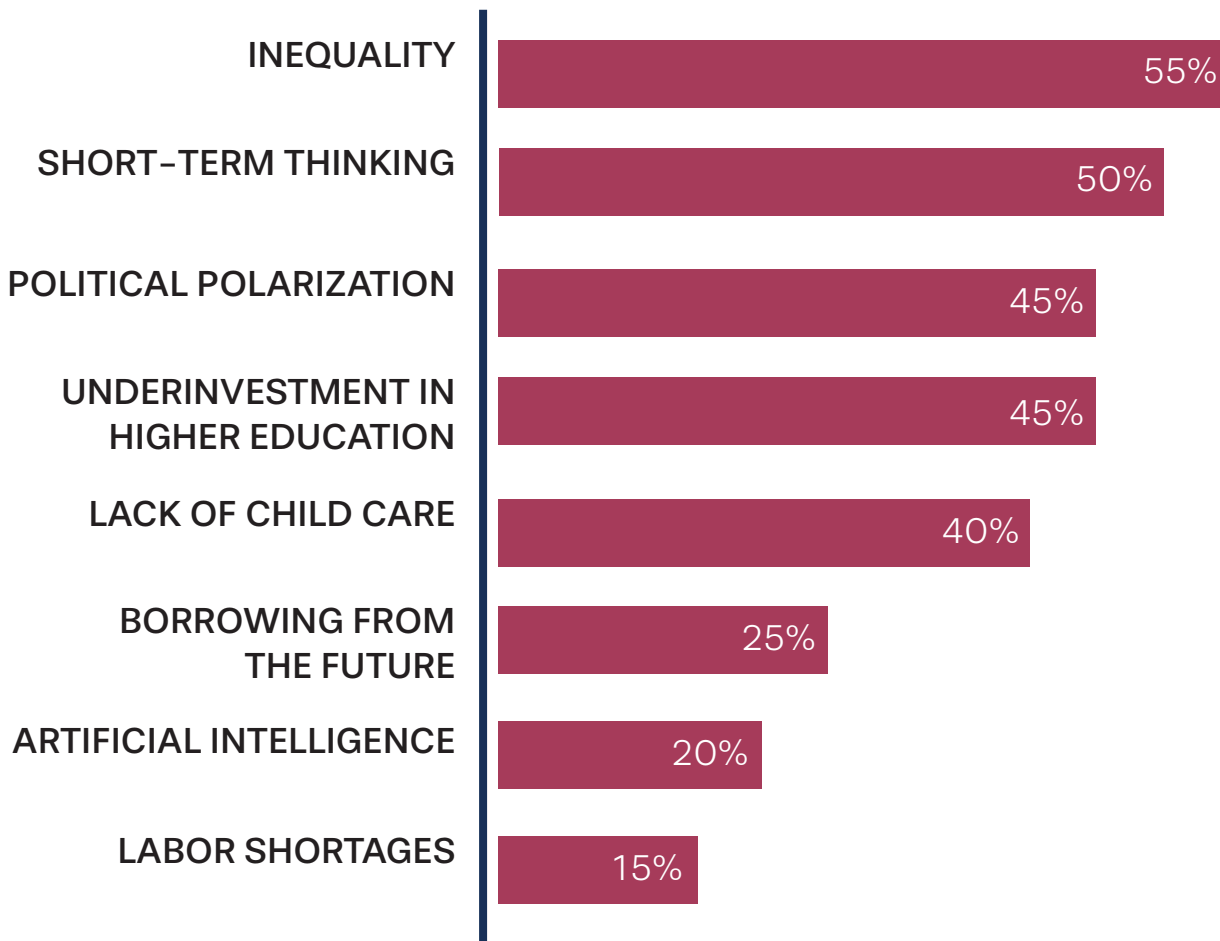
LABOR SHORTAGES

Labor shortages present both a problem and an opportunity for employers

- The imbalance between job openings and available candidates results in some employers hiring individuals lacking necessary skills, leading to high turnover rates and difficulty finding and keeping employees.
- Amid these challenges, labor market shortages also present an opportunity for employers to make their jobs more desirable—and reduce turnover—by subsidizing child care and offering more workforce training.

What do you see as the top three challenges for state and local governments to consider as economic conditions worsen?

(Poll of participants at the convening)

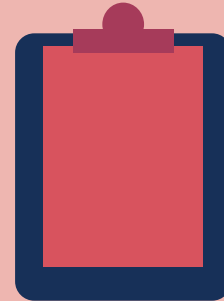


SOLUTIONS FOR SCARCITY

In the face of mounting obstacles, finding solutions through innovation becomes crucial. As the saying goes, necessity is the mother of invention.



RAISE REVENUES



EVALUATE PROGRAMS
AND INITIATIVES FOR
EFFECTIVENESS



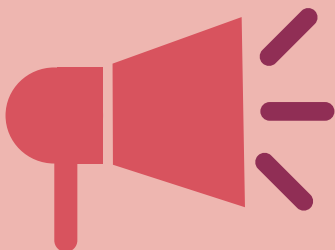
USE PLAIN LANGUAGE



BUILD COMMUNITY
TRUST



SUPPORT DISTRESSED
COMMUNITIES



ENSURE ALL VOICES
ARE HEARD



INVEST IN UPSKILLING

KEY TAKEAWAYS

Given the challenges of sustainability, how can states and localities spend their money now and over the next year to promote longer-term place-based prosperity?

RAISE REVENUES

Recognize there are significant costs to not raising the revenue needed to fund essential programs.

- To fund desired goals, communities need to embrace revenue-raising opportunities while ensuring fairness and accountability.
- Some ideas to explore include:
 - Adopting creative policies such as land-value taxation
 - Imposing limits and clawbacks on tax incentives
 - Supporting training programs through Tax Increment Financing (TIF) districts

Detroit Land Value Tax Plan

In 2023, Detroit Mayor Mike Duggan announced a new proposal to overhaul the city's property tax system. The current system unfairly favors owners of vacant and blighted properties while burdening homeowners. Duggan's plan seeks to rectify this by redistributing the tax load, bringing relief to homeowners and functional businesses, and holding owners of blighted properties accountable. Under the plan, property tax rates on land would increase, while rates on structures like homes and buildings would decrease. This overhaul would have a positive impact on homeowners, businesses, side-lot owners, and even scrap yards, encouraging more efficient land use and development. The proposal is set to undergo legislative review, with potential implementation and phased adoption starting in 2025.

EVALUATE PROGRAMS AND INITIATIVES FOR EFFECTIVENESS

Evaluate and review implemented strategies for improvement.

- Providing local officials with access to impact analyses, information on effective experiments, and calculated returns-on-investment allows them to make informed decisions.
- States and localities can work with community partners, including universities, to develop data infrastructure and evaluation plans at low financial cost.
- One-time investments in data infrastructure are necessary to update and improve the information available to communities.

USE PLAIN LANGUAGE

Foster more effective policy development and implementation through transparency, plain language, and effective channels of communication.

- Governments should summarize information in a manner the intended audience can easily understand to improve transparency.
- Tangible and relatable examples can contribute to more effective policy development and implementation.

Project Re:form

The Michigan Department of Health and Human Services (MDHHS), in collaboration with a nonprofit design studio Civilla, worked to revolutionize the application process for public benefit programs, including food and health care. Working in consultation with caseworkers and program recipients, the design team streamlined the process, shrinking the 42-page application to 18 pages with 80% fewer questions. A successful pilot led to statewide implementation, involving over 5,000 state workers across 100-plus offices. The new approach not only lightened the operational load for MDHHS but also significantly improved citizens' experiences.

BUILD COMMUNITY TRUST

Get the community involved to build trust in the decisions being made.

- Give people more power and a voice in making decisions that affect them by sharing power and taking action based on community input.
- This may require building the skills and abilities of the community to address their needs and create contingencies to support and train the people.

Rural Partners Network

The Rural Partners Network (RPN) is a comprehensive initiative led by the U.S. Department of Agriculture to reshape how federal agencies collaborate with rural areas to stimulate economic opportunities. With a focus on equitable resource distribution, RPN places federal field staff in over 25 rural communities across states, tribal nations, and territories. These staff members then aid local leaders in accessing federal resources for community-driven economic growth. RPN's coordinated efforts, backed by 13 key federal agencies, aim to empower rural regions by aligning resources, gathering data, and driving policy changes to cater to their unique needs. The program has been initiated in selected areas and will expand to other regions in the near future, with the goal of fostering a more responsive and effective federal government for rural America.

SUPPORT DISTRESSED COMMUNITIES

Direct investments towards distressed communities and provide targeted support.

- One strategy aims for state and federal agencies to waive matching fund requirements for distressed communities in order to lower barriers and facilitate their participation in programs.
- Instead of directing funds solely to established recipients, policymakers should also focus

ENSURE ALL VOICES ARE HEARD

Design programs and initiatives with the inclusion of underrepresented communities, ensuring their voices are heard.

- Programs and initiatives need to be structured to ensure inclusion of the communities they aim to serve, such as through the use of community benefits agreements.
- Increase transparency and accountability of state and local agencies to effectively consider diversity and equity in policy design.

INVEST IN UPSKILLING

Look for creative ways to invest in upskilling individuals.

- Breaking down silos and leveraging existing institutional capacity is vital in driving progress and helping raise the revenue to fund programs.
- Political and resource commitment are needed from both employers and the public sector to scale-up programs that have been shown to work.

Lake Michigan College Promise

Lake Michigan College (LMC) is a public community college nestled in Southwest Michigan, serving diverse communities from the distressed city of Benton Harbor to the thriving lakefront town of South Haven. In response to the educational needs of the region, LMC introduced the LMC Promise in February 2022, a last-dollar program designed to cover in-district tuition for students under 24 years old with family incomes below \$75,000. This innovative initiative, developed in collaboration with local leaders, aims to bridge the funding gap for younger students who may not benefit from the Michigan Reconnect program restricted to those aged 25 and above. With a six-year eligibility period and no high school GPA requirement, the LMC Promise stands out as a promising avenue for increased educational access and affordability in the region.

CONCLUSION

What is next for communities seeking to create a foundation for lasting prosperity and sustainability?

The American Rescue Plan Act (ARPA) and the allocation of \$350 billion in Coronavirus State and Local Fiscal Recovery Funds provided crucial support to state, local, territorial, and tribal governments in their response and recovery from the COVID-19 pandemic. The flexible nature of this funding allowed communities to address the unique needs of their populations and work towards building inclusive and resilient economies. While the initial threats posed by the COVID-19 pandemic have ebbed, communities still face new obstacles on the road ahead.

Finding innovative solutions and embracing new approaches is crucial in overcoming these mounting challenges. Allocating the remaining one-time funds strategically can help create momentum for innovative initiatives that have a lasting impact. However, time is of the essence, and it is necessary to identify reliable pathways capable of sustaining and continuing the efforts initiated by the temporary funds.

By establishing robust institutional frameworks, the progress made with the support of ARPA funding can be preserved and built upon. This ensures that the solutions implemented are sustainable in the long run, fostering economic growth, equal access to opportunities, and a more equitable recovery for all communities.

In the face of adversity, it is through ingenuity and a commitment to collaboration that state and local governments can navigate the uncertain future and create a foundation for lasting prosperity. By learning from the challenges and embracing innovative solutions, communities can emerge stronger, more resilient, and better equipped to tackle future crises.

PROMISE

INVESTING IN COMMUNITY

a project of the W.E. Upjohn Institute

We produce evidence-based strategies for communities seeking to create good jobs and give residents the skills and resources needed to work in those jobs.

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The W.E. Upjohn Institute for Employment Research is a private, not-for-profit, nonpartisan, independent research organization that has studied policy-related issues of employment and unemployment since its founding in 1945.