

FISCAL ROAD TO RECOVERY BRIEF SERIES

A Look at How States are Spending Stimulus Funds

Paving the Road for Infrastructure Development

BY LEO GARCIA AND EMILY MAHER

Infrastructure is a bedrock of society. Our water treatment, communication networks and transportation systems promote health and enable commerce. At its core, the COVID-19 emergency relates to public health. However, the interconnected nature of the pandemic also exposed [deficits](#) in water, sewer and broadband infrastructure. Economic shutdowns in the early days of the pandemic [debilitated government revenue](#). At the same time, work and school went virtual and increased the need for [digital connectivity](#). These factors revealed current system inadequacies and highlighted the need for investment in infrastructure. To address these issues, 40 states and territories have invested roughly [\\$31.6 billion](#) in Coronavirus State Fiscal Recovery Funds (CSFRF) towards water, sewer, broadband and general infrastructure, representing [24%](#) of all allocated funds. This brief outlines the most common uses of these funds towards infrastructure.

Broad Latitude in the Use of Recovery Funds for Infrastructure

The U.S. Department of Treasury's [final rule](#) allows states and territories to invest in "necessary" improvements to water, sewer, and broadband infrastructure. According to the rule, a necessary project is one that achieves or maintains an adequate level of service and is a cost-effective solution considering alternative options. The ruling also permits water and sewer projects that align with certain Environmental Protection Agency categories. For broadband, states and territories are encouraged to prioritize investments in fiber-optic infrastructure and projects that serve households and business without internet access.

General infrastructure projects are typically considered ineligible uses of the fund as a response to the pandemic. Nonetheless, states can fund general infrastructure as a government service, up to the amount of revenue loss they incurred. The final rule also encourages infrastructure projects to implement strong labor standards and prioritize project employers that hire local workers and/or workers from historically underserved communities.

Flexible Funds Under the American Rescue Plan Act

The \$1.9 trillion [American Rescue Plan Act](#) (ARPA) was enacted to help mitigate challenges associated with the COVID-19 pandemic. A cornerstone within ARPA, the [Coronavirus State Fiscal Recovery Funds \(CSFRF\) program](#) provides \$199.8 billion for states, the District of Columbia and the territories to respond to the public health emergency and its economic impacts, and for the provision of government services and infrastructure. The CSFRF is the second round of flexible federal stimulus funds provided to state, territories, local and tribal governments. The first round came from the \$150 billion [Coronavirus Relief Funds](#) (CRF).

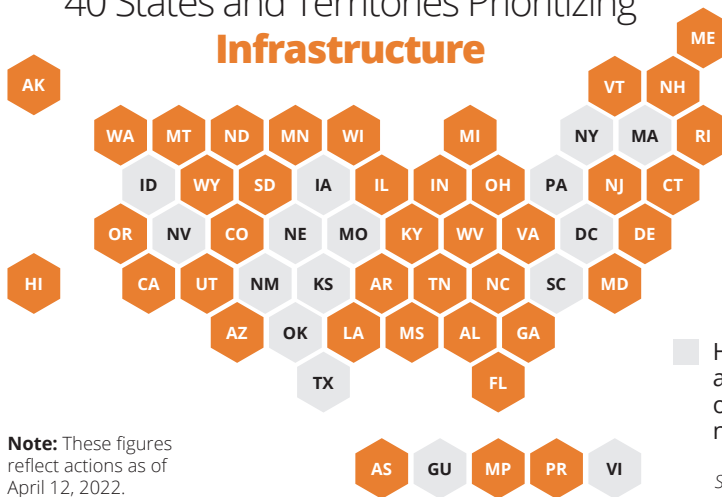


NATIONAL CONFERENCE OF STATE LEGISLATURES

MAY | 2022

24
percent
of all CSFRF devoted
to **infrastructure**

40 States and Territories Prioritizing Infrastructure



Source: NCSL, 2022

Note: These figures reflect actions as of April 12, 2022.

Priorities In Infrastructure

BROADBAND

The closure of schools, businesses and leisure establishments increased [reliance](#) on digital connectivity for learning, working, and socializing. This exacerbated an existing divide between the digital haves and the digital have-nots. In 2019, [21 million Americans](#) lacked high-speed internet access. When the pandemic [accelerated transition](#) to digital life, those without sufficient access to the internet encountered barriers to employment, education, and health. Several states and territories have used fiscal recovery funds to advance broadband infrastructure and digital access, some examples include:



- **Indiana:** \$250 million to the Rural Broadband Fund for broadband grants.
- **California:** \$3.2 billion to construct a statewide open-access middle-mile broadband network.
- **Arkansas:** \$309 million to the Department of Commerce for 32 broadband projects and their administrative costs.
- **Delaware:** \$10 million to the Department of Technology and Information for broadband infrastructure.

DRINKING WATER INFRASTRUCTURE

Access to safe drinking water is **critical** to public health. But access to clean water is not guaranteed. According to the U.S. Water Alliance, **44 million** Americans are served by water systems in violation of the **Safe Drinking Water Act**. Furthermore, increasing **water shortages** due to drought and population growth threaten to overburden domestic drinking water systems. To mitigate these concerns, numerous states and territories have utilized recovery funds for water infrastructure, such as:



- **Alabama:** \$225 million to improve access to clean water through investments in water infrastructure projects.
- **Maine:** \$5 million to support the treatment of drinking water, environmental testing and management of contamination caused by chemical substances.
- **North Carolina:** \$80 million for the Department of Environmental Quality to deposit in the Water Infrastructure Fund for the Drinking Water Reserve.
- **Virginia:** \$50 million to the Department of Health to support equal access to drinking water at small and disadvantaged community waterworks.


More Federal Funds in the Pipeline

The \$1.2 trillion [Infrastructure Investment and Jobs Act](#) (IIJA) signed into law in November 2021 aims to modernize roads, ports, bridges, transit, broadband, rail, and water infrastructure. The Act provides funding for states and territories, direct grants, and credit programs to finance infrastructure projects. NCSL is closely [monitoring](#) the key provisions and resources related to IIJA and its impact on state legislatures.

STORMWATER AND WASTEWATER INFRASTRUCTURE


Increased [urbanization](#) is causing the amount of impervious surface area to grow, which aggravates urban flooding and results in [\\$9 billion](#) in damages every year. Stormwater infrastructure regulates the flow of stormwater and helps prevent flooding, [protecting](#) communities and natural habitats. To comply with current regulations, public investments in stormwater infrastructure must increase by [\\$8 billion](#) annually.

Wastewater infrastructure treats water used by households, businesses and industries before being safely released back to the environment. Inadequate treatment of wastewater poses various [risks](#) to public health and ecosystems. By [2019](#), 15% of wastewater treatment centers had already reached or exceeded their design capacities, and \$81 billion was required to fill this investment gap. States and territories have invested recovery funds in stormwater and wastewater infrastructure to address these deficits. For example:

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- **Northern Mariana Islands:** \$7 million for the expansion of water and wastewater systems.
 - **Florida:** \$100 million to the South Florida Water Management District for projects that reduce harmful discharges to the Caloosahatchee and St. Lucie Estuaries.
 - **Michigan:** \$66 million for pump station backup generators to be used in stormwater pumping stations.
 - **Oregon:** \$15 million to the Department of Environmental Quality for providing financial assistance to public agencies or qualified institutions for the repair, replacement, upgrade or evaluation of residential or other on-site septic systems.

GENERAL INFRASTRUCTURE

General infrastructure is vital for economic development, streamlining the connection between people, goods, and services. General infrastructure includes but is not limited to roads, ports, bridges, railroads and airports. Deficient infrastructure is not only detrimental to physical safety but also results in lost productivity and revenue. Research has found that traffic congestion and delays in air transportation can cost the U.S. economy [\\$155 billion](#) a year. States and territories have made significant infrastructure investments using fiscal recovery funds, including:

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- **American Samoa:** \$20 million for investments in seaport facilities, and \$15 million for investments in airports.
 - **Colorado:** \$182 million to the State Highway Fund, including funding for the Revitalizing Main Streets Program, to help communities implement transportation-related projects and for the acquisition and development of the Burnham Yard Rail Property.
 - **Louisiana:** \$563 million for revenue replacement to the Transportation Trust Fund for costs associated with actual project delivery, construction, and maintenance of transportation and capital transit infrastructure projects of the state and local government.
 - **North Dakota:** \$317 million for state, county and township roads and bridges.

This brief touches on only some of the ways states have used fiscal recovery funds to finance investments in water, sewer, broadband and general infrastructure. Additional examples and program details can be found in [NCSL's allocation database](#).

States, territories and the District of Columbia must obligate their federal recovery funds by December 2024 and spend them by December 2026. Until then, NCSL will continue tracking how these funds are prioritized and allocated.

About the Fiscal Road to Recovery Brief Series

This six-part brief series examines state CSFRF spending priorities a year after the program launched and showcases examples to help inform policymakers as they combat the ongoing impacts of the COVID-19 pandemic.

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