



Local Government's Vital Role in National Economic Recovery

As Congress and the Administration prepare to take action on a MainStreet economic recovery package, local governments are poised to play a vital role in its implementation. We strongly believe that a MainStreet stimulus package should provide funds for investment in our nation's infrastructure, provide support to individuals, and ensure that local and state governments have access to financial markets.

Infrastructure Investment

Fast Facts:

- Local governments own and maintain 75% of the over 4 million miles of public roads, about 50% of the nation's almost 600,000 bridges, and manage 90% of the transit systems in the U.S.ⁱ
- The basic responsibility for building and maintaining water infrastructure is and always has been local, and more than 98% of the nation's investment in water infrastructure has been at the local level.ⁱⁱ
- 87% of the nation's airports are owned and operated by local governing authorities.ⁱⁱⁱ
- Virtually all public schools are owned and operated by local governments.
- Local governments play a major role in building the infrastructure for communication technologies.

The **quickest, most effective way** to create jobs and rebuild our nation's infrastructure is to send federal funds **directly** to local governments. Federal investment in the nation's infrastructure should focus on *both* new and deferred maintenance projects that are "ready-to-go" (i.e. under contract and out the door in 120 days). The benefits of a direct distribution to local governments include speed, simplicity, flexibility, and accountability.

Support to Individuals

We recommend that an economic recovery package provide funds to local and state governments to support individuals through the following programs:

- **Job Training:** Fund job-training programs to help address job shortages while promoting growth in green industries.
- **Public Employment:** Provide local governments with funds to temporarily employ workers over a period of 1-3 years; including newly trained green workers.
- **Unemployment Insurance Extension:** Provide assistance to the growing number of Americans who will exhaust their unemployment insurance by the end of calendar year 2008.
- **Medicaid:** Temporarily increase the FMAP for Medicaid matching funds and pass a portion of FMAP to local governments that contribute to the state share of Medicaid.
- **Food stamps:** Temporarily increase food stamp benefits to immediately assist those in need.

Access to Financial Markets

Much of local infrastructure is financed by the issuance of municipal bonds and because local revenues are collected at different intervals throughout the year, local governments often depend on short-term credit to float between revenue streams. To ensure that local and state governments have access to capital markets, we recommend that Congress and the Administration:

- Instruct the Treasury Department and/or Federal Reserve to directly purchase municipal bonds and short-term notes.
- Raise the bank-qualified debt limit from \$10 million to \$30 million, which will allow small issuers to place their issuance directly with banks.
- Extend Treasury and Federal Reserve authority under the Economic Stabilization and Recovery Plan to ensure that state and local governments have access to the capital markets.
- Require rating agencies to use comparable ratings for all securities. Doing so would better reflect the financial soundness of municipal bonds and lead to lower borrowing costs.

ⁱ The American Public Works Association, <http://www.apwa.net/Documents/safetea-lu/Facts%20about%20America's%20Transportation%20System.pdf> (December 2008).

ⁱⁱ The American Water Works Association, *A National Agenda for Drinking Water*, <http://www.awwa.org/files/GovtPublicAffairs/PDF/Transition.pdf> (December 2008).

ⁱⁱⁱ Airports Council International- North America, http://www.aci-na.org/index/airportsyou_ownership (December 2008).