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Revitalizing Fiscal Federalism: A Modest Proposal for the COVID-19 Crisis

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NEWSLETTER

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Five weeks ago, [we wrote about](#) the shortcomings of the US response to the COVID-19 public health and small business crises and the need for a structural response, particularly the recommitment to, and rebuilding of, our institutions at the local, inter-local, federalist, and federal levels. Given the unprecedented fiscal impact of the crisis, we see the need for a respected federalist intermediary to address the third wave of this crisis—the oncoming state and local fiscal meltdown.

The nation is in dire need of cooperation, efficiency, and effectiveness, and shared objective evidence on which to build such collaboration. The COVID-19 crisis has followed a path that, in retrospect, is as predictable as it is painful. The pandemic-driven economic shutdown has cut off hundreds of billions in tax revenues that enable city, county, and state governments to perform their basic education, security, and safety net functions, without which life in this country will become unbearable and unrecognizable.

Americans are getting a crash course in the separate and intermingled tasks and functions of different levels of government — the federal government, states, counties, cities, school districts and beyond — in our embattled federal republic. They are receiving a civics lesson in how our nation operates, with a growing understanding of the fact that, despite the daily onslaught of media alerts and tweets from Washington, D.C., major powers and responsibilities vest at the state and local level.

These powers and responsibilities are laid bare in the “federalist math”. The federal government generally accounts for only 12 percent of the total funds allocated to K-12 education, while states and localities contribute about 44 percent each. The [federal share](#) of public spending on highways and transit hovers around 25 percent; states contribute 40 percent and localities make up 36 percent. States generally finance and deliver other pillars of national life, including public universities and community colleges which will become critical to give millions of dislocated workers and recent high school graduates the skills and credentials they need to succeed in the post COVID world. States, counties, and cities also drive the funding for those first responders who have risked their lives during this crisis, particularly police, fire, public health, and emergency medical workers.

These are not “fancy” jobs or tasks. They, along with many other shared federalist functions, are the essential building blocks of a

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