

THE BOND BUYER

Republicans target American Rescue Plan's impact as midterms loom

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Published

June 14, 2022, 3:11 p.m. EDT

Is the American Rescue Plan Act, including the \$350 billion sent to states and local governments, responsible for saving thousands of lives and avoiding another Great Depression or to blame for an inflationary trend that could spark a recession as soon as this year?

The answer seems to depend on party affiliation. Democrats and Republicans engaged in a heated hearing on the \$1.9 trillion ARPA during a House Budget Committee hearing Tuesday that offered a glimpse into how the stimulus plan may play heading into fall election season.

Democrats defended the unprecedented injection of direct cash to households, businesses, cities, counties and states while Republicans contended the stimulus funds were unnecessary and have driven inflation rates that last week hit a 40-year high of 8.6%.

Unlike the March 2020 CARES Act, which was a bipartisan effort, no Republican voted for the ARPA, which was passed a year later, in March 2021.

"We spent nearly \$2 trillion of money that we don't have," said Rep. Tom McClintock, R-Calif. during Tuesday's hearing. "It turns out that all that free money is pretty expensive," he said. "You have the gall to tell us that ARPA is doing great things for the economy? You cannot spin the economy."



Union City, Georgia Mayor Vince Williams, president of the National League of Cities, told the House Budget Committee that without the American Rescue Plan funds, the economy in his city would have "collapsed." **National League of Cities**

Democrats argued that the ARPA "laid the foundation for America's unprecedented recovery and economic resilience, and we are in a far better place because of it," according to a June 9 [report](#) from the committee, chaired by Kentucky Democrat John Yarmuth, a chief author of the legislation.

"We were in the deepest recession since the Great Depression and had we not provided the various waves of fiscal support, we would not have had the quick recovery," said Julia Coronado, founder and president of Macropolicy Perspectives, who was a witness for the Democrats at the hearing. "A lot of the thinking was that the recovery would look like [the recovery from the] post-Great Recession, which was very halting and slow, and the main difference was the fiscal support."

If Republicans take control of one or both chambers of Congress after the November midterm elections, as many predict, public finance

advocates [expect](#) them to ramp up scrutiny of how states and local governments have spent their funds.

Stephen Moore, the Chair of the Save America Coalition and a Heritage Foundation fellow who was a witness for the Republicans, said the fraud rate in some of the ARPA programs is as high as 20%.

When Congress was debating the \$350 billion bucket, Republicans were “looking for an Excel sheet somewhere on what states and locals needed,” said Rep. Byron Donalds, R-Fla. “There was none. There was no back and forth that rose to a number; it was just a funding formula they had and they just picked a number out of the air. Now you have a glut of money that gets spent in a reckless way.”

Union City, Georgia Mayor Vince Williams, president of the nonpartisan National League of Cities who appeared as a witness, said he’s never talked to a mayor from either party who opposed the plan.

Without the ARPA funds, “the economy in my city would have certainly continued to do as happened in so many cities, that is, collapse,” he said.

Williams added that the stimulus packages has encouraged cooperation among local and state officials.

“One of the great things that has happened with ARPA is, and not just in Georgia but across the country, is that elected officials at all levels have started to somewhat work together,” he said. “It concerns me a lot, this back and forth with our federal members.”