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The Role of Community Organizations in Shaping Equitable Economic Recoveries

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More than two years from the onset of the COVID-19 pandemic, stark economic, health, and social consequences continue to affect communities nationally, with disproportionate adverse employment, food security, and health care impacts on people of color, people with low incomes, people with disabilities, and immigrants. A historic influx of over $4 trillion in federal funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, American Rescue Plan Act (ARPA), and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) have bolstered localities' ability to meet both urgent needs and invest in long-term, equity-driven programming to mitigate the pandemic's harms. But governments cannot and have not acted alone in steering recovery; they receive support from community organizations to design, deliver, and evaluate the impacts of equity-driven recovery efforts.

In both the immediate period of economic crises and during recovery, community organizations—defined in this brief as nongovernmental, nonprofit institutions with a presence in a local area and a mandate rooted in community needs, including community foundations, local or regional nonprofits, advocacy groups, grassroots organizations, and neighborhood associations—can play crucial roles in advancing equitable and racial justice-driven recovery strategies. As conveners and intermediaries, community organizations can bring together community stakeholders to reconcile priorities, drive consensus toward equity commitments, and engage government to ensure funding investments reflect the needs of the communities they serve. As advocates, they can build support for innovative investments and hold local government accountable to equity commitments. As funders, community foundations can help smaller-resourced nonprofits build capacity for budget advocacy that embeds equity and racial justice in government investments, be that at the school board, city, county, or state level. Through partnerships with research institutions and regional or national networks of multiple localities or nonprofits, community organizations can also bolster transparency about government spending, creating tools like data dashboards or investment fact sheets that clarify allocations and expenditures. Finally, community organizations can bolster the capacity of underresourced local governments, standing up and implementing programs, contributing funding to government equity departments or roles, and facilitating community engagement efforts.

Drawing on Urban's experience providing data and technical assistance for equitable recovery in three cities, this brief discusses how community organizations played each of these roles in COVID-19 economic recovery and presents best practices and lessons learned for how community organizations can shape equitable economic recoveries. Recovery processes call on us not to return to an inequitable and unhealthy baseline, but rather to build toward more equitable and just systems while addressing both immediate harms that directly resulted from the COVID-19 pandemic and the underlying structural inequities that exacerbated those harms among communities of color, people experiencing poverty, and people with disabilities, among other disproportionately impacted people. Community organizations also need support from an ecosystem of actors to enable them to play the critical roles outlined above through partnerships, technical assistance, equity-focused spending guidance, and funding. This brief provides recommendations for these actors, including the following:

- The **federal government** can continue to center equity as a spending criteria as it did with ARPA State and Local Fiscal Recovery Funds, make information about eligible use of funds more accessible, invest in federal and local data infrastructure for equity, and incentivize coordinated use of federal dollars across sectors and jurisdictions.
- **Research organizations and policy think tanks** can provide technical assistance and research support to community organizations by offering flexible contracts that allow for rapid response, facilitating peer learning across community organizations, and researching and promoting best practices and evidence for concrete equitable recovery strategies.
- **Philanthropies**, as both nonprofits and grantmakers, can invest in nonprofits' and grassroots groups' capacity to advocate for priority investments in government budget processes and fill government capacity gaps by funding roles or departments dedicated to equity and racial justice to institutionalize these commitments in government operations and budget strategies.

This brief presents findings from two main sources: the first is learnings in practice from the Urban Institute's work with three community organizations—the Rochester Area Community Foundation in Rochester, NY; Innovate Memphis in Memphis, TN; and the Chicago Community Trust in Chicago, IL—on efforts to align local government COVID-19 recovery spending with local equity goals. This work included providing rapid-response research to support the North Star Coalition's advocacy, developing a dashboard to track federal recovery funds in Chicago, and conducting research to evaluate the inclusiveness of the processes to allocate federal recovery funds in Memphis, Chicago, and Rochester. The second source of findings presented in this brief are insights from interviews with research and policy organizations, foundations, nongovernmental networks, and government officials on their experiences navigating and deploying federal funds and engaging with nongovernmental organizations to center equity and racial justice in economic recovery strategies.

Background

In the spring of 2020, the world changed as the COVID-19 pandemic ravaged communities and magnified long-standing inequities in health and economic outcomes for people of color, people with low incomes, immigrants, and people with disabilities. After enduring its worst GDP contraction on record[1] and losing twice[2] as many jobs as during the Great Recession,[3] the US economy has been recovering now that many Americans are vaccinated and businesses have reopened. However, the COVID-19 crisis widened stark disparities already present before the pandemic. Data from June of 2022 show that Black and Latine adults are still facing losses in employment income, food insecurity, and lack of public health care coverage at rates significantly higher than the national average.[4]

Although the popular aphorism that "a rising tide lifts all boats" implies all will benefit from an improved economy, history shows that recovery measures can exacerbate existing patterns of inequity.[5] Despite the passage of the American Recovery and Reinvestment Act (ARRA) following the Great Recession, racial disparities in labor markets grew and did not return to prerecession levels until 2016 (Boddupalli 2021). Without intentional effort to recover both equitably and inclusively, investments can further entrench disparities, with a tangible cost to the economy. Researchers estimate that failure to close gaps in wages, housing, higher education, and business investment between Black and white individuals cost the country $16 trillion in GDP over the past 20 years (Peterson 2020).

BOX 1

Defining Equity and Considering Equitable Recovery

Equity describes the condition in which one's characteristics—race and ethnic background, sex, gender identity, or zip code of birth, for instance—do not determine life outcomes, or distributive equity, as well as systems in which services are distributed according to need, or procedural equity. Equitable economic recoveries center the disproportionate burdens borne by and distinct needs of populations hardest hit by economic crises, including Black and Latine people, people with low incomes or living in persistent poverty, people with disabilities, immigrants, people who are undocumented, and other groups who have historically received federal and local investments under rates of need, and who have been disproportionately affected by targeted racist policies and structural systems. Equitable recoveries bring communities closer to the conditions described above, and feature responses to both immediate harms in times of crisis, and investments in changing systemic inequities. In the context of COVID-19 federal recovery funding, see the Treasury Department's Final Rule on American Rescue Plan Act State and Local Fiscal Recovery Funds for detailed information on classifications of disproportionately impacted populations eligible for program investments.

Closing these gaps requires a recovery strategy that not only promotes inclusion by expanding access to those who have been historically excluded from labor market opportunities but also recognizes the compounding effects of systemic barriers on the ability of these groups to fully participate in the economy. How resources are invested to target the dimensions of both inclusion and equity is critical in promoting a healthy economy by reducing existing disparities. As the federal government deploys trillions in recovery funding, states and localities have a unique opportunity to not only rebuild from the COVID-19 crisis but also address the root causes of inequities it exacerbated.

BOX 2

Rochester Area Community Foundation

In November 2021, the Rochester Area Community Foundation (RACF) and Leading with our Values (LOV) launched the North Star Coalition (NSC) as a campaign for inclusive recovery. The NSC, whose mission is to get dollars into the hands of those in the Rochester region who have been left on the economic sidelines, is comprised of members in the philanthropic, business, labor, nonprofit, clergy, and education communities. By asking members of the coalition to pledge support for an equitable and inclusive recovery, NSC has been able to count on the backing of elected officials and business leaders as they work to direct funds into the hands of those who have been historically excluded from investment considerations. The NSC, whose mission is to get dollars into the hands of those in the Rochester region who have been left on the economic sidelines, is comprised of members in the philanthropic, business, labor, nonprofit, clergy, and education communities. By asking members of the coalition to pledge support for an equitable and inclusive recovery, NSC has been able to count on the backing of elected officials and business leaders as they work to direct funds into the hands of those who have been historically excluded from investment considerations.

Through the CARES Act, ARPA, and CRRSAA, the federal government is investing over $4 trillion in the country's recovery from the COVID-19 crisis. Much of this total investment consists of flexible dollars going directly to localities, giving local governments far more discretion in to how to allocate funds than in previous federal recovery packages (Stacy et al. 2021). The flexible nature and high volume of these recovery dollars create an unprecedented opportunity for localities to pursue an inclusive and equitable economy.

BOX 3

Chicago Community Trust

As the community foundation for the Chicago region, the Chicago Community Trust (CCT) mobilizes people, ideas, organizations, and resources to improve lives and advance equity in the Chicago region and beyond. With help from the Urban Institute, CCT is developing an infrastructure system to track federal economic recovery fund expenditures in the Chicago area. By increasing the transparency of the federal recovery allocation process, CCT and Urban are ensuring residents have visibility into the decisions being made and that equitable uses of federal recovery dollars are being prioritized by government leaders.

Since September 2021, the Urban Institute has been working with three organizations in Rochester, Chicago, and Memphis to align federal recovery dollars with equity-driven community priorities.[6] The Rochester Area Community Foundation (RACF), the Chicago Community Trust (CCT) and Innovate Memphis are each testing different strategies of engaging with local governments to direct recovery funds towards equitable and inclusive uses. This brief is informed by the lessons learned from our direct work with those partners, three peer learning sessions with the partners and Urban team, desk research, and interviews with 13 practitioners in local government, national and local nonprofits, philanthropy, and academia. We identified interview subjects based on our landscape scan and suggestions from other practitioners and interviewees, aiming for a variety of roles and perspectives. In this brief, we examine lessons for engagement on future federal funds, including the Infrastructure Investment and Jobs Act, and lessons from local-level experiences with program implementation to inform more inclusive and equitable state and federal government recovery responses.

BOX 4

Innovate Memphis

The nonprofit Innovate Memphis specializes in building cross-sector relationships between public and private actors to develop tactical strategies that improve communities and neighborhoods. Throughout the pandemic, Innovate Memphis has paired qualitative data gathered from communities with quantitative data to assess the impact of COVID-19 and recommend near-term policy interventions. The Urban Institute has assisted in this process by providing targeted research products (Walker, Stacy, and Dedert 2022) and data to push equity forward within the city's recovery process.

The Role of Community Organizations in Shaping Equitable Economic Recovery

The public entrusts governments to responsibly deploy funds where they are most needed, and amid the COVID-19 pandemic, federal guidance called for explicit investments in equity-focused efforts. But governments have not acted alone in this effort, with community organizations, philanthropies, and community members supporting the design and delivery of equitable economic recovery programs.

In this brief, the terms community organizations and community groups refer to a range of nongovernmental, nonprofit institutions with a presence in a local area and a mandate rooted in community needs, be that philanthropic funders, local or regional nonprofits, local or regional chapters of national nonprofits, advocacy groups, or grassroots organizations and neighborhood associations. Community organizations may have different financial, staff, and infrastructural capacities, different years of operation in a community, and varying degrees of access to and influence in policymaking processes.

Why Are Community Groups Essential Partners in Shaping Equitable Economic Recoveries?

Community organizations may hold expertise on a particular issue related to their mission that can help governments thoughtfully design policy interventions and programs through federal funding, and they can serve as a core bridge between government policies and the communities they intend to benefit. Community groups with experience in housing, homelessness, youth services, and other programmatic areas commonly featured in recovery plans can help governments align funds to realities on the ground. Groups that fulfill multiple mandates or serve a broader community can help governments develop a holistic understanding of pressing community needs and who may most benefit from investments. In some cases, community organizations' COVID-19 engagement can be a natural extension of existing organizational commitments. For instance, before the pandemic, the Chicago Community Trust had established a 10-year plan for closing the racial wealth gap, positioning them to immediately engage in addressing a crisis that exacerbated racial inequities; similarly, in Tennessee, Innovate Memphis has long engaged in city innovation efforts, developing relationships with public- and private-sector groups to address community challenges. In other cases, the pandemic prompted existing organizations to create new networks committed to inclusive economic recovery, like Rochester's North Star Coalition.

Additionally, community organizations can fill government staffing capacity gaps at a time when state and local revenues have substantially declined (McFarland and Pagano 2021). For example, although ARPA State and Local Fiscal Recovery Funds (SLFRF) allowed subnational governments to replace revenues and generate new programs to address both the immediate devastation of COVID-19 and its long-term effects, interviewees noted that governments may lack capacity to design, implement, and manage these programs over time. Interviewees also noted that staffing shortages and hiring difficulties exacerbated persistent government capacity challenges during this period. To help address these capacity challenges, community organizations can stand up recovery projects, collaborating with governments to fulfill programmatic goals.

The sustainability of a dynamic in which nongovernmental organizations fill roles or supplement activities traditionally carried out by governments warrants deeper consideration. Chronic government underfunding has made nonprofit engagement a necessity in meeting community needs, but the appropriate distribution of responsibilities among different sectors is a matter of debate. In the short term, community groups' funding, staffing and organizational capacities, and community connections can be crucial assets for governments, especially when managing sudden economic upheaval. In the long term, public-sector resourcing and staffing must increase for governments to deliver on core services, fulfill public service responsibilities, and steer structural policy change toward equity and racial justice.

What Roles Can Community Organizations Play in Shaping Equitable Recoveries?

- **Community organizations can be conveners, helping to set the table to build alignment around an equity agenda**. Community groups can bring together nonprofits, philanthropic organizations, governments, private-sector organizations, and community members to work toward consensus and inclusion on pressing issues, and to identify areas where different organizations' respective skills and resources can be most influential. Nonpartisan community groups can provide a neutral platform for recovery planning and collaboration.
- **Community organizations can help create shared equity frameworks for allocating funds** by working with policymakers to ensure funding allocations prioritize populations hardest hit by both the pandemic's acute, immediate effects and its long-term consequences. Though government engagement with community organizations should not replace direct relationship building with community members themselves, engaging with organizations with topic-specific missions or deep community relationships can help governments consider a range of constituencies and programmatic areas in their recovery response.
- **Community organizations can help prioritize uses of funds that will have an equity impact.** Community groups can advocate to put specific, innovative programs on government's spending agendas, especially for flexible funds flowing from the government directly to localities to use at their discretion. They can also advocate for inclusive procurement practices related to those programs such that funds reach organizations and businesses led by people of color, women, and other people that are disproportionately impacted by the pandemic yet often underrepresented in government procurement. Finally, community groups can also coordinate with governments, anchor institutions, and private-sector groups to commit funds that prioritize community equity goals.
- **Community organizations can create transparency and accountability for equity impact.** Governments must comply with federal reporting requirements, submitting federal funding allocation plans and expenditures. But before governments centralize and report this information, people may need to rely on multiple sources to learn about funding allocations and recovery programs. Community groups can help fill these knowledge gaps by compiling funding information relevant to their focus areas into resources like data dashboards or fact sheets that bolster transparency about where and to whom funding flows. These tools can help community members, advocates, and other nongovernmental organizations understand where funds have been allocated and where there may be opportunities to either leverage funding influxes or advocate for greater investment in their areas of focus.

There is mutual benefit to equity-focused partnerships between governments and community organizations, but to enter and embrace these partnerships, government officials must first show political will to engage on equity issues. Interviewees from community organizations noted that aspects of recovery from the COVID-19 pandemic, like clear federal or state guidance on funding programs or budget transparency, were secondary to political leadership in initiating and sustaining equitable recovery strategies. The below sections describe ways community groups have engaged and could continue to engage in efforts toward equitable economic recoveries in conditions where governments are willing partners committed to equity agendas. Though these findings focus on the use of federal funding allocated for COVID-19 pandemic response and recovery, insights on applying federal recovery funds toward equitable outcomes may also capture lessons for broader federal and local government spending and investments in equity-driven policies.

Community Organizations Can Be Conveners, Helping to Set the Table to Build Alignment around an Equity Agenda

Governments must move fast to deploy recovery dollars and respond to urgent needs, but without a transparent process that incorporates a variety of diverse voices, a quick pace can yield outcomes that either are or are perceived to be unfair. Several interviewees in local government noted the difficulty of mobilizing substantive and transparent engagement processes around the potential uses of ARPA dollars, as many were still in “crisis mode” and grappling with fallout of the pandemic when these funds were made available. However, without engaging a wide range of stakeholders to understand the specific ways the COVID-19 crisis has impacted their lives, local governments are likely to miss critical community needs and priorities when allocating federal recovery dollars as well as opportunities to establish trust with communities served. Government transparency is a crucial component in building trust with residents, which in turn is essential in designing meaningful engagement opportunities and cultivating public buy-in for proposed spending uses. Local governments with a history of public distrust among people of color and other groups they have excluded from engagement efforts must work especially hard to build a greater degree of transparency into their processes and intentionally engage with historically excluded groups.

Community organizations can play a key role in these processes by acting as an intermediary between governments and a broad range of local actors invested in the recovery process. By regularly convening these stakeholders around a shared equity agenda, community organizations can help local governments create a transparent decisionmaking process that fosters alignment and builds momentum toward inclusive recovery goals. Community foundations are uniquely positioned to bring together a diverse group of cross-sector actors because they occupy dual roles as both philanthropic funders and community organizations.

RACF leveraged its relationships within the political, business, and labor communities to build commitment and political will for equity-informed federal recovery spending through the North Star Coalition. Asking members, including both of New York’s congressional senators, to publicly pledge their support to an inclusive and equitable recovery allowed RACF to center equity in every discussion with elected officials and local leaders on the potential impacts of recovery dollar expenditures as they determined ARPA allocations. The pledge has proven critical in RACF’s efforts as a visible promise to the public, an accountability tool for leaders to fulfill their commitments, and a mechanism for prioritizing equity within discussions on federal recovery spending.

Partnering with community organizations to align and mobilize equity goals can also help local governments build capacity quickly and minimize duplicative efforts. Several of the organizations involved in this project have equity plans or initiatives developed in partnership with community members that share overlapping goals with their local governments. The Chicago Community Trust's 10-year plan to close the racial wealth gap and the Rochester-Monroe Anti-Poverty Initiative's 2020 Community Needs Assessment both outline key equity concerns and were heavily informed by community input. Local governments can leverage the time and outreach that went into plans like these and work toward shared goals rather than starting from scratch when crises occur. Aligning these efforts can also help minimize engagement fatigue for communities that have been through many similar processes and may not feel as though their input led to tangible results.

In an effort to engage local leaders while addressing the challenges of the pandemic, many localities also developed task forces in response to the COVID-19 crisis. However, in several cases, these task forces were largely driven by industry or government and only engaged with large, well-established nonprofits. Government bodies may not be aware of smaller nonprofits operating within neighborhoods and communities—or they may be aware but unwilling to engage with them—but community organizations and foundations typically work with and fund a wider variety of organizations with closer ties to residents. Partnering with community organizations and foundations when assembling task forces can widen the aperture of local governments to ensure grassroots organizations have more opportunities to participate in advisory and decisionmaking tables.

Regional community organizations can also support local governments by enhancing coordination across sectoral and jurisdictional lines. Localities that collaborate with their counties and states can maximize their federal recovery awards by tackling large-scale, systemic solutions, but many do not have the capacity to do so. Incentivizing states to coordinate recovery efforts with their local governments is one way the federal government could support initiatives like Accelerator for America's Stimulus Command Centers. By creating a centralized organizing model for public-, private-, and civic-sector leaders, Stimulus Command Centers are serving as the "local go-to points" for the planning, prioritization, and coordination of federal recovery investments in seven cities. The Transforming Cities Lab is working to create sustainable cross-sector "coordination hubs" for equitable recovery efforts through public-community organization collaboration in three jurisdictions (box 5). This form of network governance enables actors across sectors and jurisdictions to coordinate resources and leverage capacity from regional organizations and anchor institutions. Such collaboration can also enable the braiding and blending of available sources of capital to not only amplify efforts but also reduce waste.

BOX 5

Building Capacity for Setting Equity Agendas: Transforming Cities Lab

The Transforming Cities Lab is a peer learning project launched in March 2022 between the Brookings Institution and nonprofit and city leaders from Cleveland, Ohio; Detroit, Michigan; and Saint Paul and Ramsey County, Minnesota. The Lab aims to "model how to build civic capacity for maximizing use of federal funds and spurring sustainable investment in inclusive and equitable growth." The need for models of effective public-nonprofit collaboration emerged quickly following the announcement of ARPA's flexible State and Local Fiscal Recovery Funds. "It became clear that not only were public entities understandably unprepared to gear up right away," reflected Lavea Brachman of the Brookings Institution, "but nonprofit networks also were grappling with their role partnering with the public sector for deployment of these funds, and the philanthropic sector too has been evaluating its role as well." The Brookings team decided to create the Lab to help member localities develop effective models for engaging these community organizations with the goal of creating a table for transparent and inclusive priority setting that could last beyond ARPA. The three members were selected through an invitation RFP based on criteria that included policy objectives, capacity to bring public and private stakeholders to the table to serve as a coordination hub for prioritizing ARPA spending, and willingness to share learnings in real time.

Early lessons from the Lab's work to date shared in interviews include the following:

- To use federal funds for equity, we need to build systems to work across sectors and jurisdictions. Brachman reflected that "localities are not used to thinking and acting across silos" which could result in ARPA funds being used for a fragmented list of special issue requests instead of funding fewer more strategic priorities with transformative potential. Investing in coordination hubs can create cross-sectoral coalitions to break down silos.
- Local leadership and capacity are key to success. Community organizations having strong leaders with experience navigating the public sector can drive successful public-community organization collaboration. To scale the models developed by the Lab, it will be key for national nonprofits and philanthropies to step up to build local community organization leadership capacity at scale.
- Braiding funds across federal programs can amplify impact. Setting persistent tables for prioritizing public spending that are not tied to a specific federal program can enable creative thinking outside of legislative silos, such as how to blend or braid Infrastructure Investment and Jobs Act and ARPA funds together to maximize impact. The Lab is working to develop tools that can help localities align spending across funding streams.

Community Organizations Can Help Create Shared Equity Frameworks for Allocating Funds

Once the table is set for transparent and inclusive decisionmaking about uses of federal funds, localities need actionable equity frameworks—or a shared definition of equity and process for incorporating equity into decisions—to effectively center equity in decisions about uses of funds. Interviewees observed that the localities that are most effective in this process are those that had already implemented and institutionalized an equity framework, yet most localities did not have such a framework in place before the federal recovery funds were on their doorstep. As Courtney McNeal from Innovate Memphis reflected, this requires localities to develop new processes "on the fly" and while in crisis mode.

Where equity frameworks aren't already in place, community organizations play a critical role in pushing localities to center equity in decisions about how to use federal recovery funds through budget equity advocacy, or efforts to shape both the process by which decisions are made and where resources are allocated. Several experts we interviewed highlighted that the unique flexibility of ARPA's State and Local Fiscal Recovery Funds created both an opportunity for catalytic investments to advance racial equity and an incredible need for strong budget equity advocacy from community organizations. PolicyLink's recent research highlighted community advocacy and partnership as a key driver of equitable ARPA investments. They lift up the example of Los Angeles County, where the Coalition for Equitable ARPA Implementation "successfully advocated for the County Board of Supervisors to adopt a set of equity principles (including using the funds to reduce racial inequities and not for policing or incarceration), an equity funding formula to distribute the resources based on an index of community need it created, and a public dashboard to track ARPA funding. Of the County's $1.9 billion, 75 percent is going to the neighborhoods hardest hit by the pandemic."

Yet several interviewees cautioned that examples like the Coalition for Equitable ARPA Investment are the exception, not the norm. Christa Brown from the San Francisco Foundation noted, "a lot of the infrastructure wasn't there [for budget equity advocacy]. We have many advocates, but they weren't engaged in budget advocacy in a really meaningful way nor did they have the tools or data they needed to do so." Budget advocacy infrastructure requires both support for grassroots organizations to build power and staffing as well as funding for community organizations providing scalable technical assistance to help grassroots organizations understand the intricacies of state and local government budget processes and decipher federal legislation to effectively influence decisions. Interviewees noted that the cyclical nature of funder interest in budget equity advocacy has made it challenging to build sustainable infrastructure: following a crisis, funders respond by supporting efforts to build budget capacity, though by the time that capacity is built, it is often too late to influence key decisions. Momentum and support dwindle as the crisis recedes and the capacity efforts are not sustained, leaving communities in the exact same position when the next crisis occurs. New models, such as the Budget Power Project, are needed to break the cycle and build sustainable capacity (see box 6) and to ensure that communities most in need of equity-driven programs do not carry undue advocacy burden. National organizations such as PolicyLink and the Government Alliance on Race and Equity play key roles in developing equity tools and frameworks that localities can adapt to develop their frameworks suited to their specific context.

BOX 6

Budget Power Project

The Budget Power Project is a partnership between Catalyst California (formerly Advancement Project – California), the California Budget & Policy Center (Budget Center), and the Million Voters Project of California Calls working with an alliance of state-based networks and coalitions representing almost 100 organizations across California working towards racial justice. Planning for the Budget Power Project began in November 2021 following a surge in demand for local budget equity advocacy capacity to guide use of federal recovery funds; Chris Hoene from the Budget Center and Budget Power Project recalled receiving an "onslaught of requests" from local foundations across California seeking information on how the funds could be used to advance equity. The Budget Center didn't have the capacity to respond to all these requests, but they also knew that they would not be able to refer foundations elsewhere given a lack of local infrastructure. Hoene recalled similarities to conversations "on the heels of the aftermath of the Great Recession. Everyone was having the conversation about how the cuts had dramatically fallen on communities of color and low-income communities, and what could we do about that?" Despite having many conversations with funders about the need to create local infrastructure for budget equity advocacy, Hoene found that no one was willing to fund that work. By 2021, the landscape had changed; the power-building apparatus had matured and, despite being "out-resourced and under-capacity," the Budget Center had achieved some early local and state wins to build funder understanding the importance of budget equity advocacy. Funder portfolios were also strong enough through the pandemic that funders were now willing to make the longer-term commitments needed to do this work.

> "This won't work unless there are local grassroots power-building efforts that are led by people of color or people representing communities of color trying to build power to fight these local, county, and school board budget fights."
> —Chris Hoene, Budget Center and Budget Power Project

Since November 2021, the Budget Power Project has been fundraising to build grassroots capacity, such as funding local advocacy organizations to hire budget analysts. Hoene relayed that focusing on grassroots capacity is key to ensure that the "long-term civic infrastructure" is in place to influence upcoming budget allocation decisions from the outset, particularly with threat of a recession and local budget cuts looming. The Budget Power Project also surveyed 100 of their local partner organizations to understand their technical assistance needs and learned there is significant need for general capacity building—including training to understand state and local budget processes, how to read budget documents, and follow funding flows—that surpasses what the three founding organizations can provide. They are starting the process of identifying regional anchors in eight regions of California that will serve as primary partners in providing local technical assistance. The Budget Power Project will regrant funds to these anchor partners to help them hire staff to support this effort.

Community Organizations Can Help Prioritize Uses of Funds That Will Have an Equity Impact

Community organizations can help local governments translate high-level equity agendas into a concrete set of programs that will have a significant equity impact. One dimension of this work is targeting federal recovery funds to disproportionately impacted communities. The Treasury final rule for the ARPA State and Local Fiscal Recovery Funds provided recipients flexibility in equitable targeting of funds by "[presuming] that certain populations were disproportionately impacted by the pandemic and therefore automatically eligible to receive responsive services" while allowing recipients to justify providing responsive services to other communities by providing evidence of disproportionate impact by the pandemic.

The Treasury Final Rule significantly changed the definition of disproportionately impacted communities from the Interim Final Rule, which much more narrowly identified these communities as located in Low-Income Housing Tax Credit Qualified Census Tracts. Jasmine Clemons from the Baltimore County Office of Government Reform and Strategic Initiatives noted that the release of the Final Rule gave the County the necessary flexibility to target funds to meet community need. Comporting with the federal guidance outlined in the more flexible Treasury Final Rule, the County used data to create their own expanded definition of disproportionately impacted communities by integrating national definitions like the Low-Income Housing Tax Credit Qualified Census Tracts with locally specific measures, such as public safety hotspots and vulnerable housing areas, to create a better picture of need. "It was like night and day," Clemons stated. "[The county's definition] matches the areas of need we saw... and if we're focused on recovery and those hardest hit, this is better data to use because I think it's more prescient, it's current, and it's based on more than just income." It was possible for the County to quickly do this analysis because of the extensive work they had done before the pandemic to establish the data infrastructure for such analysis, including establishing data-sharing agreements across departments, creating geographic information systems, and building staff capacity. Many localities don't have the data infrastructure or in-house data analytic capacity to do this work, particularly in a crisis scenario where local government capacity is already stretched thin. Community organizations can provide a key capacity support for local governments by providing data analysis support. For example, the Coalition for Nonprofit Housing & Economic Development "surveyed affordable-housing-property owners in the Washington, DC, region to track changes in rent delinquency rates and help city agencies determine how to target financial assistance to tenants and landlords."[7] The Coalition for Nonprofit Housing & Economic Development is one of 17 community organization grantees in the Robert Wood Johnson Foundation and Urban Institute Using Data to Inform Local Decisions on COVID-19 Response and Recovery grant program.

Several experts we interviewed highlighted the length of time between the release of the Interim Rule in May 2021 and Final Rule in January 2022 as a barrier to rapid deployment of funds. According to Teryn Zmuda from the National Association of Counties, "even though Treasury made it clear you could use the Interim Final Rule during that time period [between the release of the Interim and Final Rules] and have those uses be eligible, there was still trepidation around pushing funds out the door before the Final Rule was released." Reducing the time between the Interim and Final Rules or providing more flexibility in identifying disproportionately impacted communities and clarity about using funds during the interim period would have helped localities more effectively use that time to identify how to equitably target funds.

Another dimension of advancing equity through federal recovery funds is ensuring (1) that minority-owned, women-owned, and disadvantaged businesses can effectively compete for contracts funded by these federal dollars and (2) that business development capacity exists to ensure local business communities reflect the populations in the areas where they operate. According to PolicyLink, such a "successful inclusive procurement program of action is key to not only providing jobs, but also to closing the wealth gap." Community organizations can play a key role in supporting inclusive procurement efforts for federal recovery funds. For example, the New Economy Initiative (NEI) in Detroit launched the Wayne County Small Business Hub to help minority- and women-owned businesses more effectively access public funds through every stage of procurement. The plan for The Hub grew out of data analysis conducted by NEI on understanding barriers to inclusive procurement and technical assistance gaps for Detroit BIPOC businesses. Lavea Brachman of the Brookings Institution shared that in response to NEI providing clear data and capacity to support inclusive procurement, "we're seeing leadership from the city come to the table. If [leadership] can be transparent about the challenges [to inclusive procurement] then NEI can step up to fill technical assistance gaps."[8]

Community organizations can also play a critical role in putting specific innovative programs on the agenda for use of federal funds. Sarah Treuhaft with the Institute on Race, Power, and Political Economy noted that "oftentimes if there is a standout equity investment, there was an advocacy group that was vocally calling for that type of investment ... and when that happened, it was always because there were advocacy organizations demanding it, going to council meetings, talking to their councilors, campaigning for it." Treuhaft pointed to the example of Boston, where advocates campaigned for ARPA funds to be allocated to the City of Boston Acquisition Opportunity Program that provides loans for buying occupied multifamily rental properties and funding prioritized for community land trusts to provide affordable housing. Community organizations can also work in coordination with public and private actors to take a place-based approach to coordinating multiple equity programs for impact through an investment playbook model (box 7).

Local and national research organizations play a key role in providing credible evidence to help bolster the arguments of local advocates. In Urban's work with the Rochester Area Community Foundation and the North Star Coalition (NSC), we provided rapid-response research to support North Star Coalition advocacy around specific potential uses of federal recovery funds, such as participatory budgeting, guaranteed basic income programs, and affordable housing. Our team helped connect NSC leaders with relevant experts and synthesized published research into digestible briefs that could be disseminated to policymakers by NSC to support their advocacy efforts. Although the research leveraged was publicly available, Urban's direct partnership with RACF removed the barriers to identifying and synthesizing the relevant evidence, making it easier for RACF to leverage it in their work. Several experts we interviewed noted that the complexity of federal legislation often made it difficult for local governments and community organizations alike to determine whether a given program would be an allowable use of funding. Teryn Zmuda from the National Association of Counties noted that their organization "received thousands of questions about eligible uses" from county governments seeking clarity and specificity on eligible uses of funds under the federal guidance so they could plan appropriately and remain in compliance. Though experts acknowledged that the federal government has taken steps to facilitate understanding of these large-scale programs, such as publishing frequently asked questions documents about the ARPA SLFRF Interim Final Rule and Final Rule and the recent publication of the Bipartisan Infrastructure Law Guidebook, some interviewees shared that the barriers are still prohibitively high to interpreting the legislation. One interviewee expressed that published guidance is oriented for lawmakers and regulators and is not designed to be easily usable for community organizations. The federal government needs to push further to make the rules surrounding federal legislation more accessible to community groups and fund technical assistance infrastructure to support community organizations in this work.

BOX 7

Building Coordination Capacity: Drexel Nowak Metro Finance Lab Investment Playbooks

Identifying the immense opportunity presented by the high number of federal recovery dollars being awarded directly to states and localities, the Drexel Nowak Metro Finance Lab began working with local practitioners to develop "investment playbooks" that detail specific strategies for equitable economic development projects. In El Paso, TX, the Nowak Lab worked with philanthropic and economic development leaders to design an Investment Playbook for a major health corridor that leverages multiple sources of capital and strategically prioritizes shovel-ready and shovel-worthy investments to spur equitable economic growth. These on-the-ground playbooks differ from recovery plans by identifying investments specific to their regional geographies that are both ready to be launched and equity-driven. By providing investors and local leaders the opportunity to pursue mutually beneficial economic development goals, investment playbooks bring a practical emphasis to the design, delivery, and implementation of federal recovery projects.

Community Organizations Can Create Transparency and Accountability for Equity Impact

A historic influx of funds across several major federal funding programs necessitates robust data tracking systems to identify where funds are flowing, how localities allocate and distribute them, and to what extent spending plans map to equity goals and outcomes. In their processes of tracking federal funds flowing to localities, several interviewees described the challenge of knowing exactly where funds are being distributed—especially for early CARES dollars, over which jurisdictions had broad spending discretion. Interviewees described sourcing information from multiple government websites, reports, press releases, and data dashboards, and described facing the challenge of reconciling different reporting templates. For instance, jurisdictions' recovery plans for local ARPA spending may feature different spending categories than those in the Treasury Department's expenditure report requirements, making it challenging to crosswalk funding line items. Even in cases where allocation information was transparent and accessible, interviewees noted that information on where and to whom funds have been distributed is more challenging to identify. Program-level ARPA data, such as information on recipients of a local small business grant or successful Request for Proposal bidders, and the zip codes or neighborhoods associated with those funds, may be released on different time frames and in different formats depending on the program's administering agency.

Data time lags are a challenge across federal program reporting and can constrain the ability to identify real-time outcomes and impacts. For community organizations, especially grassroots groups that may have fewer formal relationships with or less access to policymakers, one interviewee noted that there can be a sense that by the time allocation or expenditure information is made public, an opportunity has passed to influence the budget process. And though expenditure data will naturally be produced and released only after allocations are determined and funds are disbursed, lags between published allocation and expenditure data may give the public a false impression that funds have not been spent, and therefore may not have been urgently needed, and that governments cannot be trusted to be responsible funding stewards. Several interviewees also noted that community organizations can use data on program spending and impacts to both hold government accountable to its equity commitments and tell the stories of where funding has had significant equity impact to counter narratives of government incapacity and build public support for equity funding. However, interviewees noted a need to balance reporting burden with calls for greater transparency, and raised opportunities for third-party organizations to step in to fill data capacity gaps. Overburdened and underresourced governments are balancing reporting compliance with the ongoing business of standard government operations and continual response to the pandemic's health and economic effects.

To advance transparency on federal funding flows and local spending plans, research and policy organizations, national government networks, and community organizations have created tools to help track federal funds. The Brookings Institution, the National Association of Counties, and the National League of Cities have developed a Local Government ARPA Investment Tracker that captures 329 local government allocation plans. The Urban Institute and the Chicago Community Trust developed a dashboard that tracks federal funds flowing to Chicago, Cook County, and Illinois with allocations relevant to the Trust's institutional focus areas, including housing, community investments, and economic development. The dashboard also highlights select programs for which zip code-level data is available to help users visualize the share of funds disbursed to particular neighborhoods mapped against information on income and race in those geographies. PolicyLink produced a report exploring how well cities' ARPA plans incorporated racial equity as a core component of their recovery strategy, highlighting standout investments and implementation approaches that can serve as a reference point for other localities.

Data partnerships between research organizations and community-level groups, such as between Urban and the Chicago Community Trust, also reflect dimensions of equity and access. In peer learning sessions with Shared Prosperity Partnership participants, one person noted the time intensity of capturing the full scope of spending programs and the benefit of having a research partner to undertake this work. However, not all community organizations have access to dedicated research or technical assistance partners, resulting in varying capacities to monitor, track, and use data to inform their own approaches to equitable recovery.

Dashboards and data tools can tell the story of government spending priorities and can provide foundations for accountability and advocacy. For instance, an organization committed to affordable housing may use data dashboards to not only identify total dollars flowing to housing in their community but also compare these allocations relative to other jurisdictions or to the scale of need. Where large funds have been allocated in a given programmatic area, organizations may see an opportunity to leverage investments to advance their missions. In contrast, where fewer funds have been allocated, organizations may strategize to identify alternate funding sources to braid with federal funds or to advocate for greater investments in future fiscal years. Nongovernmental and research organizations can help surface this information by developing and continually updating publicly accessible data tools that showcase recovery narratives.

BOX 8

Building Equity Capacity: Philanthropy Funds a Chief Equity Officer in Chicago City Government

In 2019, the City of Chicago created its first Office of Equity and Racial Justice to steer institutional changes in the City's approach to its equity efforts across all departments. The City hired its first Chief Equity Officer to lead the department with funding support from several community philanthropic organizations, including the Chicago Community Trust. Philanthropic funds will support the role in its first years, after which the role will be entirely government-funded. Though the hiring preceded the pandemic, the Chief Equity Officer played a central role in the City's equitable COVID-19 recovery efforts.

While philanthropies have historically funded nonprofits, this model of funding government roles can be a powerful approach to bolstering governments' long-term ability to advance equity through dedicated offices and leadership staff, and to helping them transition funds for these purposes over time. Through relationship building with grantmakers, and through collaboration among multiple funders, governments with limited resources can blend funds to ensure that internal financing or staffing constraints do not lead to sidelined equity and racial justice commitments.

Recommendations and Conclusion

The scale of the COVID-19 pandemic and its wide-ranging health, economic, and social consequences have prompted historic investments in economic recovery and equity, and with them come opportunities for community organizations and nongovernmental groups to shape inclusive and equitable investment strategies. These organizations serve as conveners, grantmakers, community engagement strategists, trusted information sources, and advocates, and they benefit from committed partnerships with other key actors in recovery efforts and policy sectors, from the federal government as a funder and issuer of spending guidance, to research institutions that provide technical assistance and evidence bases for recovery strategies. The federal government will continue delivering funding to local governments through ARPA, the Infrastructure Investment and Jobs Act, and provisions of the Inflation Reduction Act, and future economic downturns could prompt new federal assistance packages. As policymakers consider lessons for future economic crises, the following are recommendations for key actors in recovery efforts to amplify the impact of community organizations and local-level groups working to ensure funds advance equity and economic inclusion:

Federal Government Policymakers

- **Issue clear equity mandates in funding with flexibility to adapt prioritization to local conditions.** The federal government should continue to include equity mandates in large-scale federal programs to bring local governments to the table to work with community organizations to align federal funding with local equity goals. As was done through the ARPA Final Rule, federal agencies should also continue providing flexibility in defining priority populations to enable localities to work with community organizations in developing equity-oriented plans that reflect lived experience. These flexible mandates should be included from the outset, because the lack of flexibility in the ARPA Interim Final Rule and delay in publishing the Final Rule created confusion and delayed urgently needed action.
- **Make information about eligible uses of funds more accessible**. Although the federal government has taken admirable steps to make information on eligible uses of funds more accessible—such as publishing FAQs or the recent Guidebook for the Bipartisan Infrastructure Law—interviewees shared that critical information about eligible use of federal funds is still inaccessible to many community organizations without external technical assistance. The highly technical nature of information about how federal funds can be accessed and used may prevent smaller community organizations—including many of those embedded in the communities targeted by federal equity mandates and often best positioned to meet their needs—from applying for competitive grant funding or successfully advocating for innovative uses of funds that meet community equity goals. Making information about federal funding availability and eligible use accessible to community organizations will be key to advancing the government's racial equity goals. The highly technical nature of information about how federal funds can be accessed and used may prevent smaller community organizations—including many of those embedded in the communities targeted by federal equity mandates and often best positioned to meet their needs—from applying for competitive grant funding or successfully advocating for innovative uses of funds that meet community equity goals. Making information about federal funding availability and eligible use accessible to community organizations will be key to advancing the government's racial equity goals.
- **Create data infrastructure for equity.** The Biden administration's Equitable Data Working Group has recommended that the federal government invest in building capacity for robust equity assessment in policymaking and program implementation to achieve the aims of the administration's executive order on racial equity. Their recent recommendations report notes positive steps that the government has taken toward this goal through ARPA, including establishing new reporting requirements for key ARPA programs to understand how historically underserved communities are accessing resources and allowing SLFRF recipients to use funding to build data analysis capacity.[9] Although these are positive steps, additional federal action is needed. The federal government could revise reporting requirements across

federally funded programs to improve reporting and release of the most salient data for community organizations advancing equity, such as combining allocation and spending data, providing more timely spending data in easily usable forms, such as CSV files and other machine-readable formats, and collecting disaggregated data on program participation and outcomes. At the same time, the government could reduce or streamline other elements of reporting requirements to not raise overall reporting burden. The federal government should also provide more and consistent funding to enable localities to build robust and sustainable data infrastructure. This is key to ensure that equity analysis capacity is already in place when a crisis occurs to effectively invest resources and measure outcomes from the outset.

- **Incentivize coordinated response across sectors and jurisdictions.** Coordinating the use of federal funds across sectors and jurisdictions can maximize investments' equity impacts. Although we highlight some successful models that emerged around ARPA SLFRF spending, interviewees wondered how to incentivize actors coming to the table without a similarly massive influx of funds. The federal government could provide funding for such table-building efforts and incentivize cross-jurisdiction coordination in competitive grant applications.

Research Institutions

- **Lead and support peer learning networks among community groups.** Research organizations can help build communities of practice among nonprofits and governments alike, creating platforms for groups to exchange best practices, explore solutions to different challenges, and identify opportunities to collaborate. Efforts like the Kresge Foundation–funded Shared Prosperity Partnership between the Urban Institute and Brookings Institution, or the Brookings Institution Transforming Cities Lab, offer models for supporting city-level institutions in their approaches to economic recovery.
- **Translate complex federal policy, guidelines, and data releases to help position community organizations to navigate and take advantage of resources.** Amid an influx of federal funding programs, research organizations can help translate funding guidelines and policies to help organizations understand and seek out funding opportunities, including opportunities to merge multiple funding sources to reduce duplication in funding applications. Research organizations can also analyze allocation and expenditure data to help organizations understand where spending may align with their organizational focus areas, or where there may be opportunities to advocate for greater investments.
- **Adopt flexible contract terms to fulfill rapid response research or technical assistance requests.** When entering partnerships with community organizations, consider both concrete deliverables and terms that allow for research requests or technical support that can respond to organizations' changing priorities in times of economic crisis and recovery.
- **Research and promote best practices and evidence bases for concrete equitable recovery strategies.** In addition to translating policy, research groups can surface evidence on what strategies can advance economic mobility and for whom, which metrics can best capture

dimensions of equity, and how to implement recovery policies and programs. Research organizations can also evaluate equity outcomes of early fund disbursements in pandemic response. Community organizations and policymakers can benefit not only from conceptual frameworks on equity but also from examples of practical applications of equity strategies.

Community Foundations and Philanthropic Institutions

- **Support local capacity building both in nonprofit and government sectors.** Grantmaking to nonprofits can power efforts to address community challenges, but philanthropies can also fund governments to support their racial equity efforts in the long term. Governments seeking to better integrate equity and racial justice into not only economic recovery planning but also broader governmental operations may struggle with funding these efforts both in general and amid acute recession periods like the one caused by the pandemic. Funding dedicated staff or departments, such as equity officer positions, as opposed to one-off initiatives, can help governments sustain their equity efforts over time. Moreover, much like the federal government could do, philanthropies could fund efforts to bring together representatives from different sectors to coordinate economic response.
- **Support budget equity advocacy capacity among nonprofits.** Nonprofits, especially grassroots organizations, need resources for sustained engagement in local budget debates. When a recession hits, it may be too late to invest in the grassroots advocacy infrastructure necessary to inform allocations. Inclusive recoveries in times of economic crisis are more achievable when existing budgets and investments already embed equity commitments, and this requires nonprofits to be engaged in budget decisionmaking processes on a regular basis. Investing in nonprofits' capacity for continuous budget advocacy can help them set the foundation for more stable, equitable economic recoveries in the future.
- **For larger philanthropies, invest in community-level foundations with local ties.** Large philanthropies and community foundations can play complementary roles in economic recoveries. Community foundations are likely to be more closely attuned to the needs, challenges, and dynamics of the communities in which they operate than large philanthropies that may fund work across broader geographies. Large philanthropies may have more funding and convening power to share learnings across localities. Philanthropies seeking to support local equitable economic efforts can filter funds through community foundations to maximize their ability to in turn grant to community organizations while supporting the development of networks to share best practices and resources among these community-level actors.

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