

USING FEDERAL FUNDS FOR RACIAL & ECONOMIC JUSTICE

IIJA / IRA IMPLEMENTATION

AUGUST 2023



Introduction

Over the past several years, the federal government has passed the largest spending programs in modern history – appropriating and crediting trillions of dollars, which have flowed through federal agencies to state and local governments (as well as to private industries and consumers). **Local governments have a once-in-a-generation opportunity to transform local infrastructure and advance racial, economic and environmental justice.** Leaders across the Local Progress network seized American Rescue Plan Act State and Local Fiscal Recovery Funds for recovery programs informed by the principles of advancing equity, reimagining public safety and advancing worker’s rights.¹ The Infrastructure Investment and Jobs Act (IIJA) of 2021 and the Inflation Reduction Act (IRA) and Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS Act) of 2022 have created another set of unique funding opportunities for local governments over the next several years.

The purpose of this memo is to equip local government leaders with policy and oversight tools to maximize the potential of these federal funds. Through local action, these federal funds can be a powerful force for advancing equity in our communities; this memo will focus in particular on environmental justice, job quality and worker protections, community engagement, and public capacity building. Based on input from organizers and policy advocates, this memo details policy tools and best practices to add local guardrails that hold federally funded programs accountable to our shared values, and to hold our municipalities to the highest allowable standards under federal law through project-level agreements, companion policies and oversight.²

We know there is no one-size-fits-all solution, and that local context will ultimately inform the approach taken by local leaders and partners. That’s why this memo aims to provide a road map for the conversations and strategies local leaders should pursue, centering the needs of their communities.

¹ See ARPA case studies here: <https://leadtogether.us/case-studies/>

² We’d like to thank PolicyLink, In The Public Interest, Jobs to Move America, the AFL-CIO, California Green New Deal Coalition, Center for American Progress, the American Economic Liberties Project, and others for contributing their insight to this memo.

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Background on the Federal Funding Opportunity

The American Rescue Plan Act (ARPA), signed into law by President Biden in March 2021, set aside \$350 billion for state and local governments called the **State and Local Fiscal Recovery Funds (SLFRF)**. Its broadly-defined permissible uses include pandemic public health and economic response, public revenue replacement, premium pay for essential workers, and water, sewer and broadband investment.³

It is not too late to use ARPA funds. As of July 2023, cities and counties with populations over 250,000 had only spent 38% of their SLFRF allocations. **Local governments must obligate all ARPA SLFRF funds by December 21, 2024.**⁴

The Bipartisan Infrastructure Law or Infrastructure Investment and Jobs Act (IIJA), passed in November 2021, includes \$1.2 trillion in funding for roads, bridges, transit, broadband, clean energy, water infrastructure and other projects, to be awarded from 2022 to 2026 by a handful of federal agencies (Department of Transportation, Department of Energy, Environmental Protection Agency and more). The majority of funds are administered through existing formula grants to state and local governments by size and a minority are distributed through new and existing competitive grant and loan programs.

In 2022, the federal government made [\\$185 billion in IIJA awards](#) to state and local governments (the bulk of which went to state departments of transportation)⁵. Most IIJA grant opportunities will be reopened annually over a four-year period. Most construction projects funded by the IIJA [require payment of prevailing wages](#), which helps ensure the creation of high-quality construction jobs. Both the IIJA and IRA funding are subject to the administration's [Justice40](#) commitment, which sets a goal that 40% of federal funds benefit communities that are marginalized, underserved, and overburdened by pollution.⁶ IIJA funding is generally more restrictive than the ARPA funds.

The Inflation Reduction Act (IRA) was passed in August 2022, and authorized roughly \$500 billion in incentives and tax credits for consumers, manufacturers, governments and nonprofits to invest in clean energy infrastructure. The key federal agencies responsible for rulemaking and implementation are the Department of Energy (DOE) and Treasury.

³ [“Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule”](#), U.S. Department of Treasury, January 2022.

⁴ [“New data show that state and local governments still have not spent a majority of American Rescue Plan funds: Important opportunities remain to invest in public services”](#) Dave Kamper, Economic Policy Institute, July 26, 2023.

⁵ See Whitehouse BIL State Factsheets and Maps of Progress for IIJA funding projected in your community to date.

⁶ Created by [Executive Order 14008, Section 223](#).

Importantly for local governments, the IRA adds a “direct pay” provision to clean energy tax credits, which means that local governments and other tax-exempt entities are eligible for them for the first time. This means that local governmental bodies can directly receive 30% or up to one half of the cost of a solar, wind, or geothermal project (from 2023-2033).⁷ The IRA also authorizes a few small grant programs, but the bulk of the funding is in the form of tax credits. The IRA grants include funding for building efficiency, tax credits for light and heavy duty electric vehicles, and funds to establish [local green banks](#) to fund local climate projects. Connecting residents with the IRA’s consumer tax credits can help local governments achieve their climate goals.

Like the IJJA, the IRA includes prevailing wage requirements and incentivizes the use of apprenticeship programs, workforce development and sourcing of domestic content.⁸ Local governments can go further to ensure that federal funds benefit local workers and communities.

The CHIPS and Science Act, passed August 2022, authorizes \$250 billion in spending to support the development of domestic semiconductor manufacturing, research and development facilities, and also contains strong labor standards.⁹ All CHIPS recipients must submit detailed workforce development plans demonstrating commitments to providing good jobs with benefits including child care to both construction and manufacturing workers.¹⁰

Local Government Principles for Federal Funding Implementation

- **Target investments equitably to those with the greatest need and maximize environmental justice.** Local governments can redress historic inequalities in the distribution of federal investment, protect against the displacement of low-income communities of color, and prioritize those who are most vulnerable to climate disasters and who have historically bore the brunt of environmental harms.
- **Create good jobs with worker protections** for local residents and historically underrepresented groups.

⁷ The production and investment tax credits equal 30% of project costs plus an additional 10% each if the project is located in an “energy community”, or transitioning fossil fuel dependent area and utilizes materials produced in the U.S. [“FAQ: Elective Pay”](#), Internal Revenue Service. June 14, 2023.

⁸ [“The Inflation Reduction Act Provides Pathways to High-Quality Jobs”](#), Mike Williams, Marina Zhavoronkova and David Madland. September 22, 2022, Center for American Progress [“Treasury Announces Guidance on Inflation Reduction Act’s Strong Labor Protections”](#) November 29, 2022. U.S. Department of the Treasury

⁹ [“LIUNA Hails CHIPS and Science Act Announcement”](#), February 28, 2023. Laborers International Union of North America.

¹⁰ “CHIPS Workforce Development Planning Guide”, CHIPS Program Office, National Institute of Standards and Technology

- **Build long-term local government capacity instead of turning toward privatization.** This unprecedented investment is an opportunity to build public sector capacity and revive the reputation of our local government institutions, instead of ceding economic benefits and power to the private sector.
- **Create meaningful opportunities for community input,** including prioritizing community input in decision making and pursuing partnerships with community-based and worker organizations.

Tools and Best Practices for Implementation

Target investments equitably and maximize environmental justice

The IIJA primarily adds funds to existing federal infrastructure programs, which have historically entrenched racial inequality and will continue to do so without intentional deployment by local and state governments. Without local government intervention, the IRA's tax credit structure also facilitates the status quo of inequitable development led by private actors. In addition, women and women of color have been historically underrepresented in infrastructure jobs.¹¹ Local governments can ensure that both the benefits and burdens of federal investment are distributed equitably, and should hold projects accountable to maximizing [Justice40](#) investments in communities of color and low-income communities, and drive just transitions for workers and communities away from harmful industries. The equity tools listed below are supported by equal protection laws in our constitution.¹²

Tools & Best Practices

- **Make Justice40 investments mandatory.** Justice40 mandates that 40% of the benefits of federal investments flow to disadvantaged communities, but it is up to local governments to fulfill this goal. One way to ensure that Justice40 is fulfilled is to mandate the Justice40 commitments through parallel local legislation and to create a publicly accountable oversight body. One of the strongest models designed so far was [California's AB 2419](#), which did not pass, but envisioned the most robust and accountable Justice40 governance structure that could inform local governments seeking to create similar Justice40 advisory structures.

¹¹ ["Historic Investments in Good Infrastructure Jobs Can't Leave Women Behind"](#), September 2022. National Partnership for Women and Families

¹² For an in-depth discussion of the constitutional justification for local application of equity standards, see Policy Link's Report on Infrastructure Equity Standards ["Building For The All!"](#) and corresponding [infrastructure equity brief](#) for local, state and tribal governments.

- **Define displacement and market pressure before making siting decisions.** Local governments can measure and define localized stages of gentrification, displacement risk, and its impacts.¹³
- **Find and engage local disadvantaged communities identified by the Justice40 initiative.** One new tool for identifying disadvantaged communities is the new federal [Climate and Economic Justice Screening Tool](#) (CEJST), released in November 2022, based on recommendations from environmental justice leaders serving on the White Housing Environmental Justice Advisory Council. Some states have their own mapping tools like [California’s Enviroscreen tool](#), which has been used to ensure that policymaking benefits environmental justice communities.¹⁴
- **Develop anti-displacement plans driven by community input.** Data on displacement and disadvantaged communities should be marshaled toward plans and strategies to prevent displacement (See [St. Paul, MN’s Anti-displacement plan](#)). **It is important to have effective anti-displacement policies in place in advance of large influxes of federal investment.** For example, policies to support affordable housing production, preserve existing affordable housing, protect tenants, and other mechanisms for neighborhood stabilization and value capture like community benefits agreements. For more information about anti-displacement policies, please refer to materials and research by organizations like PolicyLink and the Urban Displacement Project.¹⁵
- **Use Community Benefits Agreements to mitigate displacement impacts.** Community Benefits Agreements are binding agreements between real estate developers and labor and community coalitions that typically secure commitments related to labor standards, local hiring, job training, affordable housing, and more.¹⁶ The DOE requires Community Benefits Plans (CBP) to be submitted with all IJA and IRA grant and loan applications to demonstrate the project’s commitment to workforce development, community engagement, diversity, equity and inclusion and Justice40 implementation¹⁷. Those

¹³ The [Urban Displacement Project](#) measures the risk and stages of gentrification and displacement for all census tracts in many U.S. metro areas and globally, including California, Atlanta, Austin, Salt Lake City, Chicago, Denver, Memphis, and New York State.

See also [National Neighborhood Indicators Partnership’s Guide to Measuring Neighborhood Change](#).

¹⁴“[Mapping Environmental Justice in the Biden-Harris Administration](#)”, February 4, 2021, Aimee Barnes, Angela Luh, Matthew Gobin, Center for American Progress

¹⁵“[Localized Anti-Displacement Policies: Combating Gentrification and Lack of Affordable Housing](#)” September 26, 2022. Justin Dorazio. Center for American Progress.

“[White Paper on Anti-Displacement Strategy Effectiveness](#)”, Karen Chapple and Anastasia Loukaitou-Sideris. February 28, 2021. For the California Air Resources Board.

[Policy Link Housing / Anti-displacement Toolkit](#)

¹⁶ “[CBA Resource Guide FAQs](#)”, U.S. Department of Energy

¹⁷ “[Community Benefits Plan Frequently Asked Questions \(FAQs\)](#)”, U.S. Department of Energy.

For more information see [Jobs to Move America’s Webinar “Community Benefits Agreements 101”](#) related to IJA from June 2022.

commitments, which typically make up 20% of the scoring criteria, can include evidence of community benefits agreements, workforce agreements, collective bargaining agreements, neutrality agreements, specific plans to fulfill Justice40 and more.¹⁸ The commitments that a grant applicant makes in a CBP become contractually binding upon grant recipients and will be posted publicly.

Create good jobs with strong worker protections

Both IIJA and IRA programs ask recipients to demonstrate that they will create high road construction jobs, but local governments can go further to ensure that money is spent in ways which benefit local and underrepresented workers beyond construction, including those in ongoing operations and manufacturing, both before and after construction is complete. Grant applicants will be judged on their ability to create good jobs and to support workers ability to form unions free of intimidation, so utilizing the following local tools also increases a local government's chances of winning a competitive federal grant.¹⁹

Tools & Best Practices

- **Create local and targeted hire policies** to ensure that federal funds benefit local jobseekers and historically underrepresented communities, especially women and people of color in infrastructure jobs. The IIJA contains new language crafted by community and labor advocates, which – for the first time – allows local governments to apply local and economically-targeted hire policies to federal funding without prior approval.²⁰ Local hire policies can be implemented via legislation by local governments, by regulatory policy by transit agency boards, and can be established and enforced through project-specific agreements between employers with labor and community partners, such as Project Labor Agreements or Community Benefits Agreements, or directly as contract requirements. For more information and successful policy models from around the country, see Job's to Move America's [Local Hire Report](#), co-authored by EPI, Faith in Action, EARN and Massachusetts Communities Action Network.
- **Enter into project-specific agreements like PLAs, CWAs or CBAs.** Labor quality and local hire standards can be enforced through pre-hire agreements between local governments, labor and employers, such as Project Labor Agreements (PLAs) and Community Workforce Agreements (CWAs) or with community-based non-profits through Community Benefits Agreements (CBAs). Many IIJA competitive grants give preference to applications with project-specific labor agreements in order to help ensure that work is conducted by well-trained workers who can deliver projects on time and on budget. Direct federal

¹⁸ [Standard Community Benefits Plan Template](#), U.S. Department of Energy

¹⁹ For example: [DOT's RAISE Program. Notice of Funding Opportunity. 2022.](#)

²⁰ [BIL Local Hire Language](#), Jobs to Move America

procurement now requires project labor agreements, per Biden Administration Executive Order, but federal spending that flows through states may be subject to state preemption around PLA's.²¹ Some states require such agreements for renewable energy projects (New York, Maryland, Connecticut, Washington), whereas many other states prohibit local governments from requiring PLAs.²² In effect, high preemption states may be hampering their own ability to compete for IIJA grants with PLA-preference. More resources: [Partner with LiUNA](#).

- **Create training and apprenticeship programs.** The IIJA provides funding for local governments to create training and apprenticeship programs.²³ Workforce development programs, which create pipelines into union jobs, are a critical way to address staffing shortages at transit agencies, school districts and local governments. Local governments can create registered apprenticeships and pre-apprenticeship programs in partnership with labor and employers for public sector employees or can privilege employers with apprenticeship programs in procurement awards.²⁴ Partner with the IBEW's [Electric Vehicle Infrastructure Training Program](#) to access certified electricians to install EV charging infrastructure.
- **Screen contractors with responsible contractor policies.** Local responsible contractor policies can be used to weed out bad actors with a track record of workplace violations. U.S. Employment Plans can also be a helpful tool for local governments to take job quality into account when contracting, especially when procuring equipment like electric buses or electric school buses funded through the IIJA. As part of best-value procurement, these tools allow local governments to reward contractors who are creating good jobs in manufacturing. For more information, see [Local Progress, JMA Report](#). Contractor transparency policies, like those recently passed in the [City of San Diego](#) and [San Diego County](#), can help local governments prevent wage theft in both construction and broadband infrastructure projects.²⁵ Responsible contracting ordinances can be a way for local governments to uphold job quality in states with high levels of state preemption, such as in Indiana, where local Responsible Bidder Ordinances resulted in higher

²¹ [“Executive Order on Use of Project Labor Agreements For Federal Construction Projects”](#) February 4, 2022, | The White House

²² [“The Clean Economy Revolution Will Be Unionized”](#), Rita Clifton, Malkie Wall, Sam Ricketts. July 7. 2021. Center for American Progress
[“Workers’ rights preemption in the U.S.: A map of the campaign to suppress workers’ rights in the states,”](#) Economic Policy Institute.

²³ [“Proven State and Local Strategies To Create Good Jobs With IIJA Infrastructure Funds,”](#) Karla Walter, May 31. 2022. Center for American Progress

²⁴ For example, see [San Francisco’s Apprentice programs](#) including its [partnership with LiUNA](#)
See also the U.S. DOL’s [map of all registered apprenticeship and pre-apprenticeship programs nationwide](#)

²⁵ [“Major Win for CWA in San Diego on Subcontractor Transparency,”](#) August 4, 2022. CWA District 9

earnings and lower turnover, providing a critical job quality support after the state preempted local governments from requiring prevailing wages in 2015.²⁶

- **Track progress through monitoring and enforcement.** In order to make sure that projects follow through with their commitments, ongoing monitoring and well-funded enforcement is essential. Project-specific agreements can require regular reporting on hiring and labor standards and can include enforcement procedures if projects fail to meet their commitments. City departments like offices of labor standards enforcement can also be funded and empowered to monitor project compliance and enforce labor and job equity measures. For more information, see [Local Progress, EPI Report](#)

Build long-term local government capacity instead of furthering privatization

Federally-funded infrastructure and clean energy projects give local governments the opportunity to expand public control of our infrastructure instead of handing control and economic benefits to private entities. The IRA provides a unique opportunity for local governments to take on clean energy projects themselves by extending investment and production tax credits to government entities for the first time through the IRA's direct pay provision. Local governments should resist privatization and build local government capacity whenever possible and should carefully evaluate privatization deals before entering into them, especially given the potential for loss of democratic control, loss of public revenue, and reduced community input.²⁷

Tools & Best Practices

- **Use the IRA's direct pay provision to build union-made, publicly-owned clean energy projects.** From tax years starting after December 21, 2022 until January 1, 2033, local governments, school districts and public utilities can receive up to 30% of eligible clean energy project costs or up to 50% if they utilize prevailing wage and apprenticeship, domestic content, and target environmental justice communities. In addition, IRA direct pay tax credits can be combined with other federal grants.²⁸ Eligible projects include the development of solar, wind, heat pumps, electric vehicles and charging infrastructure, geothermal and some energy storage technologies. Local governments with municipally owned utilities are best positioned to immediately expand public clean energy capacity through this provision. [Public Solar NYC](#), is an example of a policy program moving forward in NYC which is positioned to capture the cost savings of direct pay in addition to IRA grants from the Greenhouse Gas Reduction Fund, while building public capacity and creating quality jobs, and benefiting low-income residents.²⁹ For more information, see

²⁶ "Responsible Bidder Ordinances Promote Local Construction Standards", Midwest Economic Policy Institute

²⁷ See [In The Public Interest and Local Progress memos on the potential pitfalls of Privatization](#)

²⁸ <https://home.treasury.gov/news/press-releases/jy1128> Dept of Treasury Prevailing Wage Guidance

²⁹ [Public Solar NYC](#), NYC Office of the Comptroller

[Direct Pay: an uncapped promise of the IRA](#) by the Center for Public Enterprise or this [Direct Pay Explainer](#) by Evergreen Action.

- **Ask hard questions before entering into public-private partnerships (P3's).** It is critical that localities carefully examine deal terms to ensure that P3's maintain public control and maximize public benefits. Local leaders should make sure that P3's are not being steered only to profitable investment areas in a way that undermines Justice40 and environmental justice priorities, look for non-compete and compensation clauses that give up public revenue and policymaking authority, and require that all P3 records remain public. In The Public Interest's [Guide to Understanding and Evaluating Infrastructure Public-Private Partnerships](#) is a useful resource that provides additional guidance. Local governments should be wary of new models for financializing and securitizing green tax credits proposed by Wall Street banks and private equity firms, which may capture the energy cost savings of green technology to the benefit of private entities, instead of passing such savings on to public institutions and consumers.³⁰
- **Create a green bank using the IRA's Greenhouse Gas Reduction Fund.** Local governments should establish new green banks or designate existing agencies as eligible investment vehicles for the IRA's \$27 billion greenhouse gas reduction fund (GGRF). The GGRF is expected to support a network of state and local green banks, such as the Connecticut Green Bank, DC Green Bank, Finance New Orleans, Montgomery County Green Bank, or the Minnesota Climate Innovation Finance Authority, created in 2023.³¹ By designing investment vehicles that support a wide range of pollution-reducing projects, and include strong labor and environmental justice standards, local governments will be putting forward competitive bids for the GGRF's three competitive grant programs. For more guidance on how to form a new green bank or utilize this provision to expand an existing green bank, see the [State and Local Government and the Formation of Green Banks](#), a report by Jordan Haedtler and David Wood, and [Summary of GGRF Implementation Framework](#) by Americans for Financial Reform Education Fund.

Require meaningful community input

Federal requirements for community input to advise and inform federally funded projects are minimal and differ by agency. Here too, local governments can exceed federal requirements and ensure meaningful opportunities for community input and accountability through structured models of collaborative governance.

Tools & Best Practices

³⁰ See: "[Wall Street's Big Bet on Rewiring America](#)", Lee Harris, The American Prospect, January 23, 2023.

³¹ "[Minnesota's Green Groundwork](#)", May 31, 2023. Jordan Haedtler and Brad Johnson.

- **Conduct proactive community input to advise and inform climate and infrastructure planning, and require such input before any project-level investment is approved.** Community input for infrastructure and climate investments, driven by local government action, can take many forms – from one-way information provided by governments to communities and the solicitation of feedback through survey and public comment to collaboration and co-development of plans, and community-led programs empowered by government support. Proactive processes that identify and engage communities in an equitable way are better than passive processes that tend to privilege corporate actors and privileged communities with lots of time and resources to dominate participation in them. For more specific examples of local climate planning community input programs, see the [Southern Economic Advancement Project's Report on Climate Investment](#)³²
- **Create community oversight committees and provide complete access to project documentation to enable data-informed decision making.** Community oversight committees are public bodies in which community members can monitor and make recommendations about programs or policy implementation (such as over [affordable housing](#) and [infrastructure bonds](#), [homelessness policy](#) and more). Members are typically appointed but could be elected. Who is empowered to appoint and approve appointments, and which communities are ultimately represented, are key considerations. Compensating oversight committee members can ensure representation from residents of all income-levels. Oversight committees should be empowered to participate in enforcement of agreements. Project owners should be required to report real-time data on project commitments to oversight committees, as well as to government bodies in order to ensure projects are living up to commitments and correct any problems that arise in real time.

Conclusion

Local Progress members play a leadership role in making the best use of these federal funds in close partnership with community and labor partners – through strong parallel policies and oversight of agency recipients and private actors, and by creating new models of co-governance, pursuing project-level agreements, applying for new competitive grants and building new public programs. LP members who want to strategize about organizing toward these goals, or who seek technical assistance, can reach out to nhorrell@localprogress.org.

³² “[Investing In An Equitable, Low-Carbon, Resilient Future: A Guide to Using Bipartisan Infrastructure Law Funding for Climate Co-benefits](#)”, June 2022. Southern Economic Advancement Project. (Section 3, pg. 9)

Additional Resources

Partner Resources

[4 Job Quality Questions All Applicants for New Federal Funds Should Answer](#), Center for American Progress

[A Roadmap to Sustainable and Equitable Implementation of the Infrastructure Investment and Jobs Act](#), Progressive Caucus Action Fund.

[Making Clean Energy Tax Credits Deliver for the Public: A User Guide for Governments, Schools, and Nonprofits, Roadmap to Navigating Federal Funding for Public Buildings, IRA/IJA Resource Center](#), Blue Green Alliance

[K-12 Education and Climate Provisions of the Inflation Reduction Act](#), Aspen Institute Climate Action and World Resources Institute.

[Justice40+ Community Benefit Playbook](#), Emerald City Collective

[Investing In An Equitable, Low-Carbon, Resilient Future: A Guide to Using Bipartisan Infrastructure Law Funding for Climate Co-benefit](#), The Southern Economic Advancement Project

[Climate Action and the Inflation Reduction Act: A Guide for Local Government Leaders](#), Climate Mayors, C40 Cities.

[Local and State Government Formation of Green Banks](#), Jordan Haedtler, David Wood, Harvard Kennedy School.

[Guide to the Inflation Reduction Act, IRA Cost Savings Calculator](#), Rewiring America

Agency Guidance

[Grant Application Checklist for a Strong Transportation Workforce and Labor Plan](#), U.S. Department of Labor

[Project Labor Agreement Resource Guide](#), U.S. Department of Labor

[About Community Benefits Plans](#), U.S. Dept of Energy

White House Resources

[Guidebook for Bipartisan Infrastructure Law for State, Local, Tribal Governments](#), The White House, May 2022

[Bipartisan Infrastructure Law Rural Playbook](#), The White House, April 2022

[Inflation Reduction Act Guidebook](#), The White House, January 2023.

[IIJA State Allocation Factsheets](#), The White House, August 2021