SMBC SMBC Group

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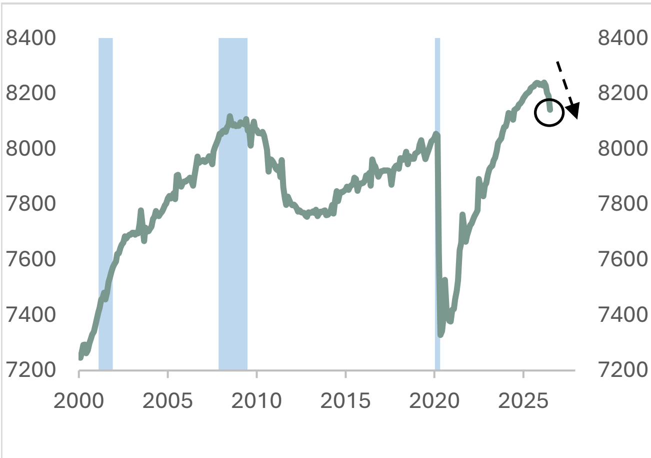
Pandemic Funding Cliffs Hitting Government Jobs

Two pandemic-era stimulus bills are unwinding, which will impair public sector labor demand over the coming year. Payrolls at local government educational institutions have fallen by -98k since the $190B of ***ESSER funding expired in March 2026***, which allowed for local governments' education payrolls to rise to a peak of 8.24M before expiration (185k above pre-Covid levels). Given that 98k of the 185k ESSER-supported jobs have been shed, ***we estimate that approximately 87k additional education jobs remain at risk***. While ESSER funding applied to local schools, ***$350B in State and Local Fiscal Recovery Funds*** (SLFRF), which supported state and local government staffing outside of education, ***will be expended by December 31***. As shown below, we estimate that this lapse in funding will lead to -127k job cuts, bringing pandemic stimulus-related job losses to roughly -214k. For August employment: we are forecasting +57k for NFP, +68k for private NFP, and 4.1% for unemployment.

Estimated Job Loss for S&L Gov't Workers	
SLFRF Funds	$350,000,000,000
45% Revenue Replacement (GAO)	$157,500,000,000
For Payrolls (60%)	$94,500,000,000
Avg. Comp for S&L Gov't Workers (BLS ECEC)	$128,960
Cumulative Jobs Supported (over 69 months)	732,785
Annual Jobs/Potential Job Loss	127,441

Source: SMBC Nikko Economics, GAO, BLS

Payrolls of Local Government Education Services (Thous.)



Source: BLS, Haver, SMBC Nikko

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