082726 Pandemic Funding Cliffs Hitting Government Jobs

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US Rates Strategy Daily August 27, 2026 Troy Ludtka, US Economics troy.ludtka@smbcnikko-si.com 1 212-224-5483 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 allowe d 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.

2 Payrolls of Local Government Education Services (Thous.) Source: BLS, Haver, SMBC Nikko 7200 7400 7600 7800 8000 8200 8400 7200 7400 7600 7800 8000 8200 8400 2000 2005 2010 2015 2020 2025

Source: https://www.smbcgroup.com/americas/getmedia/fc4f1724-6403-4ef5-bf5a-11c81ea6df63/082726%20Pandemic%20Funding%20Cliffs%20Hitting%20Government%20Jobs.pdf