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Brookings Metro

ACCELERATOR FOR AMERICA

NATIONAL ASSOCIATION of COUNTIES NACo

FROM RECOVERY TO REVITALIZATION: HOW LOCAL LEADERS ARE UNLOCKING THE POTENTIAL OF THE AMERICAN RESCUE PLAN

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CONTENT

Hennepin County, Minn.

Executive Summary

In March 2021, Congress passed the $1.9 trillion American Rescue Plan Act (ARPA).[1] ARPA delivered resources to mount a public health response to COVID-19; directed economic relief to workers, families, and small businesses; and provided fiscal aid to state, local, and tribal governments through the $350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program.[2] For local governments, which received $130 billion, the SLFRF program provided an unprecedented amount of funding alongside considerable flexibility to address both the acute effects of the COVID-19 crisis and the long-standing local challenges that exacerbated the impacts of the crisis on economically disadvantaged communities. The Department of the Treasury set deadlines for SLFRF dollars to be obligated by December 31, 2024, and spent by December 31, 2026.

To mark ARPA's two-year anniversary, this report examines how local governments utilized the SLFRF program to spur an equitable economic recovery. Over the past two years, our organizations—Brookings Metro, Accelerator For America (AFA), and the National Association of Counties (NACo)—have been tracking ARPA implementation and working with local leaders in cities and counties across the nation on how to best deploy their SLFRF allocations. These on-the-ground engagements yielded considerable insights on how local governments navigated the complexities of ARPA implementation. Building on those applied projects, in early 2023, we conducted in-depth interviews with local decisionmakers in 17 cities and counties to explore how they engaged community stakeholders, established recovery priorities, developed strategic investments, and monitored and evaluated ARPA's early impacts.

Three major findings emerged from this research, each corresponding to a key phase of ARPA planning and implementation within local governments:

- **Local government leaders set priorities for local recovery, which were influenced by regulatory and political uncertainty, strategic continuity, and community engagement.** In spring 2021, city and county officials were still very much in crisis mode, yet most all recognized the strategic importance of the SLFRF allocations they were about to receive. Confronted with this balance of crisis management and longer-term strategic planning, localities have been impressively entrepreneurial and innovative in setting priorities for SLFRF dollars in ways that drive greater inclusion and equity in their communities. Local leaders arrived at these priorities amid considerable uncertainty in the SLFRF rulemaking process and broader political debates in their communities. Some local governments established strategic priorities for ARPA investments based on preexisting strategic plans, while others used the crisis to forge new or refreshed visions. Finally, community engagement in priority-setting was possible but not universal, and its degree differed from place to place.

- **Local governments pursued "dual-track" investment strategies, using the SLFRF program to both implement emergency relief and government stabilization measures as well as invest in rebuilding a more equitable economy.** When the federal government allocated the first tranche of SLFRF dollars in spring 2021, local health and fiscal conditions necessitated that many local governments use the resources to invest in three key pillars—**government operations, public health, and community aid**—that would stabilize communities and local government. This first track (investments to rescue the economy) was followed by a second track focused on rebuilding the economy on a stronger, more inclusive foundation via investments in **workforce, small businesses, housing, infrastructure, and neighborhood revitalization**. Ultimately, well-designed approaches shared three characteristics. First, they were inclusive in their design—targeting historically disadvantaged households and neighborhoods. Second, they were sustainable—primarily one-time capital investments that will deliver sustained returns over time. And third, they focused on systems-level design that leveraged additional funders and improved capacity across entire policy domain systems (e.g., workforce, small business, community development).

- **Local governments are responsible for measuring impact across a range of projects, which is forcing them to upgrade their evaluation and tracking capabilities.** One concern in implementing the SLFRF program was whether local governments could expand their performance management systems to track obligated and expended funds, assess outcomes, and report both pieces of information in a timely fashion to the Treasury Department. A relatively small set of local governments are investing in capacity to make the data that they report to Treasury accessible to the public at large. These online trackers and dashboards are allowing researchers, the media, and citizens to better understand the program's early outcomes across individual projects and broader strategic domains. Given the SLFRF program's expected impact on broad local outcomes (rather than just the outcomes reported to Treasury), some local governments are also using a more comprehensive set of indicators to track the recovery and provide critical context for their investments.

Finally, with the ARPA expenditure deadline looming, local leaders are focused on the long-term implications of SLFRF investments for their communities. This multidimensional challenge requires local leaders to sustain ARPA funding impact through a mix of strategic initiatives, existing and new complementary funding, greater cross-jurisdictional collaboration, and new impact-performance metrics. Federal agencies are key partners to local governments in ARPA funding, so enhancing flexible funding and organizing across those agencies could make a difference in ongoing implementation.

Birmingham, Ala.

Background

WHAT ARE THE AMERICAN RESCUE PLAN ACT AND THE STATE AND LOCAL FISCAL RECOVERY FUNDS?

In the spring and summer of 2020, the COVID-19 health crisis, a rapid economic collapse, and the racial reckoning catalyzed by the killings of Ahmaud Arbery, George Floyd, and Breonna Taylor created a historic test for the nation's local governments. Across the country, mayors, city councilmembers, county executives, and county boards—as well as their partners in the private and civic sectors—not only felt tremendous pressure to respond to their residents' immediate public health and economic needs, but also address the underlying economic and racial inequities that the pandemic laid bare in their communities.

Within a year, Congress passed two major bills to stabilize local governments and help them support American families and hard-hit communities around the country. First, in March 2020, Congress passed the $2.1 trillion CARES Act, which provided a public health response; direct economic relief to American workers, families, small businesses, and industries; and $150 billion in fiscal relief to states, tribal governments, and large cities.[3] Yet that fiscal relief was narrowly prescribed to cover "necessary expenditures" incurred due to the public health emergency and not accounted for in previously approved local budgets. It required that the funds be obligated within the following 22 months (by the end of December 2021).

Then, in March 2021, Congress passed the $1.9 trillion American Rescue Plan Act (ARPA).[4] ARPA shared several critical elements with the CARES Act, including a national vaccination program; direct relief to American families and workers (e.g., direct stimulus payments, extending unemployment benefits, providing increases in several tax credits, and assisting families to stay in their homes with rent supplements and other targeted assistance); and support for small businesses.

Where ARPA differed from CARES was in its approach toward local and state fiscal relief. Through the Treasury Department's $350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF), ARPA both increased the supply of fiscal relief and, unlike the CARES Act, delivered that relief directly to every state, local, and tribal government.[5] Intent on these resources being deployed to speed the recovery, Congress required that subnational governments obligate their SLFRF allocations by December 31, 2024 and spend them by December 31, 2026—although still a considerably longer timeline than that permitted under the CARES Act for states and localities.

Beyond its historic scale, the SLFRF program helpfully afforded local communities broad flexibility in utilizing recovery dollars to meet their unique needs. The ARPA statute outlined four eligible uses:

1. Addressing the public health and economic impacts of the pandemic.
2. Providing premium pay to essential workers.
3. Replacing lost revenues.
4. Investing in water, sewer, and broadband infrastructure.

Within the confines of those four eligible uses, Treasury's interim and final rules made clear the agency's intention that local governments invest SLFRF resources in equitable, evidence-based ways. To target resources to underserved communities disproportionately harmed by the pandemic, Treasury afforded greater flexibility for programs that affect residents living in Qualified Census Tracts (QCTs)—areas designated by the federal government based on their high levels of poverty. The rule-makers also acknowledged that local governments could use SLFRF resources to both meet short-term, acute public health and economic needs as well as invest in evidence-based programs that "support long-term growth, opportunity, and equity."[6]

REFLECTING ON ARPA'S TWO-YEAR ANNIVERSARY

Now that two years have passed since the American Rescue Plan Act's passage, this report explores how local governments have utilized Treasury's fiscal relief program to spur equitable economic growth. Over the past two years, our organizations have been tracking ARPA implementation and working with local leaders in cities and counties across the nation on how to best deploy their SLFRF allocations. In 2021, the National Association of Counties (NACo) partnered with Brookings Metro to deliver data, solutions, and advice to leaders in eight counties through the Economic Mobility Leadership Network's Equitable Economic Recovery Cohort. In 2022, Brookings Metro launched the Transforming Cities Lab (TCL), a 10-month engagement project with three localities (Detroit; Cleveland; and Saint Paul/Ramsey County, Minn.) selected for their interest in piloting new, equitable investment strategies using SLFRF dollars. Similarly, in 2021 and 2022, Accelerator for America (AFA) provided direct technical assistance to mayors' offices in six cities to help them establish Stimulus Command Centers that plan, prioritize, and coordinate federal investments.[7]

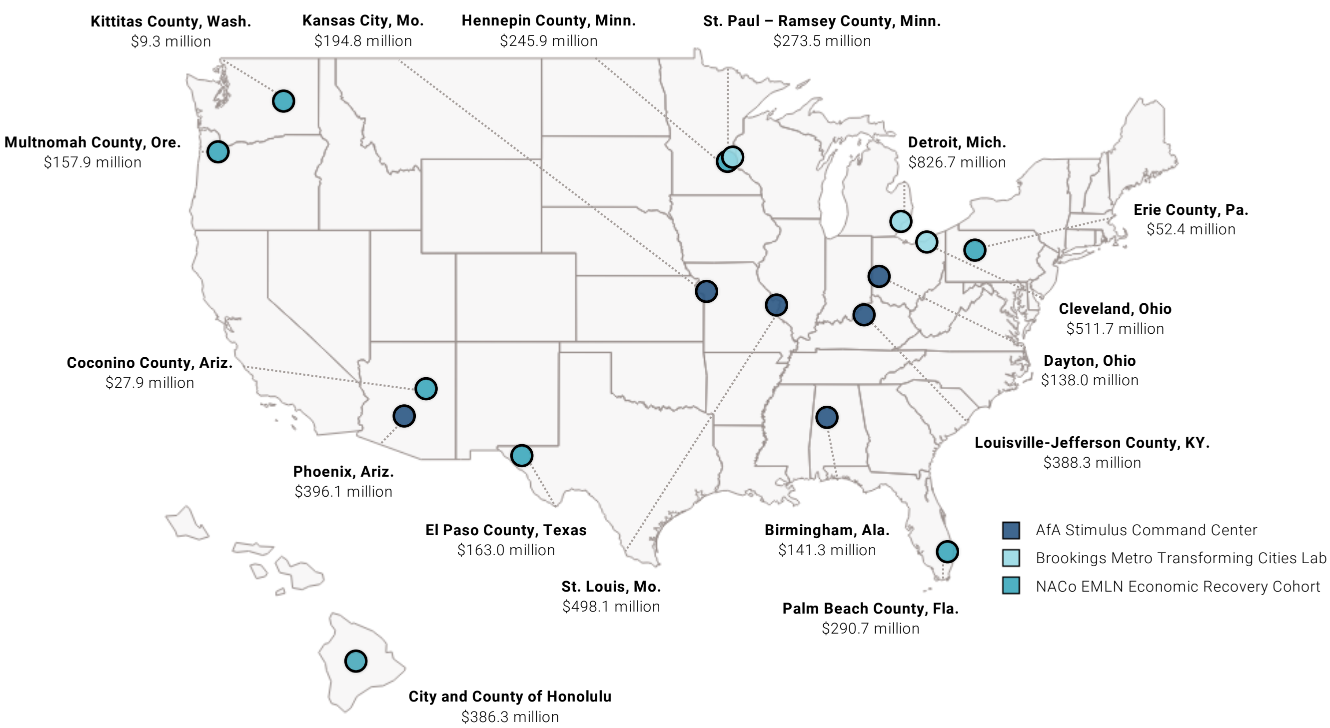
These on-the-ground engagements yielded considerable insights on how local governments navigated the complexities of ARPA implementation. Building on those applied projects, in early 2023, Brookings Metro worked with AFA and NACo to conduct in-depth interviews with local decisionmakers in 17 cities and counties to better understand their ARPA strategies. Map 1 maps these 17 local governments, which include the three TCL cities (where we interviewed public sector officials as well as nonprofit sector leaders), eight places selected by NACo (based on their participation in the Economic Mobility Leadership Network's Equitable Economic Recovery Cohort), and six places selected by AFA (based on their work on Stimulus Command Centers).

For purposes of this report, this set of places does not constitute a representative sample of all local governments receiving SLFRF dollars, but instead are ones that effectively "opted in" to work with national organizations on ARPA recovery strategies. As such, this report's findings reflect the experiences of this specific set of cities and counties. To complement these qualitative findings, this report also draws on the Local Government ARPA Investment Tracker—a joint effort between Brookings Metro, NACo, and the National League of Cities to analyze SLFRF spending in large cities and counties (those with populations over 250,000) based on quarterly reports submitted to the Treasury Department (see Methodological Appendix for more detail).

The scale and strategic importance of the SLFRF program have catalyzed significant interest among a wide range of stakeholders. Valuable assessments of how local governments have used the program have been published by the National League of Cities,[8] PolicyLink,[9] and the Urban Institute,[10] among others. Our work takes a comprehensive look across local governments—both cities and counties— to explore how they are using SLFRF resources to spur an equitable recovery. Section II outlines our key findings, while Section III addresses the implications of those findings for the future of ARPA implementation.

MAP 1

This report draws upon interviews with 17 local governments



SOURCE: U.S. Department of the Treasury

Terminology

ALLOCATIONS are the total funds distributed to state and local governments through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program.

AMERICAN RESCUE PLAN ACT (ARPA) is the $1.9 trillion economic stimulus and pandemic recovery legislation signed into law by President Joe Biden on March 11, 2021. This legislation is also referred to as the "American Rescue Plan" or "ARPA." This report focuses solely on the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, and thus "ARPA" and "SLFRF" are used interchangeably.

APPROPRIATIONS are dollars distributed to state and local governments through the SLFRF program that have been budgeted or committed to specific initiatives or programs. In this report, "appropriations" and "commitments" are used interchangeably.

ARPA CLIFF is the December 31, 2026 deadline by which states and local governments must spend the entirety of their SLFRF allocations, or return unspent funds to the Department of the Treasury.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT is the $2.1 trillion pandemic response legislation signed into law by former President Donald Trump on March 27, 2020, of which $150 billion was allocated to state and local governments.

COMMITMENTS are dollars distributed to state and local governments through the SLFRF program that have been budgeted or committed to specific initiatives or programs. In this report, "appropriations" and "commitments" are used interchangeably.

CONSOLIDATED CITY-COUNTIES are cities and counties that have merged into one unified government with a singular jurisdiction.

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (SLFRF) is the $350 billion program authorized by the American Rescue Plan Act (ARPA) that provides economic stimulus and pandemic recovery funding to U.S. states, territories, cities, counties, and tribal governments. This report focuses solely on the SLFRF program, and thus "ARPA" and "SLFRF" are used interchangeably.

ELIGIBLE USES are ways in which states, cities, counties, and tribal governments are permitted to use funds allocated to them through the SLFRF program, defined through categories set by the Department of the Treasury in its Final Rule.

EQUITY is support for all groups of people, including people of color and others who have been historically underserved, marginalized, or adversely affected by persistent poverty and inequality.

EXPENDITURES are payments made by SLFRF recipients to settle obligations they have incurred.

FINAL RULE is the guidance set by the Department of the Treasury in May 2021 imposing statutory requirements on the SLFRF program, including eligible uses for program funding and jurisdictional reporting requirements.

OBLIGATIONS are dollars distributed to state and local governments through the SLFRF program that have been legally dedicated to specific uses, frequently (but not exclusively) through contractual agreements.

REPORTING TIERS are categories set by the Department of the Treasury for the SLFRF program governing the frequency with which recipients must submit interim reports, project and expenditure reports, and recovery plans.

REQUEST FOR PROPOSAL (RFP) is a formal, public announcement of a project which solicits proposals from suppliers and vendors to fulfill its scope of work.

REVENUE LOSS is a provision of the SLFRF Final Rule that allows local governments to classify some or all of their allocations as "revenue replacement." Local governments may claim up to $10 million as "revenue replacement" as a standard allowance without any requirement to demonstrate a loss of revenue, or more if they are able to demonstrate a loss of revenue attributable to the pandemic.

REVENUE REPLACEMENT is an eligible use classification established in the SLFRF Final Rule. Funds classified as "revenue replacement" through the Final Rule's revenue loss provision can be used for any government service permissible under state law and are not subject to many of the Final Rule's programmatic reporting requirements.

TIER 1 LOCAL GOVERNMENTS are metropolitan cities and counties with populations greater than 250,000. These jurisdictions are also referred to as "large local governments" or "large cities and counties."

TIER 2 LOCAL GOVERNMENTS are metropolitan cities and counties with populations lower than 250,000 which received SLFRF allocations of $10 million or higher.

TIER 5 LOCAL GOVERNMENTS are metropolitan cities and counties with populations lower than 250,000 which received SLFRF allocations of less than $10 million.

FROM RECOVERY TO REVITALIZATION:
HOW LOCAL LEADERS ARE UNLOCKING THE POTENTIAL OF THE AMERICAN RESCUE PLAN

Coconino County, Ariz.

Findings

This section distills analysis of ARPA spending patterns among large local governments, detailed reviews of ARPA reports and plans, and key takeaways from in-depth structured interviews with local officials into three key findings, each corresponding to a key phase of ARPA planning and implementation at the local level. First, amid considerable uncertainty in the SLFRF rulemaking process and broader political debates in their communities, city and county leaders **set strategic priorities** to articulate a roadmap for recovery. Second, building on those priorities, local officials often **created dual-track investment strategies** that balanced immediate relief with longer-term investments in economic recovery. And third, local governments **measured the impact** of those investments by upgrading performance management and tracking systems.

1. LOCAL GOVERNMENT LEADERS SET PRIORITIES FOR LOCAL RECOVERY, WHICH WERE INFLUENCED BY REGULATORY AND POLITICAL UNCERTAINTY, STRATEGIC CONTINUITY, AND COMMUNITY ENGAGEMENT.

The stakes were high for local government leaders in the spring of 2021. City and county officials were still very much in crisis mode, and yet most all recognized the strategic importance of the SLFRF allocations they were about to receive. Confronted with this balance of crisis management and longer-term strategic planning, localities have been impressively entrepreneurial and innovative in deploying SLFRF dollars in ways that drive greater inclusion and equity in their communities.

Yet the process to reach those outcomes was not always smooth or uncontested; local decisionmakers were often constrained by the uncertainty of Treasury's rulemaking process, local political contestation, or both. Some cities and counties could rely on well-known, publicly available strategic frameworks when setting priorities. In others, elected officials used the COVID-19 crisis to refresh strategic plans or, especially in the case of newly elected leaders, develop new visions. How external stakeholders—residents, community-based organizations, and business and civic leaders—were engaged in the process varied considerably based on the factors above.

Regulatory and political uncertainty complicated priority-setting

In May 2021, the Treasury Department released its interim final rule on the use of SLFRF dollars—a relatively quick turnaround from when Congress passed the law. This was a critical roadmap for the priority-setting process because it outlined eligible uses, deadlines, and reporting requirements. The "interim" nature of the rule was unavoidable; Treasury needed to quickly release guidance to subnational governments, but it also needed to receive feedback from a broad range of stakeholders before finalizing specific regulations. The revised Final Rule was publicly released in January 2022 and put into effect that April, ably incorporating feedback from hundreds of stakeholders on how to improve the program.

While many local leaders expressed frustration with aspects of the rulemaking process, it is unlikely that the "interim" status of the rule inhibited high-level priority-setting, although it did have some impact on delayed investment decisions. Treasury helpfully made clear the eligible use categories in the interim rule, and then confirmed in the Final Rule that any activity deemed eligible under the interim rule would be allowable (even if the guidance changed).

Rather, the uncertainty created by the rulemaking process hindered strategic planning in more subtle, yet significant ways. The weight of reporting and oversight likely influenced how local governments explored partnerships with nonprofits or external financing options. Many small nonprofits were likely intimidated by the reporting requirements involved with being a sub-grantee to a local government. Public officials often considered leveraging external sources of financing, such as other governments or philanthropies. But as one local leader told us, "I wonder if the complexity of the process made us all reluctant to pursue more creative approaches, such as leveraging external financing."

Local political uncertainty was a second key factor influencing the speed at which local governments arrived at final spending priorities, as well as their strategic nature. Local governments often faced a host of local political challenges—routine under normal circumstances but heightened by the volume and pressure of this new, once-in-a generation funding opportunity. With so much money at stake, political tensions surfaced in the wake of the ARPA funding that caused delays or stalled implementation. In some places, city and county executives and local legislatures (which must approve appropriations decisions made by the executive branch) were not always aligned in their funding priorities. While each jurisdiction has its own unique political context, a common theme emerging from our qualitative research was that mayors and county executives tended to look at bigger-picture and longer-term ways to invest ARPA funds, whereas local legislative bodies (e.g., city councils, boards of county commissioners) placed a greater emphasis on neighborhood or community priorities, such as investing in organizations and projects in their districts. The flexibility that Treasury regulations afforded, while overall an asset for local governments, created significant space for political debate. As one official in Louisville-Jefferson County, Ky. explained, "Parameters were so broad, and all the purse strings ran through local council, making the political part of the process very important. Maybe more important than normal."

Strategic continuity influenced how quickly some places could move forward on establishing priorities

Another factor influencing the pace at which cities and counties established ARPA spending priorities (as well as the pandemic-era relevance of these priorities) was strategic continuity. In general, the priority-setting process involved a mixture of executive (i.e., mayors, county executives) and legislative (i.e., councils, supervisors) leadership. In some cases, localities were able to rely on preexisting plans and strategies that the SLFRF program could enable. Existing public statements such as **Ramsey County, Minn.'s** Economic Competitiveness and Inclusive Plan,[11] **Hennepin County, Minn.'s** Disparity Reduction Framework,[12] and **Multnomah County, Ore.'s** Equity and Empowerment Lens allowed local leaders to situate ARPA strategies within already agreed-upon frameworks.[13] By building on what they had, these counties were able to move relatively quickly through the priority-setting process.

In other cases, the unprecedented funding formed the basis for development of new strategies. **St. Louis** Mayor Tishaura Jones' Economic Justice Action Plan described "a strategy to empower, develop, and transform the City of St. Louis through a vibrant, just and growing economy in which all people can thrive." Other examples include **Birmingham, Ala.** Mayor Randall Woodfin's Vision 2025 plan[14] and **Cleveland** Mayor Justin Bibb's Rescue and Transformation Plan,[15] which outlined 10 priorities meant to maximize the impact of this "once-in-a-generation investment." These newly elected or reelected leaders saw ARPA funding as a fortuitous opportunity to chart a new economic course for their city, even if it meant moving slightly slower through the priority-setting process than city and county peers with preexisting plans.

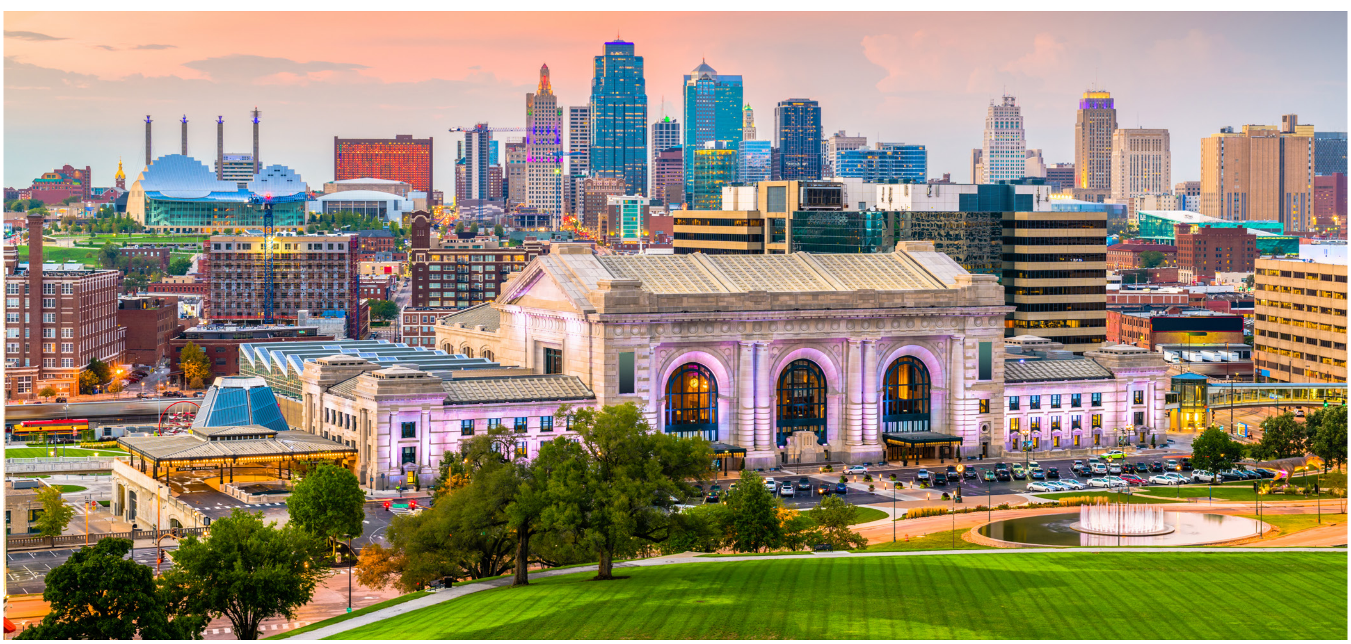
Multnomah County, Ore.

Community engagement varied in degree from place to place but was often key in setting priorities

Community participation in priority-setting was possible but not universal, and the degree of community engagement differed from place to place. For instance, **Detroit** and **St. Louis** held community meetings specifically tied to soliciting feedback on the distribution of ARPA funds. In the former city, the community input process led by the Mayor Mike Duggan's office involved holding 65 community meetings, taking public feedback from over 400 meeting participants, and reviewing over 730 online survey responses, all tied to funding allocation and programmatic focuses for spending ARPA dollars. The **city and county of Honolulu** undertook a community engagement survey to assess community needs.

Other places, such as **Multnomah County, Ore**. and **Hennepin County, Minn.**, built on prior strategic planning exercises and ongoing communication with community partners to incorporate community priorities. These processes either relied on previous outreach to reflect community needs or existing community engagement processes (such as public budget feedback sessions) in setting ARPA expenditure priorities. Some chose not to conduct additional or new community engagement tied to ARPA allocation, given the time constraints. For instance, due to the timing of the delivery of SLFRF dollars, **Kansas City, Mo.'s** allocation was folded into the city's standard budgeting and associated community engagement process. In **Cleveland**, Mayor Bibb's election and transition process engaged over 1,000 residents to translate campaign priorities into governing priorities, informing city hall's ARPA approach alongside an ARPA-specific regional priority-setting process led by the Greater Cleveland American Rescue Plan Coalition, which was explicitly countywide.[16] One Coalition leader stated that priority-setting felt like a "closed process," although in the end, they observed that while the "process was imperfect," the mayor's priorities were overlapping with the Coalition's. The Coalition continued to be opportunistic and wanted to help the administration "get it right."

Nevertheless, the very existence of documented, publicized community priorities—regardless of whether they were a product of a coordinated public process or built on an existing set of priorities—is a valuable outcome for communities across the country, likely creating positive, long-term effects that can continue to guide current and future spending and programs.



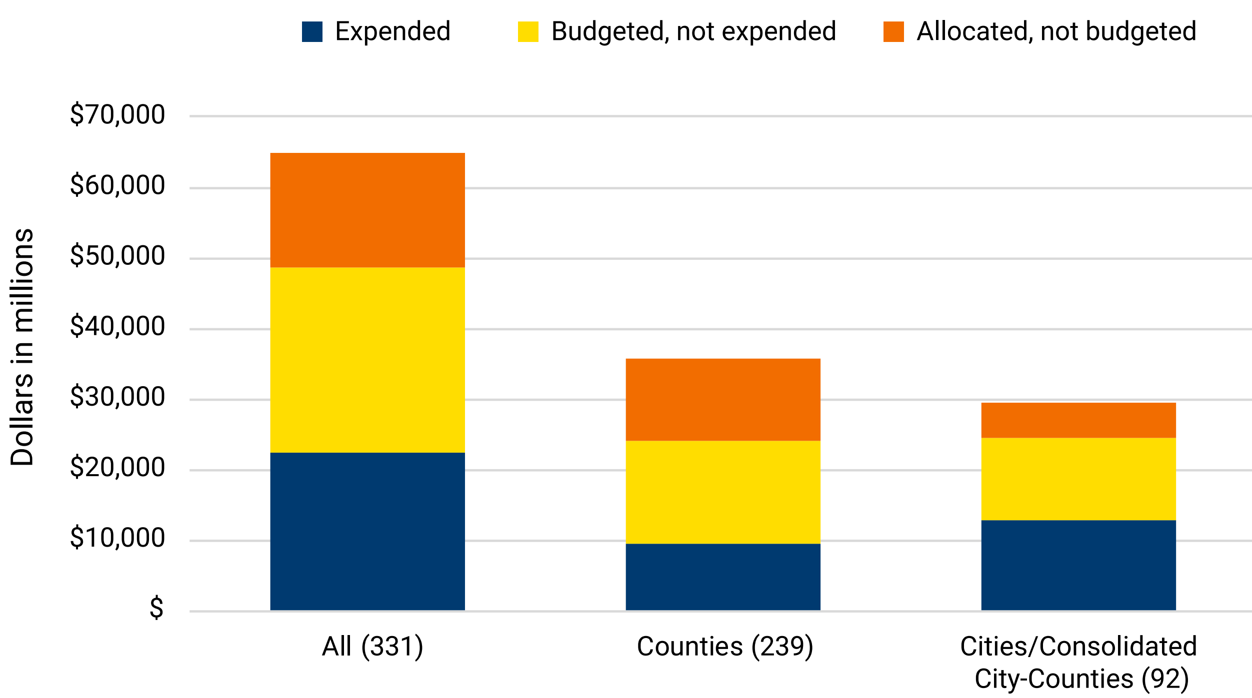
Kansas City, Mo.

2. LOCAL GOVERNMENTS PURSUED 'DUAL-TRACK' INVESTMENT STRATEGIES, USING THE SLFRF PROGRAM TO BOTH IMPLEMENT EMERGENCY RELIEF AND GOVERNMENT STABILIZATION MEASURES AND INVEST IN REBUILDING A MORE EQUITABLE ECONOMY.

High-level priorities and objectives provide a necessary roadmap for economic recovery, but specific projects and investments are where the SLFRF program directly touches residents, businesses, and communities. As of December 2022, the large cities and counties tracked in the Local Government ARPA Investment Tracker had committed 75% of their total SLFRF allocations, amounting to $49 billion across over 10,000 projects. Of those commitments, large local governments had spent roughly $23 billion by the end of 2022, or roughly 35% of their total allocations.

FIGURE 1

Cities and counties committed 75% of their total allocation by December 2022

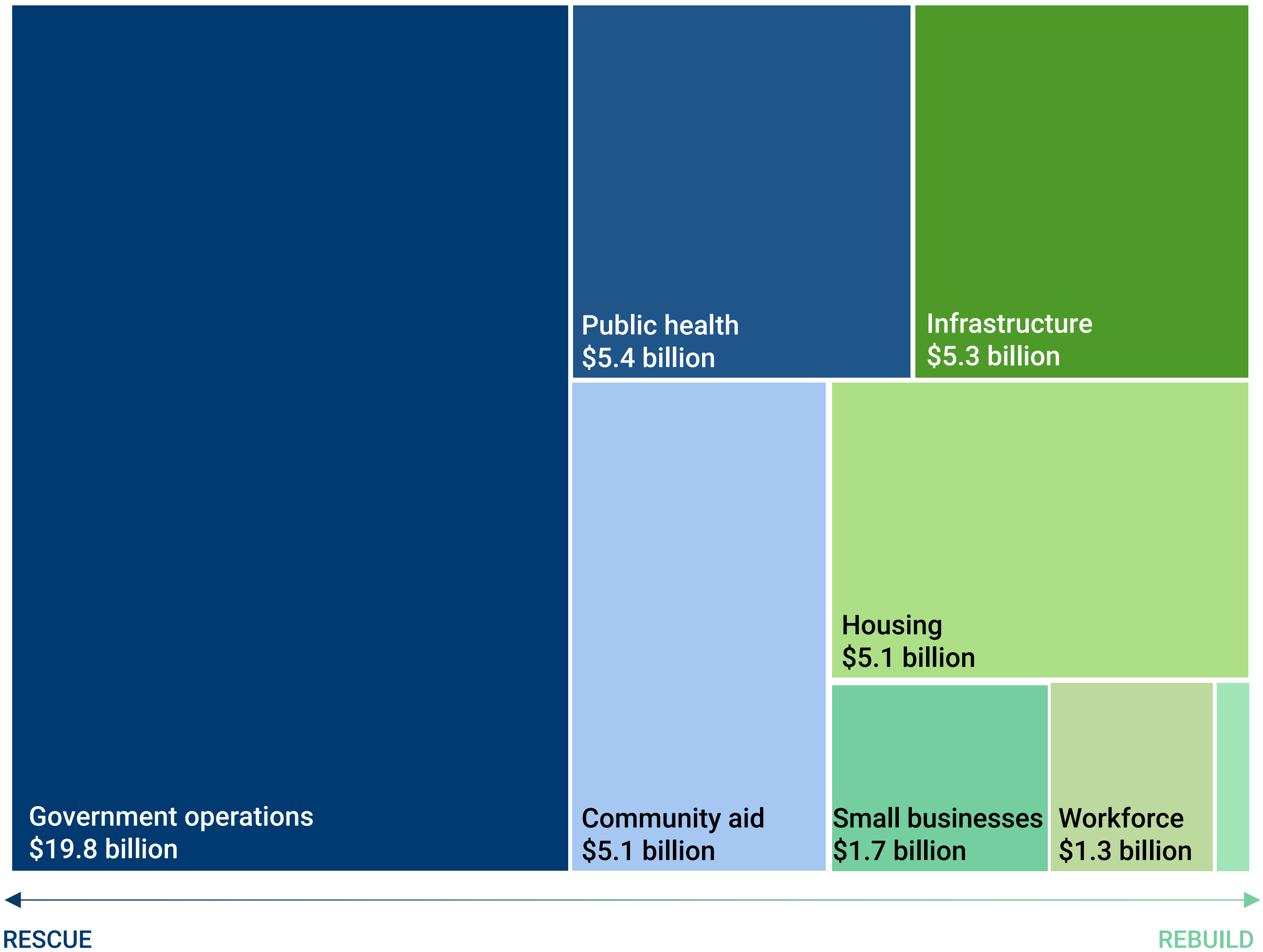


SOURCE: NLC, NACo, and Brookings Metro analysis of U.S. Treasury data covering 92 cities/consolidated city-counties and 239 counties

How were these dollars invested to drive an equitable recovery? Our interviews revealed that local governments used the SLFRF program to implement "dual-track" investment strategies: deploying ARPA dollars for both emergency relief and government stabilization measures as well as investments in a more equitable economy.

FIGURE 2

Local governments invested in both acute emergency relief and longer-term recovery strategies



SOURCE: NLC, NACo, and Brookings Metro analysis of U.S. Treasury data covering 92 cities/consolidated city-counties and 239 counties

Local governments first focused on rescuing the economy by stabilizing their communities and government operations

Local governments received the first tranche of SLFRF dollars in spring 2021, at which point many were still contending with high COVID-19 caseloads,[17] elevated unemployment,[18] and an uncertain fiscal outlook.[19] They were also struggling against their own capacity limitations. Many cities and counties found themselves inadequately staffed to process the funds or stand-up new programs due to years-long staff declines through attrition or budget cuts and resulting layoffs. Local leaders were also leery of the precipitous drop-off in ARPA expenditures coming at the end of 2026 (the so-called "ARPA cliff") and were cautious about hiring new staff or launching new programs that might not have a sustainable funding stream, thus leaving residents in the lurch if they were short-lived. These health, fiscal, and capacity conditions led many local governments to "fast-track" SLFRF dollars into government operations, public health, and community aid.

GOVERNMENT OPERATIONS

Government operations are where SLFRF dollars have been committed at the greatest scale and spent most rapidly. By the end of 2022, government operations accounted for 41% of total SLFRF commitments in cities and counties with more than 250,000 residents, representing a $20 billion infusion into local government coffers to replace lost revenues, invest in personnel and wages, and reinforce government facilities, equipment, and information technology systems. Relatively swift delivery of these funds helped ensure that local governments could fortify their own operations and continue delivering critical services to residents and businesses. Dollars allocated to government operations can be spent relatively quickly. By the end of 2022, investments in actual government operations projects accounted for 53% of expenditures in large cities and counties — about 12 percentage points higher than the share of commitments to government operations.

Across local governments, cities have devoted a higher share of their SLFRF commitments to government operations than counties. As of December 2022, 46% of funds budgeted by large cities were classified as government operations, compared to 36% by large counties. This distinction owes partly to the disproportionate use of the "revenue replacement" provision (see sidebar) by large cities as compared to large counties.[20] While we do not fully know why cities and counties are utilizing the revenue replacement provision differently, one potential explanation is that large cities rely on more volatile revenue sources (e.g., occupational taxes and sales taxes) than large counties, which led to cities experiencing a more substantial drop-off in revenue during the pandemic.[21]

What is revenue replacement?

The SLFRF revenue loss provision was embedded in the final guidance issued by the Treasury Department in April 2022. It permits all local governments to categorize at least $10 million of their SLFRF allocation as "revenue replacement," with the option to increase this amount if they can demonstrate that they lost more than $10 million in revenue because of the COVID-19 pandemic. Funds classified as "revenue replacement" can be used for most general government services and are exempt from many of the use restrictions, program income requirements, and procurement conditions imposed on other SLFRF dollars.

Though cities and counties cannot use revenue replacement dollars for sub-awards, the provision's flexibility permits them to utilize their SLFRF allocations to fund traditional public sector expenses (including salaries, equipment upgrades, and facility maintenance), thereby freeing up alternative revenue streams to be used for other investments without being bound by the SLFRF program's reporting requirements, use restrictions, and timeline parameters.

The versality of SLFRF's revenue loss provision has enabled local governments like **Palm Beach County, Fla.** to implement longer-term economic development strategies without sacrificing public sector needs. Through the Treasury's revenue loss formula, the county was able to classify their entire $290.7 million SLFRF allocation as revenue replacement. Because these funds have enabled the county to sustain public sector services at their pre-pandemic levels, incoming revenue from other sources has been made available to promote the county's equity strategy through investments in affordable housing, behavioral health care, and broadband access.[22]

PUBLIC HEALTH

Public health investments were the second critical pillar to stabilizing local economies, as curbing the spread of COVID-19 was a necessary precondition for the economy to reopen. Public health projects represent the second-largest category of SLFRF commitments for large local governments. Counties have been the dominant source of SLFRF-funded public health projects. At the end of 2022, public health projects accounted for 15% of SLFRF commitments in large counties and 8% in large cities, reflecting the more significant role that counties play in the public health system. In total, large cities and counties have committed $5.4 billion to public health projects, of which $2.3 billion has already been expended.

- **Multnomah County, Ore.,** for example, has invested 44% of its SLFRF commitments into public health, owing partly to its status as the county's public health and mental health authority. These $60 million in public health interventions included a $10 million program to slow community disease transmission in vulnerable and priority populations through contact tracing and case surveillance. As the state's largest provider of social safety net services, the Multnomah County Health Department's investment approach was complemented by a robust $15 million investment in wraparound services to pandemic-impacted households to connect them to rental, mortgage, utility, and food assistance. Bundling public health interventions and social safety net support was central to the county's goals of leading an equitable recovery, envisioning these budget appropriations as "an exercise in converting priorities and values into a roadmap for action."[23]

- In **El Paso County, Texas,** public health investments accounted for 36% of SLFRF commitments and 89% of SLFRF expenditures by the end of 2022. This includes a $35 million investment in the University Medical Center of El Paso, which delivers care to some of the county's most economically vulnerable residents. Reflecting on this investment, one county official remarked that the hospital district was the "foundation of [their] response" to the pandemic, serving as a "safety net" for Texans and New Mexicans living in a 280-mile radius of El Paso.[24]

El Paso County, Texas

COMMUNITY AID

Community aid was a third key pillar in rescuing local economies. An equitable economic recovery requires that households and communities—especially those struggling against poverty and structural racism—get the necessary emergency relief to ensure their economic and health security. Community aid was therefore an early priority for local governments. By the end of 2022, large cities and counties had committed roughly $5 billion toward community aid projects, including nutrition and food assistance, direct household payments, and nonprofit support.

- Many cities and counties used their SLFRF dollars to support community-serving organizations. **Dayton, Ohio** contributed $2.5 million to a local nonprofit as part of a $17 million community development project to construct a full-service grocery store, regional food hub, entrepreneurial farmers' market, health care clinic, and a community education center and pharmacy.[25]

- Similarly, the **city and county of Honolulu** directed over $31 million through the SLFRF program toward rental and utility relief for an estimated 5,251 households—effectively extending relief beyond the sunsetting of the American Rescue Plan Act's Emergency Rental Assistance (ERA) program.[26] Using that platform of support, county staff were able to connect rent relief recipients to the Oahu Back to Work job training program. While one local leader was "unsure" how easy it would be for other jurisdictions to collaborate with local universities and community colleges to stand up these types of training programs, they felt that doing so had "tangible results, because you could see people that were in a career field where they lost their jobs and didn't have the skills to get another" quickly gain access to workforce development assistance.

The second part of the dual-track strategy was rebuilding the economy and investing in an equitable economic future

Longer-term investments in a more equitable economic recovery represented the second part of local dual-track approaches. In addition to addressing acute economic and health needs, the Treasury Department made clear in its Final Rule that the SLFRF resources were meant to also "support long-term growth, opportunity, and equity," and in doing so, ameliorate the underlying inequities that exacerbated the pandemic's impacts on disadvantaged communities.[27] Importantly, the SLFRF program recognized that getting resources into the hands of local decisionmakers would not only help address local governments' fiscal and operational challenges, but it would also help target federal dollars to match the varied economic and social conditions across those communities. In that way, these represent place-based investments in the nation's economic recovery, pushing local governments to confront several preexisting challenges that could undermine the implementation of large-scale, inclusive ARPA investments.

City and County of Honolulu, Hawaii

THE DELIVERY CHALLENGES OF REBUILDING BETTER

As local leaders considered investments that could realistically alter the trajectory of their local economies, they had to confront several delivery challenges. First was addressing programs at the regional scale with local appropriations. The economic conditions of city and county residents are influenced by markets (e.g., labor, housing, supply chains) and systems (e.g., infrastructure, planning) that naturally operate at the regional scale. Many of the most important cross-cutting initiatives (such as developing long-term funding plans for regional transit agencies or broad regional workforce and economic development strategies) require cities and counties to align with regional partners, as no one actor can fund or manage these large projects on their own. Yet interjurisdictional collaboration among local governments is commonly the exception, not the norm, and there was no clear way for Treasury to incentivize this type of collaboration in its rulemaking. Without more targeted federal carrots or sticks, localities primarily appropriated and administered the funds based on existing budget buckets and programs that ended at their jurisdictional boundaries.

Second was the challenge of mobilizing nongovernmental delivery partners quickly. Moving this many resources during a condensed timeframe required external partners to deliver programming, and local governments frequently have strong working partnerships with civic intermediaries and nonprofits to deliver workforce development, community development, and social services programs. Yet nonprofit partners had to have the systems and staff in place to absorb and deploy significant amounts of capital, as well as the monitoring and reporting abilities to withstand the onerous reporting requirements accompanying SLFRF dollars. Often, it was larger nonprofits that were positioned with the requisite staffing and administrative oversight capacity to step up quickly to respond to requests for proposals (RFPs) issued by local governments and then execute newly funded programs. Larger nonprofits, therefore, more often benefited from the SLFRF program—edging out local grassroots organizations that may have possessed a more granular understanding of distressed or low-income community needs. For instance, as **Ramsey County, Minn.'s** Workforce Solutions department and Workforce Innovation Board (WIB) rolled out new youth workforce training programs funded by SLFRF, they consistently found larger nonprofits stepping up more quickly, even where smaller nonprofits had greater expertise in program execution. In parallel, the WIB was pursuing an effort to delegate more program oversight and execution (as well as funding) to nonprofit partners of all sizes, and SLFRF accelerated that effort.

There are two implications for these local capacity issues. The first is that it takes time to move this considerable volume of resources through local government delivery systems. As of December 2022, large local governments had spent 35% of their total allocations. This could result in complications as the December 2026 expenditure deadline approaches, such as the potential for federal "claw backs" of unspent funds. Another complicating scenario is where funds are not expended as originally approved by city councils or county commissioners due to unexpected barriers or changes in local needs and circumstances; in these instances, local leaders may seek to reallocate the funds in an effort to ensure these precious, flexible dollars are not wasted, thus requiring that mayors or county executives return to their city councils and county commissioners for vetting and approval. The second implication is that valuable ARPA funds could fail to reach low-income communities and communities of color that could most benefit from them, missing an opportunity to build up long-term civic capacity. All in all, these local complexities and challenges offer ample lessons for local governance reform and public-nonprofit sector innovation, as well as transparency and accountability in the expenditures.

The final challenge was building durable capacity with time-limited funds. SLFRF resources must be spent by the end of 2026, which may undercut new and expanded investments just as they are beginning to generate impact. Indeed, building coalitions of implementers, funders, and champions that extend beyond local government will increase the chances of sustaining ARPA investments. However, initial efforts by local leaders to establish ad hoc, collaborative advisory decisionmaking groups—such as "stimulus command centers"[28] or "coordination hubs"[29]—proved more challenging than anticipated without external incentives or requirements, for several reasons. Such collaborative efforts require political will and must be cultivated over time, so that the collaborative infrastructure is in place for leaders to activate when needed. Efforts must also be coordinated over the long term while ensuring community viewpoints and equity considerations are built into them.

HOW CITIES AND COUNTIES OVERCAME THOSE CHALLENGES

Rebuilding the economy in ways that benefit historically excluded groups requires a portfolio approach that invests in programs across multiple systems. This section highlights examples of this approach across five key policy domains: **workforce, small businesses, housing, infrastructure, and neighborhood revitalization**. Each example shares three characteristics that increased the likelihood of overcoming the challenges outlined in the previous section:

- First, these approaches are *inclusive*, in that each explicitly prioritizes historically disadvantaged households and neighborhoods in its design. Importantly, the Treasury Department afforded considerable flexibility to interventions that targeted historically marginalized neighborhoods, defined as Qualified Census Tracts (QCTs) by the Department of Housing and Urban Development. Through targeted resources and intentional partnerships with community-based organizations, the chances are enhanced that these investments result in equitable outcomes.

- Second, these approaches are *sustainable*. Physical investments in housing, infrastructure, and neighborhood revitalization are one-time capital allocations, although these approaches must consider the costs of ongoing maintenance. For small business and workforce development strategies, we highlight how SLFRF resources are supporting one-time capital investments (e.g., Phoenix retrofitting an old Kmart into a workforce hub) or highly intentional programmatic investments that seek to minimize (although not eliminate) "fiscal cliff" challenges by funneling resources through the existing nonprofit infrastructure (e.g., Ramsey County, Minn. and Detroit's approaches to workforce development).

- Third, these approaches employ *systems-level design*. The prior finding illustrated the considerable political and practical challenges that local governments face when trying to shift key systems toward more equitable outcomes. The investments outlined in this section are not only large in dollar terms, but they also leverage additional funders and support partnerships with local implementers beyond the local government (although typically not at a regional scale). In this way, designing strategies that improve the capacity across entire systems of workforce development, small businesses, and community development are more likely to generate outcomes that are both inclusive and sustained.

Saint Paul, Minn.

WORKFORCE DEVELOPMENT

In spring 2021, American workers were experiencing a notable labor market reset. Displaced workers were determining how they wanted to re-enter the labor market, and employed workers were leaving their jobs at historic rates. In April 2021, the share of U.S. workers leaving their jobs was 2.7% according to the Labor Department—the highest level since at least 2000.[30] Moreover, households earning less than $30,000 per year had experienced the highest rates of job loss, while Black and Latino or Hispanic workers had been hit particularly hard.[31] With millions of Americans unemployed, helping pandemic-impacted workers achieve quality employment was a core objective of the SLFRF program. Workforce development projects accounted for nearly $1.3 billion in SLFRF commitments among large cities and counties by the end of 2022, including job training, career coaching, and youth talent development.

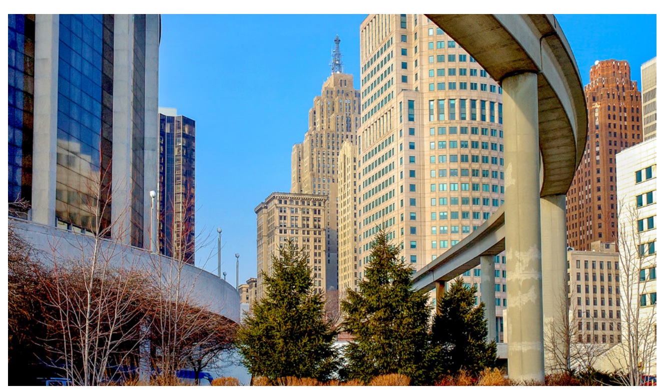
- Through its shared workforce investment board with the city of Saint Paul, **Ramsey County, Minn.** co-invested in a $10 million Learn and Earn program to help residents ages 18 to 30 access funds to support job training, on-the-job learning opportunities, and subsidized wages and stipends. By operating through a network of community-based organizations, the approach is seeking to invest in a broader nonprofit talent development ecosystem for young people in the county.

- In **Phoenix**, economic and workforce development accounted for 20% of SLFRF commitments, led by a $18.5 million investment to buy an abandoned Kmart in a distressed neighborhood and convert it into a large workforce center that local educational and job training institutions will operate. The city will use another $10 million through its Route to Relief program to help workers who lost jobs during the pandemic connect to training for in-demand careers in information technology, biosciences, health care, and construction.

- **Louisville-Jefferson County, Ky.** committed $40 million to support the Healthcare Innovation Workforce Coalition—a coalition of local health care organizations, nonprofits, and intermediaries working to make the city a hub for health care innovation. The commitment includes a pledge to create and fill 1,500 entry-level health care jobs and the development of a new technology and learning center in the Russell neighborhood, the historic heart of Black Louisville.[32]

- **Detroit** has made one of the largest workforce development ecosystem commitments. In January 2023, the city announced it will deploy $40 million from the SLFRF program to support Jump Start—a program that will provide job training stipends to residents and support to 18 Detroit-based workforce and community-based organizations in conducting outreach to those residents and providing them with supportive services to access this skills training.[33] Jump Start complements the Skills for Life program—a $59 million investment the city made in 2021. Each of Detroit's workforce development programs was designed to integrate into what one city official called a "holistic" community aid model intending to "wrap [the city's] arms around individual Detroiters and tell them that we're going to look at the entirety of the challenges [they] are facing," and that the city will not "ignore these issues and walk away."

- **Erie County, Pa.** used ARPA funds to ensure greater accessibility to courses at Erie County Community College, which opened in 2021. County leaders provided $1.75 million through their SLFRF allocation to cover full tuition for associate degrees and technical certificate programs, as well as to address non-tuition cost barriers such as child care, transportation, and supplies.[34]


Detroit, Mich.

SMALL BUSINESSES

Cities and counties received SLFRF dollars amid widespread small business uncertainty. In spring 2021, over half of small business owners reported it would take at least four months to return to normal operating levels, if ever.[35] Through the end of 2022, large cities and counties had committed over $1.7 billion to supporting small businesses, including grant and loan programs, technical assistance, and entrepreneurship acceleration services.

- As part of **St. Louis'** citywide Economic Justice Action Plan, the St. Louis Development Corporation will work with partner community-based organizations, industry groups, and philanthropies to invest $38 million in SLFRF dollars into 11 of the city's commercial corridors. This investment will provide stabilization grants, enhancement grants, community-need grants, and forgivable loans to small businesses located in QCTs on the disinvested north side of St. Louis. Between this investment and a $70 million Phase 2 commitment, St. Louis plans to invest $108 million in the plan's "neighborhood transformation" pillar, which seeks to "leverage community assets to transform physical, social, and economic aspects of historically disinvested neighborhoods to build their collective capacity and wealth-building opportunities."[36]

- **Dayton, Ohio** is using $7 million of their SLFRF allocation to activate small, street-level businesses across the city's commercial districts. This "first floor" fund is helping startups and existing businesses by providing a combination of primary and forgivable loans to qualifying borrowers, many of which are minority- and/or women-owned firms that face obstacles to obtaining capital from traditional lending sources. City officials hope to use this investment to improve walkability and access to amenities while supporting businesses that contribute to the city's vibrancy.[37] The city is complementing this investment with a $3 million commitment to establish an Inclusive Business Recovery Operations Center (IBROC) to support small business creation and growth.[38]

- The **city and county of Honolulu** took a targeted approach to supporting businesses in arts, entertainment, and hospitality through a $10.5 million small business grant program. These sectors were disproportionately harmed by the effects of the pandemic, and many of the smallest businesses within them did not get access to other federal small business recovery programs.

HOUSING

The SLFRF program also offered the potential for transformative investments in housing to ensure an adequate supply of decent-quality rental housing, provide low-income households with long-term rental assistance, and combat homelessness crises overwhelming many communities. At the end of 2022, large cities and counties had committed over $5 billion to housing projects, including affordable housing production, anti-homelessness interventions, and eviction prevention and rental assistance programs.

- **Hennepin County, Minn.** committed over $36 million to services for unhoused persons, including support for case managers to provide direct support to persons transitioning to permanent housing.[39] The county also made a down payment on future affordable housing as part of a $46 million investment to create and preserve an estimated 2,000 units of affordable housing through gap financing, along with providing resources to address a backlog of deferred and needed rehabilitation of existing affordable housing properties.[40] While housing is not a new priority for the county, officials credit their ARPA allocation with "accelerating [this work] and making us stretch to places we didn't know we could reach."

- The first investment listed in the **Louisville-Jefferson County, Ky.** recovery plan states that "$105 million is going to meet the challenge of homelessness and affordable housing."[41] At the onset of the pandemic, the metro government estimated a 31,000 affordable housing unit shortfall for residents making 30% or less of area median income. At 35% of its ARPA commitments, housing is by far the consolidated city-county's largest investment category. The three largest projects in this portfolio are a $40 million contribution to the jurisdiction's Affordable Housing Trust Fund to create at least 200 units; a $20.6 million investment in affordable housing partners to preserve or create 200 units; an $11.4 million commitment to renovate five homeless shelters; and $10 million to divert evictions and provide utility and rental assistance. Through July 2022, these efforts had halted evictions for over 1,500 households.[42]

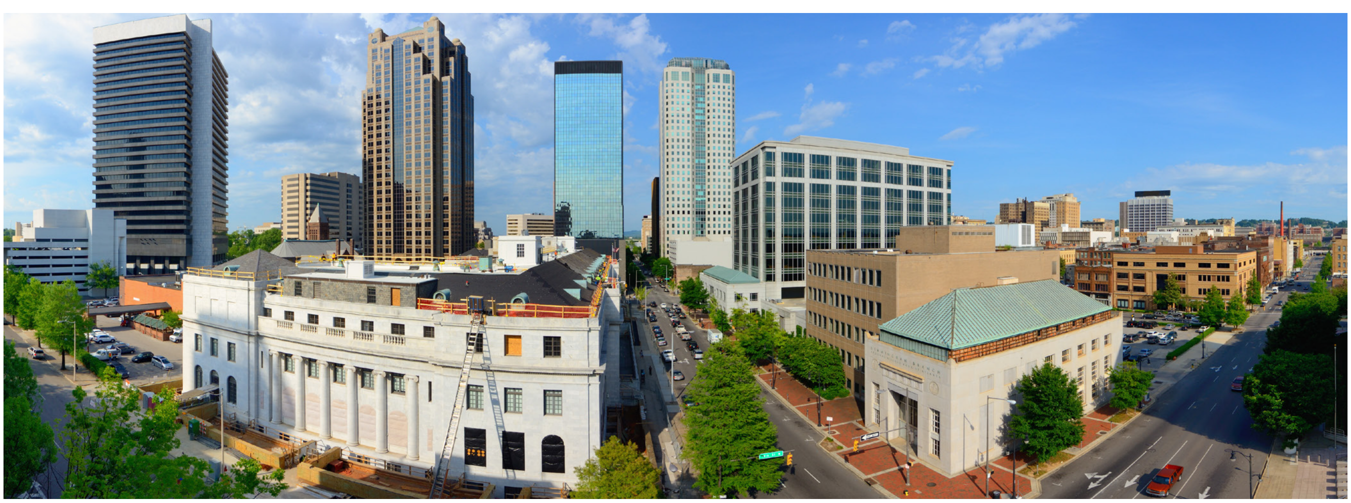
INFRASTRUCTURE

One of the SLFRF program's four major eligible use priorities was investing in water, sewer, and broadband infrastructure (eventually expanded to also include transportation infrastructure). ARPA flexible funds covered over $5 billion in infrastructure projects in large cities and counties through the end of 2022, nearly half of which went to build and maintain water and sewer systems.

- **Birmingham, Ala.** has invested over $7.5 million into completing its Birmingham Xpress bus rapid transit line. This new system will connect 25 neighborhoods across the city and its outlying communities to health care, education, and other vital services. The city identified this investment as "integral" to Mayor Woodfin's Vision 2025 strategic plan, which is focused on transforming Birmingham into a "21st-century employer" by "making sure communities are connected and residents have access through transit."
- In **El Paso County, Texas**, officials are partnering with the utility district to address historic inequities in access to water through $34 million in programming that will connect vulnerable communities to centralized wastewater systems. Jose Landeros, the county's Director of Strategic Development, explained the history behind the investment:

"El Paso is located along the U.S.-Mexico border. In the late '50s and '60s, communities developed suburbs and people chased the American dream. While El Paso saw some of that development, we also saw the development of communities we called 'colonias,' which are communities that are substandard, and don't have access to basic infrastructure. We've been trying to right that wrong for about 50 years."

The county is using ARPA funds to connect over 3,600 individuals across 12 neighborhoods to water and wastewater service for the first time. According to the Centers for Disease Control and Prevention, 11 of the 12 project areas are located in census tracts that have a high level of social vulnerability on the agency's Social Vulnerability Index.[43] By the end of 2022, the county had committed more than $28.5 million toward this project through the SLFRF program.



Birmingham, Ala.

NEIGHBORHOOD REVITALIZATION

Finally, cities and counties are deploying SLFRF resources to support neighborhood revitalization through blight removal, streetscape investments, and economic/commercial corridor development. To effectively deliver neighborhood-based investments, cities and counties must understand the needs of disadvantaged communities and then deliver SLFRF dollars to partner organizations with the necessary awareness, trust, and credibility for successful implementation in those neighborhoods.

- **Hennepin County, Minn.'s** Community Investment Initiative deployed $10 million in grants to 18 projects through a competitive RFP. The county established high-level priorities and requirements for applicants but left it to hyperlocal organizations to design specific community development projects.[44] The county received 46 proposals totaling $47 million in requested funding, which were reviewed by a multiagency team from local government and the Local Initiatives Support Corporation (LISC). The 18 awarded projects will leverage approximately $265 million in total investment value to create over 300,000 square feet of commercial and community space for approximately 548 local small businesses and entrepreneurs, as well as 160,000 square feet of improved or new nonprofit space. In total, the county anticipates those investments will preserve or create over 780 jobs.[45]

- **Detroit's** single-largest project investment is an $88 million blight remediation program that will seek to improve the city's built environment, heighten public health and safety, and promote economic redevelopment through a comprehensive approach to demolition, remediation, and site preparation. To supplement this investment, the city plans to use additional ARPA dollars for beautification grants, where community-based organizations, nonprofits, and block clubs can apply for funding to rehabilitate neighborhoods and commercial corridors. The city is also investing $14.3 million in the Blight to Beauty initiative, which will remove over 1,200 "dead, dangerous, and nuisance" trees across the city.

- As part of their broader Rebuild KC initiative, **Kansas City, Mo.** will invest over $2 million in improvements to the city's streetscape by planting trees, community gardens, and flower beds, and developing new sidewalks to improve neighborhood walkability. The city will also invest an additional $3 million through Rebuild KC to demolish and rehabilitate dangerous or vacant properties in residential neighborhoods.

- **Cleveland** is using $50 million of its final installment of ARPA funds to invest in a Site Assembly Fund[46] created in partnership with the state-level JobsOhio[47] and the Cuyahoga County Land Bank,[48] which will buy up vacant land in the city and prepare it to be shovel-ready for sale to companies with the intention of attracting employers that can offer jobs and family-sustaining wages to residents.

Multnomah County, Ore.

3. LOCAL GOVERNMENTS ARE RESPONSIBLE FOR MEASURING IMPACT ACROSS A SPRAWLING RANGE OF PROJECTS, WHICH IS FORCING THEM TO UPGRADE THEIR EVALUATION AND TRACKING CAPABILITIES.

Another major concern in implementing the SLFRF program was whether local governments could expand their performance management systems to track obligated and expended funds, assess outcomes, and report both pieces of information in a timely fashion to the Treasury Department.

While all recipients are required to report their SLFRF implementation, only cities and counties that received allocations higher than $10 million and tribal governments that received allocations higher than $30 million are required to submit these reports every quarter, while smaller jurisdictions that received less funding report annually. Though the reporting requirements for budget appropriations, obligations, and cumulative expenditures closely mirror those imposed on the CARES Act allocations these cities and counties received, SLFRF reports are required to contain substantially more programmatic data, including which eligible use category each project fulfills, project completion status, and how benefits from each project are being distributed to communities disproportionately impacted by the pandemic. To increase accountability and program transparency, jurisdictions with populations greater than 250,000 are required to summarize this data into a detailed "recovery plan" narrative once per year.

While the wide latitude that cities and counties had to implement the SLFRF program was an unprecedented opportunity for innovation, this flexibility created a challenge in developing core metrics to track and compare results across a broad portfolio of distinct programs. Furthermore, many local governments used SLFRF dollars to launch new programs or initiatives quickly, which did not necessarily leave time to develop the traditional key performance indicators (KPIs) used for longer-term plans. And while there is a common set of metrics that Treasury officials have laid out for cities and counties to use for tracking performance across housing, workforce development, and community assistance initiatives, the capacity for this evaluation is typically itself paid for through SLFRF, meaning that there may not be dedicated funds available to support long-term evaluation past the ARPA cliff in 2026.

Despite these challenges, a small set of local governments are investing in capacity to make the data they report to Treasury accessible to the public. These online trackers and dashboards allow researchers, the media, and citizens to better understand the program's early outcomes across individual projects and broader strategic domains. For example, **Louisville-Jefferson County, Ky.** constructed an open data portal that provides up-to-date information on how these funds are translating into outcomes, including by neighborhood and demographic group.[49] **Phoenix** has also broken out its allocations and expenditures for major strategic areas and, in some cases, for specific project investments.[50] This website clearly displays progress on KPIs for the city's utility and rental assistance projects.[51]

Given SLFRF's expected impact on broad local outcomes (rather than just the outcomes reported to Treasury), some local governments are using a more comprehensive set of indicators to track the recovery and provide critical context for their investments. In support of its broader Economic Justice Action Plan, **St. Louis** created an Economic Justice Index—an expansive list of metrics that the city can use to evaluate a variety of programs and initiatives.[52] This allows officials the flexibility to select specific metrics to prioritize and track results across individual RFPs and programs, while also understanding how a broader constellation of programs is resulting in progress against the high-level goals of the Economic Justice Action Plan. The city also invested in a cross-departmental analytics team to develop and implement these metrics going forward, making it easier for city departments to access the capacity needed to evaluate the impact of the programs they were responsible for managing. Similarly, **Coconino County, Ariz.** created an Equitable Economic Recovery Dashboard to give local communities and leaders the ability to track, record, and visualize the economic conditions of residents.[53] The county has also provided a user guide so external audiences can understand how these metrics were selected, what they mean, and their sources.

Phoenix, Ariz.

Implications

The implications of these findings on ARPA's local impact center around local leaders' ability to sustain these innovative and transformative projects through deployment of multiple tools. In addition, the federal government has an opportunity to organize differently and exhibit greater flexibility in implementation, so as to ensure localities leverage this down payment of SLFRF dollars over the long term.

1. LOCAL LEADERS CAN SUSTAIN ARPA FUNDING IMPACT THROUGH STRATEGIC INITIATIVES, EXISTING AND NEW COMPLEMENTARY FUNDING, GREATER CROSS-JURISDICTIONAL COLLABORATION, AND NEW IMPACT PERFORMANCE METRICS.

Now that most local governments have completed their high-level SLFRF appropriations and are actively working to fund specific projects and initiatives, the goals of sustainability and long-term viability for use of these funds are increasingly top of mind for many local leaders. As discussed in the previous section of this paper, the SLFRF program enabled cities to make a "down payment" on broader community priorities. It also allowed cities and counties to grow and scale existing programs to meet their residents' needs and respond to changes caused by the pandemic and related economic disruptions. Examples of this include launching affordable housing trust funds, creating community-based hubs and funds for workforce development and small business support, and revitalizing anchor institutions and districts as part of larger redevelopment schemes.

However, with the ARPA expenditure deadline looming and many political leaders responsible for developing SLFRF spending plans beginning to transition out of office or face re-election, local leaders must start to think critically about how to sustain these initiatives in the long-term, including amplifying local capacity and collaboration and improving metrics to leverage the next wave of federal investments (e.g., from the Infrastructure Investment and Jobs Act and CHIPS and Science Act). This is a multidimensional challenge that requires local leaders to bridge across political cycles and leaders as well as address multiple domains such as financial sustainability, regional/cross-organizational collaboration, and capacity-building to result in broader impact and success.

St. Louis, Mo.

Embedding new programs in strategic initiatives and creating structures that leverage civic leadership and other local partners are critical for sustaining transformative investments and programs beyond current political leadership and the ARPA expenditure deadline.

As referenced above, many city and county leaders described struggles between the executive and legislative branches in deciding how to allocate ARPA funds. Further adding to this dynamic were local election cycles with, at least in some cases, city and county leaders running for election (or re-election) as appropriation plans were being developed.

As such, in many cases, signature ARPA initiatives were heavily associated with existing mayors and county executives, so their success hinges on those leaders' ability to turn those short-term political wins that led to temporary funding into long-term, sustainable programs. An example of this dynamic is in **St. Louis**, where Mayor Tishaura Jones was elected in spring 2021 as the city was preparing to receive its first tranche of SLFRF dollars. St. Louis received the third-largest per capita SLFRF allocation of any city, and through the mayoral campaign, Jones and other candidates highlighted their priorities for using the funds.[54] Once Jones was elected, a spirited debate occurred between her and members of the Board of Aldermen (the city's legislative body) about the best uses for those funds. These debates ranged from differing perspectives on general priorities to if and how individual aldermen were able to steer funds to specific organizations and projects in their districts. Ultimately, Mayor Jones was able to implement most of her agenda, which included steering a large portion of the city's SLFRF allocation into the Economic Justice Action Plan, which provided a roughly $246 million investment across five major goals: strengthening neighborhoods, closing the wealth gap, improving health and educational outcomes, expanding the tax base, and growing the city's population.[55]

The city is implementing the plan through the St. Louis Development Corporation (SLDC), a nonprofit organization with a unique governance structure and a mission of "stimulating the market for private investment in city real estate and business development and improve the quality of life for everyone who lives in, works in, and visits the city." As a nonprofit whose leader is appointed by the mayor, SLDC has enhanced flexibility to implement the plan compared to some city departments, including the ability to hire new staff and partner with external organizations and funders. It also may provide a more sustainable long-term platform with which to implement the plan going forward.

This dynamic illustrates the benefits and potential challenges of forging and sustaining transformative initiatives that cities were able to fund through SLFRF. The Economic Justice Action Plan was championed by Mayor Jones and her administration, while being heavily informed by community engagement, surveys, and a city-appointed Stimulus Advisory Board that guided its initial allocation decisions. Without Mayor Jones' leadership and efforts to secure community buy-in, it is unlikely the city would have been able to coalesce around the comprehensive plan. Instead, funds would most likely have been spent across a larger number of smaller projects that may have struggled to achieve impact at scale. Furthermore, much of the funding allocated into the plan is only just now hitting the community, as the city builds its own capacity (and that of its partners) to administer the funds—efforts that make the plan more likely to persist and extend beyond mayor Jones' current term, unlike a typical mayoral budget. Nevertheless, despite its unprecedented size and scope, the Economic Justice Action Plan represents only a fraction of the total amount of investment needed to truly revitalize North St. Louis and other neighborhoods. This is one of the reasons why the city charged SLDC with implementing the plan, as its corporate and governance structure facilitates easier partnerships with private organizations and funders. It is also somewhat insulated from potential future legislative attempts to redirect funds dedicated to the plan.

Another example of this dynamic complicating SLFRF implementation efforts is in **Cleveland**, where newly elected Mayor Justin Bibb set a change-making agenda but bumped up against a city council with a different set of priorities. The ARPA funding time pressures exacerbated a situation in which a new mayoral administration and the council lacked sufficient time to undertake the trust-building necessary for major policymaking, particularly with newly elected officials. Nevertheless, a number of important and beneficial projects received council approval in the first rounds of ARPA funding (e.g., investments in affordable housing, overhaul of city services, and education and workforce development). Then the final round of ARPA funding (spring 2023) saw two of Mayor Bibb's economic transformation programs—a $50 million investment for a new Site Assembly Fund to buy vacant land and prepare it for companies' use, as well as a $20 million investment in lakefront and East Side infrastructure—receive council approval following lengthy negotiations.[56]

In short, where new initiatives are closely associated with one political leader or lack other political support and strategic imperatives, the long-term viability of specific transformative initiatives can be threatened or compromised. Time-limited ARPA funds should inspire city and county leaders to think about how to sustain critical initiatives beyond their terms in office or the surge of federal dollars.

Recommendations to overcome political tensions and leadership challenges include:

- Share success with other local leaders, including other elected officials, to encourage broader buy-in for longer-term initiatives, even though the executive branch (e.g., mayors, county executives) remains the central and driving force in shaping and championing new initiatives.
- Align ARPA investments and programs with existing long-term strategies and plans, while also ensuring that equity considerations and new pandemic-era priorities are central to investments and strategies going forward.
- Identify civic and community champions who can take on leadership of important initiatives and keep momentum once a political leader leaves office.
- Conduct community outreach and media campaigns to mobilize broader support for new priorities and funding that advance the ARPA agenda.

Cleveland, Ohio

Sustained support for APRA-catalyzed investments will require financing strategies that leverage the private sector, philanthropy, and/or additional federal and state funds.

Perhaps the most common challenge local leaders face is identifying longer-term funding mechanisms to continue the work that was started through SLFRF. Many cities and counites have policies that prohibit or discourage recurring obligations from being funded with one-time surpluses (such as SLFRF). Even when cities and counties were able to link SLFRF dollars to one-time initiatives such as capital construction projects or startup funding for new social service programs, these initiatives required cities and counties to identify longer-term sources of funding for ongoing maintenance and operations. However, this revenue surge will be ending soon, leaving large structural budget gaps. Local leaders will soon face tough decisions around how to fill these gaps, adding strain to city and county budgets.

Phoenix, Ariz.

For instance, a high-level city official in **Phoenix** noted that SLFRF and associated ARPA funds (such as the Emergency Rental Assistance Program) allowed for an unprecedented investment in shelters and other facilities to support the homeless across the broader metro area. These investments were coordinated not only through the city, but through a larger coalition made up of the Maricopa County Regional Continuum of Care (CoC)—a coalition that manages regional HUD funding and coordinates supportive housing across the metro area. Some of these funds went into capital projects, including acquiring a hotel used as a temporary emergency shelter for conversion into a longer-term shelter facility, which will be operated by a local nonprofit. However, even though some of these construction and acquisition costs were covered by federal funds, there is a question of how to maintain this infrastructure and these services in the future. The Phoenix official said:

"The last number I read, for everything we built across our county [Maricopa County and its 4.5 million residents] is something like $120 million in operating costs going forward. I think collectively we were putting in roughly $20 million prior to the pandemic. So we're not only looking at general funds from the city, but as a collective CoC. And that group is looking to really engage philanthropic and private and ideally pool money to be able to fund all of these new projects that that affect the entire community, not just one specific jurisdiction."

Therefore, many cities and counties will have to look for longer-term, sustainable sources of funding to both continue the programs they were able to create through SLFRF and shore up programs where traditional funding models have been disrupted by behavioral changes brought on by the pandemic. A model for how to facilitate the transition of an SLFRF-piloted program to long-term financial stability could be **Kansas City, Mo.'s** Affordable Housing Trust Fund. While the city had nominally had a housing trust fund for many years, it sat unfunded and underutilized, with no dedicated sources of funding and no mechanism for distributing funds into projects. Under the leadership of Mayor Quinton Lucas and the city council, Kansas City appropriated $25 million of SLFRF resources (approximately 13% of the city's total allocation) into the Affordable Housing Trust Fund.[57] Concurrently, the city passed an ordinance establishing clear funding guidelines, priorities, and an overarching governance structure for the fund. This included establishing a board of community members to make recommendations to the mayor and city council about projects to be funded. The first RFP for the board was issued in 2022, resulting in almost $8 million in awards expected to create or preserve nearly 500 units of affordable housing.[58]

Based on the success of this initial RFP and a recognition that the $25 million[59] allocated into the Trust Fund would soon run out, city leaders capitalized on this progress and included $50 million for affordable housing as part of a bond reauthorization campaign in November 2022. This campaign was overwhelmingly successful, with 71% of voters approving it.[60] The $25 million in SLFRF resources created the opportunity for the city to provide a stable source of funding for the Trust Fund over the next five years and enabled the city to establish precedent for future bond campaigns to fund affordable housing.

Other local governments are forging partnerships with philanthropic and nonprofit organizations to help build on the successes of SLFRF investments. **Erie County, Pa.** plans to form a cross-jurisdictional "fusion cell" through the revival of its economic development office, which has been unfunded for multiple years.[61] Through this strategy, the county hopes to develop a broad coalition of regional governments and leverage their federal investments for long-term regional economic development. **St. Louis** also recently announced an Economic Justice Accelerator to drive private and philanthropic investment to the priorities and neighborhoods identified in its Economic Justice Action Plan.[62] Through the accelerator, the city hopes to close the wealth gap, address generational challenges, and "create a new system for how we deploy dollars into marginalized communities."[63]

Recommendations to sustain SLFRF programs and initiatives include:

- Quantify the scope of the funding challenges existing programs face due to pandemic-related behavioral and financial changes.

- Identify alternative sources of federal and state funds that could be braided into the relatively flexible ARPA funds. Many states are still in the process of deploying their SLFRF dollars, or are determining how to administer other federal funds, such as those in the Infrastructure Investment and Jobs Act[64] (IIJA) and Inflation Reduction Act[65] (IRA), which could be a source of bridge revenue for new programs or help bolster investments made through locally allocated SLFRF dollars in the short or medium term.

- Coordinate with local legislative leaders and regional and state actors in developing longer-term strategies for funding critical programs once federal investments run out, which includes working with philanthropic and private sector partners. Local leaders can also launch ballot initiatives (such as Kansas City's successful campaign to invest $50 million in its housing trust fund) to provide ongoing funding for critical initiatives.

- Explore creative financing tools that are right-sized to meet the needs of critical programs, including public-private partnerships and shared regional investment funds. The federal government has already launched an innovative program to provide technical assistance in establishing these partnerships in the Transportation Department's Build America Bureau.[66] AFA's newly launched i3 initiative will also help cities develop innovative financing strategies for large regional efforts.[67]

Cross-jurisdictional coordination and collaborative civic processes can maximize local and regional impact going forward.

The impending fiscal cliff and leadership transition issues discussed above illustrate the importance of establishing and maintaining coordination efforts through both civic coalitions that can inform local priorities and cross-jurisdictional collaborations that can maximize funding impact. Many of the most important cross-cutting initiatives (such as developing long-term funding plans for regional transit agencies and broad regional workforce or economic development strategies) require cities and counties to align with regional partners, as no one actor can fund or manage these large projects on their own.

As noted previously, the ARPA legislation lacked incentives for coordinating efforts or convening coalitions, which are difficult even under the best of circumstances. In our interviews, it became clear that city and county leaders were able to collaborate when preexisting relationships were strong. For example, executives in **Kittitas County, Wash.** maintained open lines of communication throughout the pandemic with their counterparts in the city of Ellensburg, to make sure their collective SLFRF investments were supporting regional community needs. These collaborative efforts, while impactful, were largely informal. And while some cities and counties, such as **Louisville-Jefferson County, Ky., Phoenix, and Birmingham, Ala.**, have taken steps to appoint specific relief coordinators to oversee SLFRF deployment across their cities, these positions are largely focused on overseeing federally mandated grants management and administration—not on the strategic planning necessary to ensure ARPA-funded programs are sustainable in the long term.

In some instances, places with existing interjurisdictional agreements or consolidated governance structures took advantage of these collaborative vehicles to coalesce around mutually beneficial priorities and magnify the impact of SLFRF dollars. For example, **Saint Paul and Ramsey County, Minn.** are collaborating to invest over $74 million toward expanding the supply of "deeply affordable housing" for city and county residents earning below 30% of the region's area median income, both through new construction and preservation of existing infrastructure.[68] In addition, because Saint Paul does not run its own health or workforce development department, the city is providing the county additional SLFRF dollars through a sub-award to fill their "responsibility gap" by bolstering the county's capacity in these priority areas. These efforts demonstrate the benefits of establishing and maintaining coordinated efforts and coalitions, including:

- Identifying high-level shared regional needs and priorities.
- Providing accountability and transparency for public spending decisions and priorities.
- Preventing duplication of spending on similar programs or initiatives (for example, having a county and city with overlapping geographies both fund a workforce program with similar beneficiaries in a similar industry).
- Facilitating the braiding of funding from government, philanthropic, and private sources.
- Creating streamlined mechanisms for local nonprofits and community organizations to access relief funding without going through an entirely separate procurement process. This is also an opportunity to leverage funds and train smaller-resourced nonprofits to build capacity and form partnerships with other nonprofits that strengthen their ability to compete for future funds.

Recommendations for local government leaders to foster collaborations going forward include:

- Convene local leaders regularly across the civic, governmental, and private sectors to move large strategic projects forward. To be most impactful, these convenings should focus on specific initiatives or impending challenges (for example, addressing upcoming shortfalls in regional transit priorities or developing a plan for continuing ARPA-funded workforce and economic recovery programs that have proven impactful for the region).
- Identify civic intermediaries that can lead these initiatives once current political leaders have left office. Examples include councils of governments (COGs), metropolitan planning organizations (MPOs), workforce boards, local chambers of commerce, or other formal and informal coalitions. These larger intermediaries could also benefit from engaging with neighborhood advisory groups that bring critical perspectives on community needs and programming preferences.
- Identify shared funding strategies for these priorities that pair public sector dollars across multiple jurisdictions with investments from the philanthropic and private sectors. This could include asking for philanthropic funding to support the necessary convening work by civic intermediaries.

Local governments should consider permanently integrating new impact measurement tools into their operations to monitor and extend successful ARPA-funded programs and enhance localities' overall ability to measure programmatic performance.

As reflected in Section II, measuring impact is a key area where many local leaders expressed the need to improve and build capacity going forward. A majority of interviewed leaders mentioned the need for their organizations to build capacity in grants management and evaluation in order to comply with relevant Treasury regulations. Many also expressed their desire to use this capacity to inform future programs and decision-making in areas outside of those directly supported through SLFRF, including the next wave of federal funds.

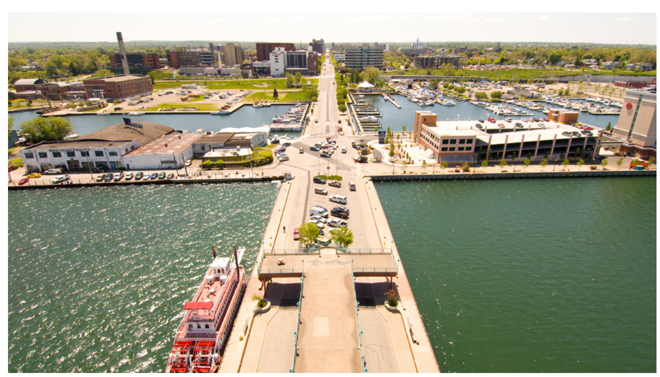
Specific actions that cities and counties can take to build evaluation capacity for the long term include:

- Develop a strategy for deploying ARPA-required grant management and evaluation capacity for longer-term performance measurement and improvement efforts. Cities and counties that stood up internal teams to handle ARPA grant management, reporting, and evaluation should direct this capacity to improve their long-term efforts to create public data dashboards and performance improvement efforts.
- Evaluate the ongoing performance of ARPA-funded pilots and new programs—not just for compliance, but to make the case for duplicating and sharing successes and regional improvements as well as to seek future funding support from the federal government and external funders.
- Partner with external organizations that have existing evaluation and grant management capacity and who may be able to help continue work once SLFRF dollars are exhausted.

Partnerships with external organizations are helping local governments such as **El Paso County, Texas**, where a foundation is supporting the county in administering the SLFRF program, studying and identifying best practices for evaluation, and providing technical assistance. The county has also been able to capitalize on the foundation's existing resources (e.g., software programs), which eliminates the need for them to build that capacity themselves.

Similarly, other regional intermediaries have taken it upon themselves to track ARPA spending across many local governments in a given metropolitan area—a response aimed at alleviating the considerable variation in cities' and counties' ability to create public-facing and user-friendly communications products.[69] The Greater MSP Partnership—a regional economic development organization in the **Minneapolis-Saint Paul, Minn.** region—has been tracking SLFRF implementation across 12 cities and 17 counties through the MSP ARPA Tracker.[70] This tool pulls data from each local government to increase transparency and quantify investments for tracking the program's potential impact on the region.

In **Erie County, Pa.**, regional intermediaries have also been critical in developing more comprehensive assessments of regional health to both contextualize the county's SLFRF investments and highlight areas of continued need. Through the Erie Vital Signs dashboard, the Erie Community Foundation is highlighting the health of the county's economy and business and talent ecosystem, as well as measures of overall livability. Through this data product, the Foundation is attempting to create a "shared vision for Erie's future, built on data" designed to "help Erie decide how to focus its resources to improve the community, and then to monitor the impact of those collective efforts."[71]



Erie County, Pa.

2. FEDERAL ACTIONS SUCH AS FLEXIBLE FUNDING AND GREATER ORGANIZATION ACROSS AGENCIES COULD MAKE A DIFFERENCE IN EFFECTIVE IMPLEMENTATION.

The bulk of this report has focused on local officials' experiences implementing the SLFRF program in their communities, the challenges and opportunities that these funds posed, and recommended ways to maximize and sustain uses going forward. However, given the unprecedented ARPA funding volume, the federal government remains an important partner to localities as they strive to adhere to ARPA's intent. Therefore, based on findings regarding inherent challenges in the ARPA legislation, Treasury and other federal agencies should consider easing implementation hurdles that localities still face by amplifying flexible federal funding and organizing differently across federal agencies to increase responsiveness to local questions and build local capacity.

Amplify flexibility of federal funding in the short and long term.

A commonly cited comment in interviews with city leaders was an appreciation for the flexibility of ARPA funds and the broad discretion to use them in response to a variety of local needs. But local leaders also noted ways to build additional flexibility into SLFRF and other programs so local governments can leverage funds for economic growth and recovery, including:

- Allow local leaders greater flexibility in using SLFRF dollars as a local match for other federal programs (such as those in the IIJA and IRA) through regulatory action, particularly when two or more local jurisdictions are involved in financing a project. This would build on adjustments made in January 2023.[72]

- Direct more federal funding to cities and counties, which could be used for local capacity-building, instead of channeling funds to states. While localities benefited from tailoring funds to their local economic and institutional opportunities, lack of local capacity has made it challenging to handle significant federal funds. One example of a way to augment funding to cities and counties is through additional kinds of block grants to local units of government (similar to the Community Development Block Grant Program[73] but in adjacent program areas, such as workforce or economic development), instead of competitive grant programs.

- Extend the 2026 deadline for the ultimate distribution of SLFRF dollars, provided the funds have been obligated and measurable progress on funded projects is demonstrated. This would likely require a statutory change but may be particularly important for affordable housing and economic development efforts, given the lead-time for completion of these projects. Local officials may also benefit from enhanced guidance on how they can use SLFRF dollars for these purposes, especially when partnering with local organizations that are doing the direct work of managing construction and rehabilitation projects to create or preserve affordable housing.

Dayton, Ohio

Organize differently to build capacity at the local level and across federal agencies.

The unusual volume of direct federal investment in local-level initiatives offers a unique opportunity to organize differently at both the local and federal levels for greater success and in ways that build long-term local capacity. Recommendations include:

- Designate Treasury or other federal agency staff with specific program expertise to support local groups and answer questions, especially as program deadlines for allocating and spending down funds come due. Some local leaders expressed challenges with getting questions about eligible SLFRF uses answered quickly. "We had lots of questions in the beginning, even some now," a high-level official in St. Louis said. "It would be great if Treasury had a number you could call to reach someone who can give you a definite answer on what this part of the rules means…Emails get lost, [and it's] hard to communicate what you are experiencing in an email and then trying to get an answer through email. A conversation could have solved it."

- Reward and encourage regional collaboration around inclusive economic growth. Programs such as the Economic Development Administration's Build Back Better Regional Challenge and Good Jobs Challenge explicitly required applications from regional coalitions. The outcomes of these projects may provide lessons for future federal efforts in fostering regional collaboration around inclusive economic growth.[74]

- Organize differently at both the federal level (across agencies) and the local level (across regional partners) to leverage multiple transformative funding opportunities and better navigate the federal funding opportunities.[75]

St. Louis, Mo.

Palm Beach County, Fla.

Conclusion

The American Rescue Plan Act's State and Local Fiscal Recovery Fund (SLFRF) program is a massive test for federalism, and its long-term impact on communities will not be known for some time. Yet at the legislation's two-year mark, there are important conclusions to highlight.

America's local governments were a critical channel through which the federal government delivered its economic and public health response to COVID-19, and will continue to be over the coming years. Importantly, most local governments seem to have heeded the Treasury Department's advice to prioritize investments that could deliver an equitable recovery—not just return to the economic status quo.

Generating more inclusive economic outcomes not only requires considerable resources, but also that local governments develop greater capabilities around vision-setting, multistakeholder collaboration, measurement, and ecosystem-building. Across these capabilities, local governments displayed the ability to work creatively, while also running into implementation challenges with respect to using SLFRF dollars for these efforts.

As is typical in a nation as large and diverse as the United States, there is no singular local government experience with the SLFRF program. Cities and counties used the program's flexibility to design and deliver responses that fit their distinct economic, health, institutional, and political realities. Local government capabilities and approaches varied significantly, even across our relatively small sample of focus cities and counties. Overall, future policy design should account for the fact that local governments proved to be reliable stewards of direct, flexible investments from the federal government.

Going forward, local governments must deliver in the near term and strategize for the long term. With so much of the $1.9 trillion in American Rescue Plan Act investments frontloaded in 2021 and 2022, the $350 billion SLFRF program will likely be the legislation's most significant economic impact in the coming years. Yet that impact has the potential to linger longer. If local governments can measure the economic results of ARPA investments and engage other sources of financing in the future to sustain those gains, we may look back at the SLFRF program as not simply an economic recovery effort, but a down payment on a more prosperous future for America's local economies.

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