Lexey Swall for The Pew Charitable Trusts

How Philadelphia Plans to Use Its American Rescue Plan Dollars, Compared With Other Cities

The amount of funding major cities are getting—and early indications of what they intend to do with it

Overview

City and county governments are starting to decide what to do with $110.7 billion in State and Local Fiscal Recovery Funds allocated to them under the American Rescue Plan Act (ARPA). They have until the end of 2024 to allocate the money, which is intended to help them emerge from the COVID-19 pandemic.

Given the relative magnitude of aid, the funding is seen in some quarters as an opportunity to invest in potentially transformative infrastructure and other new projects, and in others as providing a lifeline to help services return to or maintain pre-pandemic levels. The choices that cities make could have long-lasting impacts—and are, in part, dictated by the severity of their financial challenges. This brief examines the amount of money that Philadelphia has received, its initial plans for how to spend the funds, and how its allocation and plans compare with those of other major cities.

The amount of ARPA funding that cities receive varies, in part, on their size and structure. As a large city-county, Philadelphia gets funding both as a "metropolitan city," defined as the principal city of a metropolitan area or another city within the area with at least 50,000 residents,[1] and as a county.

For metropolitan cities, the allocation is based on a version of the formula used to allocate funds under the Community Development Block Grant program,[2] run by the U.S. Department of Housing and Urban Development. The formula measures a city's socioeconomic challenges, including factors such as poverty, housing overcrowding, and the age of housing, while the size of counties' aid depends primarily on population.[3]

ARPA dollars' relative impacts

Philadelphia is set to receive nearly $1.4 billion in State and Local Fiscal Recovery Funds in total, roughly $1.1 billion as a metropolitan city, and $300 million as a county. (Cities are allocated additional ARPA funds for other uses; Philadelphia, for example, received $58 million for rental assistance, $48 million for COVID-19 testing, and $14 million for vaccination efforts.)[4] Governments, including Philadelphia, received the first tranche of aid in May 2021 and will receive the remaining amount in May 2022.

There are several ways to compare Philadelphia's share of the State and Local Fiscal Recovery Funds with what other cities are getting.

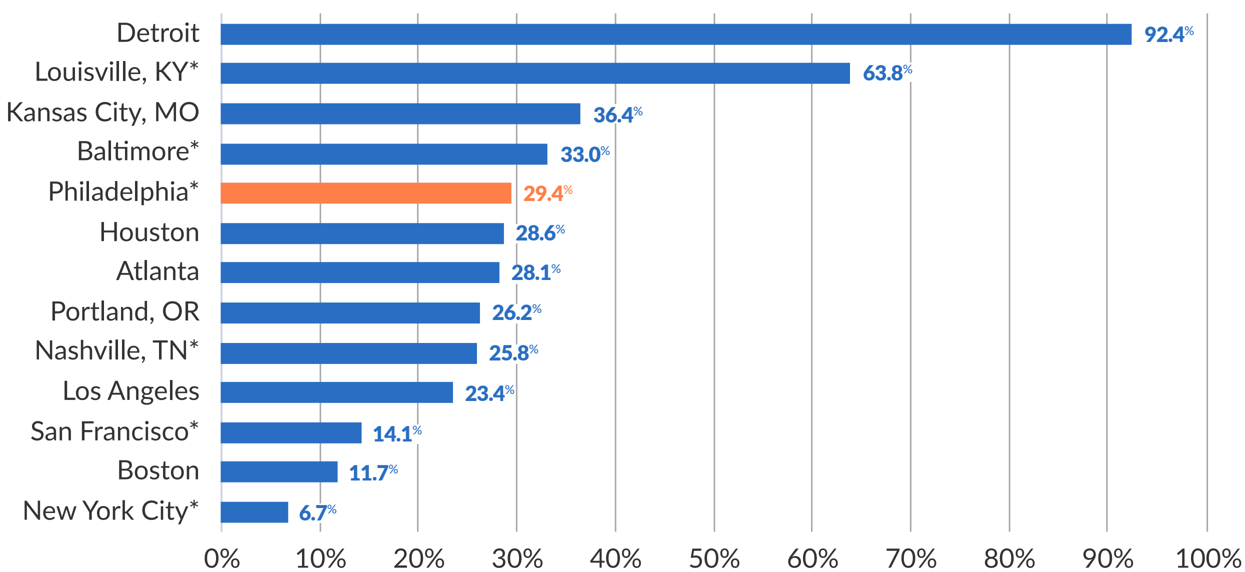
One is to look at the aid in relation to each city's budget for the fiscal year when the pandemic arrived. In Philadelphia's case, $1.4 billion amounts to 29.4% of fiscal year 2020 general fund expenditures. Among the comparison cities shown in Figure 1, the percentage ranges from more than 92% for Detroit to less than 7% for New York. Philadelphia's package is close to the median for the group.[5]

Those at the lower end of the bar graph have relatively larger city budgets or spend more per capita; New York, Boston, and San Francisco, for example, spent more than $5,000 per capita in fiscal 2020, compared with Detroit's $1,400 and Philadelphia's $2,950. General fund budgets in cities with higher spending often include broader functions than other cities' budgets do; Boston's, for example, includes the public school system.

Figure 1

How ARPA Aid Compares With the Size of Cities' Budgets

Allocations as a percentage of FY 2020 general fund expenditures



Notes: These State and Local Fiscal Recovery Funds can be spent over multiple years. Asterisks represent independent cities or consolidated city-county governments that received both county and metropolitan city assistance. The cities shown were studied in a previous Pew piece on the budget gaps that cities faced because of the pandemic.[6]

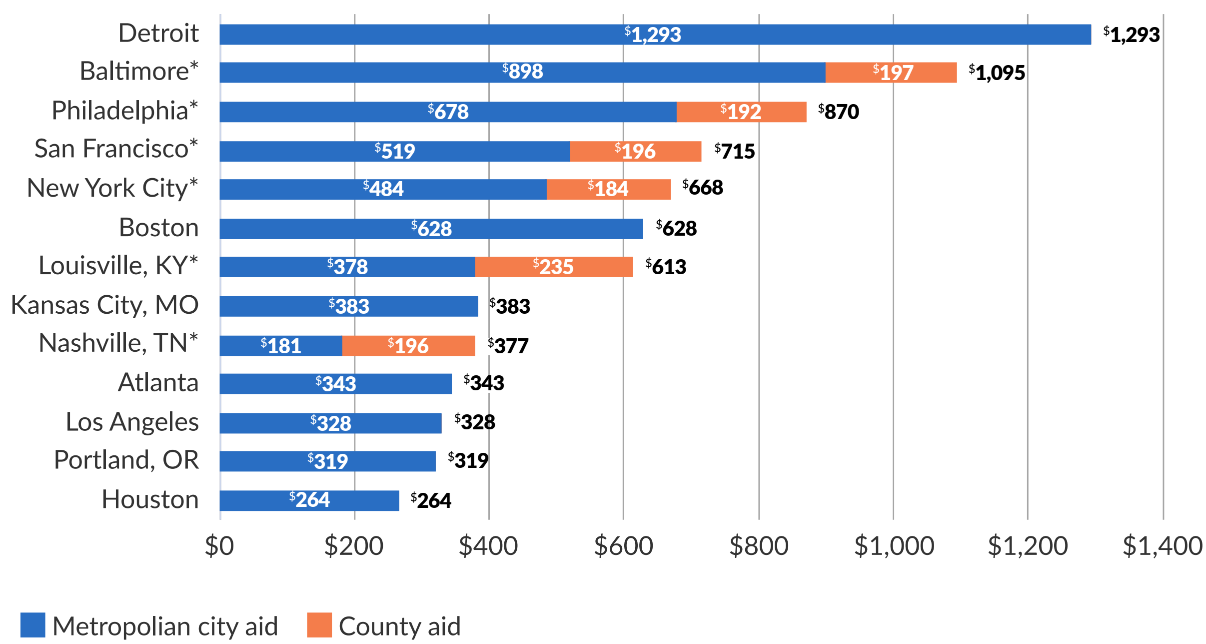
Sources: Pew calculations based on data reported by the U.S. Department of the Treasury and individual city comprehensive annual financial reports

Another way to assess the size of the aid is per capita. By that measure, Philadelphia ranks near the top of the comparison cities, behind only Detroit and Baltimore. (See Figure 2.) Philadelphia's allocation of $870 per individual represents $678 from the metropolitan city allocation and $192 from the county allocation.

Figure 2

How ARPA Funding Compares on a Per Capita Basis

Cities ranked by total aid received in State and Local Fiscal Recovery Funds



Notes: Asterisks represent independent cities or consolidated city-county governments, which received allocations from both the metropolitan city and county programs. For the places with separate city and county governments, the figures shown do not include money given to counties that might wind up being spent in the city.

Sources: Pew calculations based on data reported by the U.S. Department of the Treasury and the U.S. Census Bureau's population counts

In general, cities with higher poverty rates received more aid per capita than the others, reflecting the formula used for metropolitan city aid. Of the cities included in this research, Detroit, Baltimore, and Philadelphia received the highest per capita allocation and have the highest poverty rates (30.6%, 20.2%, and 23.3%, respectively).

But the metropolitan city formula generally does not take into account each city's fiscal situation or pandemic-related public health impacts. As documented in a Pew analysis, Philadelphia faced an estimated budget shortfall for fiscal 2021 of 15% of the prior year's expenditures; Boston, a 2% gap.[7] Even so, based on the ARPA formula, Boston received only slightly less than Philadelphia in metropolitan city aid on a per capita basis.

ARPA funding uses

The Treasury Department recently issued final guidance about how governments can spend the money.[8] Eligible uses include supporting public health expenditures; addressing negative economic impacts caused by the pandemic; investing in water, sewer, and broadband infrastructure; providing premium pay for essential workers; and replacing lost public sector revenue.

In Philadelphia's case, budget officials have said repeatedly that the city government's ARPA funds will likely be dedicated entirely to replacing lost revenue.[9] Officials in Los Angeles[10] and San Francisco[11] have made similar comments; many other cities have yet to declare their complete plans. Results for America, an organization that encourages officials to make decisions based on data and evidence, is also tracking the use of ARPA funds in 150 jurisdictions in an online dashboard.[12]

To use the federal money to replace revenue, cities must either document the amount lost because of the pandemic (the Treasury Department released a formula for cities to use when calculating the loss) or elect to spend no more than $10 million of the funds on government services throughout the aid period.[13] In practice, many view revenue replacement as restoring service to pre-pandemic levels or maintaining the status quo; however, it remains unclear how much the economy will have recovered by 2024 and whether cities will need to find additional ways to help address remaining revenue gaps.

Table 1 summarizes cities' intended uses for the ARPA funds, as described in the reports they filed with the Treasury Department.

Table 1

Summary of Cities' Intentions for ARPA's State and Local Fiscal Recovery Funds

Many plan to initially use the aid for revenue replacement and explore additional projects later

City	Total SLFRF aid	Intended uses
Atlanta	$170.9 million	$123 million for revenue replacement, $32 million for economic impacts of the pandemic, and $16 million for COVID-19 response[14]
Baltimore*	$641.2 million	Announced $185 million in programmatic commitments for economic impacts, violence prevention, and public health emergency;[15] Mayor's Office of Recovery Programs will continue to evaluate project proposals in three categories: budget stabilization, city stabilization, and city recovery[16]
Boston	$424.2 million	$55 million for revenue replacement for fiscal 2022; $82 million for public health, economic impacts, and services to disproportionately affected communities, with community engagement to identify additional uses[17]
Detroit	$826.7 million	$250 million for revenue replacement, with community engagement to identify other priority areas[18]
Houston	$607.8 million	$199 million for revenue replacement for fiscal 2022, exploring projects and priorities for remaining aid[19]
Kansas City, MO	$194.8 million	$72 million for revenue replacement for fiscal 2022, exploring additional specific uses for remaining aid[20]
Los Angeles	$1.29 billion	All funds for revenue replacement[21]
Louisville, KY*	$388.3 million	Initial $30 million for COVID-19 response and $15 million for public health reimbursements; completed public input process for remaining use of funds[22]
Nashville, TN*	$259.8 million	Expects that revenue replacement will be a substantial portion of spending but plans to put the majority of funds to other uses[23]

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City	Total SLFRF aid	Intended uses
New York City*	$5.88 billion	$2.3 billion for revenue replacement, $1.5 billion to offset negative economic impacts, $1.5 billion for public health, and $650 million for services for disproportionately affected communities[24]
Philadelphia*	$1.4 billion	All funds for revenue replacement[25]
Portland, OR	$207.9 million	$31 million for revenue replacement in fiscal 2022, with additional projects and uses to be identified for current and later years[26]
San Francisco*	$624.8 million	All funds for revenue replacement[27]

Notes: Some cities reported intended uses for a single fiscal year, while others reported for the entire fund period. Asterisks represent independent cities or consolidated city-county governments that received both county and metropolitan city assistance.

Sources: Individual cities' State and Local Fiscal Recovery Fund filings with the U.S. Treasury Department

Community input

In some cities where revenues did not decrease dramatically, officials have dedicated portions of the aid to the other eligible uses or are undertaking processes to decide how to spend the money. Boston, for example, has developed a community engagement plan to understand residents' concerns and inform decision-making.[28] Officials there have also developed an online dashboard that tracks fund usage.[29]

Detroit faced a significant budget gap but has taken a similar approach, holding more than 50 public meetings.[30] Although none of the aid has been spent yet, Detroit has required the funds to be appropriated over the next several years for projects focused on neighborhood investments, intergenerational poverty, and public safety, among others.

Philadelphia has undertaken general community engagement to garner input for the city's overall budget, which is viewed as affecting the use of ARPA dollars.[31]

A National League of Cities survey of almost 450 cities found that revenue replacement and negative economic impacts were the top spending priorities.[32] The International City/County Management Association conducted a similar survey of local government officials and found funding infrastructure investments to be the top priority, with revenue replacement and negative economic impacts as secondary priorities.[33]

Many cities have yet to commit the dollars to any specific purposes. Cities had to file more detailed project reports with the federal government on Jan. 31, although it remains unclear whether they will be made public. As additional reports are filed, Pew will continue to monitor and analyze cities' approaches to using the aid.

About this brief

This brief was researched and written by Jason Hachadorian, an officer with Pew's Philadelphia research and policy initiative. It was edited by Larry Eichel, senior adviser to the initiative, along with Erika Compart, senior manager, editorial. The brief benefited from the comments of two independent reviewers: Dr. Christiana McFarland, research director, National League of Cities; and another reviewer who wished to remain anonymous. This brief does not necessarily reflect the opinions of these individuals or their institutions.

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