

# How Will New York's Local Government Use their ARPA Funds?

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## INTRODUCTION

At the start of the COVID-19 pandemic there was significant concern among local governments about deepening fiscal stress and growing community needs for services. However, in March, 2021 the federal government passed the American Rescue Plan Act (ARPA), which allocated \$130 billion in direct funds (“Fiscal Recovery Funds”) to support local governments. How are New York State local governments planning to use these funds?

The Fiscal Recovery Funds provide flexible funds across five eligible expense categories: (1) support public health expenditures; (2) address negative economic impacts caused by COVID-19; (3) replace lost public sector revenue; (4) provide premium pay for essential workers; and (5) invest in water, sewer, and broadband infrastructure.

Focus groups were conducted in Summer and Fall of 2021 with villages and cities across the state to explore how local government officials were planning to use their Fiscal Recovery Funds, as well as the challenges and barriers they perceived in utilizing the funds. Focus group results were used to design a statewide survey, conducted in December 2021 – February 2022 by Cornell University in partnership with the New York State City/County Manager Association (NYSCMA), the New York Conference of Mayors (NYCOM), the New York State Association of Counties (NYSAC), and the Center for Governmental Research (CGR).

Our local government association partners (NYSCMA, NYCOM, and NYSAC) identified 387 local government officials to receive the survey. All 57 upstate counties and 62 upstate cities were surveyed, along with 240 of the 434 villages in the state. A total of 197 local governments responded for a 51 percent response rate (See Table 1). Villages and Cities had the

highest response rates. Respondents represent a range of large and small places; 30 percent from communities with populations greater than 50,000 and 70 percent from communities with populations of less than 50,000.

## PRIORITIES FOR FUNDS

What types of projects are local governments prioritizing for ARPA funds? By far the most common priority for funds was related to long-term investment priorities (82 percent).

**Table 2. ARPA Project Priorities**

	All Gov'ts
Short-Term Projects	35%
Long-Term Projects	82%
Resiliency Promoting Projects	35%

NYS Local Government Survey, 2022, N=197  
Respondents could check multiple categories

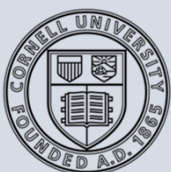
About a third were intending to prioritize projects related to short-term issues (e.g., plug budget gaps) and a third were intending to prioritize projects which would build resiliency to future crises (e.g., environmental, public health, economic dislocation).

Of the five broad categories of eligible expenses, the most common priority is infrastructure (reported by 76 percent of respondents); next is replacing lost public sector revenue (44 percent), followed by addressing negative economic impacts of COVID-19 pandemic (31 percent). Infrastructure projects are easy to justify under the rules from the U.S. Treasury Department and most communities have “shovel-ready” projects.

**Table 1. Response Rate, NYS Local Governments Planned use of ARPA Funds, 2022**

Type	Cities	Counties	Villages	Total*
Total Surveyed	62	57	240	387
Survey Respondents	32	21	135	197
Response Rate	51.6%	36.8%	56.3%	51%

\*Townships did not participate in the survey, but 28 townships were surveyed and 9 responded.



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The U.S. Treasury Department allows localities to claim up to \$10 million of their Fiscal Recovery Funds as lost public sector revenue, regardless of actual losses. These funds can then be used for general purpose government projects and expenses, allowing greater flexibility over fund allocation. Decades of deferred maintenance of infrastructure have resulted in considerable need across communities to replace or upgrade water and sewer systems. Both large (78 percent) and small communities (75 percent) are prioritizing infrastructure investments. Larger communities (58 percent) were more likely to consider claiming lost public sector revenue than smaller communities (37 percent). Addressing the negative economic impacts due to the COVID-19 pandemic was also a more common priority for larger communities (58 percent) than smaller communities (19 percent).

ARPA was driven by a public health crisis, but addressing public health impacts was among the lowest intended priority areas for responding local governments (19 percent). Thirty-five percent of larger communities intended to address public health, while only 13 percent of smaller communities did. This is because Public Health Departments are a county function, and cities and villages play a smaller role. Few communities are considering using their funds to provide premium pay to essential workers (11 percent).

**Table 3. Priority Areas for ARPA Funds**

Priority	All Gov'ts	Pop> 50,000	Pop< 50,000
Infrastructure	76%	78%	75%
Replace Lost Revenue	44%	58%	37%
Negative Economic Impacts	31%	58%	19%
Address Public Health	19%	35%	13%
Premium Pay	11%	15%	7%
<b>N</b>	<b>197</b>	<b>60</b>	<b>137</b>

NYS Local Government Survey, 2022, N=197  
 Respondents can check multiple categories

**DRIVERS OF INFRASTRUCTURE INVESTMENTS**

What types of infrastructure are local governments in New York State prioritizing? The top infrastructure priorities were for water and sewer infrastructure (69 percent), other capital improvement

projects (e.g., roads) (43 percent), and public safety equipment (29 percent). Despite challenges with inadequate access to broadband, fewer communities report this as a priority. Similar numbers of localities prioritized improving remote work capacity (18 percent), broadband infrastructure (16 percent), and cybersecurity capacity (15 percent).

What leads local governments to prioritize infrastructure over other priority areas? Most governments have capital improvement plans or existing plans, and these lead to prioritizing water and sewer infrastructure. Drawing on capital improvement plans did not result in local governments prioritizing broadband infrastructure (only 19 percent prioritized broadband). Communities which created an ARPA specific plan or which used citizen engagement to inform priorities were more likely to prioritize broadband (24 percent).

**PRIORITIZING PUBLIC HEALTH AND ECONOMIC RECOVERY**

The American Rescue Plan Act was designed to help local governments address the public health crisis and economic fallout of the COVID-19 pandemic. Very few local governments are using ARPA funds to invest directly in public health – only 17 percent of respondents planned to prioritize COVID-19 mitigation and containment and only 6 percent prioritize behavioral or mental health with their ARPA funds.

**Table 4. Public Health and Economic Impacts as ARPA Investment Priorities**

Sub-Priority	
COVID-19 Mitigation and Containment	17%
Tourism, Travel, and Hospitality	14%
Invest in Housing and Neighborhoods	14%
Small Business Support	13%
Not-For-Profit Support	12%
Premium Pay for Essential Workers	11%
Families and Household Assistance	7%
Behavioral and Mental Health	6%
Address Educational Disparities	1%

NYS Local Government Survey, 2022, N=197  
 Respondents could check multiple categories

What leads local governments in New York State to prioritize public health or economic impacts? Local governments that used ARPA-specific plans and/or promoted community engagement were more likely to prioritize public health and economic impact investments. Governments which used an ARPA-specific plan were more likely to invest in housing and neighborhoods (31 percent); COVID-19 mitigation and containment (29 percent); small business support (25 percent); support for non-profits (24 percent); and support for tourism, travel, and hospitality industries (22 percent). Governments using community engagement strategies to develop priorities for ARPA funds gave more emphasis to small business support (53 percent); support for non-profits (50 percent); investing in housing and neighborhoods (47 percent); COVID-19 mitigation and containment (35 percent); and support for tourism, travel, and hospitality industries (32 percent).

**CAPACITY AND PLANNING**

What strategies or tools are local governments in New York State using to inform their prioritization of ARPA funds? The majority of local governments are using some form of community planning (77 percent). Fifty-six percent report using existing capital improvement plans and 25 percent report using an existing strategic plan. Twenty-six percent are using a new ARPA/Recovery-specific plan, and 17 percent report community engagement activities specific to ARPA opportunities (e.g., surveys, focus groups).

**Table 5. Planning Strategies for ARPA Fund Use**

Planning Strategies	
Capital Improvement Plan	56%
Existing Strategic Plan	25%
New ARPA/Recovery-Specific Plan	26%
Community Engagement Activities	17%
No Plan	23%

NYS Local Government Survey, 2022, N=197.  
 Respondents could check multiple categories

**BARRIERS TO FUND USE**

What are the top barriers constraining local governments’ use of ARPA funds in New York State? By far the biggest barrier was lack of clarity around federal guidance for fund uses, including uncertainty about Treasury’s final rules, reported by 51 percent of respondents.

The second most prevalent barrier was lack of clarity around reporting requirements (24 percent), and lack of administrative capacity (14 percent). We asked if smaller local governments, who received their funds through New York State, had any issues with the state distributing funds; but only 2 percent listed this as an issue (3 communities). About a quarter of respondents reported “other” barriers, such as “too many projects to do,” “prioritization disagreements between branches of government” and “insufficient funds.” However, most who selected “other” used it to say they were facing no barriers.

**Table 6. Barriers to ARPA Fund Use**

Barriers to Fund Use	
Lack of Clarity in Federal Guidance/Final Rules	51%
Unclear Reporting Requirements	24%
Lack of Administrative Capacity	14%
State Government Distributing Funds	2%
Other Barriers	24%
NYS Local Government Survey, 2022, N=197. Respondents could check multiple categories	

**CREATIVE FUND MANAGEMENT**

The top strategies local governments used to manage funds were targeting funds to one-time projects (62 percent), using funds in ways that minimize reporting requirements (e.g., revenue loss, water/sewer) (55 percent), and hiring or designating internal staff to coordinate overall planning and management of funds (45 percent).

**Table 7. Fund Management Strategies**

Strategies	
Target Funds to One-Time Projects	62%
Use Funds to Minimize Reporting Requirements	55%
Hire or Designation of Internal Staff	45%
Use Funds to Free Up Existing Capital to Put Towards New Program/Service	18%
Hire External Consultant	15%
Regional Collaboration on Project	14%

NYS Local Government Survey, 2022, N=197  
 Respondents could check multiple categories

External consultants to assist with planning or management of funds (15 percent), and regional collaboration with other governmental entities (e.g., municipalities, schools) (14 percent) also enhance local government capacity. Local governments that used a wider variety of fund management strategies, were more likely to indicate concerns about rules and reporting requirements, or lack of administrative capacity. Respondents citing lack of clarity over reporting requirements planned to use funds in ways to minimize reporting, such as on one-time projects, or to free-up existing capital for a new program/service. Fund management strategies also helped create more flexibility over eligible fund uses.

Eighteen percent of respondents planned to use funds to free up existing capital to enable a new program or service. These local governments were planning to focus on areas specific to local needs, for example child care and youth development. Examples include:

**Child Care.** Covid-19 exposed the challenges with access to child care. Many women left the workforce due to child care shut downs. In an effort to expand child care supply, Lewis County is starting a Child Care Development Initiative to encourage new home based child care and new satellite locations of existing centers. This is a multiagency collaboration with Lewis County IDA, Lewis County Planning, Jefferson Community College, Community Action Planning Council, and Watertown SBDC.

**Youth Development.** Youth were especially affected by the pandemic. The City of Poughkeepsie is using funds to create a new Youth Development Division. The City will work in collaboration with Dutchess County and more than a dozen other stakeholders to design and construct a new state-of-the-art Youth Empowerment and Opportunity Center on the long-abandoned site of a former YMCA. ARPA funds will be used to seed the City's new Division, including hiring a division director and support staff. The Division will be responsible for oversight of the City's Youth Grant Program, which awards grants to local non-profits serving the City's youth.

## CONCLUSIONS

The funds from the American Rescue Plan have been heralded as a "once-in-a-lifetime opportunity" community investment. Our survey finds ARPA funds will primarily be aimed at long-term, infrastructure investments. Decades of deferred maintenance of infrastructure have made these

investments urgent and necessary. Communities using existing plans, such as capital improvement plans, are especially likely to prioritize water and sewer infrastructure investments.

Communities relying on new ARPA/recovery-specific plans or community engagement are more likely to address public health and economic impacts. Creative fund management is being used to overcome barriers to fund use. As one local government official stated, "For a small city with a legacy of fiscal stress and a negative fund balance, it is clear that we would not be in the position to take [this step] if not for our being awarded ARPA funds."

## REFERENCES

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This report and other related research can be found at <https://labs.aap.cornell.edu/node/620>