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A Comparison of Fiscal Recovery Funds Utilization: NYC and Peers

Highlights

- Compared to the other major sources of federal relief for the public health emergency, uses of SLFRF funds are intentionally broad for budgetary flexibility, including more than 80 eligible categories.
- While not explicitly a goal of the program, the quality of information on local projects recorded for revenue replacement, one eligible use, has varied significantly by recipient, which may limit transparancy.
- Through March 31, 2022, New York City obligated more than 86 percent of its $2.9 billion first portion of funds, a relatively quick pace of spending to address its urgent needs.
- Of the $2.9 billion, New York City obligated more than half to revenue replacement (59 percent), compared to 69 percent for revenue replacement by all local governments.
- To date, local governments have claimed revenue losses stemming from the pandemic totaling $92.7 billion.
- Among large cities, with the exception of San Jose, those that experienced the largest estimated two-year shortfall in revenues as a share of base revenue also directed most or all obligations to date toward revenue replacement.
- Like many of its large city peers, New York City would continue to rely heavily on revenue replacement for budgetary stability over the balance of the performance period, but the City's recovery plan also includes significant investments in long-term economic rebuilding.

On March 11, 2021, the President signed into law the American Rescue Plan Act of 2021 (ARPA), providing additional fiscal relief to address the continued impact of COVID-19 on the economy, public health, and the finances of state and local governments, individuals and businesses. Among other provisions, the law established the $350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The U.S. Treasury Department (the program's administrator, hereafter "the Department") has stated that the purpose of the program is to provide governments with the resources to respond to the pandemic and its economic effects and to build a stronger, more equitable economy.

SLFRF builds upon other relief provided to these governments under several bills enacted since March 2020, including the Coronavirus Relief Fund. While praising recipients on their recovery strategy of prioritizing urgent needs, the Department also encourages long-term investment. Some long-term investments have already begun and there is still time for recipients who have not already expended the balance of their award to fully implement their recovery plans over the next two years.

Now that a year has passed since the recipients submitted their initial recovery plans and began filing mandated quarterly (or annual) project reports with the Department, it is possible to review New York City's obligated spending to date and make some initial observations. The Office of the State Comptroller (OSC) has reviewed data from the more than 14,000 local government recipients covering obligations through March 31, 2022. OSC also compared New York City's obligations to date with the recovery plans of the 10 largest U.S. cities.

Background

Administrative Flexibility and Oversight

SLFRF is one of many federal pandemic-related programs distributing financial support to state and local governments. The U.S. Government Accountability Office (GAO) noted in an October 2021 report that legislation enacted between March 2020 and March 2021 provided more than $1.1 trillion in assistance to state and local governments, including 13 programs and funds that received $10 billion or more, exclusively or primarily for these governmental entities. Figure 1 lists the major sources of pandemic relief, which include reimbursements from FEMA and fiscal relief targeted to school districts.[1]

In crafting the programs, grant administrators had to weigh the benefits of increasing administrative flexibility with the potential cost of oversight. While providing recipients relatively broad discretion can ensure funds are used more expediently while minimizing administrative burden, there can be a greater risk of non-compliance with the terms of the award.

Compared to the other major sources of funding, the eligible uses of SLFRF funds are intentionally broad to provide state and local governments with substantial flexibility to respond to pandemic impacts in their community, including general operating support to offset revenue losses while also encouraging them to make investments that support long-term growth, opportunity and equity. Under ARPA, recipients may use SLFRF funds to: respond to the public health and negative economic impacts of the pandemic; provide premium pay to essential workers; provide government services to the extent of revenue loss attributable to the pandemic; and make investments in water, sewer and broadband infrastructure.

The Department issued a framework for determining the types of programs and services that are eligible under ARPA along with examples of uses that recipients may consider. In January 2022, the Department provided an updated list of 83 enumerated eligible uses of funds, i.e., expenditure categories, stemming from the four statutory categories noted earlier.

FIGURE 1
Federal Funding by Major Program
(in billions)

Program Fund	Appropriation
Coronavirus State & Local Fiscal Relief Funds	$ 350.0
Element. & Secondary School Emerg. Relief	190.0
CARES Act Coronavirus Relief Fund	150.0
Disaster Relief Fund	95.0
Medicaid	76.9
Transit Grants	69.5
Child Care and Development Fund	52.5
Emergency Rental Assistance	46.6
Public Health and Social Services Emergency	33.4
Airport Grants	20.0
Highway Infrastructure	10.0
Coronavirus Capital Projects Fund	10.0
State Small Business Credit Initiative	10.0
Total Appropriations	**$ 1,114.2**

Sources: U.S. Governmental Accountability Office; Congressional Budget Office; U.S. Department of the Treasury

For oversight and transparency purposes, the Department also issued rules intended to ensure the proper use of funds. Each SLFRF recipient is required to annually report to the Department — quarterly for recipients with more than 250,000 residents, including New York City — a detailed accounting of obligations and expenditures by project according to the corresponding expenditure category. These reports serve as the primary data source for OSC's comparative study.

The project and expenditure reports are required to be submitted periodically through April 2027. The most recent data published online by the Department covers the period from the date of award (when the recipient certified the funding)

[1] U.S. Government Accountability Office, *Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, October 2021, at https://www.gao.gov/products/gao-22-105051.

through March 31, 2022.[2] Recipients with a population exceeding 250,000 residents ("Tier 1" recipients) are also required to submit an annual update on their recovery plans, the most recent of which was due by July 31, 2022.

Scope of OSC's Review

This report mainly focuses on the portion of obligated spending associated with the SLFRF program through March 31, 2022. While SLFRF is the largest of the major pandemic relief programs for governments, the expenditures discussed in this report do not represent the majority of state and local pandemic-related spending within each of the expenditure categories (e.g., public health expenditures) to be detailed in the sections that follow. Government recipients of SLFRF have also incurred other pandemic-related costs that have been or will be funded with other resources, including locally-generated sources.

In addition, the obligations through March 2022 may mostly reflect costs of immediate or short-term efforts to respond to the ongoing social, fiscal and economic impacts of the public health emergency. There may not have been sufficient time for recipients to have implemented long-term initiatives within their recovery plans, which could skew the results towards certain expenditure categories over others long term.

OSC also reviewed the latest annual reports from the 10 largest U.S. cities, which has provided some additional insight on current and future spending priorities of large cities under the SLFRF program. Many recipients have also provided supplemental information in their annual budget presentations. (For New York City, detailed information on planned and actual spending is published by the City and its fiscal monitors.)

Obligations to Date

Overview

Under ARPA, $330 billion was appropriated to the SLFRF for payments to the 50 states, the District of Columbia, U.S. territories and local governments (collectively, the recipients).[3] Through March 31, 2022, all recipients had obligated nearly half (45 percent or $100.9 billion) of the monies paid by the Department beginning in May 2021 under the first of up to two partial payments ("tranches") at $223.9 billion. The second tranche was paid about 12 months later, occuring after the March 31, 2022 reporting date.

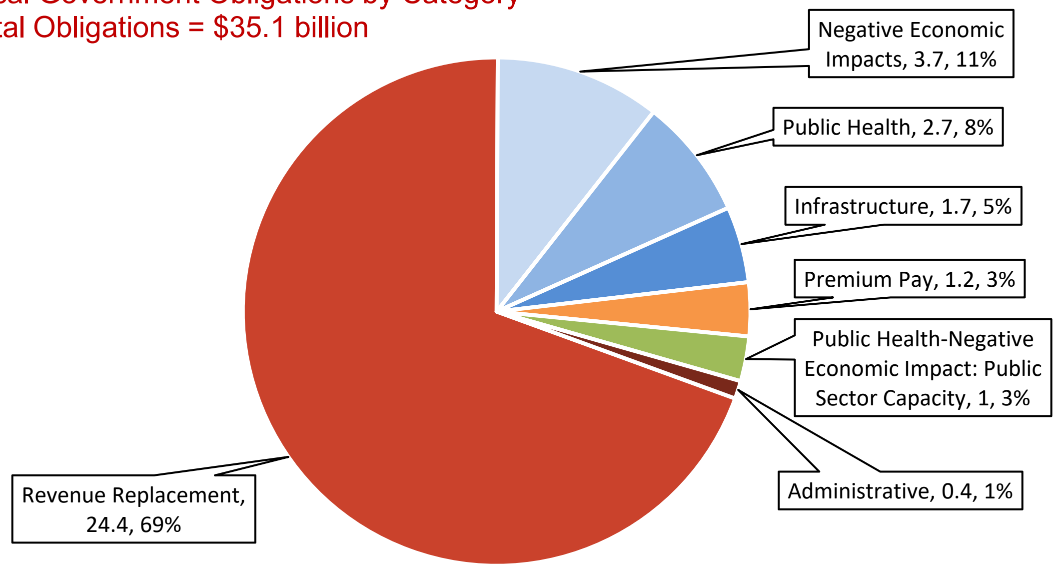
Nationwide, local government recipients obligated a larger portion (55.6 percent or $35.1 billion) of their first tranche than the states and U.S territories. More than two-thirds (69.5 percent) of these obligations were devoted to revenue replacement (see Figure 2). To date, local governments have claimed two-year revenue losses stemming from the pandemic totaling $92.7 billion through 2021.

The balance of the spending was concentrated in public health expenditures not funded by other sources, and to address the negative economic impacts of the pandemic not covered by other funding sources. A small portion was dedicated to infrastructure projects, additional compensation to essential workers and to increase public sector capacity. By comparison, New York City allocated half of its first tranche to revenue replacement (51 percent), with the balance split mostly between public health and economic relief.

[2] SLFRF funds must be obligated by December 31, 2024 and expended not later than December 31, 2026.

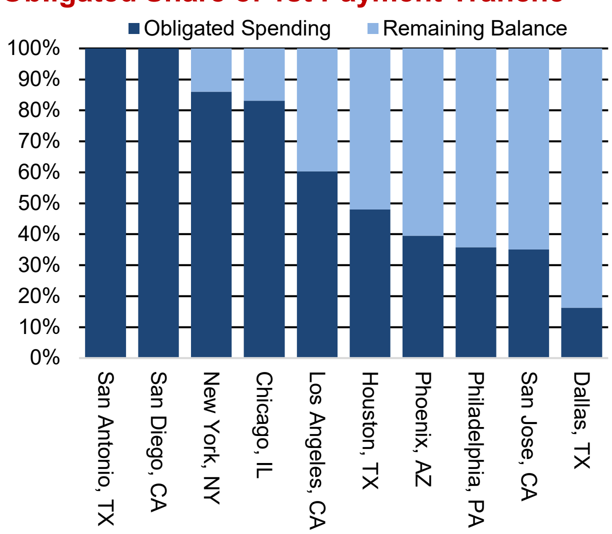
[3] Another $20 billion was set aside for tribal governments, for a total of $350 billion in appropriations.

FIGURE 2
Local Government Obligations by Category
Total Obligations = $35.1 billion



Small local governments (250,000 or fewer residents) have devoted a greater share of obligations to date to revenue replacement when compared to their larger peers (78 percent, compared to the overall average of 69.5 percent). The reason for this difference in the shares of obligated spending could be attributed to administrative convenience. Small governments were much more likely to elect to take a standard allowance for revenue loss of up to $10 million instead of calculating the loss by formula and to report all of their obligations to date as revenue replacement, which could help minimize compliance and reporting costs.

FIGURE 3
Obligated Share of 1st Payment Tranche



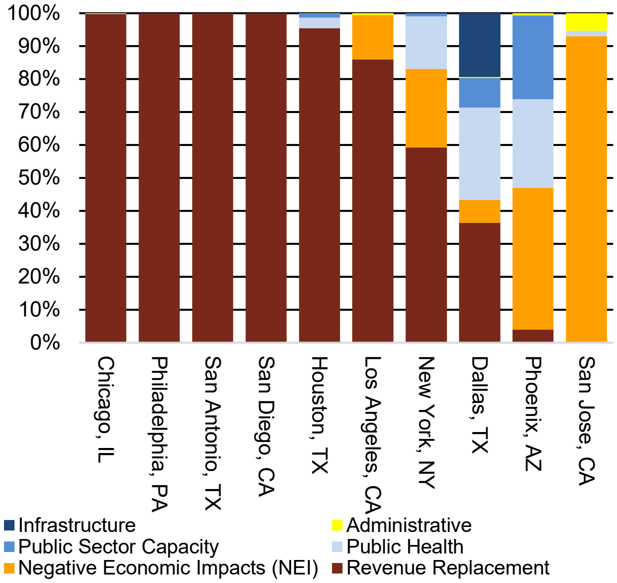
Sources: U.S. Treasury Department; OSC analysis

SLFRF Utilization in 10 Largest U.S. Cities

In terms of the pace of spending, New York City obligated more than four-fifths (86 percent) of its $2.9 billion tranche through March 2022 (see Figure 3), among the highest shares for the largest cities and higher than the average among all local governments (55.6 percent), indicating the City had moved relatively quickly to utilize SLFRF funds. Five of the top 10 cities had not yet obligated 50 percent of the first tranche of funds.

OSC also examined the obligated spending for the 10 largest U.S. cities (totaling $4.7 billion to date). As shown in Figure 4, six of the 10 largest cities allocated more than 80 percent of their obligations to date towards general operating expenses to offset revenue losses, exceeding the average among local governments. New York City allocated 59 percent for this use. Only three cities (Dallas, Phoenix and San Jose) devoted less than two-fifths of their obligations to date towards revenue replacement.

FIGURE 4
Share of Obligations by Major Category



Note: Obligations as of March 31, 2022 but expenditure categories have been updated as of the 2022 Annual Performance Report to reflect reclassifications of spending to another expenditure category, if any.
Sources: U.S. Treasury Department; OSC analysis

Highlighted Uses of Funds to Date

The obligations to date shown above reflect the various priorities of each of the 10 largest cities, but a number of similarities were observed. Based on a review of each city's project inventory as of March 31, 2022 and recovery plans, OSC finds that many cities shared a priority to fund their uniformed services (police, fire, solid waste), among other essential services. Other funding was concentrated in public health and safety, addressing quality-of-life issues, and financial supports for businesses and low-income and unhoused residents in their communities. Examples are highlighted below.

New York City. More than half of New York City's obligations to date were devoted to revenue replacement, mostly for personal services at the four uniformed agencies (Correction, Fire, Police and Sanitation) and the Department of Education as well as for waste collection and removal services. More than one-quarter (27 percent) of the total obligations were directed toward the relief of negative economic impacts stemming from the public health emergency, including assistance to businesses and nonprofits (e.g., free legal services, low-interest loans and grants), household assistance (e.g., rental assistance vouchers), and worker assistance (e.g., subsidized employment for the City Cleanup Corps program). Another 16 percent of the City's obligations were concentrated in public health services, mostly for mitigation and prevention activities (e.g., funding for in-school health services and vaccinations).

Los Angeles. To date, more than four-fifths of Los Angeles' obligations were devoted to revenue replacement, allocated to police salaries and health and safety improvements at local parks and recreation facilities. A relatively small share was dedicated to financial assistance to businesses and to household assistance (e.g., senior nutritional support), and to increase the availability of preschool services.

Chicago. Through March 2022, all of Chicago's obligated spending was used for revenue replacement ($782 million), which was directed toward personnel and contractual service costs at a number of agencies including Chicago's Fire and Sanitation Departments; the Department of Assets, Information and Services; the Department of Family and Support Services; and the Department of Business Affairs and Consumer Protection.

Houston. The City of Houston obligated less than half of its first tranche through March 31, 2022. Virtually all of Houston's obligations to date were devoted to revenue replacement (96 percent), concentrated in public safety (police, fire), as well as its health and solid waste services. A small amount of obligations were for vaccinations and for various public safety initiatives.

Phoenix. Phoenix has so far concentrated its funding toward a variety of activities under its recovery plan, mainly for testing and vaccination efforts; providing premium pay to essential workers; household assistance to low-income families; rehabilitating a local recycling facility and financial assistance to local businesses.

Philadelphia. All of Philadelphia's obligations to date were devoted toward revenue replacement to support certain government services, which the city described as crucial new investments to restore some of the cuts implemented for the Local Fiscal Year (LFY) 2021 budget and to avoid having to make other cuts or consider tax increases. The city indicates that the funding was used for unspecified investments in public safety, health equity, education, inclusive economic growth and creating thriving neighborhoods.

San Antonio. San Antonio's entire award of $326.9 million has been obligated for revenue replacement, with funds concentrated in a variety of areas including funding dedicated toward supporting existing services ($97.5 million); community needs ($74.8 million); response to COVID-19 ($50 million) and one-time capital investments ($32 million).

San Diego. San Diego intends to use its entire allocation for revenue replacement. To date, half of its award ($150 million) was obligated for this purpose for certain government services. Based on information in the recovery plan, it appears the city is utilizing unspecified amounts of this funding for financial support to businesses and nonprofits, youth programming, and funding for infrastructure projects within underserved communities. However, details of spending on each of these initiatives were not provided in the recovery plan or quarterly expenditure reports.

Dallas. The City of Dallas obligated less than one-fifth of its first tranche to date. Dallas' priorities so far included infrastructure improvements to its water and wastewater systems; targeting underserved areas and reinvestment areas identified in the city's comprehensive housing policy; and retrofits of public health facilities to mitigate and prevent COVID-19 transmission (e.g., upgrades to ventilation and installing hands-free alternatives to doors, water fountains and other facilities). One-third of obligations to date were used for revenue replacement, mainly for various quality-of-life improvements to streets and alleys and procurement of safety equipment.

San Jose. San Jose's obligations to date were concentrated in a variety of services to mitigate the negative economic impacts of the pandemic, mainly through household assistance such as food services for at-risk communities, long-term housing services such as waste removal at homeless encampments under the BeautifySJ project, and job training through its Environment Resilience Corps. The city also provided technical assistance to local businesses.

Long-term Investments

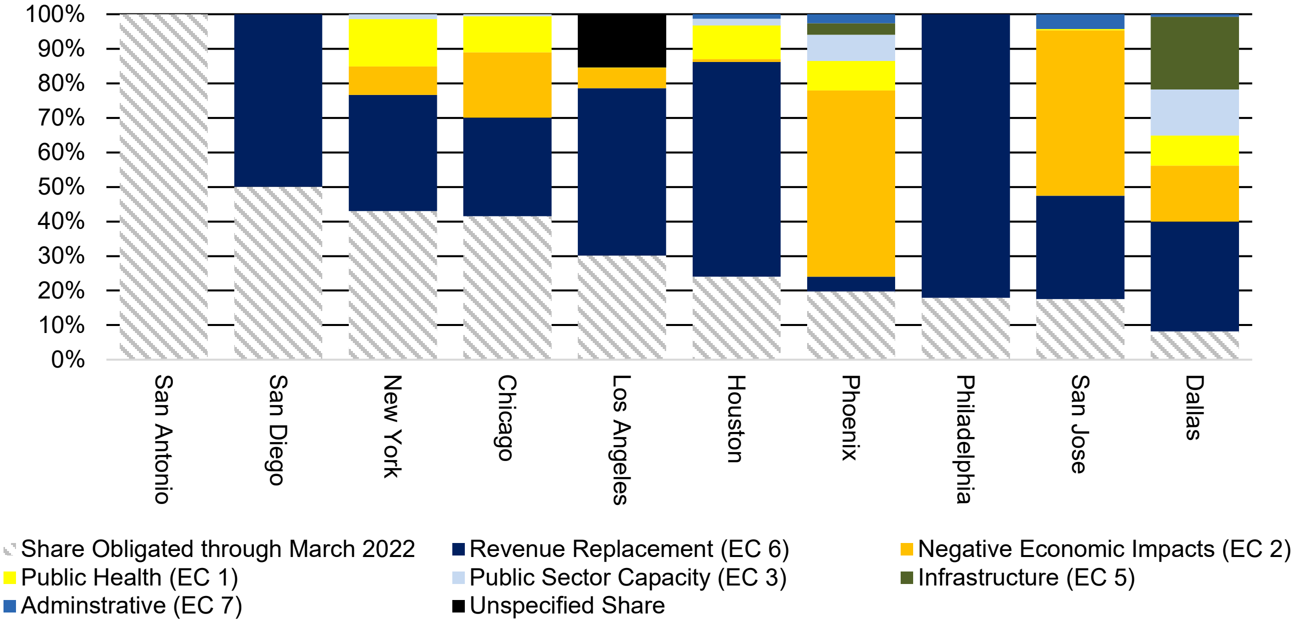
As noted in the Biden-Harris Administration's May 2022 American Rescue Plan Equity Report, the prior COVID-19 relief programs for state and local governments had predominantly responded to emergency health and economic needs and had not emphasized responding to underlying disparities in traditionally underserved communities.[4] In May 2022, the Department renewed calls for recipients to continue to use their SLFRF funds for transformative investments in their communities.[5]

Based on recent budget documents and updated recovery plans published in their 2022 annual performance reports, many of the 10 largest U.S. cities will continue to rely heavily on funds allocated to revenue replacement to provide budgetary stability over the remainder of the performance period (see Figure 5). But some long-term investments have already begun

[4] *Advancing Equity Through the American Rescue Plan*, May 2022, at https://www.whitehouse.gov/wp-content/uploads/2022/05/ADVANCING-EQUITY-THROUGH-THE-AMERICAN-RESCUE-PLAN.pdf#PAGE=109.

[5] Deputy Secretary Adeyemo, letter to ARPA-SLFRF recipients, May 16, 2022, at https://home.treasury.gov/system/files/136/Deputy_Secretary_Adeyemo_Letter_SLFRF_Recipients_2022_5_16.pdf.

FIGURE 5
Planned Obligations, April 1, 2022 through December 31, 2024



Note: Future planned obligations are calculated based on project data contained in the 2022 Recovery Plans published by each recipient and supplemented with available budget documentation.
Sources: U.S. Treasury Department; Recipient Recovery Plan Annual Performance Reports; Recipient Budget documents; OSC analysis

(including investments in infrastructure such as broadband, affordable housing, workforce development, and violence reduction programs) and there is still time for recipients to fully implement their recovery plans over the next two years. Examples are discussed below.

New York City. Of the nearly $3 billion in unobligated SLFRF funds as of April 1, 2022, most will be allocated to revenue replacement for salaries and contractual services as previously highlighted, but also will support school-based public health services, and certain other ongoing costs of the public health emergency. Other than for revenue replacement, the balance of SLFRF funds will be dedicated to expansions of various public health services (mental health, services for seniors), as well as housing, legal and employment assistance targeted to low-income and unhoused residents. At this time, the City does not plan to utilize any of its allocation for infrastructure projects (such as broadband) and would invest a relatively small amount toward building public sector capacity.

Los Angeles. Los Angeles has allocated most of the balance of its ARPA award for revenue replacement in LFY 2022 ($620 million) for salaries of uniformed and civilian employees at several agencies: the Fire Department, the Los Angeles Public Library system, the Department of Recreation and Parks, the Sanitation Department, and the Department of Transportation. The balance of funding is allocated to the priority areas previously discussed in this report.

Chicago. Outside of revenue replacement, Chicago intends to utilize the remainder of its funding for Thriving & Safe Communities, an initiative to address the root causes of violence and disparities in public health outcomes ($413 million) which includes financial support to families; public health services, including mental health, maternal health and access to healthy food; access to summer and after-school programs for youth; increased access to educational opportunities for low-income youth and families; other violence reduction strategies and support for victims of violence; and housing support for those at risk of homelessness. Chicago also intends to implement its Equitable Economic Recovery initiatives through workforce support; “place-based” development that focuses on a broad array of interventions in a specific geographic area instead of a sector or target group; improvements to the city's infrastructure and ability to deliver services to residents; and funding for arts and culture to drive economic growth and build wealth in historically underserved areas.

Houston. While Houston would continue to rely heavily on revenue replacement over the balance of the performance period, public safety is noted in its recovery plan as the highest priority of the city. In total, the city is dedicating $53 million toward its One Safe Houston program, which includes funding for crisis intervention programs ($23 million); overtime at the Police Department ($10.7 million); and funding for victims of crimes ($9.6 million). The city is also upgrading its emergency response program to improve non-emergency services and provide treatment in alternative settings outside of hospitals.

Phoenix. Phoenix has identified a number of priorities for its recovery plan. Nearly three-quarters (74.6 percent) of the funding is allocated to Community Investments focus areas, namely: Affordable Housing and Homelessness ($99.6 million); Neighborhood Sustainability ($57.7 million); Workforce ($51.7 million); Education ($40.9 million); Better Health and Community Outcomes ($28.9 million); and the Phoenix Resilient Food System ($16.7 million). The remainder of Phoenix’s award is expected to be allocated among these focus areas. The city will also use the balance of its award for ongoing city operations, including a small portion to replace revenue losses at its Convention Center.

Philadelphia. Philadelphia intends to use the remainder of its award for revenue replacement. As previously discussed, this funding will support unspecified amounts for government activities, which may include public safety, health equity, education, inclusive economic growth, and creating thriving neighborhoods.

San Antonio. San Antonio has obligated its entire award for revenue replacement as of March 2022, so no new activities are planned at this time.

San Diego. While San Diego intends to use the remainder of its award for revenue replacement on a number of government services, it is unclear which services will be prioritized.

Dallas. Much of Dallas’ remaining fund will be devoted to continued investment in water and sewer infrastructure upgrades and facility retrofits, as well as various social services and economic development programs. The portion allocated to revenue replacement will be concentrated in improvements to transportation and safety infrastructure, including the installation of new traffic signals, school zone flashing beacons and streetlights.

San Jose. The balance of San Jose’s funds will be used to continue various economic supports described above, including household assistance and housing support. The city also intends to use less than one-third ($63.6 million, 30 percent) of its award for revenue replacement, concentrated in ongoing activities at its public safety (police, fire) and parks departments.

Possible Drivers of Current Spending

While the data published by the Department can reveal much about how the SLFRF funds have been obligated to date, so far there has been limited research on the reasons why certain categories of obligated spending were prioritized over others given the numerous eligible uses of funds, and the significance of these trends.

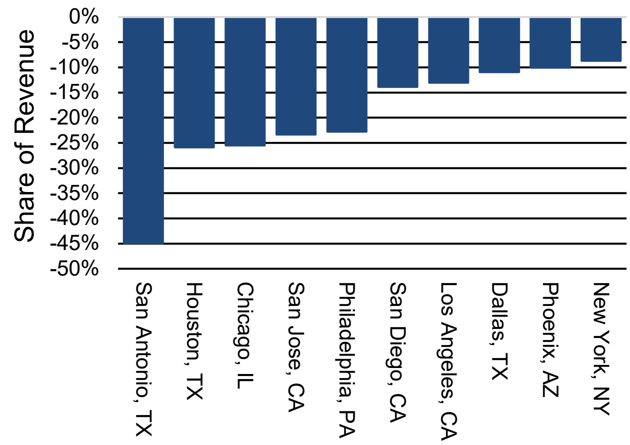
OSC considered several factors based on the severity of the impact of the pandemic on public health and the economy which may help explain the current trends as of March 2022: the extent of the spread of COVID-19 among residents; the estimated revenue losses as a share of general operating revenue prior to the pandemic; and associated pace at which unemployment rates rose after the declaration of the public health emergency and have recovered in the time since then.

According to data prepared by The *New York Times* based on reports from state and local health agencies, New York City, Chicago and Philadelphia were the hardest hit among the largest 10 cities during the initial onset of the pandemic (based on deaths measured per 100,000 residents, see Appendix A). The other largest U.S. cities experienced relatively lower death rates in 2020 even as the pandemic took hold across the nation.

Due to mounting concerns that the number of cases with severe illness could exceed the capacity of health providers to provide effective care, and that there were no vaccines at that time to reduce the risk of hospitalization or death, state and local officials began to implement social distancing measures (e.g., mandated masking, physical distancing and temporary shutdowns of businesses) to help mitigate the spread of the virus. These measures also resulted in significant disruptions to economic activity.

Based on recent data submitted by the local governments to the Department, OSC found that general revenue collections of the 10 largest U.S. cities were disparately impacted by the pandemic. When the estimated revenue loss is measured as a share of base revenue (pre-pandemic general operating revenue for the most recent local fiscal year ending prior to the public health emergency), New York City experienced an estimated loss of 8.3 percent. While significant and the largest in absolute terms (at $5.9 billion over two years, and equal to virtually the City's entire award), the two-year shortfall is relatively small when compared to the losses reported by its peers (see Figure 6). Notably, New York City benefited from continued

FIGURE 6
Revenue Loss



Note: The revenue loss shares are equal to the quotient of the 2020 and 2021 revenue losses claimed by each city in the April 2022 Quarterly Expenditure Report, divided by base revenue for local fiscal year (LFY) 2019. Base revenue is reported from each recipient's 2021 Interim Reports and Recovery Plans, except for San Diego and San Jose, which were not available at the time of this report. Base revenue for those two cities is estimated based on general revenues from their own sources reported to the Census Bureau for 2019.
Sources: U.S. Treasury Department; U.S. Census Bureau; OSC analysis

strength in its income tax collections, attributed to continued Wall Street profitability and the ability of many white collar workers to quickly pivot to remote work without disruption to their employment, which may explain its resiliency in the face of severe economic disruption during 2020 and 2021.

With the notable exception of San Jose, the cities which experienced the largest estimated two-year shortfall in revenues as a share of base revenue recorded as of LFY 2019, also directed most or all obligations to date toward revenue replacement. The cities of Dallas and Phoenix were among the least adversely impacted among the largest U.S. cities, and so far have not drawn a significant portion of their allocation for revenue replacement.

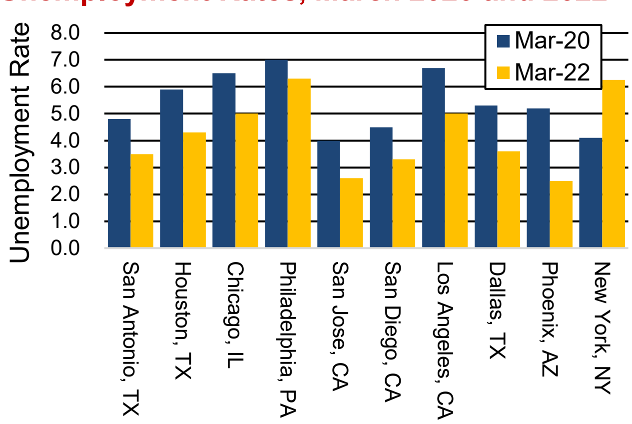
On the other hand, recent unemployment data suggest that New York City was the hardest hit among the 10 largest U.S. cities in terms of job loss, and despite a significant recovery, still lagged behind its peers as of March 2022 (see Figure 7). Only New York City had not reported a decline in unemployment rates from March 2020 through March 2022. Of the largest cities located in the southwest region of the U.S., most experienced a relatively small decline in employment through March 2021 and recovered relatively quickly.

The factors highlighted above, in particular revenue loss, may be correlated, but do not necessarily explain all of the reasons why certain categories, including offsetting the negative economic impact of the pandemic on households and businesses, and public health expenditures have been the priority of local governments to date. For example, New York City was relatively insulated from the impact of the pandemic on its revenue collections (as a share of base revenue) compared to its peers, even though its job loss has so far remained stubbornly high.

Transparency Concerns

The enumerated list of expenditure categories provides a comprehensive view of how the funds are being spent, balancing the need for oversight with the need for flexibility. As noted earlier, however, ARPA permits recipients to utilize a portion of SLFRF funds for revenue loss not to exceed an amount attributable to the pandemic. The Department enumerated two categories of expenditures for this purpose (i.e., to pay for unspecific government operations or to cover the local share matching requirement of certain other federal programs). As with other projects, recipients include a description of each revenue replacement project, but the depth of information disclosed in the descriptions varied significantly, which in some cases may weaken transparency.

FIGURE 7
Unemployment Rates, March 2020 and 2022



Sources: U.S. Bureau of Labor Statistics; OSC analysis

For example, some recipients OSC reviewed entered a single project for revenue replacement and disclosed that funding for that project would be used for unspecified “revenue replacement” or “essential services,” a disclosure which does not provide clarity on the specific services that were prioritized and is opaque to a reviewer unfamiliar with the recipient’s operations and fiscal needs. On the other hand, we found examples of projects intended for revenue replacement that extended beyond the mere maintenance of essential services (such as increasing services to meet new demands, or investments in economic rebuilding) which could have been reported to another expenditure category at the discretion of the recipient.

Given the continued heavy reliance on, and the variable quality of the reporting for the revenue replacement category so far, recipients should consider supplementing their mandatory reporting to include, at minimum, basic information about the program areas and components of spending (e.g., personnel or contractual services) being supported with SLFRF dollars allocated for revenue replacement, as New York City did.

Such enhanced disclosures, if not an administrative burden to prepare, would be helpful for researchers and the public to better understand which services were prioritized and the extent to which funds were used for purposes other than to maintain pre-pandemic service levels (e.g., to meet new or emerging demands, or to invest in long-term economic rebuilding).

Planned Use of Funds and Fiscal Uncertainty

OSC notes that New York City, like some other large cities, has declined to use its full allowance for revenue replacement. (The amount of revenue presumed to be lost by the City due to the COVID-19 public health emergency was estimated at $5.8 billion over two years through 2021.) New York City intends to dedicate the remainder of its award toward a number of priorities other than maintaining government services, including economic recovery and continued support for underserved communities.

However, state and local governments face additional fiscal uncertainty attributed to rising inflation and the potential for the nation to enter a recession. Under the regulations issued by the Department, recipients elected to use either: a standard revenue allowance for revenue loss of $10 million, not to exceed a recipient's total award; or a full revenue loss calculation based on a formula. Recipients who elected to use the formula will estimate revenue loss by calculating the difference between actual revenues each year through LFY 2023 (or calendar year 2023, whichever the recipient has selected) and the hypothetical revenue the recipient would have collected based on a pre-pandemic average annual growth rate of not less than 5.2 percent.

To minimize the administrative burden on recipients and take into consideration the impact of the public health emergency, the Department has included in its regulations a presumption that all revenue loss calculated under the formula is "due to" the pandemic, except for the portion of loss attributable to a change in tax policy adopted after January 6, 2022 (the estimated fiscal impact of which must be added to, or subtracted from, the calculation of actual revenues).

The current regulations do not appear to prohibit an estimation of revenue loss presumed to be due to the public health emergency but ultimately stemming from a recession occuring during or after the public health emergency, not later than the end of LFY or calendar year 2023. In the event a recession takes hold in the near future, collections could decline sharply in late 2022 or in 2023, which would appear to increase the allowance for revenue replacement under the presumption created by the Department's latest rule.

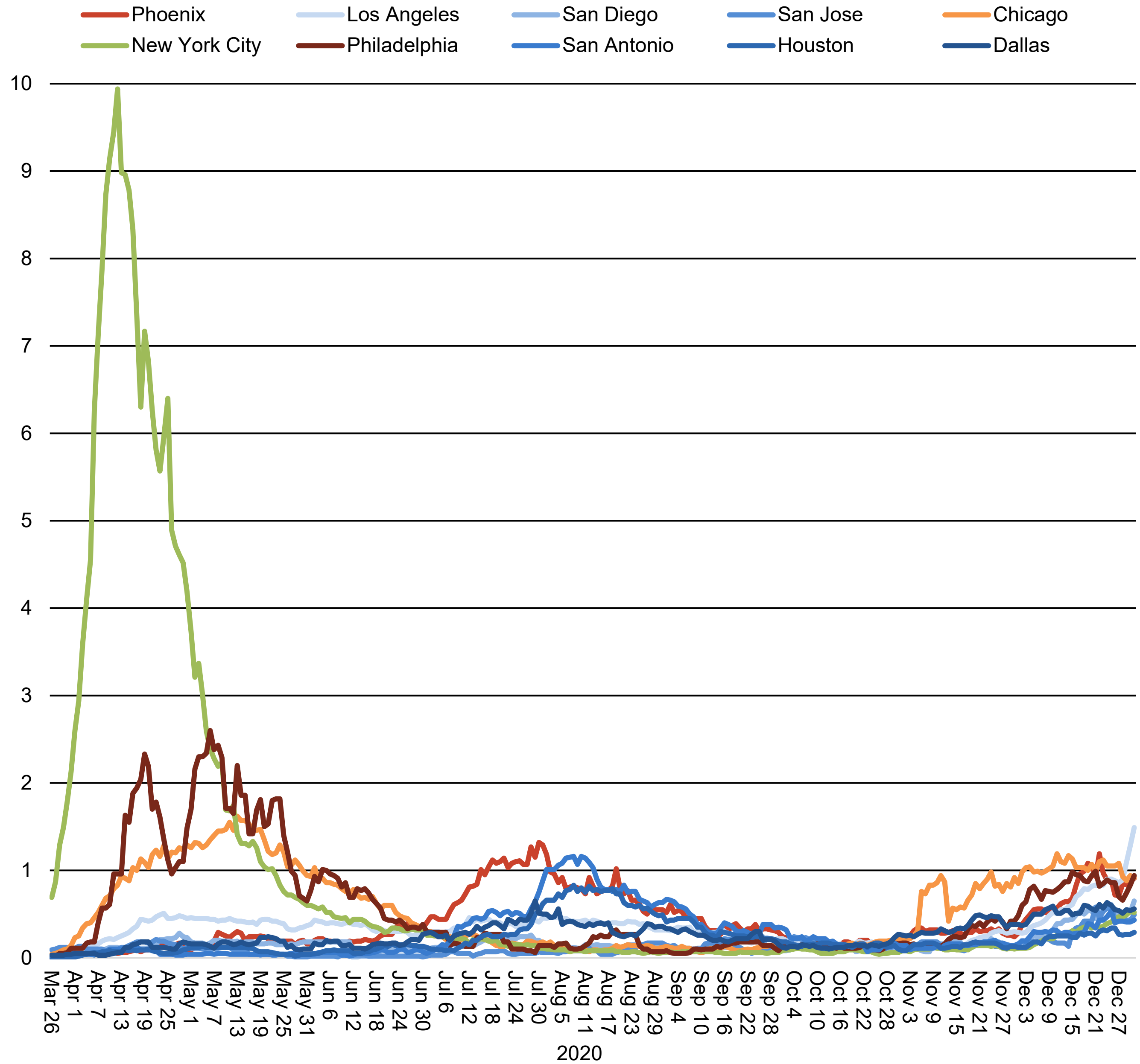
Ultimately, this potential mechanism to increase the recipient's allowance for revenue replacement under ARPA is subject to the interpretation and determination of the Department. In any case, local governments may be required to shift priorities once again to address urgent fiscal needs, delaying or deferring action on long-term economic development.

Conclusion

After obligating a substantial portion of federal aid, New York City will have less flexibility than some other peers who have not yet obligated the relief funds as quickly. The City's planned spending covers a variety of uses, but is notable for what it omits as well, including infrastructure. In addition to this planned spending of federal relief, some spending types may have been addressed through the use of the City's own revenues, which have exceeded projections updated for the impact of COVID-19. The planned remaining use of funds suggest the City will continue to use ARPA federal relief aid in a similar manner to its prior obligations and plan to rely on better-than-anticipated revenues or substantial efficiencies to fund newly expanded service initiatives (including mental health, senior care, and anti-eviction services).

As shown in OSC's fiscal cliffs tracker, these initiatives and other new programs (which also include those funded by Elementary and Secondary School Emergency Relief Funds), while largely discretionary, create additional spending pressure because the public may hold a favorable opinion of the new services and could call on elected officials to renew funding beyond FY 2025 when the temporary federal relief will be exhausted. Funding for these programs will be determined during the annual budget adoption process and will depend upon the availability of alternative resources.

Appendix A
Average Daily Deaths Per 100,000 Residents



Note: Includes confirmed and probable deaths as reported by state and local health agencies. Methodologies for reporting data differ by health agency. Figures many not match health department statistics because *The New York Times* uses an adjustment method to improve comparability of the data and to remove irregularities. Dallas County used as a proxy for the City of Dallas.
Sources: Data from the *New York Times*, based on reports from state and local health agencies

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