

Abbreviated Report

**Assessing the Implementation of ARPA
Coronavirus State and Local Fiscal Recovery Funds:
The View from City Officials***

By

Laiyang Ke⁺

Candidate, Ph.D. in Public Policy

lke3@gsu.edu

Eun Joo Kwon⁺

Candidate, Ph.D. in Public Policy

ekwon8@student.gsu.edu

Minji Hong⁺

Candidate, Ph.D. in Public Policy

mhong16@student.gsu.edu

and

Benedict S. Jimenez⁺

Professor of Public Budgeting and Finance

bjimenez@gsu.edu

June 2024

*Research for this work was conducted with a grant from the Center for the Study of Federalism.
+Department of Public Management and Policy, Andrew Young School of Policy Studies,
Georgia State University

1. Research Objectives

The 2021 American Rescue Plan Act (ARPA) created the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which provided \$350 billion for state and local governments to aid with pandemic recovery efforts. This research examines the local implementation of SLFRF from the point of view of city officials. We specifically evaluate the effectiveness of local grant implementation on two dimensions: 1) funding allocation, which assesses the ease or difficulty of selecting and prioritizing projects, beneficiaries, and essential government employees to be funded, and 2) project management, which evaluates the ability to complete projects on time and within budget. Our research focuses on the contributions of three general groups of factors on the effectiveness of local grant implementation: 1) federal control and oversight (extent of local management discretion, rule clarity, and communication frequency with the federal government), 2) local capacities (grant administration centralization, human capacity, and fiscal resources), and 3) the influence of local political actors (elected officials, citizens, and various interest groups).

2. Background on SLFRF

ARPA, signed into law by President Joseph Biden on March 11, 2021, is a comprehensive \$1.9 trillion relief package designed to address the negative impact of the COVID-19 pandemic on the economy and American society. Integral to ARPA's goal of supporting communities is the SLFRF program, which allocated \$350 billion to state, local, territorial, and Tribal governments. The SLFRF is a block grant, meaning that the funds are allocated to recipient governments based on a formula, and the governments have flexibility on how they choose to use the funds within the program's guidelines. The primary purpose of SLFRF is to help state and local governments cope with the fiscal challenges caused by the pandemic, support their efforts to mitigate the spread of the virus and address the economic consequences of the crisis.

Accessing SLFRF involves adhering to specific federal guidelines and requirements. Eligible recipients, including state, county, city, territorial, and Tribal governments, may request their allocation of SLFRF through the U.S. Department of the Treasury Submission Portal. The Treasury determines the amount allocated to each recipient government as well as eligible uses of the funds. In the case of metropolitan cities, the amount of SLFRF paid to each recipient city must be consistent with the Community Development Block Grant (CDBG) formula,¹ which uses weighted variables like poverty rate, population, housing overcrowding, etc., to evaluate communities' needs for funds to provide suitable living environments and expanded economic opportunities.² Recipient cities can use the funds for four broad categories of purpose, including responding to the public health emergency or its negative economic impacts, providing premium pay to workers performing essential work in combating the pandemic, supplementing lost government revenues during the COVID-19 emergency, and investment in water, sewer, or broadband infrastructure (U.S. Department of the Treasury, 2022).

The Treasury is responsible for monitoring recipients' use of funds and ensuring compliance with the program's requirements. So far, the Treasury has published two guidelines regarding the implementation of the SLFRF: the 2022 final rule and the 2023 interim final rule.

¹ The formula is specified under section 106(b) of the Housing and Community Development Act of 1974 (42 U.S.C. 5306(b)).

² For detailed allocation method, see: <https://home.treasury.gov/system/files/136/Allocation-Methodology-for-MetropolitanCities-508A.pdf>

According to those guidelines, recipients must submit periodic reports detailing their use of funds, demonstrating compliance with the program's rules, and assessing the impact of their SLFRF-supported projects on their communities.³

3. Determinants of Effective Grant Implementation

Based on findings from different studies, we argue that the effective local implementation of a federal grant program depends on three general groups of factors specifically federal control and oversight, local capacities, and the influence of local political actors.

3.1 Outcomes: Grant Implementation Effectiveness

Our main focus is on the effectiveness of the local *implementation* of SLFRF. We consider two dimensions of implementation effectiveness. The first focuses on the funding prioritization process in the recipient government. The ease or difficulty of making decisions about how grant money is used determines whether funds can be used quickly, which is crucial if the goal is to respond to a public health emergency. Once projects are selected and funded, the implementation phase commences (Pressman & Wildavsky 1973). Thus, the second performance dimension focuses on the challenges faced by recipient governments in managing the funded projects. Successful project management involves completing projects on time and on budget

3.2 The Role of Federal Control and Oversight

We focus on three dimensions of federal control and oversight. The first is the level of management discretion extended to local governments in terms of selecting projects to be funded and the intended beneficiaries of such projects. Discretion also covers the ability to spend the grant to support program administration and to alter reporting requirements based on emerging needs and challenges in grant implementation. Greater management discretion allows local governments to allocate resources based on their needs and priorities, which can reduce difficulties in project selection and improve local governments' ability to effectively manage projects on time and on budget (Elmore 1979).

The second dimension of federal control and oversight is federal rule clarity. The federal government issues rules or guidance to ensure that grants are used to achieve federal goals and meet various requirements. Unclear guidelines not only exacerbate administrative burden but can also cause delays in project selection and implementation (Mentzenbaum 2021; US Department of the Treasury 2022; GAO 2023).

The third dimension is communication, which is especially important in intergovernmental grants that involve multiple actors across different levels of government. Frequent communication with the federal government can reduce uncertainty and improve local grant implementation (Balducci & Wandner, 2008; Hogwood and Gunn 1984).

3.3 The Role of Local Capacities

We focus on three dimensions of local capacities. The first is human capacity or “the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its goals and objectives (GAO, 2023, p. 2). Recipient governments with adequate human

³ For detailed rules and regulations, see: <https://home.treasury.gov/system/files/136/2023-Interim-Final-Rule.pdf>

capital, management expertise, and policy experience make sound policy decisions and effectively implement federal programs compared to cities lacking such capacity (Shybalkina, 2024; Terman & Feiock, 2015; Carley et al. 2015).

The second local capacity dimension is financial resources. Sufficient financial resources enable the recipient government to pay for the administrative and technical capacity necessary to achieve policy objectives (Fernandez & Rainey, 2017) and significant resource commitment impacts local policy implementation (Krause 2012).

The third capacity dimension is organizational capacity, which focuses on whether a recipient government is “institutionally prepared to manage and carry out grants” and includes having an appropriate “management structure” for effective grant management (GAO, 2023, p. 3). For management structure, we focus on whether there is a single agency, department, or unit that oversees the implementation of SLFRF. A single agency will have dedicated resources (budget, personnel, technology systems, etc.) necessary to oversee grant implementation.

3.4 The Role of Local Political Actors

Implementation is not just a management process that requires different types of capacities, but also a political one (Sabatier & Mazmanian, 1979; Bardach, 1977). We focus on the influence of three political actors specifically local elected officials, interest groups, and citizens. Several studies indicate that the commitment of local political leaders plays a significant role in the successful implementation of federal grants (DiPetrillo et al., 2017; Terman & Feiock, 2015; Schulz & Klammer, 2022). The mayor – either directly elected by voters or appointed by the city council – performs executive functions including setting the policy and budget agenda and directing administration (Jimenez, 2020). The mayor’s commitment to a federal program can send a clear message to appointed managers on the importance of grant implementation. As a result, a more proactive implementation can be achieved, leading to better performance of grant-supported projects (Terman & Feiock, 2015).

The city council has sole authority to enact local legislation including budgets, and in some governments, exercises considerable influence over the appointment of department heads and other key personnel (Jimenez, 2020). The involvement of city councils in grant implementation can introduce potential challenges (Terman & Feiock, 2015). The council consists of multiple actors with diverse objectives and preferences. When council members with differing preferences try to influence bureaucratic decision-making, it could lead to conflict and delays (Waterman et al., 2004).

When both the mayor and council are deeply involved in grant implementation, the outcomes might not be positive. City councils do not always agree with or fully support the mayor. When there are disagreements or a lack of consensus between a mayor and council, their conflicting influences can potentially slow down implementation (Rocco & Kass, 2022).

The use of grants can also be subject to influences from different interest groups. Selznick’s (1953) cooptation hypothesis argues that powerful external groups can shape the decisions of public organizations. As public agencies become dependent on the support and other resources provided by external stakeholders, the decisions of these agencies become susceptible to the influence of such powerful actors. This becomes a problem when different interest groups have diverging goals, which can lead to decision paralysis and implementation delays.

Finally, the outcome of policy implementation can be significantly driven by community or citizen support or resistance. Agencies tend to be more effective when they have favorable public support (Rainey & Steinbauer 1999), and it has long been recognized that participation by citizens who will be affected by a policy can increase support for successful implementation (Sabatier & Mazmanian, 1979).

Table 1 summarizes the study’s hypotheses:

Table 1: Expected Relationships

Variables	Grant Implementation Effectiveness
<i>Federal control and oversight</i>	
Local management discretion	+
Rule clarity	+
Communication frequency	+
<i>Local capacities</i>	
Human capacity	+
Financial capacity	+
Centralized grant administration	+
<i>Local political actors</i>	
Mayor involvement	+
Council involvement	-
Mayor and council involvement	-

4. Research Methodology

4.1 Data Gathering

To test the hypotheses, we collected data using an online survey targeting municipal officials responsible for managing SLFRF grants. The target universe comprised all metropolitan cities that received SLFRF since May 2021, totaling 1,166 cities.⁴ We implemented the survey between October 2023 and April 2024, involving three waves of invitations. The participating officials include city finance or budget directors, city managers, grant administrators, housing and community development managers, etc. The survey includes several questions covering topics related to grant implementation effectiveness, federal control and oversight, local capacities, and political influence. Some 192 cities participated in the survey, or a response rate of 16.5%.

4.2 Measures

Table 2 shows the key concepts examined in this study, including the variables (such as specific survey items) used to measure those concepts.

⁴ We obtain the list of cities from the following website of the Department of Treasury: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/allocations-and-payments>

Table 2: Variables

Survey Items	
Outcome: Funding Allocation <i>Project Prioritization Index</i>	Factor-based index based on survey items asking respondents about ease of 1) Choosing projects, 2) Prioritizing beneficiaries, 3) Complying with requirements on the eligible use of funds, 4) Complying with requirements on determining qualified beneficiaries (Eigenvalue/ Alpha = 2.802/ 0.829)
<i>Worker Prioritization Index</i>	Factor-based index based on survey items asking respondents about ease of 1) Identifying essential workers, and 2) Complying with the requirements for identifying essential workers (Eigenvalue/ Alpha = 1.521/ 0.847)
Outcome: Project Management <i>On-Time</i>	Estimated % of projects completed on time
<i>On-Budget</i>	Estimated % of projects completed on budget
Federal Control and Oversight <i>Local Management Discretion Index</i>	Factor-based index based on survey items asking respondents about the level of local discretion over 1) Choosing projects, 2) Prioritizing beneficiaries, 3) Identifying essential workers, 4) Using funds for program administration, 5) Changing the details, formats, and time frames of reports (Eigenvalue/ Alpha = 4.182/0.885)
<i>Rule Clarity Index</i>	Factor-based index based on survey items asking respondents about perceived clarity of federal guidelines on 1) Eligible/ineligible use of funds, 2) Intended beneficiaries, 3) Qualifications for essential workers, 4) Reporting requirements (Eigenvalue/ Alpha = 1.713/0.762)
<i>Communication Frequency Index</i>	Factor-based index based on survey items asking respondents about the frequency of communicating with the Treasury on 1) Eligible/ineligible use of funds, 2) Intended beneficiaries, 3) Qualifications for essential workers, 4) Reporting requirements (Eigenvalue/ Alpha = 2.852/0.765)
Local Capacities <i>Centralized Administration</i>	Survey item asking whether SLFRF is managed by a single agency
<i>Human Capacity</i>	Survey items asking about the number of full-time employees involved in managing federal funds, and frequency of training on grant management
<i>Fiscal Capacity</i>	General fund unreserved balance
Local Political Actors <i>Interest Group Index</i>	Factor-based index based on survey items asking respondents about the frequency of consultation with business groups, nonprofit organizations, religious groups, political parties, neighborhood associations, and unions (Eigenvalue/ Alpha = 5.063/ 0.847)
<i>Citizen Input</i>	Survey item asking whether residents attended at least one local meeting on managing the SLFRF
<i>Elected Officials' Involvement</i>	Whether 1) Mayor only, 2) Council only, and 3) Both are consulted on implementing SLFRF

5. Findings from Regression Analyses

The regression analyses investigate the factors that shape grant implementation effectiveness in terms of funding allocation and project management. The key findings are:

5.2 When the Outcomes are the Project and Worker Prioritization Indices

- Among the federal control and oversight factors, the rule clarity index consistently shows a positive relationship with the project prioritization and the worker prioritization indices. These positive results indicate that rule clarity can help improve grant implementation, specifically the process of allocating funds.
- In terms of local capacities, centralized grant administration positively correlates with greater ease of project prioritization. Reliance on one department, agency, or unit to administer federal grants is associated with an increase in the project prioritization index.
- For political influence, there is some evidence of a negative correlation between citizen input and project prioritization, and between interest group influence and project and worker prioritization. These results, however, are not consistent across different specifications. Only mayoral involvement has a statistically significant positive correlation with project prioritization.

5.3 When the Outcomes are the Completion of Projects On Time and On Budget

- For the federal control and oversight factors, a consistent result is the positive and statistically significant coefficient for the local management discretion index in the on-budget models. Cities reporting enjoying greater management discretion report higher percentages of grant-funded projects completed on budget.
- For local capacity variables, centralized grant administration shows a consistently positive and statistically significant correlation with project completion timeliness across three models. Cities in which one department, agency, or unit administers federal grants have a higher probability of reporting completing projects on time compared with cities with decentralized grant administration.
- For political factors, a consistent result is the positive association between mayor involvement and the completion of projects on time and on budget.

6. Conclusion

This study demonstrates the complex dynamics of cooperation in the implementation of an important policy instrument in a federal system – the intergovernmental grant. Based on the views of city officials responsible for implementing SLFRF, we find that grant implementation is shaped by the recipient governments’ organizational capacities as well as the involvement of key local political actors. At the same time, federal rules and systems of communication matter for local grant implementation performance. In a federal system of governance, the success or failure of an intergovernmental initiative such as the SLFRF depends on the distinct roles and contributions of different levels of government including the actors, organizations, systems, and capacities within each tier.

References

- Balducchi, D. E., & Wandner, S. A. (2008). Work sharing policy: Power sharing and stalemate in American federalism. *Publius: The Journal of Federalism*, 38(1), 111-136.
- Bardach, E. (1977). *The implementation game: What happens after a bill becomes a law*. Cambridge: MIT Press.
- Carley, S., Nicholson-Crotty, S., & Fisher, E. J. (2015). Capacity, guidance, and the implementation of the American Recovery and Reinvestment Act. *Public Administration Review*, 75(1), 113-125.
- DiPetrillo, S., Von Hagen, L. A., Malone, S., Meehan, S., & Shivaraman, G. (2017). Delays, detours, and diversions: paths to fully executed Safe Routes to School projects. *Transportation research record*, 2653(1), 17-25.
- Elmore, R. F. (1979). Backward mapping: Implementation research and policy decisions. *Political Science Quarterly*, 94(4), 601-616.
- Fernandez, S., & Rainey, H. G. (2017). Managing successful organizational change in the public sector. In *Debating public administration* (pp. 7-26). Routledge.
- GAO. (U.S. Government Accountability Office) (2023). *Grants Management: Observations on Challenges with Access, Use, and Oversight (GAO-23-106797)*. U.S. Government Accountability Office. <https://www.gao.gov/assets/gao-23-106797.pdf>
- GAO (U.S. Government Accountability Office) (2024). COVID-19 relief: State and local fiscal recovery funds spending as of September 30, 2023 GAO-24-107472 <https://www.gao.gov/assets/d24107472.pdf>
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for The Real World*. Oxford University Press, Oxford.
- Jimenez, B.S. (2020). Municipal government form and budget outcomes: Political responsiveness, bureaucratic insulation, and the budgetary solvency of cities. *Journal of Public Administration Research and Theory* 30(1), 161–177
- Krause, R. M. (2012). An assessment of the impact that participation in local climate networks has on cities' implementation of climate, energy, and transportation policies. *Review of Policy Research*, 29(5), 585-604.
- Metzenbaum, S.H. 2021. Federal grants management: Improving outcomes. IBM Center for The Business of Government. <https://www.businessofgovernment.org/report/federal-grants-management-improving-outcomes>
- Pressman, J. L., & Wildavsky, A. (1984). *Implementation: How great expectations in Washington are dashed in Oakland; Or, why it's amazing that federal programs work at all, this being a saga of the Economic Development Administration as told by two sympathetic observers who seek to build morals on a foundation* (Vol. 708): Univ of California Press.

- Rainey, H. G., & Steinbauer, P. (1999). Galloping elephants: Developing elements of a theory of effective government organizations. *Journal Of Public Administration Research and Theory*, 9(1), 1-32.
- Rocco, P., & Kass, A. (2022). Flexible aid in an uncertain world: The coronavirus state and local fiscal recovery funds program. *State and Local Government Review*, 54(4), 346-361.
- Sabatier, P., & Mazmanian, D. (1979). The conditions of effective implementation: A guide to accomplishing policy objectives. *Policy Analysis*, 481-504.
- Schulz, M., & Klammer, S. (2022). Federal Revenue Sharing: A Standing Counter-Cyclical Fiscal Policy Mechanism for State and Local Aid.
- Selznick, Philip, (1953). *TVA and the grass roots: A study in the sociology of formal organization*. Berkeley, CA: University of California Press.
- Shybalkina, I. (2024). Getting a Grant is Just the First Step: Administrative Capacity and Successful Grant Implementation. *The American Review of Public Administration*, 54(3), 287–302.
- Terman, J. N., & Feiock, R. C. (2015). Improving outcomes in fiscal federalism: Local political leadership and administrative capacity. *Journal of Public Administration Research and Theory*, 25(4), 1059-1080.
- U.S. Department of the Treasury (2022). Final Rule
<https://home.treasury.gov/system/files/136/2023-Interim-Final-Rule.pdf>
- Waterman, R., Rouse, A. A., & Wright, R. (2004). *Bureaucrats, Politics, and The Environment*: University of Pittsburgh Press.