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Comparing the Uses of Local Fiscal Recovery Funds in the Seventh District's Large Cities and Their Counties

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In response to the economic impacts of the Covid-19 pandemic, the U.S. federal government enacted the landmark American Rescue Plan Act ([ARPA](#)). A key component of the act was providing \$350 billion in funding to state and local governments through the [Coronavirus State and Local Fiscal Recovery Funds \(SLFRF\) program](#). This program was designed to allow state and local governments to use the money in a fairly flexible manner to reflect how the pandemic had affected their areas' economies. The only significant restriction was prohibiting these governments from using the funds allocated by the program to offset tax revenue losses resulting from changes in tax laws, pay debts, or replenish rainy day funds.

In a [previous article on the SLFRF allocations](#), we provided a preliminary look at how selected cities in the [Seventh Federal Reserve District](#) were planning to use these funds. In this article, we examine the updated plans for spending SLFRF allocations by Chicago and Detroit (whose plans as of late 2022 we covered in detail in our previous article), as well as current plans for such allocations by Milwaukee and Indianapolis. We also look at how the principal county where each of these Seventh District cities is located plans to spend its ARPA dollars. After comparing the SLFRF usage by the four cities, we compare this usage by their counties. Finally, by examining the SLFRF usage of the overlapping city and county governments, we discuss whether these units of local government are using these funds in different or similar ways.

At the outset, we need to point out two key factors to consider while comparing the usage of SLFRF funding across cities and counties and between overlapping city and county governments in the Seventh District. First, we need to recognize that city and county governments often have different functions; therefore, a city government may have very different spending priorities for the SLFRF funding than a county government. Second, within the Seventh District, the governance structure of one geographic area is quite different from that of the others: Indianapolis and Marion County form a consolidated city-county government under the administration of the Indianapolis government. So, in contrast with other cities and counties that overlap each other within the Seventh District, Indianapolis and Marion County were provided SLFRF funding as a combined government. Unlike the spending priorities of the three other city-county pairs examined in this article (namely, Chicago-Cook County, Detroit-Wayne County, and Milwaukee-Milwaukee County), those of Indianapolis-Marion County are aligned and thus their SLFRF spending plans reflect their combined needs. The distinctive governance structure of Indianapolis-Marion County may help explain why the planned spending distribution of their SLFRF dollars is less concentrated in a single funding category than the distributions of the other individual city governments.

To guide the use of SLFRF allocations, the U.S. Department of the Treasury created some categories for the permissible use of these funds. The four main categories are listed in the Treasury's [final rule](#) for SLFRF uses: 1) public health and negative economic impacts, 2) premium pay for workers who perform essential work, 3) revenue loss, and 4) water, sewer, and broadband infrastructure.

For the purposes of this article, we report the usage of the SLFRF allocations by four cities and their counties in the Seventh District based on data from the [Brookings Institution's Local Government ARPA Investment Tracker](#). The reported values represent each government's official adopted budget for a certain use. The Brookings spending categories for the SLFRF allocations are as follows:

- Government operations

- Community aid
- Infrastructure
- Housing
- Public health
- Economic and workforce development
- Public safety

These seven Brookings categories for using the SLFRF allocations are somewhat different than the four categories in the Treasury’s final rule. The Brookings categories reflect the types of uses that state and local governments have identified themselves for spending their SLFRF dollars, but those categories do map to one or more Treasury categories. For instance, Brookings created the spending category of government operations to reflect SLFRF money being used for general government support, but that category largely reflects money being used to make up for revenue loss, which is the Treasury category. Similarly, the Brookings infrastructure category goes beyond the Treasury category of funding water, sewer, and broadband projects to include investments in parks, government facilities, and mass transit.

The most popular use of SLFRF allocations by cities and counties has indeed been for revenue replacement, which is captured as an expenditure in the Brookings category of government operations. [Brookings reports](#) that “the vast majority of appropriations that large local governments have classified as revenue replacement have officially gone to government operations.”¹ The use of funds for revenue replacement largely reflects the fact that this is one of the least restrictive categories (in the sense that it does not require allocating money to a specific program or setting up a new operation to spend the money) for using SLFRF dollars, which must be fully obligated by the end of 2024.²

As we examine SLFRF usage by the four Seventh District cities under consideration here, it is worth pointing out that only Chicago has targeted government operations as its top use for SLFRF money (72.1% of its funding). The top category for Detroit is economic and workforce development (43.6% of its SLFRF funding), and the top category for Milwaukee is public safety (39.4%). About two-thirds of Indianapolis’s total SLFRF funding is roughly equally split across three categories—infrastructure, economic and workforce development, and public safety. So, unlike Chicago, Detroit, and Milwaukee, Indianapolis has less of its SLFRF money concentrated in a single category. As we mentioned earlier, this is likely due to the combined governance structure of Indianapolis and Marion County. See figure 1 for the distributions of SLFRF funding for the four Seventh District cities, along with the average distribution for all U.S. cities.

1. Seventh District cities’ distributions of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocations, by expenditure category, as of 2024:Q1

	Government operations	Community aid	Infrastructure	Housing	Public health	Economic and workforce development	Public safety
Chicago	72.1	8.0	0.5	2.0	1.9	9.2	6.3
Detroit	13.3	5.3	7.7	20.0	3.4	43.6	6.5
Indianapolis–Marion County	4.9	15.0	21.3	5.8	5.6	24.3	23.1
Milwaukee	9.2	3.6	2.0	24.6	9.6	11.5	39.4
National city average	40.3	10.0	11.8	10.6	10.6	8.0	8.1

Notes: All values are in percent. The rows of data for each city or the national average may not total to 100% because of rounding. For more discussion on the distinctive combined governance structure of Indianapolis and Marion County, see the text.
Source: Authors’ calculations based on data from the Brookings Institution, [Local Government ARPA Investment Tracker](#).

One clear challenge is understanding the impact of SLFRF funding when overlapping units of local governments (i.e., city and county governments) are involved. Figure 2 shows the distributions of SLFRF dollars in the counties in which Chicago, Detroit, and Milwaukee are located, along with the average distribution for all U.S. counties.

2. Seventh District counties’ distributions of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocations, by expenditure category, as of 2024:Q1

	Government operations	Community aid	Infrastructure	Housing	Public health	Economic and workforce development	Public safety
Cook County (Chicago)	16.9	9.3	17.8	13.9	15.1	15.8	11.2
Wayne County (Detroit)	56.5	0.7	24.2	0	0.3	18.2	0
Milwaukee County (Milwaukee)	53.5	8.1	10.6	15.2	6.5	0	6.1
National county average	36.6	11.5	14.8	9.8	13.6	6.5	7.4

Notes: All values are in percent. The rows of data for each county or the national average may not total to 100% because of rounding. The large city located within each named county appears in parentheses.
Source: Authors’ calculations based on data from the Brookings Institution, [Local Government ARPA Investment Tracker](#).

We first examine the Indianapolis–Marion County government’s specific programs being funded with SLFRF money (see figure 1). Given this government’s combined city–county structure, the use of these funds represents both city and county projects, which again may help account for planned spending being less concentrated in one specific category. The Indianapolis–Marion County government essentially plans to spend even shares of its funds (around 22% each) on three categories: infrastructure, economic and workforce development, and public safety. The breakdown of how the SLFRF funding will be spent by Indianapolis–Marion County is as follows:

- **Infrastructure:** The \$77.2 million in SLFRF funding is spread across 15 programs. The bulk of the money, \$56.0 million, supports 11 sewer and water projects; the remaining \$21.2 million supports broadband, cybersecurity, and public space development, such as building playgrounds.
- **Public safety:** Total public safety spending is \$83.5 million. Sixteen programs targeting violence reduction and prevention are supported with \$56.9 million. Six other public safety programs are supported with \$26.6 million.
- **Economic and workforce development:** Total spending in this category is \$96.9 million. The spending on the economic development portion breaks down like this: \$6.3 million for small business support, including technical assistance, credit counseling, and capital assistance; \$16.1 million for neighborhood and downtown revitalization; and \$51.25 million for hospitality and tourism—with \$50 million of this allocated for the Capital Improvement Board, which supports capital facilities investment. The remaining \$23.2 million supports workforce development.

For the remaining three cities and their counties, separate SLFRF allocations were provided to the city and the county. In regard to the cities’ SLFRF spending, the diversity in funding uses may indicate that each city did try and use the federal dollars to mitigate the specific impacts on their local economies due to the pandemic.³ In what follows, we will highlight the spending plans for both the city and the county in which that city is located.

The City of Detroit’s largest spending category is economic and workforce development. Examining the components that make up this grouping for Detroit, we observe that a total of \$255.8 million is budgeted for expenditures in this category. Specifically, the following amounts have been budgeted:

- \$98.8 million to support neighborhood and downtown revitalization, with much of the money going to blight removal projects;
- \$24 million to support small business development, including support services and technical assistance; and
- \$133 million to support workforce development, including skills training, adult high school certification, and summer jobs for youth.

In contrast, Wayne County’s largest spending category is government operations. In total, \$179 million (or roughly 30% of the county’s SLFRF distribution) is going toward revenue replacement (under the government operations category). The county reported that it suffered personnel shortages and operational and economic hardships and needed the money to ensure there would be adequate governmental services capacity to meet residents’ needs. That said, the county is also

planning to spend a significant portion of its SLFRF allocation on infrastructure and economic development, and some of this spending is targeted to support Detroit-based efforts. For example, \$3.95 million is going to Detroit’s Downtown Development Authority to support long-term capital improvements and infrastructure. In addition, the city’s Motown Museum is slated to receive \$2.5 million. The Wayne County government is spending its SLFRF funding on projects across much of the entire area it governs—and projects in Detroit are not excluded, even though the city government received its own SLFRF allocation.

The City of Milwaukee dedicated nearly 40% of its SLFRF allocation to public safety. However, the vast majority of this public safety spending is to pay for the increased operational costs for firefighters and police that were incurred during the pandemic:

- Of the \$117 million in the public safety category, roughly \$103 million is for firefighter personnel salaries and \$6.4 million for police personnel salaries, with \$4.2 million going to violence reduction and prevention efforts. The remaining money is to be spent on a variety of small projects, with each one receiving less than \$1 million.

Using more than half of its SLFRF funding on government operations, Milwaukee County has a similar spending pattern as Wayne County. Rather than targeting revenue replacement, Milwaukee County has focused on facilities improvements (under the government operations category). Notably, \$62 million (nearly 40% of the SLFRF dollars budgeted for government operations) will be spent on three projects: a new building for the county’s Department of Health and Human Services; a new Forensic Sciences and Preventative Medicine Facility; and the creation of a roadmap for the digital transformation of county facilities. Clearly, the city of Milwaukee will benefit from the projects Milwaukee County has decided to spend its SLFRF money on, but these projects do not reflect the city government’s emphasis on spending its SLFRF funding on public safety programs.

Next, we turn to Chicago. As we noted before, the city is planning to spend the vast majority of its SLFRF funding on government operations (specifically, for revenue replacement). The city’s usage of SLFRF funding contrasts sharply with Cook County’s, given the latter is planning to spend roughly the same shares of its SLFRF dollars across all seven categories. Within each category, Cook County concentrates its spending on particular programs:

- In community aid, \$42.5 million is provided for the county’s guaranteed income program, which is targeting 3,250 residents (selected through a lottery).
- In economic development, \$71 million is going to small business assistance, which is to be delivered in the form of technical and advisory services at no charge to the recipients.
- In government operations, \$45 million is being used for one-time payments to essential workers who provided in-person services during the pandemic.
- In housing, \$51 million were provided for homeless and rental assistance programs.
- In infrastructure, more than \$140 million in spending is aimed at sewer and water system improvements, broadband provision, mass-transit support, and lead pipe remediation.
- In public health, investments totaling more than \$100 million have been made in a variety of mental health programs.
- In public safety, \$85 million is targeted at violence reduction and prevention through neighborhood-based programs; most of these programs would provide direct support for city residents.

From these comparisons, it’s clear that city and county governments have different priorities for using their SLFRF allocations, though each city may well benefit from its county’s plans for these funds (and vice versa). Because of their combined city–county governance structure, Indianapolis and Marion County have plans for their SLFRF allocation that reflect their combined needs.

In figure 3, we provide a snapshot of the progress these Seventh District cities and their counties have made in budgeting and obligating their SLFRF dollars.

3. Seventh District city and county use planning for Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocations, as of 2024:Q1

	Number of projects	Total amount of SLFRF allocation in U.S. dollars tracked	Percentage of total SLFRF allocation budgeted	Percentage of total SLFRF allocation obligated
Chicago	92	1.9 billion	100.0	74.7
Cook County	77	968.9 million	96.8	60.3

	Number of projects	Total amount of SLFRF allocation in U.S. dollars tracked	Percentage of total SLFRF allocation budgeted	Percentage of total SLFRF allocation obligated
Chicago–Cook County combined	169	2.87 billion	98.8	69.8
Detroit	49	586.3 million	70.9	41.8
Wayne County	35	339.7 million	100	100
Detroit–Wayne County combined	84	926 million	81.5	63.1
Indianapolis–Marion County	118	362.2 million	86.3	64.3
Milwaukee	54	296.8 million	75.3	53.5
Milwaukee County	61	157.6 million	85.8	36.8
Milwaukee–Milwaukee County combined	115	454.4 million	78.9	47.7

Note: The use planning for the SLFRF allocation is not shown for Indianapolis and Marion County individually because of their combined governance structure; see the text for further discussion on their distinctive governance structure.
Source: Authors’ calculations based on data from the Brookings Institution, [Local Government ARPA Investment Tracker](#).

This figure shows that most local governments in the Seventh District that we discussed in this article are making meaningful progress in obligating their SLFRF budgets, but the City of Detroit, the City of Milwaukee, and Milwaukee County are lagging behind.

Conclusion

The American Rescue Plan Act’s Coronavirus State and Local Fiscal Recovery Funds program has provided cities and counties with federal funding to use on the projects and initiatives they determine will most directly address the impacts of the pandemic on their local economies. The data from Chicago, Detroit, Indianapolis, and Milwaukee—the four largest cities in the Seventh District—show considerable diversity in how SLFRF allocations have been applied. The data on SLFRF spending plans by some of the counties in which these cities are located (Cook County, Wayne County, and Milwaukee County) further demonstrate the diversity in using ARPA dollars. What is less clear is whether a coordination of spending is occurring across the overlapping units of local governments. Given that SLFRF requirements stipulate that the funds must be fully obligated by the end of 2024 (and spent by the end of 2026), this coordination between city and county governments may have been difficult to accomplish. It is also possible that the city and county governments have used these funds to address their individual greatest needs. Most governments went through a public outreach process to gather information from constituents on how best to spend their SLFRF money, and the diverse spending uses of these funds may simply reflect that local feedback.

Notes

- ¹ That [Brookings article from March 2024](#) noted this finding is "consistent with [prior Brookings research](#)."
- ² Obligated funds are those that have been committed, but are not yet spent (e.g., funds to pay contractors or to fulfill signed contracts for supplies).
- ³ Some localities determined that their best use of SLFRF funding would be for structural, pre-pandemic needs (see, e.g., details about the City of Detroit’s spending plans). This is permissible under the Treasury’s flexible final rule.

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