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## **The Federal Windfall That Cities Can't Afford to Waste.**

**Washington is sending cities a gigantic fiscal gift. They have to produce results. The danger is that the money will be squandered. Republicans are watching all that generosity with skepticism.**

Urban advocates have long sought more federal money for cities. Now, they are getting it – bigtime. The aid being provided to cities under the coronavirus relief act represents a major test of the thesis that federal aid can be transformative for urban America. Cities should make the most of this opportunity. If they can use these funds to move the needle on substantial change, this would create a strong case for future aid. But if the money is simply frittered away, there's no reason to expect such extensive help in the future.

The American Rescue Plan contains \$350 billion in funding for state and local governments. This includes \$45.6 billion for large metropolitan areas. The quantity of funds for these bigger metro areas is significant. Birmingham, Ala., is getting \$141 million, Phoenix nearly \$400 million, Chicago a bit less than \$2 billion.

These are very large sums, particularly when county-level funding is also taken into account. In the merged government of Louisville-Jefferson County, Ky., the “city” is collecting \$240 million, plus another \$149 million in “county” funding, a bit less than \$400 million total. The independent city of St. Louis is getting almost \$500 million.

While the rules around how this money can be spent are not entirely clear, there is no mistaking the scope of the grants. Louisville's annual budget is about \$1 billion. That means its allocation is equivalent to 40 percent of its entire annual budget.

It is imperative that cities use this money to produce tangible and material benefits. The all too real danger is that instead it will be wasted. An example is excessive “state of good repair” spending on public transit. The highly respected global transit analyst Alon Levy has described state of good repair as “a racket permitting agencies to spend vast sums of money with nothing to show for it.”

It is very possible that cities will end up spreading their funding across a variety of programs such that billions of dollars are spent, but the material impact is limited, either in physical improvements or moving the needle on social or economic progress.

What should the money be spent on? There are many potential ways that this funding could be directed to making a big impact. It could be used to pay for a major residential street and sidewalk program, thus wiping out a major portion of a city's infrastructure maintenance backlog. Or it could put a new or renovated playground within walking distance of most kids in the city. It could create more supportive housing units for the homeless. The details will vary from city to city and will depend on federal guidelines around what can be done with the money. The key is to focus on delivering real, material change that is proportionate to the large sums invested.

The imperative to spend the money well is increased by the way that Democrats structured the aid

to favor deep blue cities. Money to metropolitan areas was allocated using HUD formulas that greatly privileged deep blue central cities over red or purple suburbs.

For example, in Indiana, South Bend, Evansville, Carmel and Fishers are all about the same size in population. But Evansville is getting \$64.5 million and South Bend \$58.9 million, while Carmel is getting \$7.5 million and Fishers only \$6.9 million. The former two vote strongly Democratic while Carmel and Fishers are more conservative suburbs. On a rough per capita basis, Evansville is getting \$546 per person and South Bend \$577, but Carmel only \$74 per person and Fishers \$72. This is a difference of about 7.5 times per capita. School funding from the recovery act has been even more lopsided.

With Democrats having shoveled the bulk of the money into their own strongholds, Republicans at both the federal and state level will rightly be looking at this generosity with skepticism. Quite apart from political considerations, however, they should be watching to see whether the money does any real good. If it does, they should be willing to look beyond politics and provide more investment funds to places that have spent previous money wisely. If it doesn't, if these very large sums deliver little to show for them, there's no reason for cities to expect more money like this ever again.

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Aaron M. Renn

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