

# Coronavirus State and Local Fiscal Recovery Funds in Rural and Urban Pennsylvania

January 2023

Pennsylvania municipalities received \$3.3 billion from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, which was part of the 2021 American Rescue Plan Act (ARPA). Rural Pennsylvania municipalities received a total of \$290.3 million, or \$100 per person, from SLFRF. Urban municipalities received a total of \$3.02 billion, or \$299 per person. The money was released in two waves, or tranches.

A Center analysis of U.S. Treasury data and the results of a February 2022 survey of municipal officials found that:

- Funding from the SLFRF accounted for approximately 19 percent of total annual revenues for rural municipalities and 14 percent of total annual revenues for urban municipalities.
- Most rural and urban municipalities did not conduct special meetings or survey residents on how the funds should be spent.
- Most rural and urban municipalities did not hire consultants to help with the SLFRF reporting requirements.
- As of April 2022, 38 percent of rural and 37 percent of urban municipalities had not identified a project on which to spend their first tranche of SLFRF.
- Among municipalities that had identified projects, 92 percent of rural and 87 percent of urban municipalities spent their funds on revenue replacement and administration. Across the U.S., 72 percent of local governments spent their funds on revenue replacement and administration.
- It is too early to determine what, if any, impact the SLFRF program has had on rural and urban municipalities.

## State and Local Fiscal Recovery Funds (SLFRF)

As part of the March 2021 American Rescue Plan Act (ARPA), Congress approved the Coronavirus SLFRF. This fund provided \$350 billion to state, local and Tribal governments across the U.S. to assist with the recovery from the COVID-19 pandemic.

For most municipalities, most funds were distributed based on population. Local governments within federal Housing and Urban Development (HUD) Entitlement Communities received additional funding.

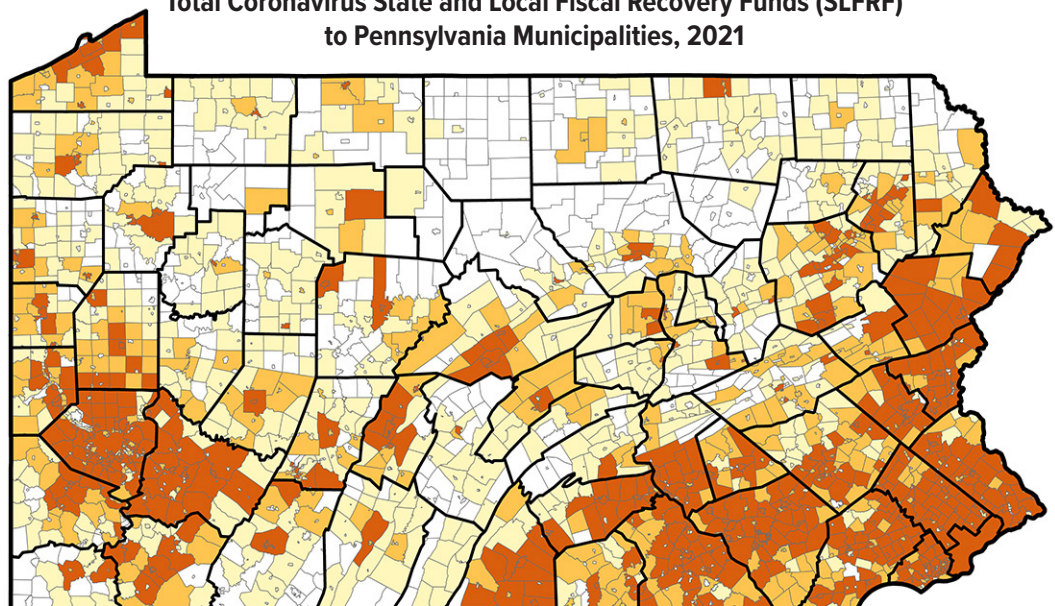
According to the U.S. Treasury,<sup>1</sup> which administered the SLFRF program, the funds could be used to:

- Replace lost public sector revenue to provide gov-

ernment services up to the amount of revenue lost due to the pandemic.

- Respond to the far-reaching public health and negative economic impacts of the pandemic by supporting the

**Total Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to Pennsylvania Municipalities, 2021**



Statewide Total = \$3.3 Billion



Data source: Pennsylvania Local Government Commission.

1. U.S. Department of Treasury, Coronavirus State and Local Fiscal Recovery Funds: Overview of the Final Rule. January 2022.

health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector.

- Provide premium pay for essential workers, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors.
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand affordable access to broadband internet.

Congress prohibited the use of the funds for pension funds, debt service, and legal settlements. Finally, Congress required all funds to be spent or obligated by December 31, 2024.

### Rural and Urban Municipal Distribution

When examining both tranches of the SLFRF program, Pennsylvania’s 1,649 rural municipalities received a total of \$290.3 million. Rural municipalities received a median of \$120,421. The 911 urban Pennsylvania municipalities received a total of \$3.02 billion. Urban municipalities received a median of \$509,467. One reason for the rural and urban difference is that HUD Entitlement Communities received additional funding. All Entitlement Communities in Pennsylvania are urban.

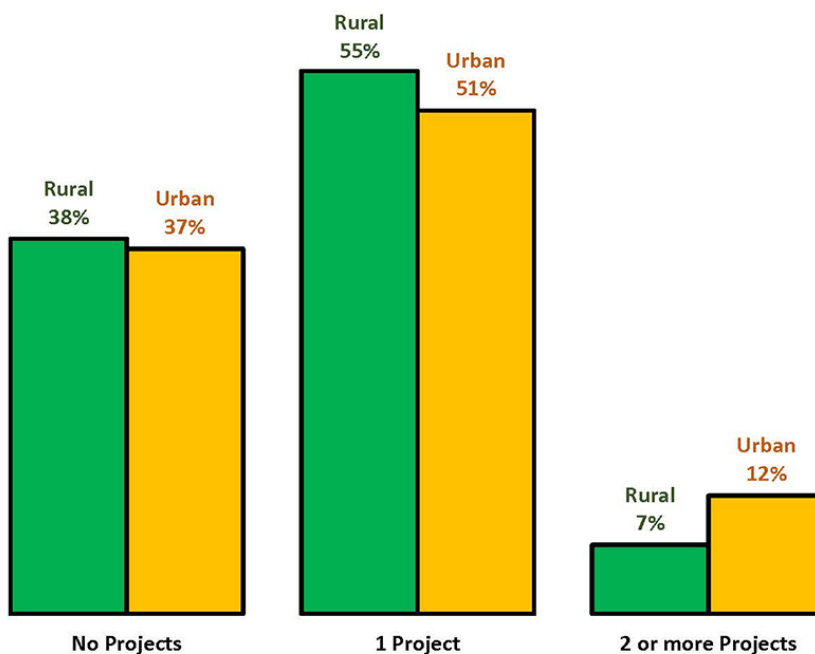
Among the 2,446 municipalities that reported their 2020 financial data to the Governor’s Center for Local Government Services, the SLFRF represented a sizable portion of their total revenues. Among rural municipalities, the SLFRF accounted for 19 percent of their total revenues. For urban municipalities, the SLFRF comprised 14 percent of their total revenues.

The SLFRF funds were released in two tranches. Each tranche contained one-half of the municipality’s allocation. The first tranche was released in May 2021. The second tranche was released in May 2022.

### Some Municipalities Said “No, Thank You”

Not every municipality participated in the SLFRF program. According to one count, 78 municipalities either declined or did not respond to the Governor’s Center for Local Government Services funding notice.<sup>2</sup> These municipalities would have received a median of \$28,200. One possible reason for not participating is limited capacity. These municipalities have, on average, a population of fewer than 500 residents and 0.4 full-time employees.

### Number of Projects in Rural and Urban Pennsylvania Municipalities



Data source: U.S. Treasury.

### What are Municipalities Doing with their SLFRF?

To understand how municipalities have spent or are planning to spend the SLFRF, the Center for Rural Pennsylvania used two data sources:

1. A survey sent to each of Pennsylvania’s 2,560 municipalities in February 2022. There were 840 responses to the survey, or 33 percent. The margin of error was +/-2.77. In its analysis, the Center excluded 106 (13 percent) respondents who said they were unsure or did not receive SLFRF. The data from the survey were aggregated to rural and urban county levels for analysis.
2. The U.S. Treasury database on SLFRF spending among local governments. The database covers the period of March 3, 2021, to March 31, 2022, and only includes the 1,404 municipalities that reported data to the U.S. Treasury. These data only include funding from the first funding tranche.

### DIY Municipalities

According to the survey, most rural and urban municipalities did not hire a consultant to help with fund spending or reporting requirements (92 percent and 89 percent, respectively).

Not relying on outside help might be attributed to the ease of accessing and administering the funds. According to the survey, 33 percent of rural municipalities and 50 percent of

2. *Town and County, Government Solutions, 2021.*

## Characteristics of Rural and Urban Pennsylvania Municipalities With and Without an SLFRF Project

	Rural Municipalities		Urban Municipalities	
	No Projects	1 or More Projects	No Projects	1 or More Projects
# Reporting Municipalities	542	878	311	531
Avg. Population, 2020	1,541	2,166	7,753	13,978
Median First Tranche Payment	\$55,422	\$80,203	\$238,750	\$326,620
Median Municipal Revenues, 2020	\$510,625	\$747,307	\$4,435,684	\$5,975,490
Avg. Full-time Employees, 2022	2.6	3.9	25.1	88.5
% With Municipal Manager, 2022	10%	13%	68%	72%

Data sources: U.S. Treasury and the Governor Center for Local Government Services.

urban municipalities agreed or strongly agreed that, overall, the funds had been easy to access and administer.

### Limited Public Outreach

In the survey, only 10 percent of rural and 11 percent of urban municipalities said they held a special meeting or surveyed residents to gather information on how the funds should be spent. Most municipalities did not gather public input on how the funds should be spent.

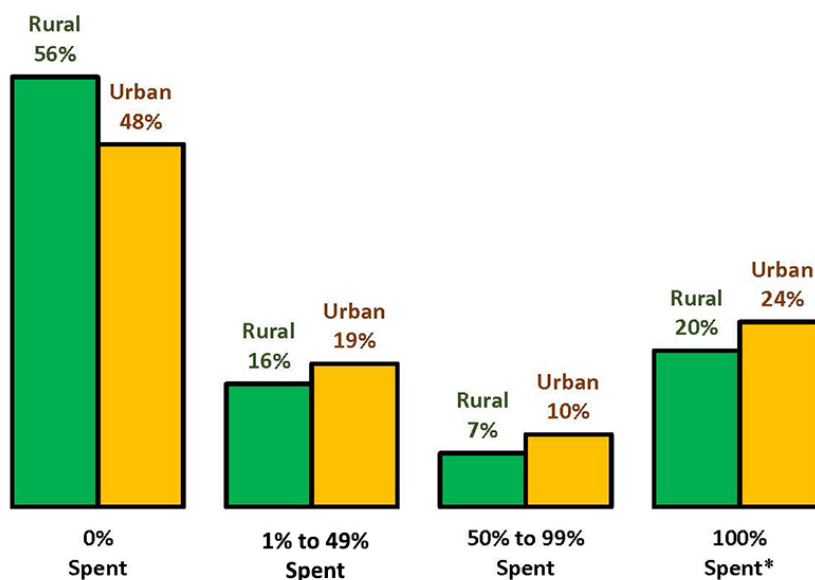
The limited public outreach could have been a symptom of public meeting restrictions due to COVID as well as the difficulty of conducting a resident survey. Whatever the reason, most officials agreed that agreed that the SLFRF would enable them to take on projects that they normally would not have done (46 percent rural and 52 percent of urban).

### Number of SLFRF Projects

U.S. Treasury data from April 2022 showed that 38 percent of rural and 37 percent of urban municipalities had not allocated their SLFRF to a specific project. Fifty-five percent of rural and 51 percent of urban municipalities identified one project, and the remaining 7 percent of rural and 12 percent of urban had two or more projects.

Digging a little deeper, rural municipalities without projects tended to have smaller populations, lower revenues, and fewer staff than municipalities with one or more projects. As seen in the table below, this pattern is not necessarily the same among urban municipalities. Rural municipalities may not have had the necessary resources and staffing to oversee the development and implementation of a project.

### Percent of First Tranche Spent by Rural and Urban Pennsylvania Municipalities



\*181 municipalities have spent more than 100 percent, suggesting that they may be using funds from the second tranche. Data source: U.S. Treasury.

### How Much Did Municipalities Spend?

Among local governments with projects, rural municipalities spent a median of \$45,257 and urban municipalities spent a median of \$208,812. For rural municipalities, this spending represented 53 percent of the funds they received in the first tranche. In contrast, urban municipalities spent 31 percent of their first tranche funds.

### What Did Municipalities Spend SLFRF On?

Among rural and urban municipalities that identified projects, the majority chose to spend some or all of the funds on revenue replacement. Municipalities had an option to take a “standard allowance” in which they could allocate up to



\$10 million of their SLFRF funds to a wide array of potential expenditures, including road building and maintenance, police and fire services, and general government administration, staffing and administrative facilities.

According to U.S. Treasury data 92 percent of rural and 90 percent of urban municipalities claimed the standard allowance. For the rural municipalities, the median allowance was \$121,200 and for urban municipalities the median allowance was \$435,200.

A closer look at infrastructure expenditures shows that most of the expenditures went for stormwater projects, \$1.2 million for rural and \$7.5 million for urban. The next largest category was drinking and wastewater projects (\$0.6 million rural and \$11.9 million urban). There were three rural broadband projects that totaled nearly \$300,000, and one urban project that totaled \$42,300. The Appendix provides a more detailed table on projects and expenditures.

### Too Early to Determine the Impact of the First Tranche of SLFRF

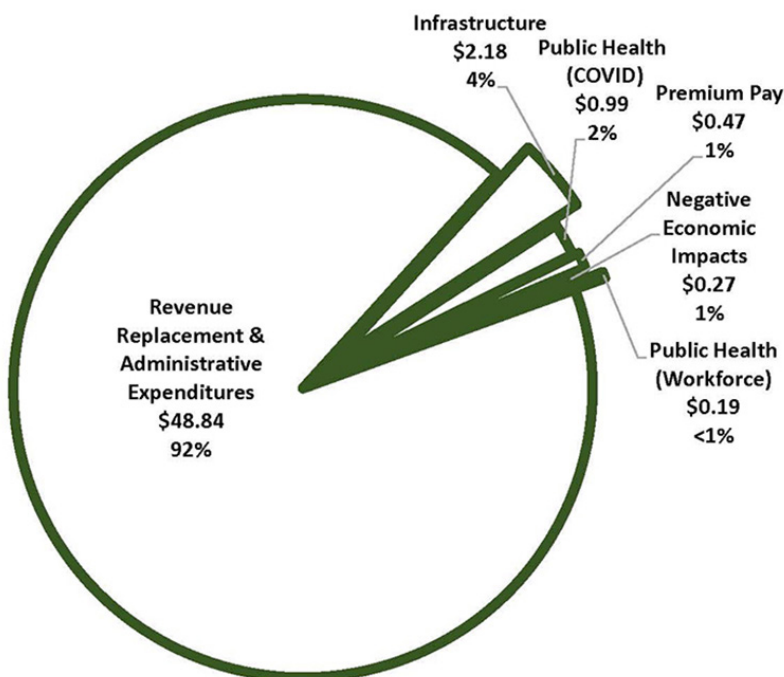
The SLFRF was enacted in March 2021, and the first tranche of funds was released two months later in May 2021. Assessing the impact of these funds is difficult since many of the key municipal indicators collected by the Governor’s Center for Local Government Service and U.S. Census Bureau will not be available until 2023.

Recognizing this limitation, the Center was able to glean a hint of what issues rural and urban municipalities are facing. The survey asked officials to rank their top three issues. For both rural and urban officials, infrastructure was a major concern. Streets/highways, sewer and water, and public safety were among the top three concerns for both rural and urban officials. For rural officials, however, there was a tie for the third most important issue between broadband access and public safety (i.e., fire/police).

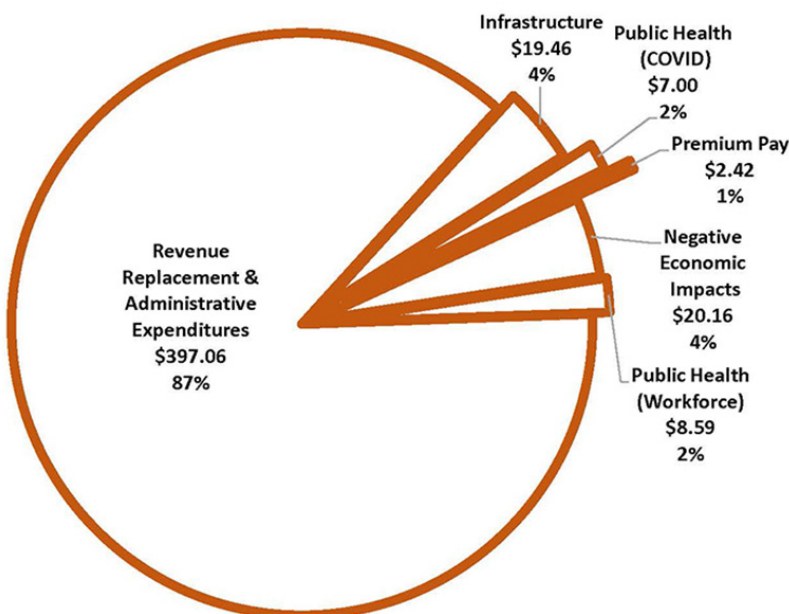
While both rural and urban municipalities identified several important issues, most municipalities allocated their SLFRF funds to revenue replacement.

It is uncertain whether these issues will be addressed in the second tranche of funding. In the February 2022 survey, 41 percent of rural and 49 percent of urban officials agreed that the second round of recovery funds are needed to meet their municipality’s financial needs.

Rural Pennsylvania Municipal SLFRF Expenditures by Type (in Millions)



Urban Pennsylvania Municipal SLFRF Expenditures by Type (in Millions)



Data source: U.S. Treasury.

### How Do Pennsylvania Local Governments Compare to Local Governments in Other States?

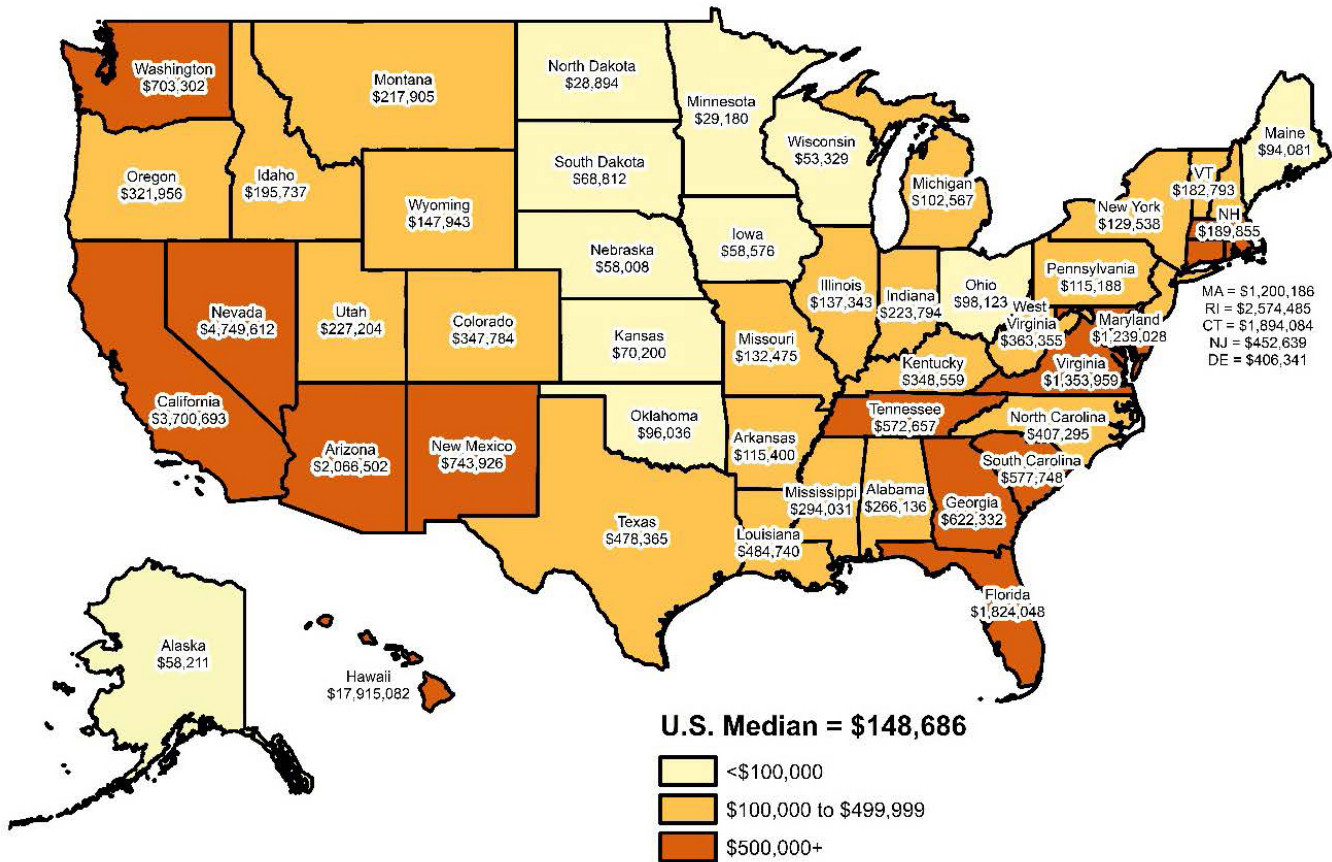
Across the U.S., local governments received a total of \$62.4 billion during the first trounce of SLFRF, or a median of \$148,686 per local government. Local governments included both counties and municipalities.

**Municipal Issues Ranked by Rural and Urban Pennsylvania Municipal Officials**  
*(Officials were only able to select their top three issues.)*

Rural Ranked Issues		Urban Ranked Issues	
Streets/Highways	78%	Streets/Highways	75%
Sewer and Water	44%	Public Safety (Fire/Police)	49%
Broadband Access (tied)	29%	Sewer and Water	48%
Public Safety (Fire/Police) (tied)	29%	Economic Development	21%
Taxes and Spending	20%	Taxes and Spending	19%
Economic Development	16%	Broadband Access	12%
Recreation	11%	Recreation	12%
Other	9%	Other	9%
Population Changes	7%	Recruitment/Retention of Employees	8%
Recruitment/retention of employees	5%	Affording Housing	6%
Access to Health Care	3%	Population Changes	4%
None of the Above	3%	None of the Above	3%
Affordable Housing	2%	Job training and education	1%
Job training and education	1%	Access to Health Care	1%

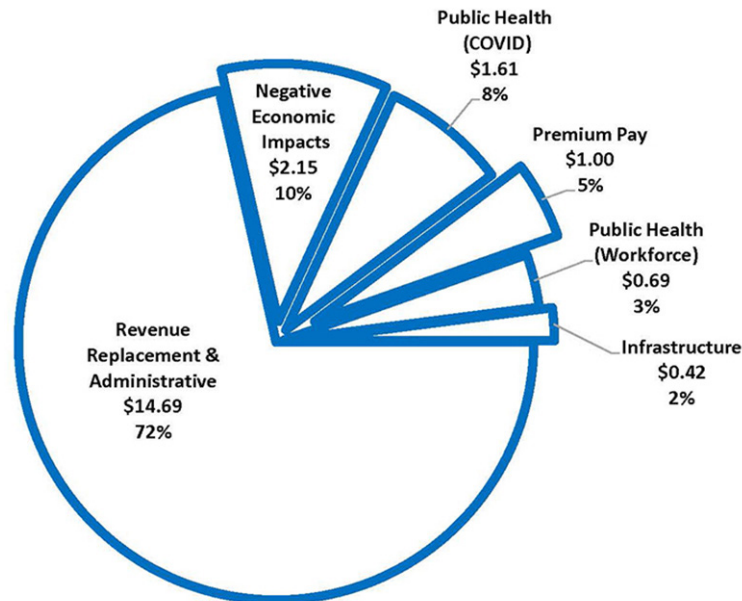
Data source: February 2022 Center for Rural Pennsylvania Survey.

**Median Amount of SLFRF Funds Received by Local Governments by State**



Data source: U.S. Treasury.

### U.S. Local Government SLFRF Spending by Type (in \$ Billions)



Data source: U.S. Treasury.

Comparing the median amount, local governments in California, Nevada, and Hawaii received the most, each receiving more than \$3.5 million. Local governments in Wisconsin, Minnesota, and North Dakota received the least, each receiving a median of less than \$55,000. Among the 50 states, Pennsylvania ranked 38th in median receipts from the first tranche of SLFRF.

Like Pennsylvania, local governments across the nation spent the lion’s share of their SLFRF first tranche on revenue replacement and administration (\$14.69 billion or 72 percent). Only seven states spent less than 50 percent of their funds.

### Conclusions

Local governments, like everyone else, were impacted by the COVID-19 pandemic and shutdown. To mitigate the negative impacts, Congress approved the SLFRF in March 2021.

This fund set aside \$350 billion for state, local, and Tribal government assistance. In Pennsylvania, \$3.3 billion went to municipal governments. These funds could be used to replace lost revenue, provide health care, provide premium pay for essential works, and conduct infrastructure improvements.

The funds were released in two tranches. Data from the U.S. Treasury indicate that most municipalities, rural and urban, had identified projects for the first tranche. However, a significant percentage of municipalities, 38 percent, did not spend the funds. Among those who spent the funds, the lion’s share went to revenue replacement and administration.

It is too early to determine what, if any, impact the SLFRF had on rural and urban Pennsylvania municipalities. However, according to a Center survey, more than 48 percent of municipal officials said that the funds would allow them to take on projects their municipality normally wouldn’t have done.

To measure the impact of the SLFRF, researchers should keep in mind that, for most municipalities, the funds represented about 14 percent to 19 percent of their total revenues. While this is an impressive amount of money, it is insufficient to fund most capital projects. Additionally, unless Congress reauthorizes funds, the SLFRF is a once-and-done program. Therefore, the long-term impact of the SLFRF may be insufficient to move the needle to the positive on long-standing economic, housing, and community needs.

---

### Acknowledgement

The Center thanks Grant Holland, MPA, University of Pennsylvania graduate fellow, who helped to develop the municipal survey and analyze the survey results.



# Appendix

	Rural Municipalities		Urban Municipalities	
	# Projects	Total Expenditures	# Projects	Total Expenditures
<b>Public Health</b>				
COVID-19 Aid to Impacted Industries	0	\$0	1	\$50,000
Community Violence Interventions	1	\$5,480	1	\$23,638
Other Public Health Services	27	\$637,555	13	\$774,074
COVID-19 Testing	2	\$624	2	\$406
Prevention in Congregate Settings (Nursing Homes Prisons/Jails Dense Work Sites Schools Childcare facilities etc.)	5	\$235,597	9	\$875,326
Personal Protective Equipment	2	\$1,288	10	\$266,466
Capital Investments in Public Facilities that Respond to the COVID-19	0	\$0	4	\$3,064,141
Public Health Emergency				
Other COVID-19 Public Health Expenses (including Communications Enforcement Isolation/Quarantine)	4	\$14,431	9	\$445,081
COVID-19 Assistance to Small Businesses	1	\$7,524	0	
COVID-19 Assistance to Non-Profits	6	\$88,748	3	\$46,883
<b>Negative Economic Impact</b>				
Assistance to Unemployed or Underemployed Workers	0	\$0	1	\$2,268
Healthy Childhood Environments: Child Care	0	\$0	1	\$1,026
Long-Term Housing Security: Affordable Housing	0	\$0	2	\$1,097,474
Long-Term Housing Security: Services for Unhoused persons	0	\$0	1	\$728
Housing Support: Other Housing Assistance	0	\$0	2	\$210,022
Strong Healthy Communities: Neighborhood Features that Promote	1	\$2,085	6	\$129,357
<b>Health and Safety</b>				
Addressing Educational Disparities: Aid to High-Poverty Districts	0	\$0	1	\$145,090
Loans or Grants to Mitigate Financial Hardship	0	\$0	9	\$2,257,912
Household Assistance: Rent Mortgage and Utility Aid	1	\$800	2	\$246,752
Technical Assistance Counseling or Business Planning	1	\$1,227	1	\$2,462
Rehabilitation of Commercial Properties or Other Improvements	1	\$5,681	3	\$252,343
Assistance to Impacted Nonprofit Organizations (Impacted or Disproportionately Impacted)	7	\$172,007	5	\$1,183,837
Aid to Tourism Travel or Hospitality	0	\$0	7	\$6,998,585
Economic Impact Assistance: Other	2	\$83,762	7	\$3,864,509
Household Assistance: Cash Transfers	0	\$0	1	\$3,500,800
Household Assistance: Paid Sick and Medical Leave	1	\$1,528	0	\$0
<b>Public Health- Workforce</b>				
Public Sector Workforce: Payroll and Benefits for Public Health Public Safety or Human Services Workers	2	\$50,001	15	\$8,765,735
Public Sector Workforce: Rehiring Public Sector Staff	1	\$10,000	5	\$770,200
Public Sector Workforce: Other	1	\$5,592	5	\$739,241
Public Sector Capacity: Effective Service Delivery	1	\$20,934	2	\$26,678
Public Sector Capacity: Administrative Needs	3	\$104,570	4	\$7,523
<b>Premium Pay</b>				
Public Sector Employees	27	\$465,332	27	\$2,423,414
<b>Infrastructure</b>				
Drinking Water: Treatment	0	\$0	2	\$114,976
Drinking Water: Transmission & distribution	3	\$46,608	3	\$5,966,609
Drinking Water: Source	2	\$107,505	2	\$575,621
Drinking Water: Storage	1	\$5,284	0	\$0
Drinking Water: Other Water Infrastructure	4	\$138,922	3	\$526,977
Water and Sewer: Other	12	\$301,784	18	\$2,431,815
Clean Water: Centralized Wastewater Treatment	1	\$10,000	2	\$9,465
Broadband: Other Projects	3	\$299,484	1	\$42,357
Clean Water: Centralized Wastewater Collection and Conveyance	2	\$19,613	4	\$1,865,682
Clean Water: Decentralized Wastewater	0	\$0	1	\$219,422
Clean Water: Other Sewer Infrastructure	3	\$50,727	3	\$202,028
Clean Water: Stormwater	32	\$1,201,621	34	\$7,504,293
<b>Revenue Replacement &amp; Administrative</b>				
Provisions of Government Services	621	\$48,620,101	498	\$395,554,306
Non-Federal Match for Other Federal Program	3	\$51,038	3	\$483,084
Administrative Expenses	10	\$171,062	22	\$1,024,905
<b>Total</b>	<b>794</b>	<b>\$52,938,514</b>	<b>755</b>	<b>\$454,693,511</b>

**Center for Rural Pennsylvania  
Board of Directors**

**Senator Gene Yaw**

Chairman

**Representative Eddie Day Pashinski**

Vice Chairman

**Dr. Nancy Falvo**

Pennsylvania Western University Clarion

Secretary

**Stephen M. Brame**

Governor's Representative

Treasurer

**Senator Katie J. Muth**

**Representative Dan Moul**

**Richard Esch**

University of Pittsburgh

**Dr. Timothy Kelsey**

Pennsylvania State University

**Shannon M. Munro**

Pennsylvania College of Technology

**Dr. Charles Patterson**

Shippensburg University of Pennsylvania

**Susan Snelick**

Northern Pennsylvania Regional College

**Darrin Youker**

Governor's Representative

**Center for Rural Pennsylvania Staff**

Kyle C. Kopko, Ph.D., Executive Director

Laura R. Dimino, Ph.D., Assistant Director

Jonathan Johnson, Senior Policy Analyst

Christine Caldara Piatos, Communications Manager

Linda Hinson, Office Manager

David W. Martin, Public Policy Data Analyst



Center for Rural Pennsylvania  
625 Forster St., Room 902  
Harrisburg, PA 17120  
(717) 787-9555  
[www.rural.pa.gov](http://www.rural.pa.gov)  
0123