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### Questioning Pittsburgh's ARP spending

The City of Pittsburgh has finalized how it will spend more than \$335 million in American Rescue Plan (ARP) money. But serious questions abound, says a scholar at the Allegheny Institute for Public Policy.

“With the resolutions approved and a reporting system established, there are public policy questions that remain and might not be answered until after the money is expended,” says Eric Montarti, research director at the Pittsburgh think tank (in *Policy Brief Vol. 21, No. 36*).

The ARP's State and Local Fiscal Recovery Funds will send \$350 billion to states and virtually all local governments in the country. The largest municipal allocation in Allegheny County is for the City of Pittsburgh at \$335.1 million. Half has been received; the other half will be paid in 2022.

A trust fund to hold the money has been established. An outside auditor has been hired to track the spending. And a four-year spending plan has been approved.

It designates \$180.2 million (53.8 percent) for the city's operating budget; \$59.9 million (17.9 percent) for the capital budget; \$17.5 million (5.2 percent) for the Pittsburgh Water and Sewer Authority (PWSA); \$75 million (22.4 percent) for the Urban Redevelopment Authority (URA) and \$2.5 million (0.7 percent) for OnePgh, a nonprofit.

It is that latter appropriation that has generated considerable debate. The group will administer a guaranteed income pilot project, making payments of \$500 per month to 200 low-income households for two years. Of those targeted, 100 will be black women. Recipients would be limited to those earning 50 percent or less of the area median income to qualify.

But questions persist. One is what effect the income pilot program money will have on employment. Based on July's labor statistics, there are 8,000 fewer people in the labor force (employed or actively looking for work) in Pittsburgh compared to July 2020.

“Will the payments dissuade job-search activity for those recipients that are not employed?” asks Montarti. “Will it incentivize those that are employed to separate from their job?”

“Will the payments be subject to state and/or federal tax and will they affect eligibility for other income-tested benefits?” the think tank researcher further asks.

“What is the opportunity cost” -- the loss of potential gain from other alternatives when one alternative is chosen – “of the \$2.5 million in ARP dollars?” Montarti inquires. “Will there be calls to continue the program after the pilot expires? If so, what tax would be raised or what existing program would be cut to find the money from city funds to do so?”

And there are questions as well regarding the other appropriations, such as if the finances of the authorities given money are being examined.

“Monitoring the ARP dollars ... is an important undertaking,” Montarti stresses.

Besides the additional measures adopted by the city, local governments with a population greater than 250,000 are required to file annual recovery plan performance reports for ARP dollars with the U.S. Treasury.

“With \$335 million coming to Pittsburgh, \$383 million to Allegheny County and \$130 million to the other municipalities in the county, taxpayers deserve no less,” Montarti concludes.

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