

Pittsburgh's ARP spending approved but questions remain

Summary: At Pittsburgh City Council's Sept. 14 meeting, proposals were approved to send American Rescue Plan (ARP) dollars to authorities for various purposes and a nonprofit to implement a guaranteed income pilot program.

The ARP's State and Local Fiscal Recovery Funds will send \$350 billion to states and virtually all local governments in the country. This differs from the Coronavirus Relief Fund in the CARES Act, which granted funding to states but only those local governments with a population greater than 500,000.

The largest municipal allocation in Allegheny County is for the City of Pittsburgh--\$335.1 million. Half has been received; the other half will be paid in 2022. Due to Pittsburgh's population, it did not qualify for a direct CARES Act distribution. It received \$6.2 million from Allegheny County's \$212 million share and utilized the money for public health and public safety expenses.

City Council passed, and the Mayor signed, a number of ARP resolutions.

On May 24 a trust fund to hold the money was established. On July 18 an outside auditor was hired. On July 21 the ARP four-year spending plan, designed by a recovery task force, was approved.

The plan designated these uses: operating budget, \$180.2 million (53.8 percent); capital budget, \$59.9 million (17.9 percent); Pittsburgh Water and Sewer Authority (PWSA), \$17.5 million (5.2 percent); Urban Redevelopment Authority (URA), \$75.0 million (22.4 percent); and OnePgh, \$2.5 million (0.7 percent).

That same day the 2021 operating and capital budgets were amended. Respectively, \$33.7 million and \$16.3 million in ARP funds were used.

On Aug. 31 resolutions for agreements with PWSA, URA, OnePgh and the Parking Authority were introduced. The four-year plan resolution states that ARP transfers to "authorities or partners shall be authorized in separate Intergovernmental Cooperation

Agreements or Professional Service Agreements.” Those agreements were discussed at City Council’s standing committee meeting on Sept.8.

The proposed agreement between the city and the nonprofit OnePgh for a guaranteed income pilot generated plenty of discussion. Based on city documents, news articles and information presented at the meeting, the pilot will make payments of \$500 per month to 200 low-income households for two years. According to one media report “100 African American women and another 100 individuals of any race and gender randomly selected from low-income zip codes (15204, 15208, 15210, 15214, and 15219)” will comprise the households.

Another 200 households will be a control group. They will be monitored in the pilot but will not receive the \$500 monthly payment.

A recipient would have to be earning 50 percent or less of the area median income to qualify. Pittsburgh area median income varies based on household size. For example, the median income for a household of one is \$58,100 and a household of four is \$83,000.

Advocates pointed to cities that have guaranteed basic income pilots funded with ARP dollars. According to news articles, these include Minneapolis, Long Beach, Alexandria and Evanston. An examination of the pilots shows that all four will make payments of \$500 a month to recipients. Two will do so for one year, two for two years. Two utilize area median income as the determinant, two randomly select participants from specific age groups or place of residency.

Two members of Pittsburgh City Council raised questions about the legality and effectiveness of sending federal money granted to the city to a nonprofit and how the program would function. All four resolutions were given an affirmative recommendation.

Afterward, in a letter dated Sept. 10, the city controller, citing the possibility of “accountability issues down the road,” suggested modifications to the resolutions, including quarterly progress and financial reports; auditing authority for the controller; separate contracts for each project funded and separate tracking. City Council added language to each resolution giving the controller auditing authority, for recipients to submit quarterly reports to the controller and the Office of Management and Budget and for that office to provide quarterly updates to the recovery task force. Council adopted the amended resolutions at its Sept. 14 meeting and the mayor signed all four on Sept. 22.

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.

On the income pilot program, a question is what effect the 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? 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?

What is the opportunity cost of the \$2.5 million in ARP dollars? 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?

On the proposed agreements with city authorities, are the current finances of the authorities being examined? PWSA is likely to be granted a water rate increase and a new storm water fee by the Public Utility Commission. What about grants and loans that have come from state and/or federal governments? While the four-year spending resolution gave PWSA \$7.5 million in 2022 and the URA \$14 million in 2022 and \$2 million in both 2023 and 2024, the agreements grant all the money to the authorities in 2021. Why did that occur?

Monitoring the ARP dollars—like those from the CARES Act and the CRRSA Act—is an important undertaking. 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 and post the report on their website. Pittsburgh published its first report Aug. 31.

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.

Eric Montarti, Research Director

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)