

\$559M Infusion for Boston's Recovery

Analyzing Boston's Use of Federal COVID Recovery Funds

How has Boston used its tremendous infusion of \$559 million in federal American Rescue Plan Act (ARPA) funds described as once-in-a-generation funding? Boston's strong financial position has paved the way for the City to use ARPA funds to address economic and health problems, including long-standing problems amplified by the pandemic. At this time, Boston has used less than a quarter of ARPA funds received to mitigate revenue loss in its General Fund budget, and the majority to make "equitable and transformative investments." What kind of projects is Boston undertaking with the ARPA funds? What is the plan for evaluating and sustaining successful programs?

Report Objectives

Our report provides information and insights on:

- The types of projects being funded
- The City's spending progress
- What the future holds for continuing investment
- Impact on Boston's budget

A special thank you to the Research Bureau's Cabinet Members for their generous support.

Arlington Advisory Partners | Blue Cross Blue Shield of Massachusetts | Citizens Bank | Comcast | Fidelity Investments | Liberty Mutual Insurance | P&G Gillette | State Street Corporation | Verizon

Background

The American Rescue Plan Act of 2021 (ARPA) is a \$1.9 trillion federal economic stimulus law enacted to help the nation recover from the economic and health effects of the COVID-19 pandemic. This report focuses on ARPA State and Local Fiscal Recovery Funds, which state and local governments may use to replace lost revenue, respond to public health needs and negative economic impacts, provide premium pay for essential workers, and invest in water, sewer, and broadband infrastructure. These categories include a wide range of eligible uses, such as affordable housing, community violence interventions, and childcare. Separately from the State and Local Recovery Funds, ARPA provided funding for schools (ESSER) and rental assistance programs (ERAP). These are not included in this report's analysis.

Funding Received and Used – Boston received \$558.7M in State and Local Fiscal Recovery Funds (“ARPA funds”) and appropriated \$551.7M (98.7%) for 116 projects with \$7.0M (1.3%) still unappropriated as of publication. Because of Boston's strong financial position, it appropriated little to revenue replacement relative to other cities and focused on addressing economic and health problems, including long-standing problems amplified by the pandemic.

Addressing Immediate Needs – First, in July 2021, the City appropriated \$81.5M to meet immediate needs worsened by the pandemic while it developed a plan for utilizing the once-in-a-generation ARPA investments. This emergency relief supports COVID-19 testing, basic needs assistance for families, and other projects. The City then appropriated ARPA funds for revenue replacement, the fare-free bus pilot, and the Small Business Relief Fund 2.0.

“Transformative Investments” – The City earmarked 64.9% (\$362.2M) of ARPA funds for what it terms “transformative investments.” Some projects are pilot programs; others support or expand previously existing work. In July 2022, the City appropriated this \$362.2M, almost double what had been appropriated from ARPA funds at that time. While \$349.5M of the appropriation originated from a plan proposed by Mayor Wu, \$12.7M was appropriated for priorities identified by City Councilors.



65% of ARPA funds are expected to be used for “transformative investments”

Attention to Equity – Following federal guidelines, the City committed to using the funds in ways that ensure an equitable recovery. Beginning in 2021, the City gathered input from the public and stakeholders to decide how to best distribute ARPA funds. The Research Bureau contributed to this process as a member of Boston's Equitable Recovery Taskforce.

“Use or Lose” ARPA Funds – All funds must be obligated for procurement or purchase orders by December 31, 2024 and spent by December 31, 2026. These one-time funds complement the City's annual operating and capital budgets, but many of the funds are for one-time expenditures or temporary pandemic response uses. Boston is using the remaining funds for pilot programs that may be incorporated into the City's operations going forward. All personnel funded by ARPA must work specifically on ARPA-funded projects and the positions are posted as “temporary grant-funded.” In combination with ARPA funds, the City expects to leverage other public and private resources to finance projects.

Analysis of ARPA Appropriations

The \$551.7M in ARPA funds were appropriated for 116 projects organized into nine categories. The vast majority of Boston’s ARPA appropriations support projects responding to economic damages and public health issues caused by the pandemic. The largest budgeted categories are housing, revenue replacement, economic opportunity and inclusion, and climate and mobility.

Revenue Replacement – Boston appropriated \$95.0M of ARPA funds for revenue replacement in FY22 (\$55.0M) and FY23 (\$40.0M). It followed a federal formula that accounts for revenue the City would have expected in the absence of the pandemic-induced economic downturn. Because of Boston’s strong fiscal management and heavy reliance on the property tax, the City has not needed to appropriate as much in ARPA funds for revenue replacement compared to other major cities. In fact, Boston’s local revenue (including net property tax, excise taxes, and other recurring revenue) has increased in the last four years.

Housing – The City appropriated \$233.8M (42.4%) of its ARPA funding for 21 projects to support housing initiatives that aim to accelerate Boston’s housing production, combat racial and socioeconomic disparities in homeownership and affordable housing access, and develop environmentally sustainable buildings. The City appropriated \$51.9M in ARPA funds to renovate existing units, \$158.8M to provide financial assistance and support the production and acquisition of housing, and \$22.2M in emergency housing support.

The City’s two largest ARPA projects seek to expand affordable homeownership and development by promoting and developing homeownership opportunities for low and moderate-income communities and expanding financial assistance programs, as well as accelerating conversion of private market unit acquisitions to income-restricted housing. The City plans to spend \$37.5M to support unhoused people struggling with mental health and substance use disorders. ARPA appropriations are also intended for green investments in housing, including the Healthy Housing and Environmental Justice in Public Housing project (\$32.0M) to renovate ventilation systems in 1,040 households in five federally-assisted public housing sites, as well as converting underutilized public land into affordable, mixed-income, carbon-neutral, transit-oriented, multi-family housing.

ARPA Appropriations by Category

Category	\$ in Millions	% of Total
Housing	\$233.8	42.4%
Revenue Replacement	95.0	17.2%
Economic Opportunity & Inclusion	61.1	11.1%
Climate & Mobility	49.9	9.0%
Equitable Pandemic Response	39.3	7.1%
Arts & Culture	26.3	4.8%
Behavioral Health	23.6	4.3%
Early Childhood	17.8	3.2%
Evaluation & Compliance	5.0	0.9%
Total	\$551.7	100.0%

Housing Projects

Project	\$ in Millions
Affordable Homeownership Development & Ownership	\$57.8
Acquisition Opportunity Program	48.0
Renovations to public housing units	32.0
Transforming public land into multifamily housing	29.9
Energy retrofits for affordable housing	19.9
Supportive housing for unhoused people	18.9
Substance use services and low threshold spaces	18.5
Other	8.6
Total	\$233.8

Economic Opportunity and Inclusion – The City appropriated \$61.1M for 21 projects that promote economic opportunity and inclusion. Projects in this category seek to accelerate Boston’s economic growth by providing relief to small businesses, training the workforce, and offering economic assistance to communities of color and immigrants.

The largest investment in this category is for commercial rental rebate and relief, which totals \$13.7M between two projects. These funds are meant to help small businesses pay rent and revitalize commercial districts; the City prioritizes helping women-owned and minority-owned small businesses move into high commercial areas. The Office of Economic Opportunity and Inclusion (OEOI) plans to spend \$9.0M to create an ecosystem to assist BIPOC-owned businesses to thrive in Boston. Additionally, OEOI has already spent nearly all of its \$13.0M appropriation for the Small Business Relief Fund 2.0, which helps small businesses recover and grow beyond the pandemic. Through the fund, certified small businesses can apply for up to \$20.0K in grant support.

Climate and Mobility – The City appropriated \$49.9M from ARPA funds for 16 projects that support climate resiliency and mobility initiatives. The Wu Administration pitched the ARPA investments as ways to accelerate a Green New Deal for Boston, “a vision for tackling the climate crisis with strategies that address economic, social, and racial inequalities.” To that end, the City appropriated \$28.5M (57.1% of the climate and mobility category) to promote greener mobility and public transit options, including \$8.0M for more accessible biking by connecting bike routes throughout Boston and \$8.0M to improve sidewalks and create “walk-friendly neighborhood business districts.” Also, \$10.0M is

dedicated to the fare-free bus pilot program. The remaining \$2.5M will support a pilot of 20 electric school buses in the 2022/2023 school year. This contributes to BPS’s goal to fully electrify its bus fleet by 2030.

In addition to improving mobility, the City dedicated funding to provide economic benefits while addressing the climate crisis. Boston appropriated \$9.0M for a new green jobs program called PowerCorpsBOS, which uses an “earn-and-learn” model to train young adults for green jobs and provide pathways to work for the City.

Economic Opportunity & Inclusion

Project	\$ in Millions
Small Business Fund 2.0	\$13.0
Commercial Rental Rebate Pilot Program (SPACE Grants)	9.0
Creating an Ecosystem to Grow BIPOC-Owned Employer Firms	9.0
Commercial Rental Relief Fund	4.8
Reimagining Boston's Main Streets	3.7
Transforming the Workforce for the 21st Century	3.0
Expanding Tuition Free Community College	3.0
Immigrant Economic Resilience Initiative	3.0
Other	12.7
Total	\$61.1

Climate & Mobility Projects

Project	\$ in Millions
Fare-free Bus Pilot	\$10.0
Green Jobs Program	9.0
America’s Best Biking City	8.0
Walkable City	8.0
Electrification of BPS School Buses	2.5
Growth & Maintenance of the Boston's Tree Canopy	2.5
Municipal infrastructure for food waste disposal	2.5
Other	7.4
Total	\$49.9

The City also invested in two projects under the Housing bucket that work toward the City’s climate and mobility goals: \$29.9 million to transform publicly-owned land into green, mixed-income communities, and \$19.9 million for deep energy retrofits on affordable housing units.

Other Categories – The remaining \$111.9M (20.3%) in ARPA funds was appropriated for a wide range of projects in the categories below:

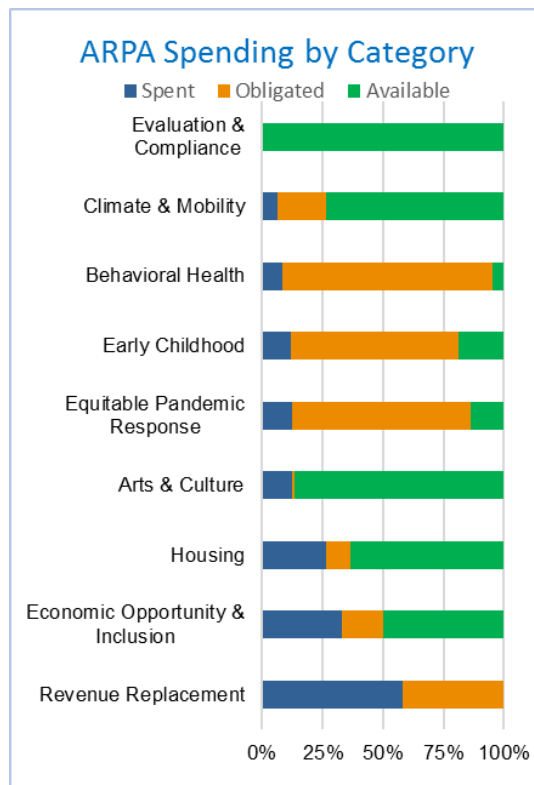
- **Equitable Pandemic Response (\$39.3M)**: protects against COVID-19, provides food assistance, assists impacted non-profit organizations, and ensures community health is supported equitably
- **Arts & Culture (\$26.3M)**: Strengthens Boston’s creative economy, artists, cultural organizations, and venues, and activates art in public spaces
- **Behavioral Health (\$23.6M)**: Improves behavioral health services with a new Center for Behavioral Health & Wellness, provides substance use services, and supports engagement at BPS
- **Early Childhood (\$17.8M)**: Invests in the early childhood education workforce and streamlines access and enrollment into early childhood education programs
- **Administration and Finance Evaluation & Compliance (\$5.0M)**: Creates evaluation and impact studies and supports program design, equitable distribution of funds, audits, and compliance

\$151.9M Spent to Date

Boston has spent 27.5% (\$151.9M) of appropriated ARPA funds, as of December 31, 2022. Additionally, 26.7% (\$146.9M) has been obligated but not spent, meaning departments have contracted to use these funds through procurement and purchase orders but have yet to spend them. All ARPA funds must be spent by the end of 2026, and the City seems to be on track.

Excluding revenue replacement, ARPA spending to date has focused on housing, economic opportunity and inclusion, and equitable pandemic response, in part because some projects received ARPA funding as early as July 2021, earlier than many projects.

The City has spent the most on housing (\$61.1M), primarily to improve ventilation and windows in public housing (\$32.0M). Also, \$12.7M on the Acquisition Opportunity Program, \$6.0M on affordable home ownership development and ownership and \$5.0M on deep energy retrofits for affordable housing.



Economic opportunity and inclusion makes up 13.3% of spending to date (\$20.2M). This includes \$13.0M for the Small Business Relief Fund 2.0, which has provided grant funding to 1,027 small business owners

across all neighborhoods. Additionally, \$3.0M has been spent on the Commercial Rental Relief Fund, which provides rental assistance via direct payments to the landlords of small businesses so they can survive and grow beyond the pandemic.

In the equitable pandemic response category, the City spent \$4.8M. Much of this has helped provide food for people in need. The Mayor’s Office of Food Justice has spent \$2.1M for Food Access Community Grants and the Boston Housing Authority spent \$500.0K to provide food assistance to residents in public housing.

Spending to Date by Category

Category	\$ Appropriated in Millions	\$ Spent in Millions	% of Category Spent	% of Grand Total
Housing	\$233.8	\$61.6	26.4%	40.6%
Revenue Replacement	95.0	55.0	57.9%	36.2%
Economic Opportunity & Inclusion	61.1	20.2	33.1%	13.3%
Equitable Pandemic Response	39.3	4.8	12.2%	3.1%
Arts & Culture	26.3	3.2	12.2%	2.1%
Climate & Mobility	49.9	3.1	6.3%	2.1%
Early Childhood	17.8	2.1	11.8%	1.4%
Behavioral Health	23.6	1.9	8.1%	1.3%
Evaluation & Compliance	5.0	0.0	0.0%	0.0%
Grand Total	\$551.7	\$151.9	27.5%	100.0%

Next Steps & Recommendations

The City of Boston has strategically directed ARPA funds to support Boston’s recovery from COVID in several programmatic areas. It was able to dedicate nearly all the funds for pandemic response, economic stimulus, pilot programs and program expansions, rather than replacing lost revenue, because of the City’s strong fiscal health during the pandemic. As of December 31, 2022, 54.2% of appropriated ARPA funds have been spent or obligated. The City has \$7.0M left to appropriate, obligate, and spend before federal deadlines. The City appears to be on track with spending, so now is the time to continue implementing ARPA-funded projects and plan for their longer-term sustainability.

- **Evaluate and Plan for After ARPA** – Did the projects achieve their stated goals? Did the projects yield any insights? The City should evaluate all ARPA projects to inform decision-making about which projects or programs to continue funding with city resources once ARPA funds are fully spent.

ARPA funds are a one-time grant that must be spent by December 31, 2026. Although the City identified goals, outputs, and outcomes for most projects, and many departments have planned for evaluation of their projects, there has been little detail about which projects are going to be evaluated and how. Some departments have evaluation systems and partners, while some might need assistance from the City’s central ARPA team.

It is crucial that the City have a strong and comprehensive evaluation process. If needed, it should utilize the \$2.0M set aside to fund impact studies and program evaluations. It is important to evaluate projects as they are completed, even if earlier than 2026, so the City can promptly make decisions about if and how to continue funding them. Additionally, the Research Bureau suggests that larger projects be evaluated mid-way and at the end to assess if the large appropriations are being well spent.

The evaluation process ought to include a framework or checklist to identify successful projects that can and should be funded after the ARPA funds expire. The City should be planning now, particularly for projects that are expected to end earlier than 2026, such as the fare-free bus program. Though the City has already taken steps to emphasize the temporary nature of personnel positions and work funded through ARPA, the City will have to make tough decisions about if and how to continue ARPA-funded projects.

- **Make Evaluation and Demographics Reports Publicly Accessible** – All evaluation reports ought to be readily available in a single location on the City’s website. This will help the public and the City Council make informed decisions about which projects, if any, to continue funding with City dollars after the ARPA funding expires. The City is also gathering demographic data for all projects to ensure resources are being distributed equitably and reaching target groups; these reports should be made publicly available also. The City has already made it easy for the public to view the quarterly ARPA spending updates. Likewise, the public deserves transparent access to all project evaluation reports and demographic data.
- **Meet Deadlines, Avoid Losing Funds** – It is imperative that the City carefully manage its ARPA funds and ensure that departments spend the large sum of money in the required timeframe. The City must obligate all \$558.7M in ARPA funds by 2024 and spend it all by 2026, according to federal rules.