DIRECT FUNDING WORKS:

Five Years of the State and Local Fiscal Recovery Funds Program

Contents

Foreword

For more than 100 years, the National League of Cities has advocated for cities, towns and villages at the federal level, showcasing the critical role municipalities play in meeting the everyday needs of their residents. The COVID-19 pandemic underscored this truth more than ever, as local governments stepped up to deliver the vital resources that residents rely on every day.

The passage of the State and Local Fiscal Recovery Funds (SLFRF) program in the American Rescue Plan Act (ARPA) in March 2021 was a lifeline to communities across the nation during the crisis, especially in the face of steep revenue losses and rapidly depleting budgets. Amid unprecedented uncertainty, there was a real risk of widespread municipal layoffs and service cuts due to pandemic-driven shortfalls. SLFRF provided local governments with the stability and assurance they needed to maintain essential public services.

Five years on, NLC marks SLFRF's lasting impact and all that local leaders have accomplished with this unprecedented investment in communities.

Through SLFRF, local leaders have proven one of NLC's longest-held beliefs: direct funding to cities works.

The funding empowered local governments not only to rebuild from the crisis but to strengthen their communities with innovative programs that will endure long after the initial funds are spent.

Since its passage, NLC has been laser-focused on ensuring that every community, large and small, could successfully obligate, spend and report their SLFRF dollars to the U.S. Department of the Treasury. Through countless conversations with local leaders, it is clear that communities continue to use their allocations to rebuild and recover, while also investing in their futures.

SLFRF reinforced the necessity of building strong intergovernmental partnerships. Given SLFRF's structure, with no dedicated program managers and complex compliance requirements, the ongoing collaboration between the Treasury, NLC, and other associations has proven essential to the program's success nationwide.

As we approach the final year for SLFRF spending, the question now shifts from *what SLFRF accomplished* to *how we build on its success*. The lessons learned from this historic investment provide a roadmap to how future federal programs can effectively and efficiently deliver resources to the form of government closest to the people.

CLARENCE E. ANTHONY
CEO AND EXECUTIVE DIRECTOR
National League of Cities

Executive Summary

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), has played an integral part in meeting the needs of America's cities, towns and villages in the wake of the COVID-19 pandemic. It has allowed communities to emerge from this once-in-a-generation challenge stronger and better prepared for the future.* SLFRF stabilized municipal budgets during a time of great uncertainty and helped local governments maintain consistent spending for normal government operations and services with minimal interruption.

The $65.1 billion allocated to municipalities under SLFRF was critical to the nation's economic turnaround, and yet it only totaled a little over [1 percent of all COVID-19 emergency relief funds authorized by Congress.](1)

SLFRF allowed local leaders to be part of the solution for a nation in distress. It also provides a template for allocating direct federal funds to local governments in the future, which should include appropriate guardrails and reporting requirements. The flexibility afforded by this program has resulted in a wide range of approaches to address residents' needs, from enhancing public health and safety to revitalizing the municipal workforce, building affordable housing and stabilizing revenue streams. This investment was so successful because it allowed local leaders to deftly and efficiently respond to the specific needs of their communities.

This report reviews how the SLFRF program led to national results that were built on local actions centered on community needs. To demonstrate how direct funding supported municipalities throughout the pandemic, this report analyzes SLFRF reporting data over time and the different investments many local governments made to stabilize their budgets and maintain core municipal services for residents.

NLC's analysis shows that the SLFRF program and its recipients:

- ◆ Generated an economic return greater than $2.84 for every $1 spent.
- ◆ Funded infrastructure, public safety, affordable housing, public health, community services and other critical local priorities.
- ◆ Accurately obligated and spent funds to meet the reporting deadlines and stay within compliance despite issues with the U.S. Department of the Treasury (Treasury) reporting portal and technical assistance lapses.

As cities, towns and villages look to the future, they will continue their efforts to fund and implement community priorities. This report demonstrates both the long-lasting impact of the SLFRF program and how future federal funding dollars can be administered to prioritize both efficiency and federal grant oversight.

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* Previous federal funding during the COVID-19 pandemic, such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, did not provide direct funds to local governments of all sizes and had focused spending, such as in higher education or housing.
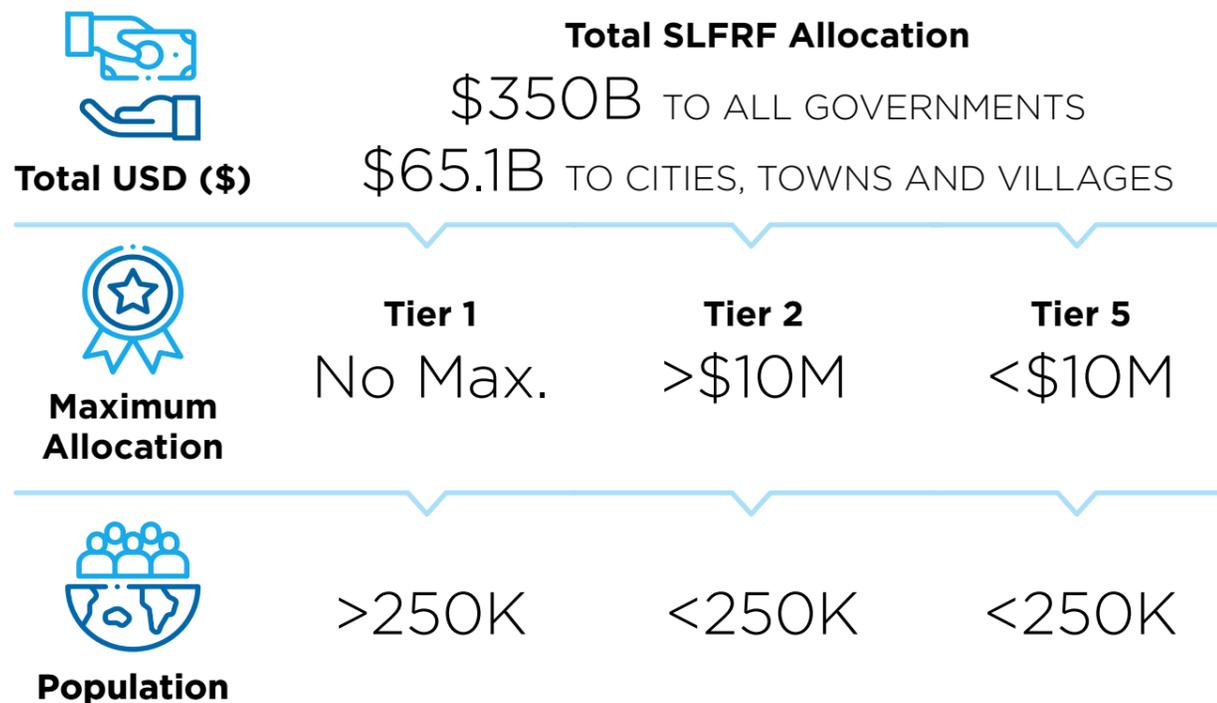
Measuring SLFRF's Impact

Since 2021, NLC has monitored how local governments have obligated and spent SLFRF allocations to foster economic recovery and support local service delivery throughout and in the aftermath of the COVID-19 pandemic.* To understand how municipal governments used these funds and the ways they supported communities, NLC researchers analyzed the economic upstream impacts of the funds, how spending varied across recipients, the timeline for expending funds and the compliance rates of recipients during the 2025 annual reporting period.

This analysis reviews data using recipient reporting tiers designated by Treasury; counties and territories were excluded. For more information on reporting tiers, see Appendix B. Treasury defined these reporting tiers as:

Total USD ($)

Total SLFRF Allocation
$350B TO ALL GOVERNMENTS
$65.1B TO CITIES, TOWNS AND VILLAGES

Maximum Allocation

Tier 1	Tier 2	Tier 5
No Max.	>$10M	<$10M

Population

>250K	<250K	<250K

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* In collaboration with Brookings and the National Association of Counties, NLC developed the Local Government ARPA Investment Tracker to analyze and share reporting updates from local government SLFRF recipients.

Economic Impact of SLFRF

With over a hundred billion dollars deployed directly to local governments (county and municipal) through a first-of-its-kind program, the SLFRF design allowed funds to flow into communities quickly and with minimal administrative costs. This was especially important as a pandemic response measure, as delays were costly for both local governments and residents. This design led to almost immediate support and kept critical programs running, from food banks to emergency services. If a more traditional federal grant program or state block grant had been used, communities would have faced delays, less certainty of funding availability and the potential for higher administrative costs and burdens, which could have led to losses of important municipal services, closures of community nonprofits and families going hungry.[2]

SLFRF stabilized municipal budgets and met residents' needs during a period of extreme uncertainty, which only amplifies the impact these funds had in communities and makes it nearly impossible to fully quantify. While the sheer size of the program prevents a comprehensive impact analysis, even a modest and partial* review of SLFRF's impact on communities tells a clear story: **It was money well spent.**

Using a Bureau of Economic Analysis (BEA) model, NLC's analysis estimates that the blended economic multiplier of SLFRF is 2.84, **resulting in at least $328 billion in economic activity in communities across the country**. NLC also estimates that **the economy was able to keep more than 1.7 million additional jobs** thanks to the money SLFRF put directly in the hands of municipal and county governments. Additional gains from SLFRF dollars were realized, especially from the economic development and employment-heavy uses that many local governments prioritized, and will continue to impact communities for years to come.[3]

Even these quite conservative estimates demonstrate that SLFRF was a wise investment delivered at a critical time. Future programs looking to maximize and accelerate local impact should learn from and build on SLFRF's successes.

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* This analysis estimates the "upstream" impact only, meaning the economic activity associated with money flowing through the economy as a result of the spending but not including the impact of how local governments use their purchases. As governments tend to invest in social benefits like economic development and improvements to health and safety, in many cases the benefits are substantially greater than the BEA model allows us to capture. See Appendix A for more details.

How Municipalities of All Sizes Prioritized SLFRF Dollars

To examine key priority areas for local governments throughout the SLFRF program, NLC categorized recipient project descriptions reported to Treasury into one of seven spending groups. The vast majority of municipalities conducted significant community outreach when deciding how to use their SLFRF allocation, and many ultimately used their funds on projects that spanned multiple spending groups.
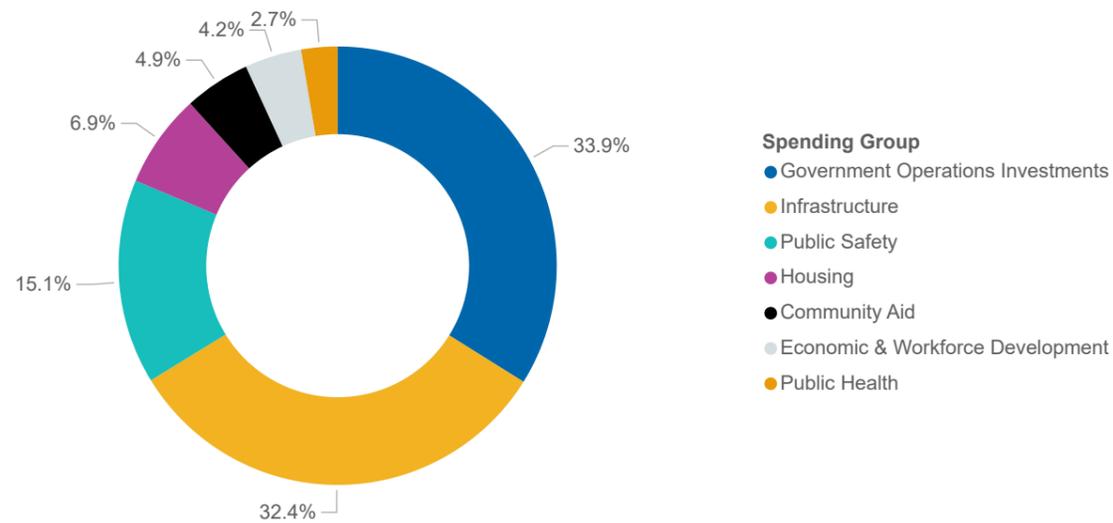
Local governments of all sizes obligated the most funds to government operations investments, an especially critical priority during the early period of the pandemic. Thirty-seven percent of all SLFRF allocations went to projects that maintained or improved government services, paid employee salaries or hazard pay, made upgrades to government buildings (often improving ventilation and other modernizations aimed at preventing additional pandemic impacts) and replaced critical lost revenue caused by the pandemic. Tier 1 municipalities obligated nearly half of their funds to this spending group, and Tier 2 and Tier 5 municipalities obligated 25 percent of their allocations to this spending group. These investments helped government services continue during pandemic budget shortfalls, protected government workers' safety and avoided potential layoffs and furloughs that would have negatively impacted the nation's economic recovery.

To learn more about how local governments obligated their SLFRF allocations, visit the Local Government ARPA Investment Tracker.

FIGURE 1

Municipalities Prioritized Government Operations and Infrastructure Projects

PERCENT (%) OF SLFRF OBLIGATIONS BY SPENDING GROUP THROUGH MARCH 2025

- 33.9%
- 32.4%
- 15.1%
- 6.9%
- 4.9%
- 4.2%
- 2.7%

Spending Group
- Government Operations Investments
- Infrastructure
- Public Safety
- Housing
- Community Aid
- Economic & Workforce Development
- Public Health

Source: NLC analysis of U.S. Department of the Treasury data covering Tiers 1, 2 and 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025.
Figure Note: Percentages are calculated as a proportion of total municipal SLFRF projects (n= 113,048); county and U.S. territory recipients are excluded.

FIGURE 2

Small Communities Prioritized Infrastructure Projects, Large Localities Obligated Most Funds Towards Government Operations

PERCENT (%) OF SLFRF OBLIGATIONS THROUGH MARCH 2025, BY SPENDING GROUP

● Government Operations Investments
● Housing
● Infrastructure
● Public Safety
● Economic & Workforce Development
● Community Aid
● Public Health
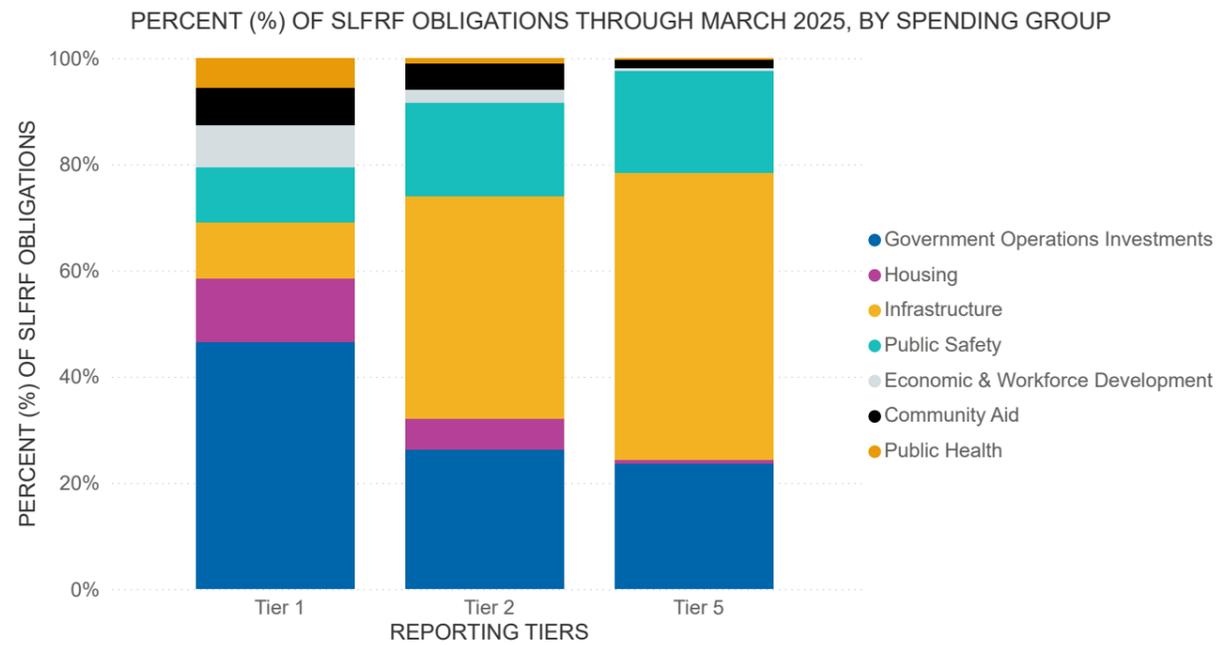
Source: NLC analysis of U.S. Department of the Treasury data covering Tiers 1, 2 and Tier 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025.
Figure Note: Percentages are calculated as a proportion of total obligated dollars by reporting tier (Tier 1= $29.3 billion, Tier 2= $23.3 billion, Tier 5= $19.1 billion); county and U.S. territory recipients are excluded. See Appendix B for details on how Reporting Tiers are defined.

Local governments also prioritized investments in infrastructure projects, with over one third of total SLFRF obligations funding sewer and water upgrades, road repairs, broadband expansion, public space upgrades and other municipal infrastructure projects. Tier 2 and Tier 5 communities obligated over 47 percent of their funds to infrastructure projects. Municipal infrastructure is traditionally difficult to fund, and local leaders, particularly in small communities, recognized that directing SLFRF dollars to critical upgrades would deliver long-term benefits to residents.

Many municipalities used SLFRF to make additional direct investments in community aid, economic and workforce development, affordable housing, public health and public safety projects. Many of these projects emerged in response to COVID-era challenges, including the expansion of broadband access and additional support for vulnerable populations. Tier 1 localities obligated between 5 percent and 12 percent of their total SLFRF allocations to each of these spending groups, depending on community input and local priorities, demonstrating the benefits of flexible funding.

Tier 2 and Tier 5 communities obligated 18 percent of SLFRF allocations to public safety. Public safety is typically a major expenditure for local governments, and many small municipalities obligated their SLFRF allocations to maintain and strengthen the public safety services available to residents during the pandemic.[4] Community aid, economic and workforce development, housing, and public health represented a small portion of SLFRF obligations for Tier 2 and Tier 5 localities.

CASE STUDY

Eliminating Family Street Homelessness and Investing in Affordable Housing in Louisville, Ky.

Total Municipal SLFRF Allocation
$388M

Reporting Tier
Tier 1

Population[5]
633,045

SLFRF dollars didn't just support Louisville, Ky.'s housing and homelessness initiatives, they changed the game. The city dedicated more than one quarter of its total SLFRF allocation to housing and homelessness-related investments, creating an immediate impact while also serving as seed funding to significantly expand the scale of these efforts.

"Louisville's use of SLFRF is a powerful example of how federal resources, when paired with strong local leadership, can deliver real results. By leveraging these funds to address housing stability and homelessness, the city turned a one-time investment into lasting community impact. This is exactly why local governments need flexibility — they know their communities best and can turn resources into solutions."

Kevin Kramer
NLC PRESIDENT AND LOUISVILLE COUNCILMEMBER

Extensive city-led outreach highlighted that reducing homelessness through a continuum of services, including transitional housing,

large-scale permanent supportive housing and other forms of affordable housing, was a clear community priority. Using SLFRF dollars, Louisville has built 147 new units of permanent supportive housing, renovated five shelters, prevented eviction for 1,541 households, provided security deposit and rental assistance to 1,339 individuals and delivered down payment assistance to an additional 145 households. The city also has supported 16,000 residents with water expense assistance, completed home repairs for 262 households and provided services to nearly 100 homeless families during the winter of 2022-23.*

Among these efforts, Louisville's Community Care Campus stands out as one of the city's most impactful investments. The Campus provides comprehensive wraparound services, enabling individuals experiencing homelessness to access shelter, medical care and other essential supports in one centralized location.

The city used $6 million in SLFRF dollars to purchase the Campus property, an investment that catalyzed additional state, federal and philanthropic support, including $22.5 million in state funding alone. The city's initial commitment demonstrated strong local buy-in and served as a powerful signal to external partners. The Campus has also strengthened public safety and service delivery by easing pressure on existing providers and reducing strain on Louisville Metro Government departments, including fire services and local hospitals.

"SLFRF dollars gave Louisville the flexibility to act boldly and strategically. By investing more than a quarter of our allocation in housing and homelessness solutions, we didn't just expand services — we changed lives. The Community Care Campus shows what's possible when local priorities drive investment, and it has helped Louisville achieve something once thought impossible: eliminating family street homelessness."

Craig Greenberg
LOUISVILLE MAYOR

By leveraging SLFRF dollars, Louisville maximized its investment and spurred broader economic and community development, ultimately eliminating family street homelessness citywide. While SLFRF came with complex reporting and compliance requirements, especially for larger communities, its flexibility allowed Louisville to make transformational investments, which also included instituting free public Wi-Fi access in all 120 parks and renovating and reopening several public libraries. More than anything, SLFRF empowered the community to set its own priorities and invest in solutions that reflect local needs.

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*   Data provided to NLC in interviews with Louisville, Ky.

CASE STUDY
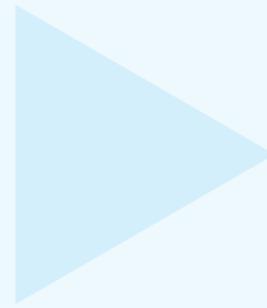
Closing the Digital Divide in Athens, Ohio

Total Municipal SLFRF Allocation
$2.5M

Reporting Tier
Tier 5

Population[6]
23,849

Athens, Ohio, used SLFRF dollars for a range of initiatives, guided by one overarching objective: to move long-standing community priorities either off the ground or across the finish line. One such priority — well known but made urgent by the COVID-19 pandemic — was the lack of reliable broadband access across southern Ohio.

A 2022 study found that 55 percent of households and 87 percent of populated acres in the Buckeye Hills region in Ohio, which includes Athens, did not have access to the Federal Communications Commission's minimum internet speeds of 25 megabits per second (Mbps) download and 3 Mbps upload.[7] When Athens students shifted to remote learning, the digital divide became starkly apparent. Seventy-three percent of students required an internet-capable device and 10 percent needed a mobile hotspot device to participate in school.[8]

Limited internet access affects far more than students' ability to learn during and after school hours. It also constrains the ability to work remotely, search for employment, sign up for health care and other social services, and communicate digitally. Although Athens is a university community, the digital divide hindered the city's ability to support economic development and fully leverage its workforce.

In response, Athens used SLFRF dollars to create and deploy a citywide fiber network. Implemented in multiple phases, the project connected all city facilities to a central fiber system, laying the groundwork for long-term connectivity, modernization and future growth.

Because of the updated fiber system, Athens is also in the process of deploying publicly available internet throughout its downtown district. By the end of 2026, residents and visitors alike will be able to access the internet whether they are in a local park, coffee shop or at home. This initiative represents a significant step toward ensuring universal access to essential connectivity.

The broadband expansion modernized city operations and created new opportunities for smart infrastructure. The fiber network provides the foundation for upgrades such as smart traffic signals, which can improve traffic flow, enhance safety and increase system efficiency across the city. It also has helped create a more hospitable environment for businesses in Athens.

One early example is the revitalization of the city-owned Armory building, a historic structure that anchors downtown Athens. After sitting vacant for 27 years, the building was reactivated following installation of the fiber network. Spurred by community input, the city partnered with a local company to

develop a multi-use co-working space that opened in late 2025 and, within months, filled to capacity with a robust waiting list. The space serves both individual entrepreneurs and local businesses, while the Armory itself has become a popular venue for community events. The implementation of secure and reliable internet service has created a self-sustaining, community-serving institution.

Athens' $500,000 investment in broadband infrastructure has positioned the city as a regional hub and service provider for surrounding communities. With the most expensive and challenging component of broadband expansion — physically laying the fiber — already completed, Athens is now well situated to attract local investment and extend service at a significantly lower marginal cost. While the solution was simple, it was an expense the city couldn't afford prior to SLFRF. SLFRF dollars fixed a long-standing issue in the community, providing opportunities for students, businesses and the entire Athens community to foster future growth.

Reporting Experience Over Time

Throughout the SLFRF program, Treasury maintained two key deadlines for recipients to meet. The first deadline was December 31, 2024, by which time all recipients were required to obligate their funds in full, meaning recipients had to have "an order placed for property and services and [be] entered into contracts, subawards, and similar transactions that require payment." [9, 10] The second deadline is December 31, 2026, with all recipients required to spend their funds in full by this date — meaning that no SLFRF allocations may remain in municipal accounts beyond the end of 2026.

Treasury implemented reporting requirements for recipients to ensure local governments adhered to SLFRF regulations. Treasury requires Tier 1 and Tier 2 recipients to complete quarterly reports and Tier 5 recipients to complete annual reports running from 2022 to 2027. These tailored reporting requirements provide a reasonable allowance for local governments with different capacities and resources. Large metro cities are subject to higher regulatory and reporting requirements commensurate with the risk associated with their substantially larger awards. Smaller cities, with their correspondingly smaller awards, represent far less risk to the SLFRF program, and regulatory and reporting requirements are reasonably decreased.

Obligation Deadline

DEC 31, 2024

SLFRF Reporting Deadlines (2022-2027)*

JAN 31 TIERS 1 & 2
# APR 30 ALL TIERS
JUL 31 TIERS 1 & 2
OCT 30 TIERS 1 & 2

Main Spending Deadline**

DEC 31, 2026

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*   Reports will end after April 30, 2027.

** This spending deadline is for most SLFRF projects, with the exception of Surface Transportation projects which have a spending deadline of September 30, 2026.

Large Municipalities Reporting Over Time

Between January 2022 and January 2025, Tier 1 cities steadily worked toward meeting Treasury's obligation deadline.[11] Prior to the obligation deadline, Treasury required large cities to report how they were planning to designate the funds using Treasury's "adopted budget" box, showcasing the time and effort each government took to most effectively invest SLFRF dollars in its community. Large municipal governments successfully obligated and reported their SLFRF allocations, with all Tier 1 cities in compliance during the April 2025 reporting period.* Large cities have experience managing significant, complex budgets and were able to deftly budget, obligate and spend their SLFRF dollars while adhering to complicated reporting and compliance structures. As the December 31, 2026 spending deadline approaches, the largest cities had only eight percent of their funds remaining to spend as of June 2025.**

FIGURE 3

Large Cities Budgeted, Obligated, and Spent SLFRF at a Continuous Pace Over Four Years

TIER 1 DOLLARS BUDGETED, OBLIGATED AND SPENT FROM 2022 TO 2025
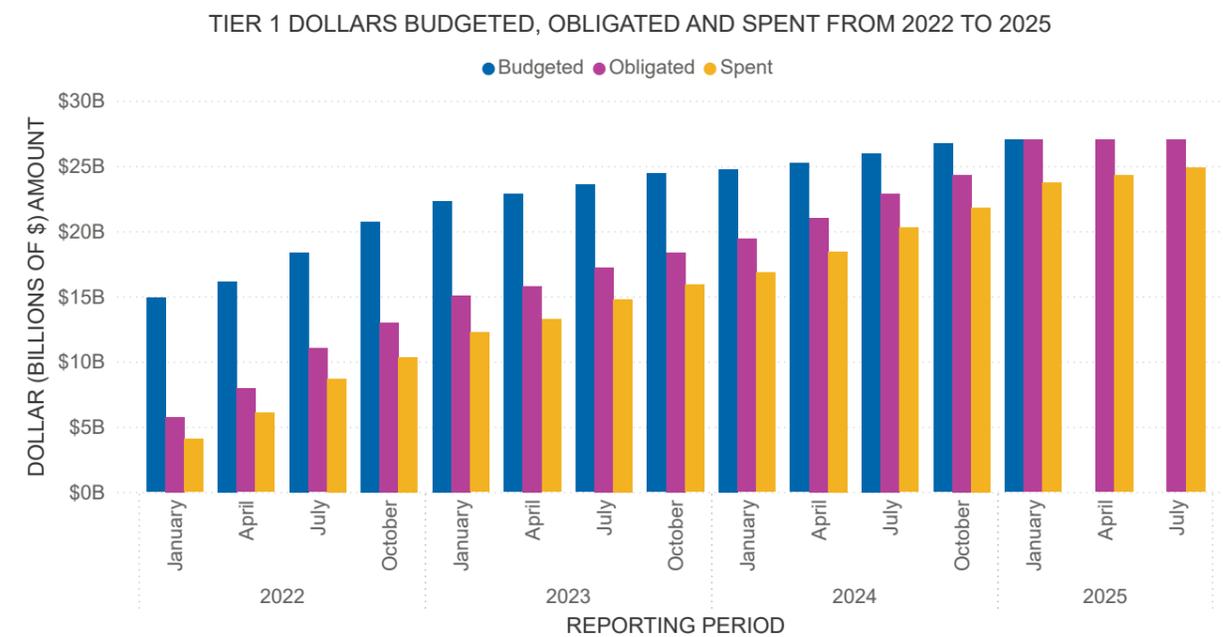
Source: NLC analysis of U.S. Department of the Treasury data covering Tier 1 municipal governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting from January 2022 to July 2025.
Figure Note: Counties, DC and U.S. territory recipients are excluded. See Appendix B for details on how Reporting Tiers are defined.

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*   One Tier 1 city was not in compliance by the end of April or May, but was by the end of June 2025.

** Dollars spent as of June 2025, giving recipients 17 months to spend down eight percent of all funds.

Small Municipalities Reporting Over Time

Between April 2022 and April 2025, Tier 2 and Tier 5 municipalities budgeted, obligated and spent their SLFRF allocations at different rates than Tier 1 municipalities. Leading up to the obligation deadline, small municipalities primarily obligated funds through Treasury's Revenue Replacement expenditure category, which allowed them to meet reporting deadlines.* The largest change in the reported obligations occurred between April 2022 and April 2023, with small communities increasing their obligations by 77 percent, demonstrating small and medium-sized cities' capacity to rapidly plan and deploy funds in times of crisis.

Tier 2 and Tier 5 municipalities have approximately 15 percent of their funds remaining to spend down by the end of 2026.**

FIGURE 4

Majority of Small Cities Obligated and Spent SLFRF at a Continuous Pace Over Four Years

TIER 2 AND 5 DOLLARS OBLIGATED AND SPENT FROM 2022 TO 2025
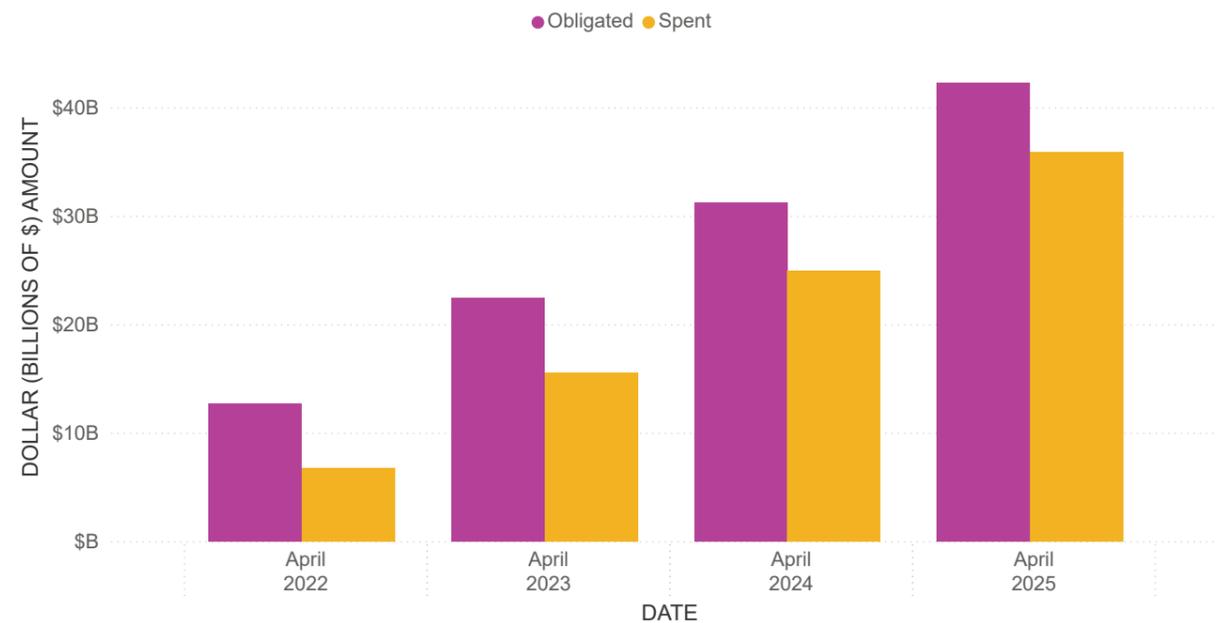
● Obligated ● Spent

Source: NLC analysis of U.S. Department of the Treasury data covering Tier 2 and 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025.
Figure Note: Cities refers to Tier 2 and 5 local governments that received funds that are not counties in the ARPA dataset; county and U.S. territory recipients are excluded. See Appendix B for details on how Reporting Tiers are defined.

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* For information on dollars budgeted by Tier 2 and 5 municipalities, see Appendix C.

** Dollars spent as of April 2025, giving recipients 20 months to spend down 15 percent of all funds.

What is Revenue Replacement?

Communities were allowed to claim up to $10 million under the "Revenue Replacement" expenditure category, which has been an essential component of how small and rural municipalities report their SLFRF use. Under Revenue Replacement, Treasury states that "funds can be used for any service traditionally provided by a government,"[12] which includes investments in areas like infrastructure, public safety and affordable housing.

The Revenue Replacement expenditure category allowed municipalities to prevent public sector layoffs or furloughs and keep municipal services operating during a period of sharp revenue losses due to the pandemic. It also provided communities with the ability to streamline federal reporting requirements so they could focus much needed dollars on community needs without diverting limited resources to unnecessarily burdensome administrative compliance.

For more information on how recipients used Treasury's Revenue Replacement, see NLC's *Small Communities in Action: Direct Federal Funds Strengthening Small Municipalities* brief.

Ensuring Reporting Compliance Over Time

Every municipality that received SLFRF dollars is required to submit a report at least annually from years 2022 to 2027, regardless of any changes — or lack thereof — in their reports.

Given lack of experience, some communities did not submit their required reports in a timely manner. In the context of this report, failure to submit timely reports, not the misspending of funds, is discussed as "non-compliance."

To track 2025 reporting compliance, NLC used weekly updated lists showcasing municipalities who had not yet reported between April 30 and June 30, 2025.* During this period, the percentage of non-compliant municipalities decreased from 19.4 percent to 4.5 percent, representing a significant improvement in reporting compliance.

Although the smallest municipalities** represented the largest share (at least 94%) of non-compliant municipalities across all months, the number of non-compliant small communities declined from 5,058 in April to 1,226 in June — **a reduction of nearly 76 percent.** This number continued to decline throughout the compliance grace period, which ended in October. Similarly, rural municipalities, which made up the majority of non-compliant recipients throughout all months, saw a significant decline in non-compliance, decreasing over 75 percent (4,031 to 1,007).

NLC, the state municipal leagues and other intergovernmental organizations worked closely with Treasury during the April 2025 reporting period to contact recipients at risk of non-compliance and assist them in completing their reports. This strong intergovernmental partnership helped hundreds of municipalities stay in compliance, alleviated Treasury's administrative workload and redirected recipients away from potential recoupment.

Several factors contributed to initial municipal non-compliance. These included challenges accessing technical assistance and support, as well as difficulties understanding the reporting process. Municipal staff turnover further complicated compliance efforts, as Treasury outreach was often directed to outdated email addresses and phone numbers while the current municipal staff were unaware that their communities were out of compliance. In many cases, once NLC or another partner organization successfully notified a municipality of its status, the report was submitted promptly. Additionally, a significant number of non-compliant municipalities had properly obligated, spent and previously reported their funds and incorrectly assumed that no further reporting was required.

Non-compliance was often a paperwork issue. In the **Lessons Learned** section, the report explores how municipalities and the federal government can work to avoid these types of paperwork issues moving forward.

FIGURE 5

Non-Compliant Municipalities Decreased by 76% in Three Months

PERCENTAGE OF MUNICIPALITIES IN SLFRF NON-COMPLIANCE, BY MONTH IN 2025
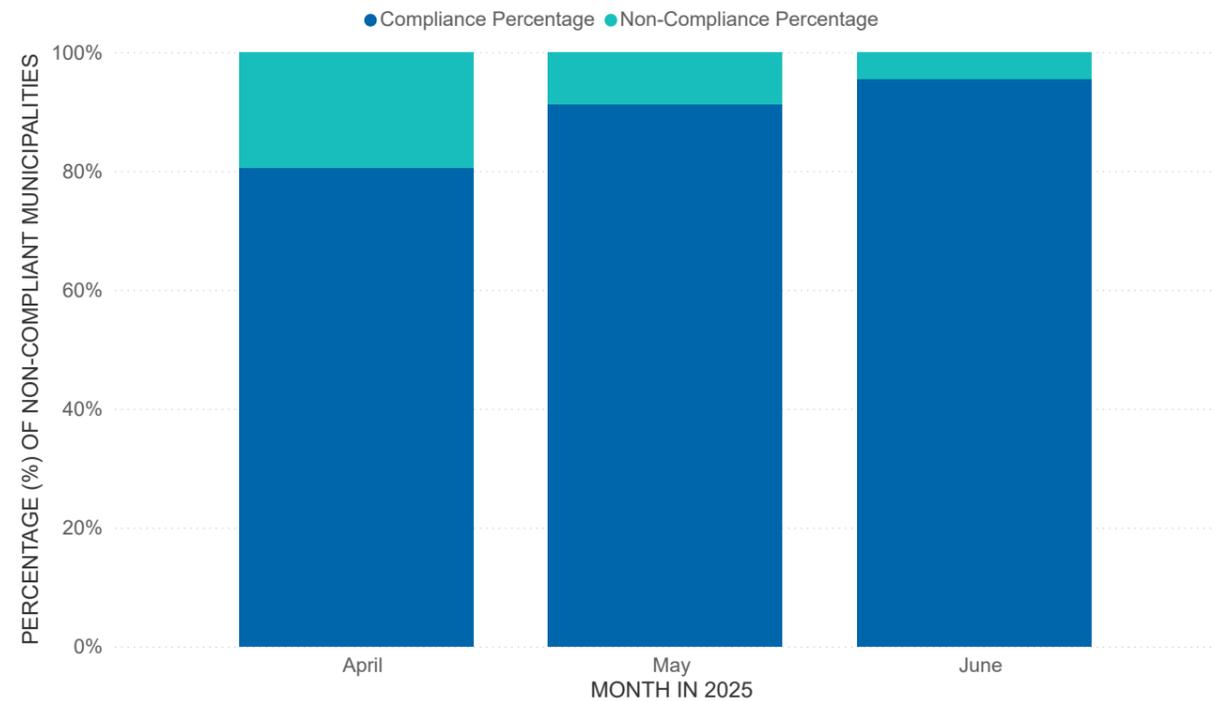
Source: NLC Analysis of U.S. Department of the Treasury data. List of non-compliant cities from April to June provided to NLC by the U.S. Department of the Treasury.

By combining local expertise with agency knowledge, the NLC and Treasury partnership enabled more efficient and effective communication with local communities — a template for future intergovernmental relationships.

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* NLC selected these dates for analysis because April 30, 2025, was the initial annual reporting deadline for Tier 5 municipalities and June 30, 2025, was the extended reporting deadline granted by Treasury.

** Municipalities with a population of less than 10,000.

SPOTLIGHT

Alaska's Role in Successful SLFRF Implementation

Total Allocation to Municipalities Within the State
$96.1 M

Population[13]
740,133

Geography[14]
571,241.6 SQ MI

2025 Reporting Compliance
100%

NLC and the 49 state municipal leagues work closely to ensure that cities, towns and villages across the country receive the support they need to thrive. Given the wide-ranging impact of SLFRF, this collaboration was especially important in providing communities with the guidance and resources necessary to properly obligate and spend funds before the federal deadlines.

SLFRF provided direct funding to communities reeling from a public health and economic disaster. It supported every type of community — small and large, rural and urban, and those with vastly different administrative capacities. While its far-reaching distribution was key to its success, many communities had never received direct federal funding before. As a result, local leaders had initial concerns about successfully meeting reporting requirements and the challenge of navigating complex rules that evolved throughout the program's implementation.

"Immediately, you could tell this was going to be a huge opportunity for Alaskan communities. But it was also clear that there were going to be risks. There was significant concern among our municipalities that the money would come with more liability, risk and administrative burden than they were prepared to take on.

The Alaska Municipal League chose to focus on the opportunity and how we could support our communities, make this direct funding meaningful and mitigate the risks our members identified."

Nils Andreassen
ALASKA MUNICIPAL LEAGUE DIRECTOR

Like many states, Alaska faced significant challenges implementing SLFRF. With a highly rural population and areas that have limited broadband access, connectivity issues created real barriers to compliance. In some communities, available broadband bandwidth was fully devoted to schools during the day, forcing city staff to submit federal reports during off-hours when internet access became available.

To meet communities where they were, the Alaska Municipal League (AKML) had to get creative in delivering technical assistance. While AKML offered traditional group-based support such as webinars, it quickly became clear that these approaches primarily reached communities with existing capacity and reliable internet access. The municipalities most at risk of missing reporting deadlines were often those unable to join webinars due to strained staff resources, part-time staff working nontraditional hours, or intermittent phone or internet service.

"SLFRF met a moment where cities, counties and communities were suffering and showed them that we could get through this."

Nils Andreassen
ALASKA MUNICIPAL LEAGUE DIRECTOR

In response, AKML provided extraordinary one-on-one support and developed a phone tree system to ensure every community was aware of SLFRF's reporting requirements and capable of submitting their reports. Though labor-intensive, the approach proved effective and contributed to Alaska's 100 percent reporting compliance rate, meaning that all Alaska communities successfully submitted their 2025 reports.

SLFRF was followed closely by the Infrastructure Investment and Jobs Act (IIJA), and Director Andreassen of AKML believes the SLFRF direct funding experience motivated smaller and more rural communities to pursue federal grants they might otherwise have avoided. Communities had become familiar with regular federal reporting schedules, already obtained key administrative tools like Unique Entity Identifier (UEI) numbers and grown more comfortable navigating federal systems. Perhaps most importantly, local leaders had already engaged residents in identifying priorities and planning for long-term investments.

For many communities that had never considered applying for federal grants, SLFRF laid the groundwork to enter the federal funding space.

While many municipalities were initially skeptical, five years of experience show that the benefits of SLFRF have outweighed the challenges. Although federal reporting requirements could be burdensome for smaller communities, SLFRF gave communities the breathing room they needed to survive the economic upheavals caused by the pandemic. It also highlighted the essential services that municipalities provide that, if unmet, would otherwise fall to county, state or federal governments or go unsupported. SLFRF was so successful, in part, because it supported municipalities' base capacity, allowing local leaders to plan responsibly, maintain financial systems and make decisions that reflected community needs.

Looking Forward

The SLFRF program was a historic investment in communities, enabling cities, towns and villages to weather the pandemic and emerge stronger. These funds provided critical support for infrastructure, education, public health, public safety, transportation and workforce stability. Direct, flexible funding helped prevent a repeat of the post-2008 financial crisis, while giving communities the opportunity to address long-standing issues and support local priorities.

Exploring Local Fiscal Conditions After SLFRF

NLC has surveyed local leaders about SLFRF since its inception. Leading up to the obligation deadline, NLC polled finance officers and asked how they were preparing for the program's conclusion in 2026. The survey results capture a moment of both achievement and anxiety: while SLFRF dollars stabilized budgets and fueled investments, their expiration loomed large, forcing local governments to confront difficult fiscal realities.[15]

When determining how to use their SLFRF allocation leading up to the obligation deadline, over half of NLC members reported that they were looking to partner with other organizations, such as nonprofits, community groups, and their counties, to maximize the local impact of SLFRF dollars. The desire to collaborate was most common in the Northeast region, with 67 percent of respondents indicating they were doing this type of engagement.

When asked about the reality of a potential fiscal cliff when SLFRF dollars end, municipal leaders initially reported they were concerned; however, later responses indicated their concern attenuated as they moved forward through the SLFRF timeline. In 2024, when NLC asked municipal finance officers about potential budget shortfalls after SLFRF's expiration, 39 percent of cities said they were "not at all concerned." However, 32 percent expressed moderate to extreme concern, underscoring that for many municipalities, the end of the SLFRF program represented a real fiscal cliff. Even among those only "slightly concerned" (28%), the data suggests unease about sustaining programs without federal support.
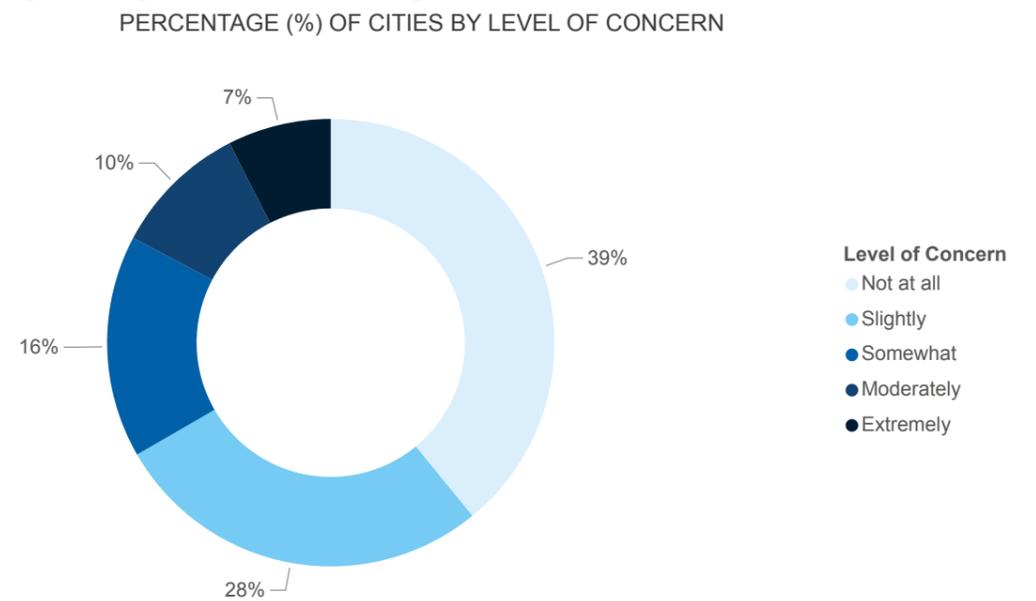
When asked in which budget categories the adjustments will be felt, cities anticipated the sharpest adjustments in infrastructure (78%) and public safety (41%) budgets. These findings highlight how SLFRF dollars were not only used for one-time relief but also to provide first or last dollars to launch major projects and sustain core services during the unexpected revenue loss caused by the pandemic. Without continued resources, residents may see delayed infrastructure upgrades or constrained safety services.

When asked about long-term financial planning in early 2024 — around six months prior to the obligation deadline — only 23 percent of cities reported having fully developed plans to address the end of SLFRF. A larger share (43%) was still developing strategies at the time of the survey.

Cities reported a mix of strategies to alleviate concerns for a fiscal cliff: 55 percent mentioned they were seeking alternative funding sources, 49 percent planned to reduce expenditures, 39 percent planned to draw on reserves and 17 percent anticipated raising taxes.* Twenty-eight percent reported having no strategies in place at the time of the survey but were in the process of developing them.

FIGURE 6

6 Out of 10 Municipalities Expressed Some Level of Concern Regarding Potential Budget Shortfalls Post-SLFRF

PERCENTAGE (%) OF CITIES BY LEVEL OF CONCERN

Level of Concern
- Not at all
- Slightly
- Somewhat
- Moderately
- Extremely

7%
10%
16%
28%
39%

Source: City Fiscal Conditions Survey (n=174), 2024.

*   Respondents could choose more than one strategy; so, totals do not add up to 100 percent

CASE STUDY
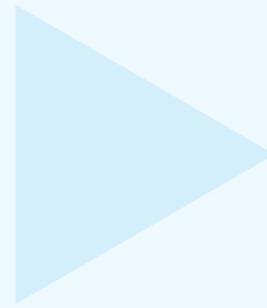
Modernizing Municipal Technology in Dubuque, Iowa

Total Municipal SLFRF Allocation
$26.5M

Reporting Tier
Tier 2

Population[16]
59,667

SLFRF dollars enabled Dubuque, Iowa, to relocate its city-run data center from a historic 1880 building — formerly a funeral home — that could no longer meet the city's growing needs. The aging facility was undersized, unable to support modern energy and safety requirements and plagued by water leakage. Located on a floodplain along the Mississippi River, it posed a significant risk to critical technology infrastructure and negatively impacted staff morale.

Using SLFRF dollars, the city transformed a former call center that already had much of the necessary infrastructure into a modern municipal data center. Today, Dubuque owns, manages and operates a centralized data center that supports all 30 city departments.

The new facility houses core equipment critical to the city's growing technology needs and includes additional capacity to host servers for partner organizations, creating a potential future revenue source. It features a battery backup system, smart cooling technology and enhanced security, significantly improving disaster resilience. Importantly, the project also brings the city's IT department and 911 dispatch operations under one roof.

Cities deliver a growing number of services online, requiring secure, reliable storage for sensitive resident and government data in data centers. This need has become more urgent as hackers increasingly target municipal systems. Additionally, 911 dispatch centers depend on constant access to reliable technology, especially during emergencies and disasters. Ensuring continuity of operations during power outages or extreme events is critical to public safety.

> **"The City of Dubuque leverages public/private partnerships to achieve our goals. In this case, we were able to strategically use SLFRF to complete a project that improves the resiliency of our operations and allows us to better serve our residents."**
>
> **Brad Cavanagh**
> DUBUQUE MAYOR

While Dubuque used SLFRF dollars across a range of priorities, a significant portion supported technology investments housed within the new data center, including public safety technology, traffic management systems and an upgraded 911 Emergency Center.

> **"SLFRF made this timely technology transition possible, providing operational efficiencies and great cost savings to the city."**
>
> **Susan Farber**
> FORMER DUBUQUE CITY COUNCILMEMBER

SLFRF's flexible nature allowed Dubuque to make a forward-looking investment in the safety, security and resilience of its community. The new data center positions the city for long-term success by supporting a growing population, advancing technology needs and strengthening emergency response capabilities.

Lessons Learned

Such a large-scale, direct investment in communities — especially for the many municipalities that had never before received federal funding — inevitably came with challenges. Throughout the program, NLC worked closely with communities of all sizes to help them navigate reporting requirements and ensure compliance. From this experience, we offer the following lessons learned:

Flexible funding is the most effective form of funding for municipalities.

- **Implementation experience:** SLFRF flexibility was central to the program's success and allowed communities to direct federal funding to urgent COVID-19-related challenges as well as long-standing local priorities made worse during the pandemic.

- **Key takeaways:** Because communities were not tied to a single grant deliverable or agency-specific priority, municipalities could deploy funds strategically for cross-departmental priorities; during municipal challenges (such as water main breaks or flooding); and as both first and last dollars for projects, catalyzing additional investment from state, nonprofit and business partners. At the same time, municipalities remained accountable to Treasury guidance on eligible uses and complied with ongoing federal reporting requirements.

Grant making agencies must offer adequate and timely technical assistance and support throughout the process (from distribution to final reporting) that is accessible to communities.

- **Implementation experience:** Unlike traditional federal grants, the SLFRF program did not have designated program managers for municipalities. Rather, municipalities were required to reach out to generic email addresses and a phone hot-line number. Personnel shortages at Treasury meant that thousands of support questions went unanswered during the April 2025 reporting period, which was especially important because it was the last opportunity annual reporters had to report that they had obligated all of their SLFRF dollars. The pile-up of unanswered questions led to feelings of government distrust and panic among municipalities who were trying to get into compliance but could not find help.

- **Key takeaways:** To better support municipalities in the future, Congress should explicitly fund technical assistance roles and programming. Response delays should not exceed five business days and help should be offered in numerous different formats, including webinars, office hours, emails and phone calls to adequately support communities of all sizes and capacity.

Guidance and responses to questions must be provided in an accessible and understandable manner to recipients across the country.

- **Implementation experience:** Plain language matters. Local elected officials and municipal staff are not grant-writing experts. Unless necessary, communication and guidance should be communicated in layperson's terms. Generic responses to inquiries (e.g., "Check FAQ 16.1") made municipalities feel as though they were receiving a non-human response and they grew wary of reaching out for additional assistance. Agencies should provide clear and direct answers whenever possible.

- **Key takeaways:** To better communicate with award recipients, guidance and question responses should be written in plain language.

The reporting portal should remain consistent throughout the award tenure and contain clear on-screen instructions and definitions of commonly used or unknown terms.

- **Implementation experience:** Consistency and usability matter to success. The SLFRF reporting portal changed yearly with new questions added without explanation, leading to even seasoned reporters having questions and issues when submitting their reports.

For example, while the annual report officially closed on April 30, between the years 2022 and 2024, municipalities could report at any time of the year and never faced negative consequences when they failed to report. Comparatively, the 2025 report had strict deadlines and failure to submit led to a threat of fund recoupment. Once the reporting deadline was extended past April 30, 2025, Treasury did not provide a firm deadline for when the portal would officially close. Additionally, some municipalities were placed at risk of fund recoupment due to confusion about technical words with unclear explanations or definitions on the report website.

- **Key takeaways:** Reporting portals should include in-system explanations for key technical terms (e.g., "obligation," "program income"). Once a program begins, programmatic and reporting requirements and systems should remain the same throughout the entirety of the award. Confusion around the reporting portal and terms created unnecessary errors, putting municipalities at risk of recoupment despite good-faith efforts to report.

CASE STUDY
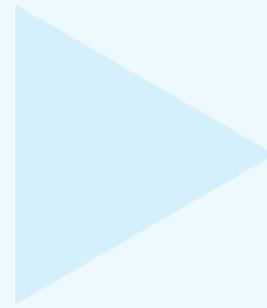
Building Long-Term Community Infrastructure to Meet Local Needs in Central Falls, R.I.

Total Municipal SLFRF Allocation
$5.85M

Reporting Tier
Tier 5

Population[17]
22,583

Central Falls, which is the lowest-income community and smallest city in Rhode Island, was among the communities hardest hit by the COVID-19 pandemic. The pandemic exacerbated gaps in community needs — from affordable housing to family resources. Using SLFRF dollars, the city worked to stabilize its recovery by filling funding gaps for existing community priorities while jump starting new initiatives. These investments included affordable housing acquisition and construction, fire and police capital expenditures, nonviolence and youth engagement programs, IT equipment upgrades, sidewalk repairs, workforce development initiatives and the creation of a local business hub.

However, the project that the community is most proud of is El Centro, Central Falls' first-ever one-stop community resource center. Designed to provide comprehensive, wraparound services, El Centro will offer residents mental and physical health support, domestic violence support, employment and housing assistance, and senior and after-school programming.

> **"When funding comes directly to communities, we can use it more strategically. Instead of being limited to a single purpose, we were able to use SLFRF as last dollars for an affordable housing acquisition and as first dollars for transformative projects like El Centro."**
>
> **Maria Rivera**
> CENTRAL FALLS MAYOR

The COVID-19 pandemic underscored the need for accessible, centralized services to help residents recover and thrive — needs El Centro is explicitly designed to meet. Central Falls had been without a community center since 2011, making this investment especially significant.

The city used $922,032 in SLFRF as the catalytic "first-dollar" investment to acquire and build out El Centro, "which made everything else possible," according to Mayor Rivera. This initial funding enabled Central Falls to braid together additional financing, including a Community Project Request, Community Development Block Grant (CDBG) funds, a tax-exempt municipal bond and contributions from nonprofit organizations and private businesses. El Centro will be sustained through a long-term endowment to ensure that its services remain accessible to the community for generations. While SLFRF investment represented less than 10 percent of the total project budget, it was essential in acquiring the building, securing buy-in from other funders and establishing a long-term sustainable model.

El Centro represents how flexible federal funding can empower small cities to create a big impact by leveraging partnerships, addressing long-standing gaps in services and investing in sustainable, community-centered recovery.

> **"Direct local aid works. We have more autonomy and can stretch dollars to make a huge impact. Cities know their communities best, and SLFRF showed what's possible when local governments are trusted to deliver."**
>
> **Maria Rivera**
> CENTRAL FALLS MAYOR

What Comes Next?

SLFRF shows that direct funding to communities works. By removing the middleman, the federal government can ensure that funding is directed toward projects that communities need while still implementing reasonable guardrails and reporting requirements.

SLFRF showed what NLC has long advocated: that direct funding to communities is the most efficient and impactful use of federal tax dollars. NLC encourages Congress and the administration to consider more direct funding opportunities for cities, towns and villages to ensure that taxpayer dollars are being returned to their communities.

Other suggestions on improving the federal grant process to make it more efficient and effective include:

MOVE TOWARD ALLOCATING FULL AWARD FUNDS

Reimbursement on a purchase-by-purchase basis is often long delayed. When communities are provided the full grant funding upfront, they are able to more adeptly use federal funding and problem-solve issues such as the increasing cost of goods and labor, supply shortages and natural disasters.

Additionally, providing funding upfront would also ensure that construction projects, salaries and other grant-funded activities are not impacted when federal funding disbursements are paused for any reason.[18] Switching to upfront allocation can also reduce the administrative burden on the federal government, which currently operates seven separate drawdown systems, as of February 2026.

NLC Recommendation: Transition federal funding to a full award disbursement model, instead of reimbursement. A reporting system similar to SLFRF's ensures that funds are used appropriately and complying with federal requirements, without bureaucratic inefficiencies limiting development and growth.

+ Plus

- Maximizes the value of each dollar by giving grantees the funds to make major purchases strategically.
- Provides flexibility, allowing grantees to respond to price fluctuations or natural disasters.
- Creates a more efficient federal bureaucracy.
- Reduces funding delays, which often lead to higher project costs.

— Minus

- More work is needed to keep grantees engaged in the reporting process.

STREAMLINE REPORTING

A Government Accountability Office (GAO) report found that overly burdensome and duplicative reporting resulted in agencies having to direct additional resources toward grant management – leading to additional costs on both the agency and grantee side.[19] As SLFRF implementation demonstrated, communities can manage federal funds responsibly without overly onerous reporting requirements.

NLC Recommendation: At a minimum, introduce a monetary cap under which communities would have an annual streamlined reporting process on a comprehensive grant system that every agency uses, limiting administrative waste for both the federal agency and the grantees.

+ Plus

- ◆ Optimizes the amount of federal government staff time devoted to effectively monitor grant recipients.

- ◆ Reduces the time and effort grantees spend on reporting, while still requiring appropriate guardrails.

— Minus

- ◆ Reduces agency oversight on individual purchases by each grant recipient.

UNIFORM GUIDANCE UPDATES

On October 1, 2024, updated Uniform Guidance from the Office of Management and Budget (OMB) took effect. The updated Uniform Guidance streamlined the systems and standards associated with the federal grants process.[20] This substantial revision reflected learnings from SLFRF, which highlighted the oversized burden that communities were facing. However, more can be done to simplify the federal grant system, which bars many communities — often small towns and rural areas — from applying for grant funds.

NLC Recommendation: The Uniform Guidance should be updated to reflect the different capacities and resources between a large city and a small town and the different scale of funding these groups typically receive. Large federal awards should be accompanied by higher regulatory and reporting requirements commensurate with the risk associated with their substantially larger grants. Smaller cities, with their correspondingly smaller grants, represent far less risk to the federal government, and regulatory and reporting requirements should be reasonably decreased when possible. Reasonable allowances for small jurisdictions should be adapted into federal Uniform Guidance.

+ Plus

- ◆ Updating the Uniform Guidance will impact all federal grants, making it an efficient and all-encompassing way to improve federal grant making.

— Minus

- ◆ The Uniform Guidance can impact broad categories, such as the de minimis and audit requirements, but agencies must review their individual reporting requirements to adequately improve the grant process and decrease bureaucratic waste and inefficiency.

Conclusion

The State and Local Fiscal Recovery Funds (SLFRF) program was a lifeline for municipalities during the COVID-19 pandemic. By providing flexible dollars directly to communities, SLFRF enabled local leaders to prioritize urgent needs and apply investments strategically. As a result, communities turned SLFRF dollars into long-term growth, almost tripling the impact of the initial investment. SLFRF demonstrated that communities — large and small — are effective stewards of federal dollars and can adhere to the appropriate guardrails.

Municipalities are looking at new ways to effectively and efficiently support their communities and prepare them to face persistent problems and new challenges. As policymakers consider future pathways for the federal-local partnership, they can draw on important lessons learned through SLFRF, such as taking into account the capacity of local government, simplifying federal grant processes and allowing local leaders to make the choices that best support their communities.

Appendices

Appendix A: Methodology for Economic Impact Assessment

NLC's economic impact calculation leverages economic multipliers from the Bureau of Economic Analysis's (BEA) RIMS II model (Regional Input-Output Modeling System), using multipliers for the lower 48 states (the largest geographic region available) to approximate the entire country, resulting in a more conservative impact estimate.

To conduct the analysis, NLC put SLFRF recipient spending line items into groups and subgroups using options provided by Treasury for the January 2025 (Tier 1), July 2024 (Tier 2) and April 2024 (Tier 5) reporting periods (see Appendix B for more information). After investigating the types of projects predominantly in each subgroup, NLC matched each Treasury Eligible Use category to a similar multiplier or average of two multipliers from the BEA model. This allowed for each project, and dollar spent, to be assigned an economic multiplier, resulting in a summed total of the aggregate impact. Then, NLC calculated a blended "all-in" multiplier for the entire program by dividing the aggregate impact by total spending, resulting in 2.84. Through the same process, NLC calculated the jobs figure using BEA's multiplier categories, which have a measurement for the job-supporting impact of different types of spending.

One important limitation of the model is that these are *upstream* multipliers, meaning that they account for the flow of money involved in delivering a product or service, but not what that product or service is ultimately used to do. This means we are only capturing one part of the economic impact. For example, if a city bought new buses, the multiplier would account for money flowing to the company that made the bus, the company that made the engine components and the company that delivered the steel for those engine components (upstream effects), but it would not account for the economic impact of jobs created and shops being accessible on transit or the avoidance of injuries and deaths with upgraded safety features. While this does mean that some of the most important impacts are missing, this method still allows us to calculate a conservative estimate of SLFRF's economic impact across the country.

Appendix B: Methodology for Spending by Tier

NLC extracted the data used for this analysis from the Project and Expenditure Reports (PER) that municipalities submitted through the [Treasury website](). SLFRF recipients submitted these plans to Treasury with details on obligated and funded projects and their associated financial data as of December 31, 2024, for Tier 1 recipients and March 31, 2025, for Tier 2 and Tier 5 recipients. A project inventory section detailing all identified and approved uses of their SLFRF allocation is also included. Table 1 details the Treasury reporting requirements as well as tier definitions.

The unit of analysis for this report is individual projects identified in municipal PERs. Details were extracted and recorded for each individual project outlined in Treasury's spreadsheet. Treasury provided recipients with a menu of over 80 possible eligible uses of their SLFRF allocations, available in [Treasury's Final Rule](). Governments were asked to assign each project in their inventory with a Treasury-defined eligible use for reporting purposes. Brookings, the National Association of Counties and NLC collaborated to create this classification system for Tier 1 recipients. To provide clarity

and simplify the various uses of SLFRF, NLC created a system of categorizing projects into seven primary use groups.

When reviewing plans, researchers used project descriptions to determine the categories based on the developed coding schema. While the Treasury Eligible Use classifications provide clarity and consistency for reporting, these alternative classifications with a simplified nomenclature elevate the work local governments are doing by extracting some of the root issues each project is hoping to address. To only calculate municipal dollars, NLC used Stata to remove county, state and U.S. territory recipients from the analysis. Because Washington, D.C. received state, county and

metropolitan city dollars from SLFRF, NLC removed it from this section of the analysis so as not to inflate the number of dollars distributed to municipalities.

To generate our additional use classifications, each project included in the PER was reviewed using a three-step process to assign it a use code based on the primary issues the project or program sought to address. Once a project was assigned a use group, it kept that group assignment throughout the remainder of the analysis.

TABLE 1: Treasury Reporting Requirements for Tiers in Sample

Reporting Tier	Entity Description	Project and Expenditure Report		
1	States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	Due Date 8/31/2021 till 12/15/2021 Frequency One-time	Initial Due Date 1/31/2022 Frequency Quarterly (30-day)	Initial Due Date 8/31/2021 Frequency Annually
2	Metropolitan cities and counties with a population below 250,000 residents that are allocated more than $10 million in SLFRF funding, and Non-Entitlement Units (NEUs) that are allocated more than $10 million in SLFRF funding			NA
5	Metropolitan cities and counties with a population below 250,000 residents that are allocated less than $10 million in SLFRF funding, and NEUs that are allocated less than $10 million in SLFRF funding		By April 30, 2022, and then annually thereafter	

Source: (2025, September 23). Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds. U.S. Department of the Treasury. https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf

TABLE 2, FIGURE 1: Municipalities Prioritized Government Operations Investments and Infrastructure Projects

PERCENT (%) OF OBLIGATIONS BY SPENDING GROUP THROUGH MARCH 2025

Spending Group	Percentage of Obligated Funds
Community Aid	4.9%
Economic and Workforce Development	4.2%
Government Operations Investments	33.9%
Housing	6.9%
Infrastructure	32.4%
Public Health	2.7%
Public Safety	15.1%
Total	**100.0%**

Source: NLC analysis of U.S. Department of the Treasury data covering Tiers 1, 2 and 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025.
Notes: Percentages are calculated as a proportion of total municipal SLFRF projects (n= 13,048); county and U.S. territory recipients are excluded.

The steps taken to review each Tier 1 project in the dataset are as follows:

1. Automatically code all projects whose Treasury subgroup is a 1-1 match to our project schema.

2. Programmatically match pre-existing projects that were previously coded from a different iteration of the Treasury data and apply the same code to the newest Treasury data.

3. Manually code remaining projects

The steps taken to review each Tier 2 and Tier 5 project in the dataset are as follows:

1. Automatically code all projects whose Treasury subgroup is a 1-1 match to our spending groups.

2. Programmatically match keywords in project descriptions with spending groups using a natural language processing code developed with the initial sample of 1,200 projects.

3. Manually code remaining projects

For examples of how NLC assigned spending groups to projects, refer to the Local Government ARPA Investment Tracker.

TABLE 3, FIGURE 2: Small Communities Prioritized Infrastructure Projects, Large Localities Obligated Most Funds Towards Government Operations

PERCENT (%) OF SLFRF OBLIGATIONS THROUGH MARCH 2025, BY SPENDING GROUP

Spending Group	Tier 1	Tier 2	Tier 5
Community Aid	7.0%	5.0%	1.6%
Economic and Workforce Development	8.0%	2.5%	0.5%
Government Operations Investments	46.6%	26.2%	23.6%
Housing	11.8%	5.9%	0.7%
Infrastructure	10.6%	41.9%	54.1%
Public Health	5.6%	0.9%	0.3%
Public Safety	10.4%	17.7%	19.2%
Total	**100.0%**	**100.0%**	**100.0%**

Source: NLC analysis of U.S. Department of the Treasury data covering Tiers 1, 2 and 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025.
Notes: Percentages are calculated as a proportion of total municipal SLFRF projects (n= 13,048); county and U.S. territory recipients are excluded.

Appendix C: Methodology for Large and Small Municipalities Reporting Over Time

Using the PER's submitted by recipients to Treasury, NLC summarized dollars budgeted, obligated and spent by reporting period. For Tier 1 municipalities, NLC collapsed Treasury's publicly available quarterly reporting data from January 2022 to June 2025.

TABLE 4, FIGURE 3: Large Cities Budgeted, Obligated, and Spent SLFRF at a Continuous Pace Over Four Years

TIER 1 DOLLARS (IN BILLIONS) BUDGETED, OBLIGATED AND SPENT FROM 2022 TO 2025

Reporting Period	Budgeted	Obligated	Spent
January 2022	$14.9	$ 5.8	$4.1
April 2022	$16.1	$ 7.9	$6.0
July 2022	$18.4	$11.0	$8.7
October 2022	$20.7	$13.0	$10.4
January 2023	$22.3	$15.1	$12.3
April 2023	$22.9	$15.8	$13.3
July 2023	$23.6	$17.2	$14.8
October 2023	$24.4	$18.4	$15.9
January 2024	$24.8	$19.4	$16.8
April 2024	$25.2	$21.0	$18.5
July 2024	$26.0	$22.9	$20.3
October 2024	$26.7	$24.3	$21.8
January 2025	$27.0	$27.0	$23.7
April 2025	-	$27.0	$24.3
July 2025	-	$27.0	$24.8

Source: NLC analysis of U.S. Department of the Treasury data covering Tier 1 municipal governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting from January 2022 to July 2025.
Notes: Counties, DC and U.S. territory recipients are excluded. See Appendix B for details on how Reporting Tiers are defined.

For Tier 2 and Tier 5 municipalities, NLC collapsed Treasury's annual reporting data from April 2022 to April 2025.

To only calculate municipal dollars, NLC used Stata to remove counties, states and territories from the analysis. Because

Washington, D.C. received state, county and metropolitan city dollars from SLFRF, NLC removed it from this section of the analysis so as not to inflate the number of dollars distributed to municipalities.

TABLE 5, FIGURE 4: Majority of Small Cities Obligated and Spent SLFRF at a Continuous Pace Over Four Years

TIER 2 AND 5 DOLLARS (IN BILLIONS) BUDGETED, OBLIGATED AND SPENT FROM 2022 TO 2025

Reporting Period	Budgeted	Obligated	Spent
April 2022	$11.3	$12.7	$6.8
April 2023	$13.2	$22.5	$15.6
April 2024	$19.8	$31.2	$25.0
April 2025	-	$42.3	$35.9

Source: NLC analysis of U.S. Department of the Treasury data covering Tier 2 and 5 local governments of the State and Local Fiscal Recovery Funds (SLFRF) program, part of the American Rescue Plan Act (ARPA), reporting through March 31, 2025
Notes: Cities refers to Tier 2 and 5 local governments that received funds that are not counties in the ARPA dataset; county and U.S. territory recipients are excluded.

Appendix D: Methodology for Compliance Over Time

NLC received weekly non-compliance reports from Treasury. For this analysis, NLC used the Treasury reports dated May 1, 2025, June 2, 2025, and June 30, 2025, which reflected reporting status as of the end of April, end of May, and end of June 2025, respectively. NLC merged these three datasets into a single file using municipality name and state as the primary identifiers. Each municipality in the combined dataset includes indicator variables reflecting whether it was non-compliant across each of the three months. NLC then merged the resulting non-compliance dataset with U.S. Census population data and urban/rural classifications using municipality name, state and municipality type (e.g., city, town, village). In some cases, municipalities in the non-compliance dataset matched to multiple records in the population or urban/rural datasets because some states contain multiple municipalities with the same name.

To resolve these ambiguities, NLC applied additional matching criteria. First, duplicate

records were re-merged using municipality name, state, county (where available) and street address. For any remaining duplicates, a secondary match was attempted using municipality name, state, county and ZIP code. After these reconciliation steps, any remaining duplicates were resolved by retaining the first matched record. As a result, while the dataset reflects the best available match across sources, population group and urban/rural classifications may be slightly imprecise for a small number of municipalities, particularly where multiple jurisdictions share the same name and complete geographic identifiers were unavailable.

NLC received non-compliance data for municipalities of U.S. states and territories. For this report, NLC analyzed non-compliance data for U.S. states only, and used R to exclude non-compliance data for U.S. territories.

TABLE 5, FIGURE 4: Majority of Small Cities Obligated and Spent SLFRF at a Continuous Pace Over Four Years

TIER 2 AND 5 DOLLARS (IN BILLIONS) BUDGETED, OBLIGATED AND SPENT FROM 2022 TO 2025

Compliance Period	Compliant	Non-Compliant
April	80.6%	19.4%
May	91.3%	8.7%
June	95.5%	4.5%

Source: NLC Analysis of U.S. Department of the Treasury data. List of non-compliant cities from April to June provided to NLC by the U.S. Department of the Treasury

Appendix E: Methodology for Exploring Local Fiscal Conditions after SLFRF

Survey questions are part of NLC's City Fiscal Conditions (CFC) 2024 survey questionnaire. This report includes four questions from the survey about the impacts of the ARPA SLFRF fiscal cliff on local government budgets. The CFC survey is a national survey of finance officers in U.S. cities conducted annually in June and July. Surveys are emailed to 2,668 NLC member city finance officers from cities with various population sizes and regions. Officers are asked to give their assessments of their cities' fiscal conditions and given approximately eight weeks to respond. The survey also requests budget and finance data from all but 213 of the nation's large cities; data for 213 cities (39% of the entire sample) comes from Annual Comprehensive Financial Reports (ACFRs) and budget documents collected directly from online city budget documents. Data for the other 332 cities (61% of the total sample) comes only from the survey.

TABLE 7, FIGURE 6: 6 Out of 10 Municipalities Expressed Some Level of Concern Regarding Potential Budget Shortfalls Post-ARPA Regarding Potential Budget Shortfalls Post-SLFRF

PERCENTAGE (%) OF CITIES BY LEVEL OF CONCERN

Level of Concern	Percentage
Not at all	39%
Slightly	28%
Somewhat	16%
Moderately	10%
Extremely	7%
Total	**100%**

Source: City Fiscal Conditions Survey (n=174). 2024

Endnotes

1 The Federal Response to COVID, USASPENDING.gov, data as of December 31, 2025, https://www.usaspending.gov/disaster/covid-19

2 U.S. Government Accountability Office, Grants Management: Oversight of Selected States' Disbursement of Federal Funds Addresses Timeliness and Administrative Allowances, April 2013, https://www.gao.gov/assets/gao-13-392.pdf

3 Bureau of Economic Analysis, U.S. Department of Commerce, RIMS II: An essential tool for regional developers and planners, December 2013, https://www.bea.gov/resources/methodologies/RIMSII-user-guide

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