MPPS Policy Brief

Challenges for Michigan local governments with ARPA spending continue, particularly in project costs and procurement
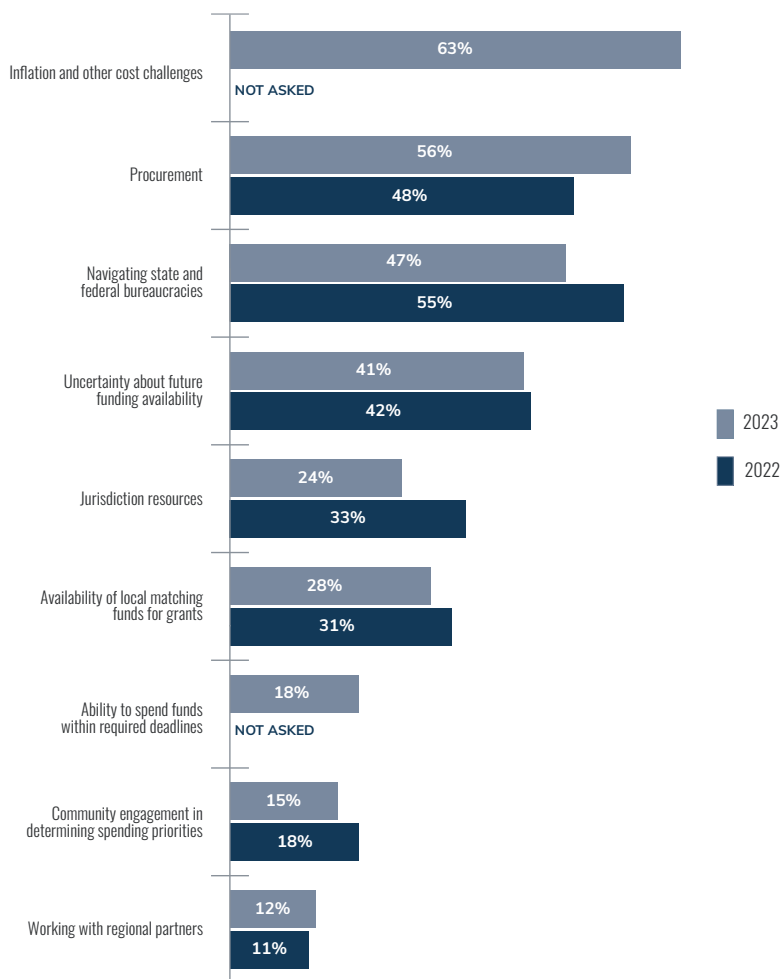
By **Debra Horner, Natalie Fitzpatrick, and Thomas Ivacko**

In March 2021, the U.S. government enacted the American Rescue Plan Act (ARPA), with $1.9 trillion supporting local governments to stabilize their budgets, invest in their communities, and stimulate local economies. A total of $4.4 billion in ARPA funding was allocated to Michigan local governments, directed at counties, cities, villages, and townships.[1] Twice in the past two years the Michigan Public Policy Survey (MPPS) asked local leaders about their experiences with ARPA, including problems their jurisdictions may be facing regarding ARPA funding or projects.

As shown in *Figure 1*, a majority of local leaders statewide report concerns in 2023 about inflation and other cost challenges (63%), as well as problems with other procurement issues such as lack of available contractors and supply chain challenges (56%). Overall, concerns with procurement issues increased compared with last year, while problems with navigating state and federal bureaucracies declined. There also continue to be considerable challenges regarding the one-time nature of ARPA funding and uncertainty about future funding once ARPA allocations are spent.

Figure 1
Percent of local jurisdictions reporting problems regarding ARPA funds, 2022-2023

Legend: 2023, 2022

Inflation and other cost challenges: 63% (2023), NOT ASKED (2022)
Procurement: 56% (2023), 48% (2022)
Navigating state and federal bureaucracies: 47% (2023), 55% (2022)
Uncertainty about future funding availability: 41% (2023), 42% (2022)
Jurisdiction resources: 24% (2023), 33% (2022)
Availability of local matching funds for grants: 28% (2023), 31% (2022)
Ability to spend funds within required deadlines: 18% (2023), NOT ASKED (2022)
Community engagement in determining spending priorities: 15% (2023), 18% (2022)
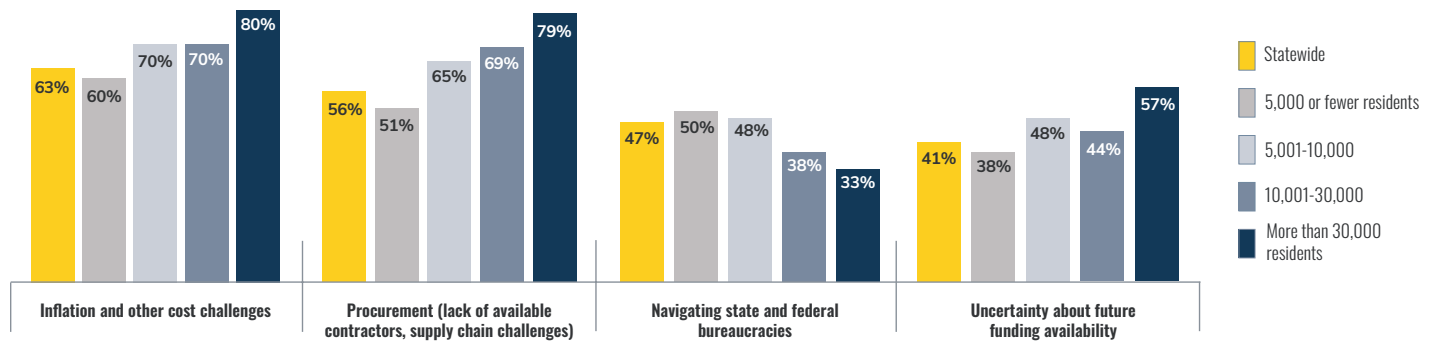Working with regional partners: 12% (2023), 11% (2022)

Note: responses for "not much of a problem," "not a problem at all," and "don't know" not shown. Figure 1 also excludes those who say they did not apply for or accept ARPA funding. In addition, the questions about inflation/costs and ability to spend funds by deadlines were not asked in 2022.

As seen in *Figure 2,* problems with costs and procurement are particularly pronounced in Michigan's larger jurisdictions. Among communities with more than 30,000 residents, 80% say inflation and other costs are somewhat of a problem (47%) or a significant problem (33%) for their ARPA projects. Meanwhile, 79% of these largest jurisdictions report problems with other procurement issues, up from 68% who said the same in 2022.[2] Concerns about future funding availability are also most common among the largest jurisdictions (57%), unchanged from last year.

Local leaders from the state's smaller jurisdictions —those with 5,000 residents or fewer—are the most likely to say their governments are still struggling with state and federal bureaucracies, with half (50%) saying it is somewhat of a problem (32%) or a significant problem (18%).

Figure 2
Percent of local jurisdictions reporting problems regarding ARPA funds, 2023, by population size
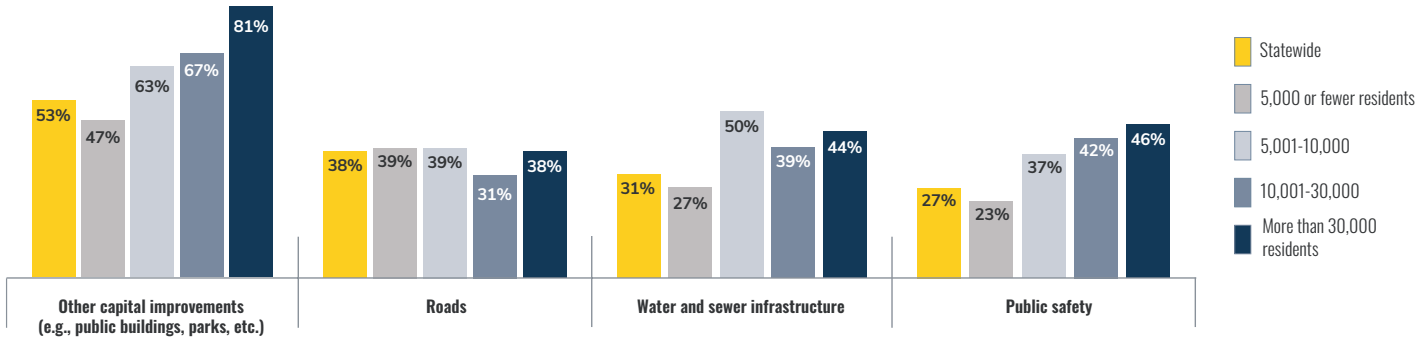

Legend:
- Statewide
- 5,000 or fewer residents
- 5,001-10,000
- 10,001-30,000
- More than 30,000 residents

	Inflation and other cost challenges	Procurement (lack of available contractors, supply chain challenges)	Navigating state and federal bureaucracies	Uncertainty about future funding availability
Statewide	63%	56%	47%	41%
5,000 or fewer residents	60%	51%	50%	38%
5,001-10,000	70%	65%	48%	48%
10,001-30,000	70%	69%	38%	44%
More than 30,000 residents	80%	79%	33%	57%

Note: responses for "not much of a problem," "not a problem at all," and "don't know" not shown. Figure 2 also excludes those who say they did not apply for or accept ARPA funding

Capital improvements, infrastructure, and public safety continue to be top ARPA spending priorities

Among 13 project categories for ARPA spending presented on the survey, Michigan local governments most commonly report funding particular types of capital improvements, with a majority statewide (53%) spending or planning to use ARPA funds for facilities such as public buildings, public parks, etc. (see *Figure 3*). Roads and other transportation infrastructure (38%), water and sewer infrastructure (31%), and public safety (27%) are the next most common targets for ARPA spending, and these percentages are essentially unchanged from 2022.

Spending on capital improvements like buildings and parks is the most commonly reported project type in jurisdictions of all sizes and is particularly common among the state's largest jurisdictions (81%). Spending on water and sewer infrastructure is most commonly reported by mid-sized jurisdictions of between 5,001–10,000 residents (50%).

Figure 3
Percent of jurisdictions supporting or planning various types of ARPA-funded projects, 2023, by population size

Legend:
- Statewide
- 5,000 or fewer residents
- 5,001-10,000
- 10,001-30,000
- More than 30,000 residents

Other capital improvements (e.g., public buildings, parks, etc.): 53%, 47%, 63%, 67%, 81%
Roads: 38%, 39%, 39%, 31%, 38%
Water and sewer infrastructure: 31%, 27%, 50%, 39%, 44%
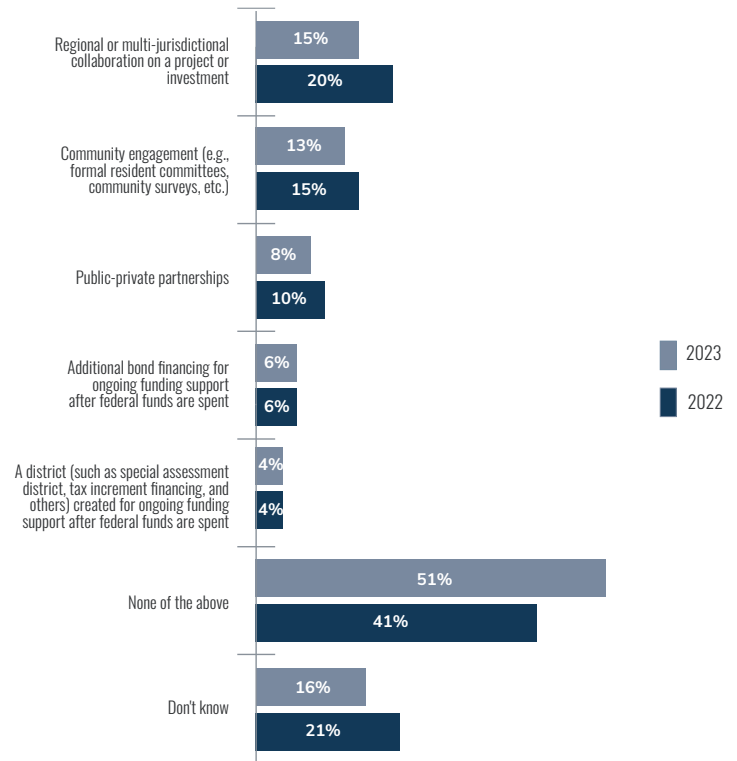Public safety: 27%, 23%, 37%, 42%, 46%

Note: Respondents were asked to check all that apply, so categories may sum to more than 100%

Relatively few jurisdictions adopting particular strategies for managing their ARPA funds

Only 15% of local governments statewide report engaging in regional or multi-jurisdictional collaboration on ARPA projects, down from 20% in 2022 (see *Figure 4*). Counties (21%) and jurisdictions with over 30,000 residents (30%) were the most likely types of governments to say they were engaged in such collaboration on ARPA projects this year. Larger jurisdictions are also more likely to report pursuing community engagement efforts to help guide ARPA spending (23%) and to have public-private partnerships (35%). Meanwhile, over half (51%) of jurisdictions statewide say they are pursuing none of these strategies, up from 41% who weren't planning to pursue any of these strategies last year, and the percent who are uncertain has declined to 16% from 21% last year.

Figure 4
Percent of jurisdictions using or considering various strategies for ARPA-funded projects, 2022-2023

Note: Respondents were asked to check all that apply, so categories may sum to more than 100%

Notes:

1. Michigan Department of Treasury. (2023). American Rescue Plan Act (ARPA): Coronavirus Local Fiscal Recovery Fund. Retrieved from: https://www.michigan.gov/treasury/local/share/arpa/american-rescue-plan-act-arpa-coronavirus-local-fiscal-recovery-fund

2. Fitzpatrick, N., Horner, D., and Ivacko, T. (2022, July). A survey of Michigan local government leaders on American Rescue Plan Act funding and uses. Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from: https://closup.umich.edu/sites/closup/files/2022-07/mpps-policy-brief-arpa-2022.pdf

Survey Background and Methodology

The data presented in this policy brief come from the Spring 2023 Michigan Public Policy Survey (MPPS). The MPPS is an ongoing census survey of all 1,856 general purpose local governments in Michigan conducted since 2009 by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan's Gerald R Ford School of Public Policy. The program is a partnership with Michigan's local government associations. The Spring 2023 wave was conducted February 6 – April 17, 2023. Respondents include county administrators, board chairs, and clerks; city mayors, managers, and clerks; village presidents, managers, and clerks; and township supervisors, managers, and clerks from 1,307 jurisdictions across the state, resulting in a 70% response rate by unit. More information is available at https://closup.umich.edu/michigan-public-policy-survey/mpps-2023-spring

See CLOSUP's website for the full question text on the survey questionnaire. Detailed tables of the data in this report, including breakdowns by various jurisdiction characteristics such as community population size, region, and jurisdiction type, will be available soon at http://mpps.umich.edu.

The survey responses presented here are those of local Michigan officials, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan, or of other partners in the MPPS.

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