



# MANAGING THE WINDFALL

## *Tracking the City of New Orleans' Use of Federal Pandemic Relief Funds*

December 2022

### IN BRIEF

BGR's report shows how the City of New Orleans has used federal relief funds to weather the budgetary uncertainty of the COVID-19 pandemic and improve its finances. Specifically, those expenditures have let the City save a significant amount of revenue from its own discretionary funding streams and build its financial reserves with the surplus. The report finds:

- The City, facing revenue losses because of the pandemic's impacts on tourism and local spending, used more than 95% of the first half (\$194 million) of its federal American Rescue Plan Act (ARPA) allocation for the police and fire departments. This made General Fund revenue from those departments available to fill projected General Fund gaps in 2021 and 2022. However, the projected funding gaps didn't materialize, primarily due to below-budget expenditures in 2021 and better-than-expected revenues in 2022.
- In 2021, General Fund expenditures totaled just \$532 million – \$101.4 million (16%) under budget. Even if the City had not used any of the \$77.3 million in ARPA funds it appropriated in 2021, its General Fund revenue would have covered all expenditures and generated a \$25 million surplus.
- The City has estimated that General Fund savings during the past two years has boosted the fund balance above \$200 million – about four times the pre-pandemic level. This allows the City to bolster its emergency financial cushion, while allowing it to direct the rest of the reserve growth to address high-priority needs. However, any future expenditures the City finances with those reserves will be heavily attributable to its ARPA funds – and the public should watch closely how their elected leaders spend this one-time windfall.
- With stronger finances, the City has pivoted its strategy for spending remaining ARPA funds. The City's 2023 General Fund budget does not rely on relief dollars to fill projected gaps. Although it has budgeted \$14 million from its fund balance for this purpose, this is much less than the projected gaps the City filled with ARPA in 2021 and 2022. Instead, the City allocated \$124.2 million from ARPA and \$51.1 million from reserves in 2023 to multiple departments to carry out specific initiatives. It has also set aside \$100 million for emergencies.
- The City has sometimes fallen short of providing sufficient information on its use of ARPA funds, limiting public accountability.
- For both ARPA and General Fund reserve appropriations, BGR recommends that the City should:
  - Provide the public with sufficient details on the components and objectives of spending plans and regular updates on actual spending and outcomes.
  - Clearly identify any impacts of these one-time funds on the City's General Fund budget (including initiatives adopted in the 2023 budget), such as creating recurring expenses that will eventually require additional revenue or enabling further fund balance growth.
  - Compile this information in easily accessible reports so the public does not have to review multiple documents or presentations to assemble the complete picture of the City's ARPA use and its results.

**Explore BGR's online dashboard that supplements this report with interactive data on ARPA-influenced budget trends for the City and its departments.**

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