A Strategic Approach to the American Rescue Plan

Maximizing Federal Funds for an Inclusive Recovery in Philadelphia

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How Should Philadelphia Think About the ARP?

The ARP is Big
The Nowak Metro Finance Lab’s Federal Investment Guide illustrates how ARP funds will flow to 84 programs from 19 federal agencies, via 7 distribution methods, touching 15+ policy areas. Cities must get organized.

$1.4 B in Flex Funds = Only One Factor
Philadelphia is eligible for billions in additional funds through grants for schools, public health, housing, economic development, library services and more.

City Government Will Play Many Roles
Communicator, coordinator, collaborator, allocator, grant applicant
THE RESCUE PLAN IS BIG & YOU CAN’T DO EVERYTHING

ESTABLISH 3 TO 5 ORGANIZING PRIORITIES

Step 1:
Understand all available federal sources

Step 2:
Establish a clear set of priority local uses to drive fund deployment

Step 3: Make an action plan to connect sources and uses
Strategic Principles for ARP Funds

A Moment for Transformation
A generational opportunity to rebuild historically disinvested communities to prosper long-term

Maximize Sources & Leverage Other Resources
Prioritize draw-down of federal funding and leverage additional public, private and philanthropic funds

Magnify Impact of $1.4 Billion in Flex Funds
Flex funds should compliment dedicated funds, go to 3-5 priority programs that can’t easily be funded through other sources, and leverage outside funding. This will prevent funds from being spread too thin and diminishing impact

Let Equity Drive Priority Uses
Restoring commercial corridors & investing in Black and brown business growth, including in the child care and construction sectors, are areas with promise
The Case for Small Business: Pre-COVID Large Racial Disparities Existed in Firm Performance

The Small Business Equity Toolkit shows significant racial and ethnic disparities in rates of business ownership, sales levels and lower-wage sector participation in Philadelphia.

### Black-owned Employer Firms in the City of Philadelphia

<table>
<thead>
<tr>
<th>Number of Businesses</th>
<th>Number of Black-Owned firms per 1,000 Black Residents</th>
<th>Business Size</th>
<th>Sector Concentration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>$0.9M Average Annual Sales from Black-Owned Firms</td>
<td>33% Black-Owned Firms in Health Care and Social Assistance</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>$2.6M Average Annual Sales from White-Owned Firms</td>
<td>9% White-Owned Firms in Health Care and Social Assistance</td>
<td></td>
</tr>
</tbody>
</table>

### Hispanic-owned Employer Firms in the City of Philadelphia

<table>
<thead>
<tr>
<th>Number of Businesses</th>
<th>Number of Hispanic-Owned firms per 1,000 Hispanic Residents</th>
<th>Business Size</th>
<th>Sector Concentration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>$1.2M Average Annual Sales from Hispanic-Owned Firms</td>
<td>23% Hispanic-Owned Firms in Retail Trade</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>$2.2M Average Annual Sales from non-Hispanic-Owned Firms</td>
<td>11% Non-Hispanic-Owned Firms in Retail Trade</td>
<td></td>
</tr>
</tbody>
</table>

### Asian-owned Employer Firms in the City of Philadelphia

<table>
<thead>
<tr>
<th>Number of Businesses</th>
<th>Number of Asian-Owned firms per 1,000 Asian Residents</th>
<th>Business Size</th>
<th>Sector Concentration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$0.8M Average Annual Sales from Asian-Owned Firms</td>
<td>26% Asian-Owned Firms Accommodation &amp; Food Services</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>$2.6M Average Annual Sales from White-Owned Firms</td>
<td>8% White-Owned Firms in Accommodation &amp; Food Services</td>
<td></td>
</tr>
</tbody>
</table>

* Sector data is for the Philadelphia MSA. The Table presents the sector with highest concentration of Black-, Asian-, and Hispanic-owned businesses. ** Percentage points. Source: Own elaboration based on 2018 Annual Business Survey (2018 ABS) and 2017 American Community Survey (2017 ACS).
The Case for Small Business: Match ARP Sources and Uses

ARP Sources
- State funds
- Public Authority Funds
- City Funds
- Competitive Funds
- Capital Products

+ Private & Philanthropic Money that can be leveraged

Match directly with MBE Business Uses (non-exclusive)

Entrepreneurial Support
- Build up intermediaries serving Black-, Latino-, and Asian-owned businesses
- Build capacity in intermediaries to help firms with the operations, paperwork and strategy to scale

Capital Access
- Seed a new generation of capital products targeted at MBE entrepreneurs
- Hire navigators to help firms access the capital to start & scale

Supplier Diversity
- Build intermediaries to connect private & public purchasers to MBE vendors
- Focus services on building a pipeline of firms with the capacity to navigate wholesale contracts as primes

Commercial Corridors
- Target efforts around specific geographies and neighborhoods where MBE firms concentrate
- Focus on providing back office services on a corridor-wide basis
- Leverage land-banks to prevent large-scale vacancies in neighborhood business districts

Sector Growth & Diversification
- Focus immediately on scaling firms in sectors with high concentrations of MBE firms (construction, healthcare, childcare, warehousing and transportation) so they can benefit from ARP
- Build long-term infrastructure to help move MBE startups to higher-paying sectors
29% of all Black-owned employer businesses and 15% of Black nonemployers operates in the Health Care and Social Assistance sector.

The high concentration of Black-owned businesses in a few low-wage sectors demands a focus on scaling firms and upgrading sectors.

13%
Thirteen percent of Black-owned businesses are Child Care providers. This figure is likely to be higher for firms with employees.

60%
The average revenues of White-owned businesses is 60% greater than those of White-owned businesses in the Child Care sector.

Source: 2018 Annual Business Survey (2018 ABS) and The Tapestry of Black Business Ownership in America
The ARP impacts the supply and demand of child care

Both supply and demand can advance equity if deployed well

<table>
<thead>
<tr>
<th>Expanded Child Care Supply</th>
<th>Expanded Child Care Demand</th>
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</thead>
<tbody>
<tr>
<td>$25B Child Care Growth &amp; Innovation Fund</td>
<td>The fund sustains, opens, and reopens child care businesses. This additional funding adds to funding appropriated in December 2020 ($10B).</td>
</tr>
<tr>
<td>$24B Child Care Stabilization Fund</td>
<td>This expands child care demand by increasing the size and reach of vouchers for low-income families. The block grant also addresses quality in programs. This funding adds to funds appropriated in March 2020 ($3.5B).</td>
</tr>
<tr>
<td>$15B Child Care &amp; Development Block Grant</td>
<td>The program sends funds directly to local agencies or governments. It has flexibility to expand demand and/or improve supply.</td>
</tr>
<tr>
<td>$1B Head Start</td>
<td>Credit increased to up to 50% of $8,000 in expenses for one child, and is made refundable. Thus, even parents who owe no income taxes can take advantage of the credit. Additionally, the Child Tax Credit could add* $60.4B to the pockets of low-income families and $22B for moderate-income</td>
</tr>
<tr>
<td>Child and Dependent Care Tax Credit</td>
<td></td>
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</table>

President Biden is calling on Congress to provide, as part of the new infrastructure package, $25B to help upgrade child care facilities and build new supply in high need areas.

American Jobs Plan

American Rescue Plan

* Center of Poverty & Social Policy
Key Takeaways

Focus on the entire American Rescue Plan and plan holistically

Understanding the breadth and depth of the funds and speed required for deployment is essential
Questions and Comments