



Navigating the Waters: How States Are Spending Federal Funds

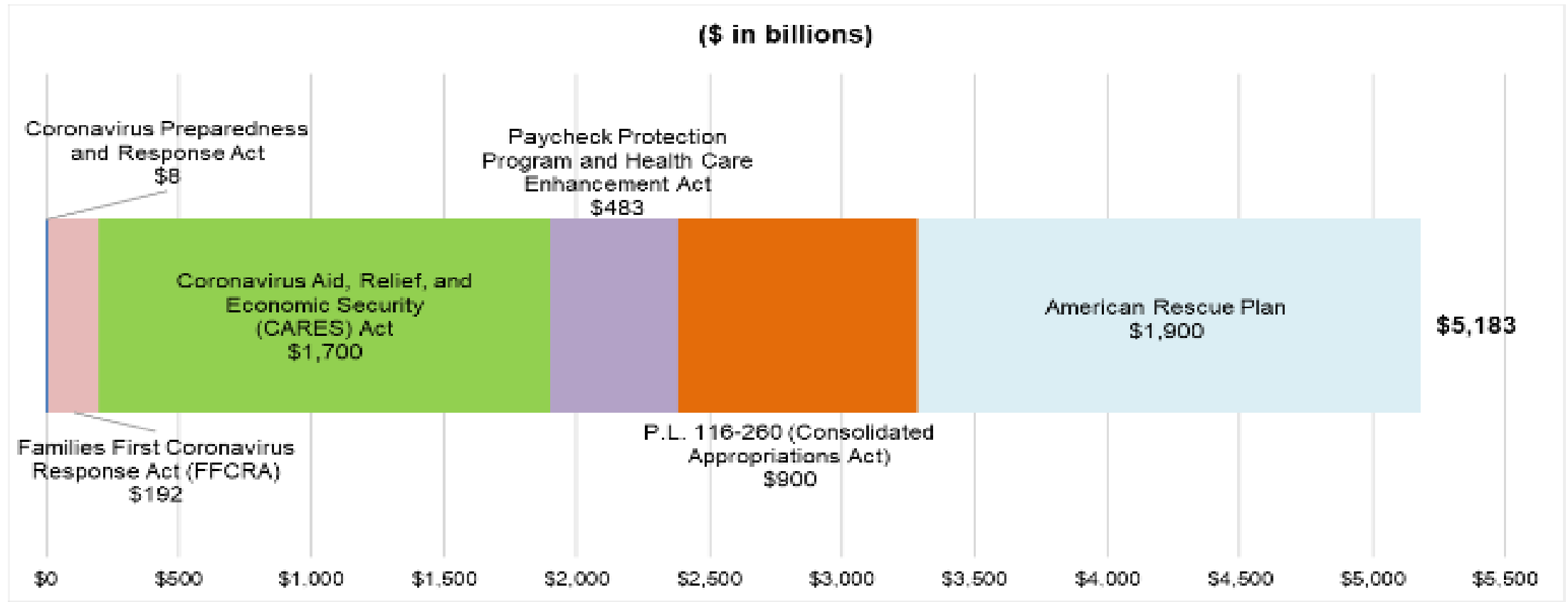
Sept. 21, 2021

Emily Maher, Senior Policy Specialist

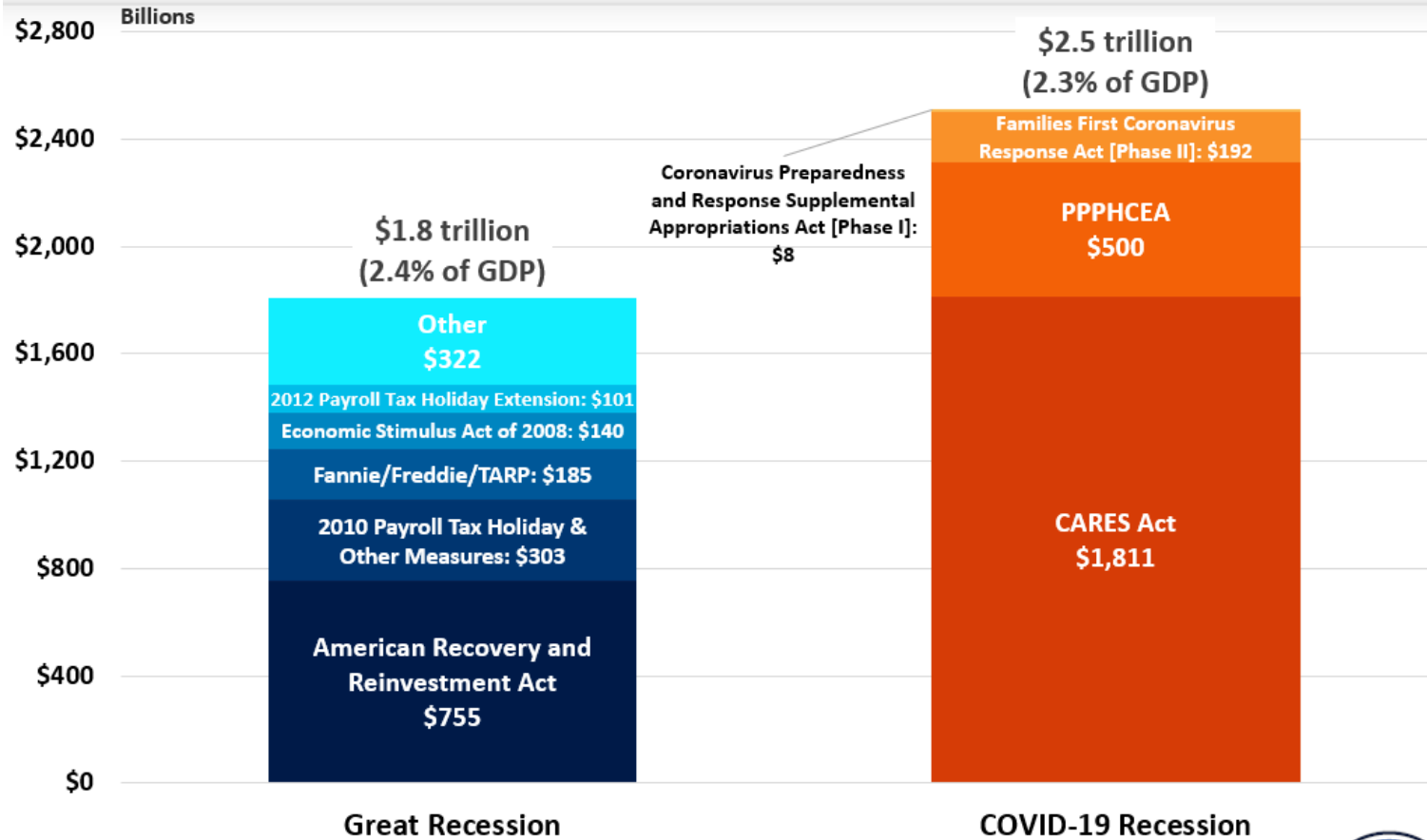


Strengthening the legislative institution

Enacted COVID-19 relief funding



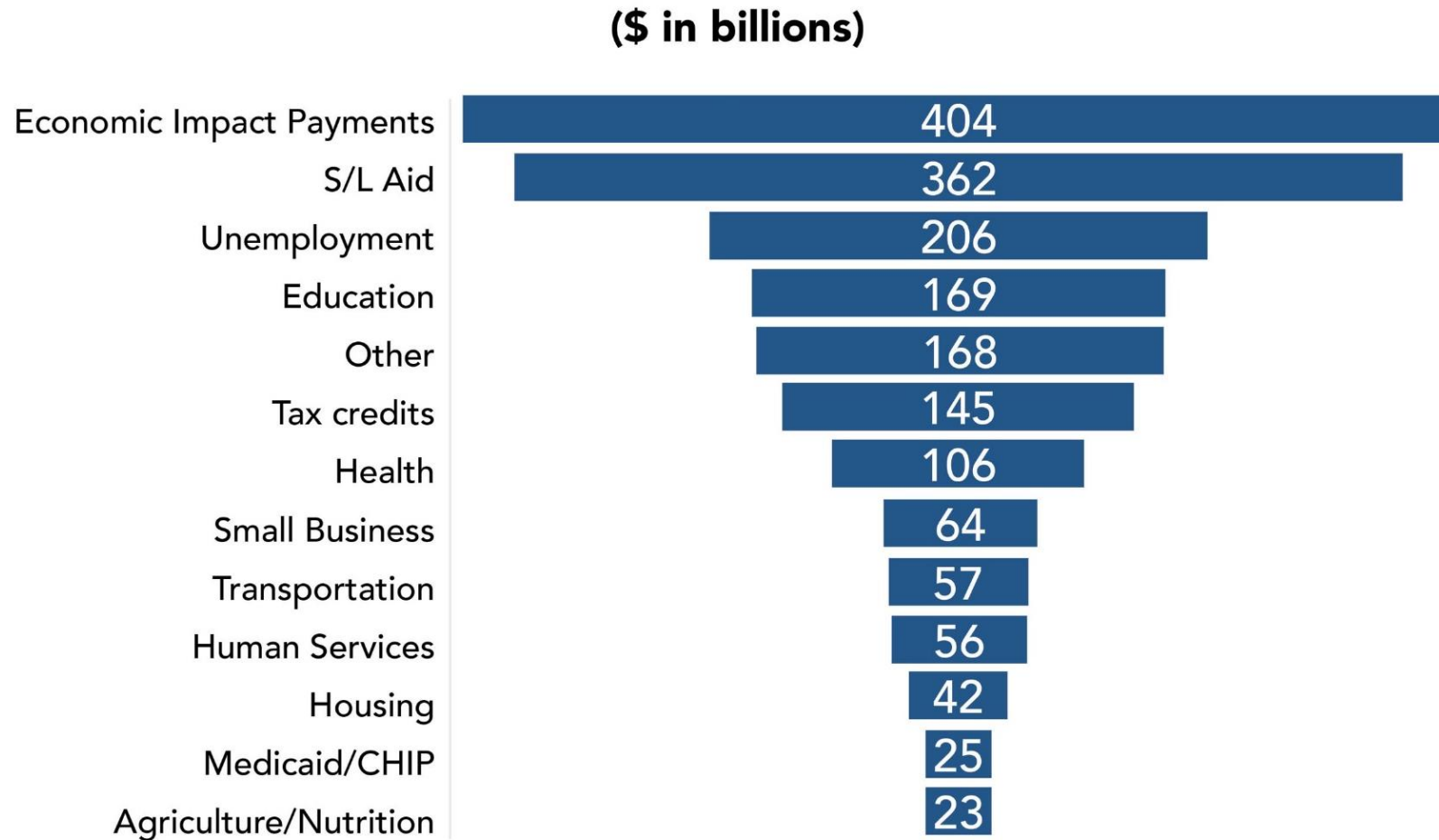
Cost of COVID-19 and Great Recession Responses



Note: Figures reflect 5-year cost estimates
Source: CBO, CRFB Calculations



American Rescue Plan Act Funding





Coronavirus State and Local Fiscal Recovery Funds

- \$350 billion to state and locals
 - 195.3 billion to states and the District of Columbia
 - \$130.2 billion to local governments
- Formula disbursement
- Funds must be obligated by Dec. 31, 2024 and spent by Dec. 31, 2026.
- More flexible than CARES Act Coronavirus Relief Fund
- NCSL working directly with Treasury to clarify guidance questions.

Breakdown of Funds

Provides \$195.3 billion to states and the District of Columbia:

- \$25.5 billion to each state, minimum of \$500 million.
- \$169 billion would be allocated based on the states' share of unemployed workers over a three-month period, from October-December 2020.

Provides \$130.2 billion to Local Governments:

- \$65.1 billion for counties.
- \$45.6 billion for metropolitan cities.
- \$19.5 billion for towns with fewer than 50,000 people.

Provides \$4.5 billion to U.S. territories.

Provides \$20 billion to tribal governments.

Provides \$10 billion for a Coronavirus Capital Projects Fund

More on Tranches

- 31 states subject to split
- 19 states and the District of Columbia received full disbursement.
- Combined - \$154.4 billion out the door initially.
- \$40.9 billion coming in 2022.



State & Local Aid

- **Allowable Use of Funds:**
 - Emergency and economic effects pandemic, including aid to households, small businesses, nonprofits, and industries such as tourism and hospitality.
 - Premium pay to essential employees or grants to their employers.
 - Government services affected by revenue reduction resulting from COVID-19.
 - Investments in water, sewer and broadband infrastructure.
- Cannot use the funds for pensions or to offset revenue resulting from a tax cut enacted since March 3, 2021.
- Can transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.

Interim Final Rule Establishes:

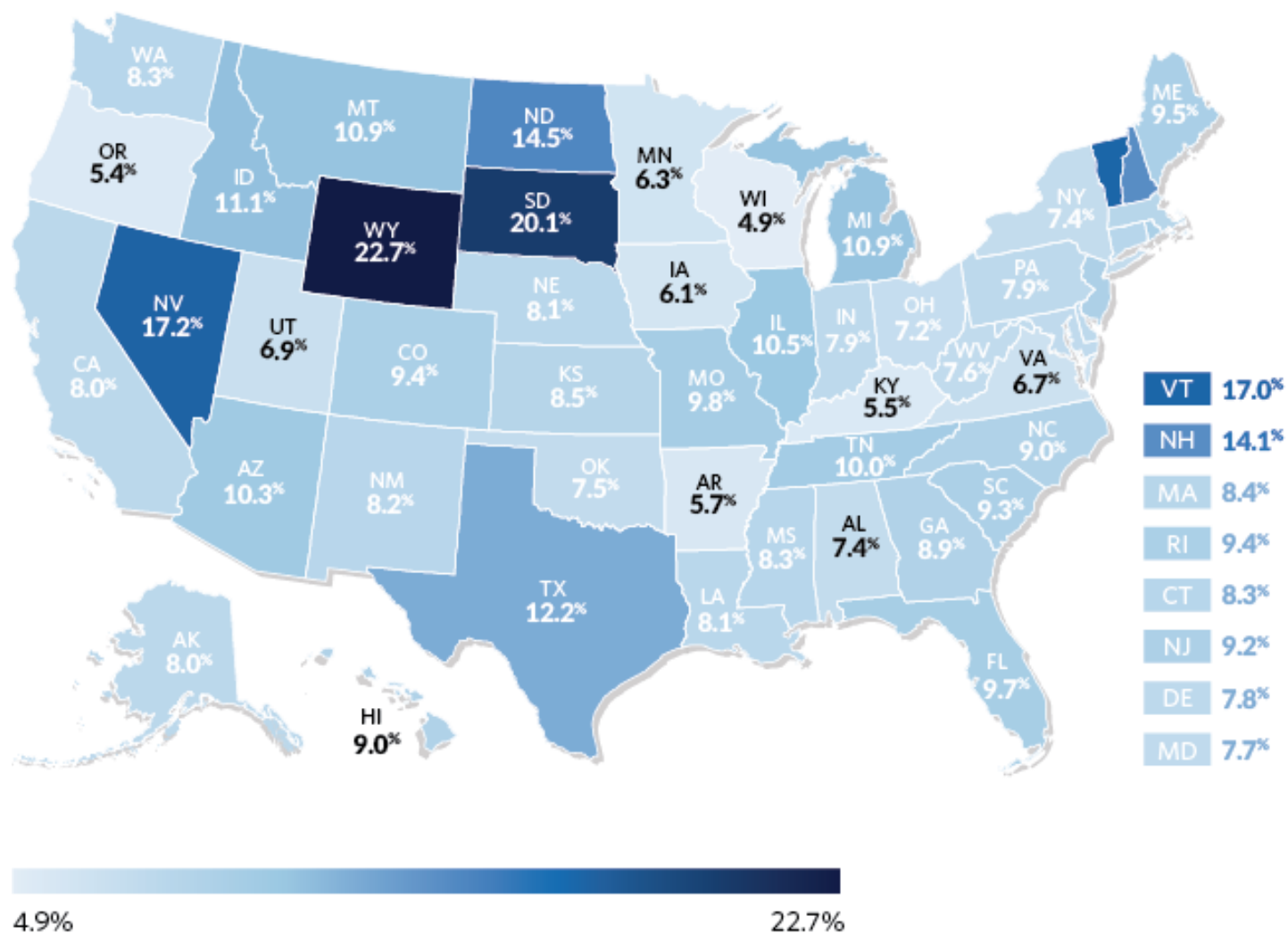
- A framework for determining whether a project “responds to” a “negative economic impact” caused by the COVID-19 public health emergency;
- Definitions of “eligible employers”, “essential work,” “eligible workers”, and “premium pay” for cases where premium pay is an eligible use;
- A definition of “general revenue” and a formula for calculating revenue lost due to the COVID-19 public health emergency;

Interim Final Rule Establishes:

- A framework for eligible water and sewer infrastructure projects that aligns eligible uses with projects that are eligible under the Environmental Protection Agency’s Drinking Water and Clean Water State Revolving Funds; and
- A framework for eligible broadband projects designed to provide service to unserved or underserved households, or businesses at speeds sufficient to enable users to generally meet household needs, including the ability to support the simultaneous use of work, education, and health applications, and also sufficiently robust to meet increasing household demands for bandwidth.

How ARPA Aid Compares With the Size of States' Budgets

Allocations range from 4.9% of total FY 2020 spending in Wisconsin to 22.7% in Wyoming



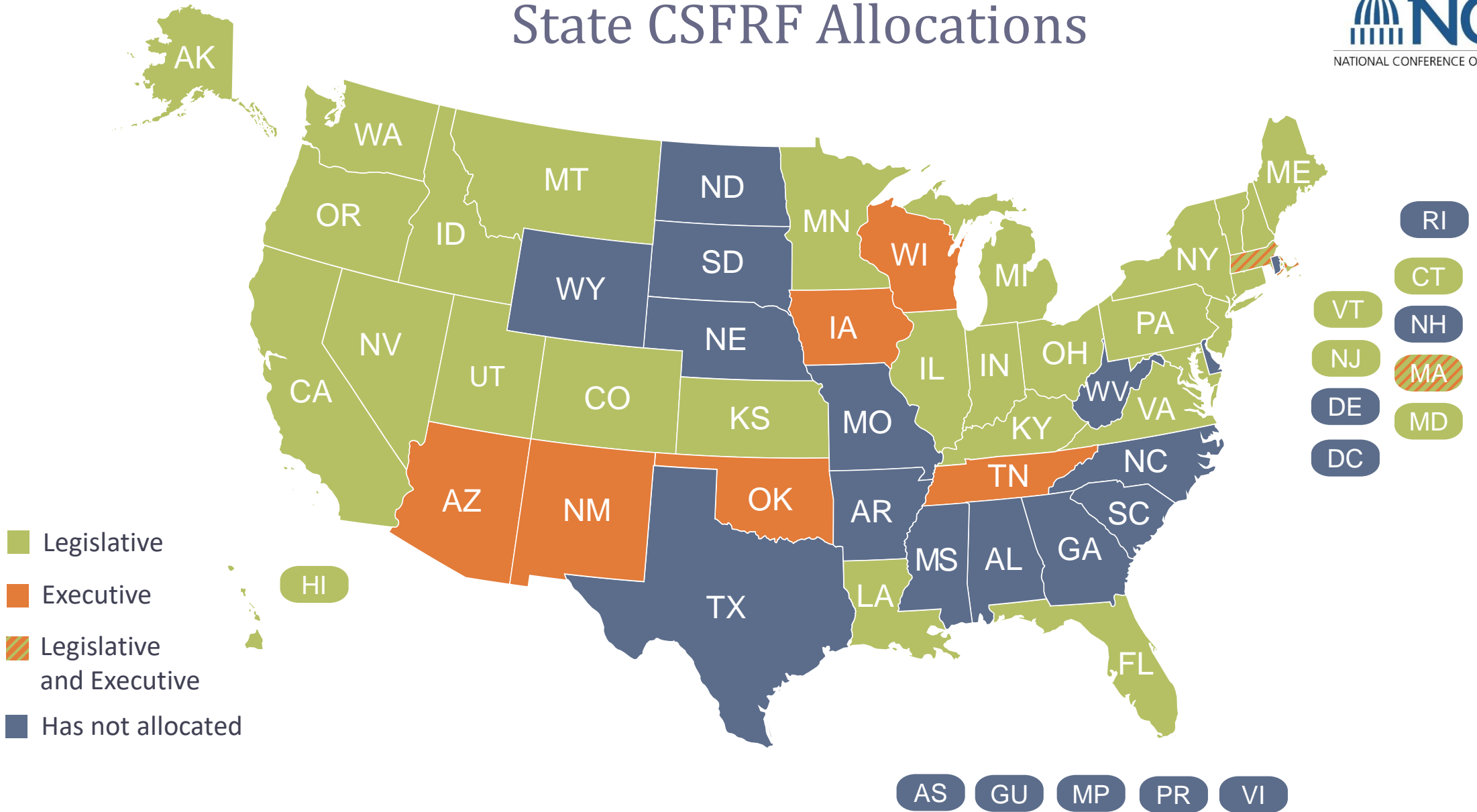
Source: The Pew Charitable Trusts, 2021, using U.S. Department of Treasury and National Association of State Budget Officer's data.



Unanticipated Federal Funds

- Most legislatures have authority to appropriate *anticipated* federal funds
- Things get messy when funds are unanticipated
Ex. ARRA, CARES Act, and ARPA

State CSFRF Allocations



State Fiscal Recovery Fund Categories

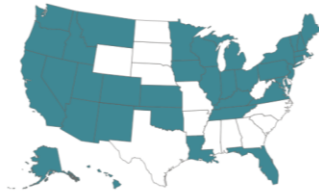
- Select all
- Access to Justice
- Arts, Culture and Tourism
- Broadband
- Economic Relief and Development
- Education
- General Infrastructure
- Housing
- Human Services
- Other
- Public Health Response
- Revenue Replacement
- State Operation and Administration
- Unemployment Trust Fund

States

- Select all
- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia
- Hawaii

Authority

- Select all
- Legislative
- Executive



Description Search

Update	Category	State	Authority	Description	Source
3/2021	Other	Nevada	Legislative	\$5.1 million for the for the Vax Nevada Days program, including \$5 million for prizes and \$100,000 for program administration costs	Interim.Finar Documents
3/2021	Other	Nevada	Legislative	\$762,825 for community engagement services and assist in the development of a spending roadmap for ARPA funds.	Interim.Finar Documents Legislation
3/2021	State Operation and Administration	Nevada	Legislative	\$66.32 million to fund positions in FY 2022 that the 2021 Legislature authorized to be funded by ARPA funds.	Executive Re
10/2021	Economic Relief and Development	Minnesota	Legislative	\$11.5 million to support the Minnesota Zoo's recovery from the impact of the pandemic.	Executive Le
10/2021	Education	Minnesota	Legislative	\$34.61 million for academic and mental health support for school districts. The funding is intended to create partnerships and provide services to expand mental health and well being supports to you and adolescents attending school district and charter school summer learning programs; to partner with community businesses	Executive Le

CSFRF Major Allocation Categories



Broadband



Economic Relief



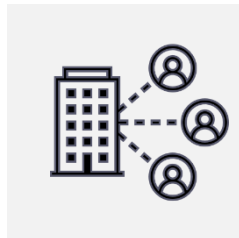
Education



Housing



Human Services



State Ops/Admin.



Revenue Replacement



Unemployment Trust Fund



Water Infrastructure



Workforce Development



Public Health still a major priority!

*Number of states allocating to categories

*at least



Notable Allocations

- **Hazard/premium pay** – 5 states
- **Funding pandemic-related positions** – 6 states
- **Arts, culture and tourism relief and initiatives** – 14 states
- **Vaccine Incentives** – Massachusetts, New Mexico, and Nevada
- **Food banks and insecurity** - 11 states
- **Childcare grants to business, relief to workers and families** - 5 states

Allocation Timelines Vary

Legislative procedures, spending authority, guidance and disbursement amount play a role.

Prior to Interim
Rule*

End of Fiscal
Year

Special Session

Next Legislative
Session

Approaches to Priorities and Implementation



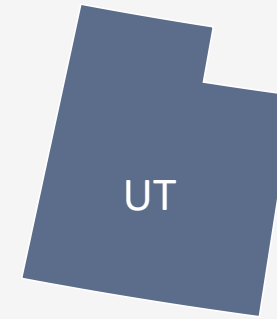
- Established a broad legislative framework.
- Determined specific uses by transfer of funds to existing and new cash funds.



- Governor created 3 bipartisan committees to consider proposals and make recs.
- Broadband; Water and Sewer; Economic Impact



- Governor's SPARK Taskforce
- Working Groups → Advisory Committee → Executive Committee → State Finance Council authorizes funds.



- Established a set of criteria for how to spend the funds.
- Scored proposals based on criteria
- Divided funds into buckets



- 3 phase recovery plan.
- *Phase I* – Urgent Needs (now-Jan '22)
- *Phase II* – Additional Recovery Projects (Jan '22)
- *Phase III* – Multi-Year Recovery Projects

Reporting and Compliance

- Reporting falls und the major eligible use buckets
 - Public Health/Negative Economic Impacts
 - Premium Pay
 - Revenue Loss
 - Investments in Water, Sewer and Broadband
- Timing
 - Quarterly or annual project and expenditure reports (including subaward reporting), and annual recovery plan reports.
- Project and Expenditure Reports
 - Several categories required, included projects funded/status, subawards, demographic distribution, programmatic data, and civil rights compliance.
- Treasury guidance and webinars for technical assistance available

Recovery Plans

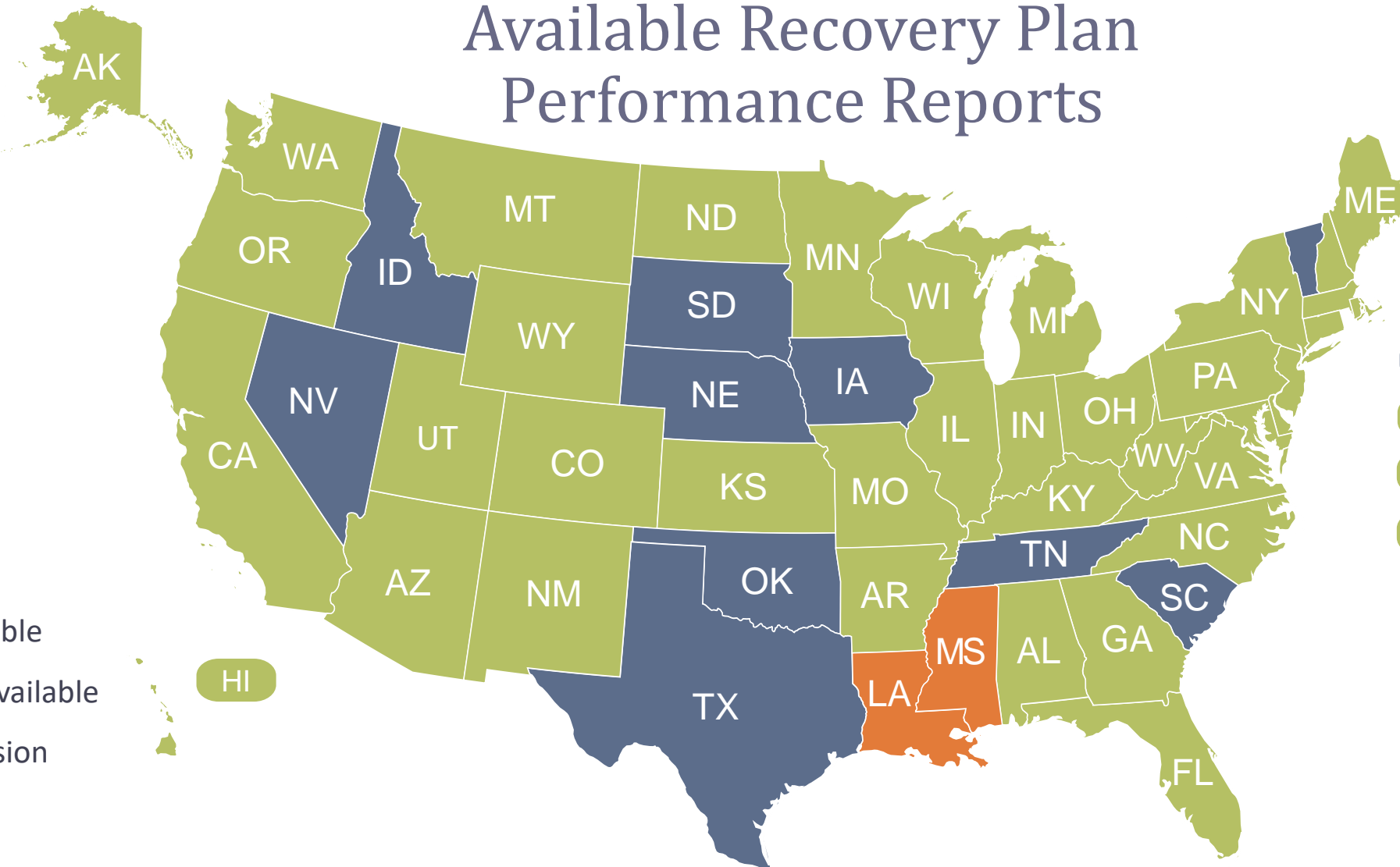
- States, territories, metropolitan cities, and counties with population over 250,000 are required to publish and submit Recovery Plan performance report.
- Must be posted on the public-facing website of the recipient by the same date the recipient submits the report to Treasury.
- Provides the public and Treasury information on the ARPA-funded projects recipients and how they are planning to ensure program outcomes are achieved in an effective, efficient, and equitable manner.

Table 2: Reporting requirements by recipient type

Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021, with expenditures by category	By October 31, 2021, and then 30 days after the end of each quarter thereafter ⁹	By August 31, 2021, and annually thereafter by July 31 ¹⁰
Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding			Not required
Tribal Governments			
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding	By October 31, 2021, and then annually thereafter ¹¹		
NEUs	Not required		

Available Recovery Plan Performance Reports

- Available
- Not Available
- Extension



Recovery Plans Underway

General Trends

- Immediate transparency.
- Details vary by allocation/expenditure status.
- Recovery priorities vary by state.
- Prior- and post-plan assistance from Treasury.

Use of Evidence

- Building capacity for evidence-based programs.
- Creating performance measures and strategies to achieving programmatic outcomes.
- Use of existing evaluated programs. Common areas: health and education.

Equitable Outcomes

- Defining disproportionately impacted communities.
- Targeting small businesses, housing, education, workforce.
- Access to information.
- Annual metrics.

Avoiding the Fiscal Cliff

- Managing one-time expenditures
 - Distinguishing budgets and projects
 - Non-recurring vs. recurring
 - Coordinating with municipalities and schools to manage funds
- Long-term fiscal planning
 - Multi-year budgeting practices
 - Innovative, big picture goals achieved strategically (e.g., housing, broadband, etc.)
 - Flexibility with investment strategies
 - Adjusting for influx of state revenues and federal stimulus
 - Planning beyond ARPA



Emily Maher emily.maher@ncsl.org

www.ncsl.org

How to contact me:
