

Best Practices for Local and State Prioritization of American Rescue Plan Act Funds

By Kelly Allen

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Overview

Under the American Rescue Plan Act (ARPA), states, cities, counties, U.S. territories, and tribal nations will receive a total of \$350 billion in Fiscal Recovery Funds to respond to the COVID-19 emergency and help bring back jobs. In West Virginia, the state government will receive **\$1.355 billion**¹ and cities, municipalities, and counties will receive a total of **\$676.6 million**.² ARPA funds are already flowing into communities and our state and can be used on eligible costs incurred through December 31, 2024.

On May 10, 2021, the U.S. Department of the Treasury issued³ an Interim Final Rule providing guidance to recipient governments that explains how Treasury will interpret the ARPA legislation's language and administer the Fiscal Recovery Funds.

This document will focus on the allocations to cities, municipalities, counties, and the state of West Virginia, and will highlight both best practices and Treasury guidance to inform government officials and residents about the parameters for spending and the best ways to utilize these funds to make long-term improvements in our communities.

When determining whether or not a proposal should utilize ARPA Fiscal Recovery Funds, local and state elected officials and decision-making bodies should assess whether the proposed expenditure has broad public benefits in addition to ensuring that it falls under an approved category. A public benefit test will help to maximize the impact of these funds to address longstanding community needs.

Allowable Usage of Funds

Treasury has identified five⁴ key areas of approved usage for ARPA Fiscal Recovery Funds. The Interim Final Rule gives governments significant flexibility to use the Fiscal Recovery Funds to help the many people still struggling in our ongoing pandemic economy. It also allows governments to begin to reverse and address many longstanding racial and economic inequities that the pandemic further exposed and exacerbated.

Support Public Health Expenditures

Allowable expenses include funding COVID-19 mitigation efforts, medical expenses, behavioral health care, and certain public health and safety staff. COVID-19 has put an immense strain on our state and local public health infrastructure, which was already operating under significant state budget cuts over the last decade. The Fiscal Recovery Funds in ARPA represent an opportunity to make public health departments whole and set them up

¹ U.S. Department of Treasury, Allocation for States, <https://home.treasury.gov/system/files/136/fiscalrecoveryfunds-statefunding1-508A.pdf>.

² WVCBP analysis of U.S. Treasury data on cities, municipalities, and counties in West Virginia receiving funding.

³ U.S. Department of Treasury, Coronavirus State and Local Fiscal Recovery Funds, <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds#main-content>.

⁴ Ibid.

for success in the coming years by covering improvements to public health programs in addition to salaries and benefits for public health and safety workers.

Treasury also specifically suggests using the funding to “address disparities in public health that have been exacerbated by the pandemic” and goes on to include eligible expenditures under this category, including new and expanded mental health, substance use, and crisis intervention services, robust outreach to help people access services, and services that improve public health outcomes such as lead paint remediation, violence intervention programs, and housing services for individuals experiencing homelessness.

Examples of expenditures could include:

- Salaries and benefits for public health and safety workers;
- Design improvements to health and public health programs and enhancements to public health data systems to meet new needs;
- New and expanded mental health, substance use, and behavioral health services;
- Funding for community health workers to help community members access health services and to address the social determinants of health;
- Services that improve health outcomes such as lead paint remediation, violence intervention programs, and housing services for people experiencing homelessness; and
- Improvements to ventilation systems in congregate facilities, health care facilities, or other key locations.

Address Negative Impacts Caused by the Public Health Emergency

This provision provides for allowance of supports to address economic harms to workers, households, small businesses, impacted industries, and the public sector.

And while other provisions in ARPA will help residents access food, pay for child care, and address rent and utility needs, Fiscal Recovery Funds can be utilized to raise public awareness of these programs.

The Treasury guidance encourages governments to prioritize this assistance to households, businesses, and non-profits located in the communities that have been most disproportionately impacted by the pandemic, while fostering a strong, inclusive, and equitable recovery. Also of note, eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.

Examples of expenditures could include:

- Rent and utility relief;
- Grants to small businesses and non-profits impacted by the pandemic;
- Aid to impacted industries like recreation and hospitality to implement COVID-19 mitigation and safety measures or to facilitate safe reopening;
- Cash payments to displaced workers or households with extremely low incomes;
- Legal aid programs to help households avoid eviction;
- Public awareness campaigns and outreach to hard-to-reach communities about provisions within ARPA including SNAP, the Child Tax Credit, Medicaid, and other public programs;
- Job training and/or subsidized jobs programs that help keep people attached to the labor market; and
- Development of affordable housing to increase supply of affordable, high-quality living units and/or housing vouchers and housing navigation assistance.

Replace Lost Public Sector Revenue

This provision allows governments to use ARPA funds to cover the cost of public and government services to the extent of their reduction in revenue experienced due to the pandemic. A methodology for calculating lost revenue is contained in the Interim Final Rule. Over 7,600⁵ state and local workers in West Virginia have lost their jobs due to the economic impacts of the pandemic, and this funding could help restore those jobs. In addition to restoring lost jobs, local governments should use the Fiscal Recovery Funds to avoid additional layoffs and funding cuts to position schools and other public services for a strong recovery. This category of funding allows both provision of government services and maintenance or pay-as-you-go funding of infrastructure projects and environmental remediation.

Examples of expenditures could include:

- Replacing revenue lost due to the pandemic using the methodology outlined in the Interim Final Rule;
- Rehiring public sector workers who were laid off due to the pandemic;
- Covering salaries and benefits of public sector workers to avoid additional layoffs due to pandemic-related revenue shortfalls; and
- Conducting needed maintenance or pay-as-you go infrastructure projects and environmental remediation.

Provide Premium Pay for Essential Workers

This provision allows governments to offer additional support to those who have and will continue to bear the greatest health risks because of their service in critical infrastructure sectors, including health care workers, first responders, grocery and retail service workers, etc. Essential work eligible under this category is defined as “work involving regular in-person interactions or regular physical handling of items that were also handled by others.”

Treasury guidance allows for “premium” pay of up to \$13/hour on top of regular pay. This premium pay can be retrospective to cover work performed since the beginning of the pandemic and can also be used for work performed going forward through the eligible period. Essential workers are disproportionately people of color and women, so supporting these workers with premium pay and other benefits can help to address longstanding inequities that were worsened by the pandemic.

Examples of expenditures could include:

- Premium pay or bonuses to essential workers including staff at nursing homes, hospitals, and home care settings; workers at farms, food production facilities, grocery stores, and restaurants; janitors and sanitation workers; truck drivers, transition staff, and warehouse workers; public health and safety staff; child care workers, educators, and other school staff; and social service and human services staff.

Invest in Water, Sewer, and Broadband Infrastructure

This provision allows funding to be utilized to make necessary investments to improve access to clean drinking water, support wastewater and stormwater infrastructure, and expand access to broadband internet. In order for a water or sewer project to be eligible, it must be one that can receive assistance through existing Environmental Protection Agency (EPA) revolving funds. These investments are desperately needed in our state, especially in low-income areas and communities of color where infrastructure needs have not been prioritized.

⁵ O’Leary, Sean. The Case Against Austerity, <https://wvpolicy.org/wp-content/uploads/2020/12/WVCBP-Austerity-Brief-Dec.-2020.pdf>.

Localities should invest Fiscal Recovery Funds with a priority of overcoming infrastructural neglect and inequities in Black and brown communities and rural areas. Treasury encourages governments to use strong labor standards including community benefit agreements that offer wages at or above the prevailing wage and to utilize local hire provisions for any such projects.

Examples of expenditures could include:

- Improving drinking water infrastructure by building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines;
- Consolidating or establishing drinking water systems including construction of publicly owned treatment infrastructure; and
- Expanding broadband in locations that are unserved or underserved with prioritization of broadband networks owned by or affiliated with local governments, non-profits, and co-operatives — providers with less pressure to turn profits and with a commitment to serving entire communities.

Local Citizen Input Must Be Prioritized

In its guidance, Treasury explicitly “urges state, territorial, tribal, and local governments to engage their constituents and communities in developing plans to use these payments, given the scale of funding and its potential to catalyze broader recovery and rebuilding.”

Cities, municipalities, counties, and states should create channels to collect public input on their community’s needs prior to crafting spending plans for Fiscal Recovery Funds. This could include public meetings, surveys, citizen advisory committees, and other means of gathering public input. Once an initial proposal is crafted, the public should again have the opportunity to weigh in on the overall plans for these funds.

Spending Choices to Avoid

The American Rescue Plan has the power to do immense, long-term good for communities, but that power could be lost if governments fail to utilize it to specifically help the people struggling due to the pandemic. Governments should spend their Fiscal Recovery Funds in ways that help the people who need it most and reduce racial and economic inequities.

States cannot use ARPA funds to:

- Deposit into a rainy day fund or other reserves;
- Deposit into a pension fund;
- Pay off debt or settle legal disputes; or
- Fund general infrastructure projects (beyond broadband, water, and sewer). However, states can use funding for infrastructure projects that respond to a specific public health need (e.g., lead abatement projects in low-income areas). They can only use the funds for other more general infrastructure projects if they are allotted to their lost revenue due to the pandemic

This factsheet was created by the West Virginia Center on Budget and Policy, based on U.S. Department of Treasury guidance, recommendations from the Center on Budget and Policy Priorities⁶, and our own values of transparency and equity. Please contact Kelly Allen at kallen@wvpolicy.org with any questions.

West Virginia Center on Budget and Policy

8 Capitol Street, Fourth Floor
Charleston, West Virginia 25301
Tel 304-720-8682 | Fax 304-720-9696

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⁶ Center on Budget and Policy Priorities Memo, May 12, 2021, retrieved from <https://federalscoop.org/wp-content/uploads/2021/05/Treasury-guidance-summary-FNL.pdf>.