

ARPA Fiscal Recovery Fund (FRF) Spending

This write-up is intended to inform decision makers about allowable uses of ARPA State and Local Fiscal Recovery Funds, including through local subrecipients such as municipalities and nonprofits.

Allowable uses of ARPA FRF funds.

For all recipients (state or municipal), the following current uses* are categorically eligible. **Match requirements are appropriate where the municipality gains an asset or builds its tax base.**

- Expenses to respond to the public health emergency re COVID-19 or its negative economic impacts:
 - COVID-19 mitigation or prevention expenses including:
 - Public health medical expenses;
 - Behavioral health expenses;
 - Public health and safety staff; and
 - Public health program design improvements.
 - Assistance to the unemployed such as
 - Backfills for COVID-era government layoffs and
 - Job training.
 - Assistance to small business in the form of grants or loans to mitigate financial hardship caused by COVID-19 including:
 - Offsets for declines in revenues;
 - Funds to implement COVID-19 mitigation improvements; or
 - Technical assistance with business planning.
 - In-kind or financial assistance to households with documented negative impacts due to COVID-19 including:
 - Food assistance;
 - Rent, mortgage, or utility assistance;
 - Counseling and legal aid to prevent eviction;
 - Access to the internet; or
 - Proportionate cash assistance.
 - Assistance in the form of loans or grants to impacted industries, including tourism, travel, and hospitality to implement COVID-19 mitigation or prevention measures such as:
 - Improvements to ventilation;
 - Construction of physical barriers;
 - Signage;
 - Provision of PPE; and
 - Development of safe reopening plans.

* Expenditures must be obligated in 2021 to 2024 and spent by 2026. FRF cannot finance borrowing or pay debt service.

- Aid to disproportionately impacted communities
 - Aid must address social determinants of health. For example:
 - Services to address homelessness;
 - Affordable housing development;
 - Housing vouchers;
 - Expanded early learning services;
 - Evidence based educational services;
 - Evidence-based mental health services for students;
 - High quality childcare;
 - Home visiting programs; and
 - Services for child welfare involved families.
 - These types of assistance are presumed eligible in HUD Qualified Census Tracts; other functionally equivalent geographic or interest-based definitions can be developed, subject to Treasury oversight
- Premium pay to employees providing essential work during the public health emergency
- Revenue replacement and compliance
 - To substitute for lost revenue, FRF can pay for virtually any government service except debt service or transfers to pension or stabilization funds. E.g.: broad-based economic development.
 - Note: Growing local aid, plus growth in property taxes and other local receipts, probably means few municipalities have a significant revenue gap under the federal formula
- Water, sewer, and broadband projects
 - Water and sewer projects are eligible if they meet the criteria for the Clean Water State Revolving Fund or Safe Drinking Water Revolving Fund. Examples include:
 - Centralized or decentralized wastewater treatment;
 - Stormwater;
 - Habitat protection and restoration;
 - Desalination; and
 - Groundwater protection.
 - Broadband projects include any installation that provides symmetrical upload and download speeds of 100 mbps with a priority on underserved areas and last mile connections.

Compliance (applies to all uses)

All uses are subject to oversight rules, including internal controls, documentation, procurement, and performance tracking linked to key performance indicators. State ARPA funds granted to municipalities remain subject to the more stringent ARPA requirements for states. Therefore, while the Legislature may authorize uses, release of funds must be conditioned on meeting all federal compliance requirements.

Targeting funding sources – FRF spending not advisable

ARPA and other federal legislation funded a range of targeted programs– for these areas, FRF use is generally at odds with maximizing federal revenue. These areas include:

- Public transportation
- Education (ESSER)
- Vaccination distribution, COVID testing and tracing (Vaccine-specific programs, ELC)
- Emergency housing rental subsidies (ERAP)
- Childcare (CCDBG)