

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS: POLICY BRIEF

By: *Carlos Castillo, Chief Development Officer*

The American Rescue Plan Act (ARPA), [P.L. 117-7](#), provided \$350 billion for eligible state, local, territorial, and Tribal governments to respond to the ongoing public health emergency. ARPA is aimed at providing relief to governments across the United States in support of urgent COVID-19 response efforts including replacing lost revenue, supporting immediate economic stabilization, public sector needs and addressing systemic public health and economic challenges.

You can view additional details on the Treasury Department's [Fact Sheet](#).

TIMING OF FUNDS

The Treasury Department will distribute funds directly to each eligible entity. Smaller local governments that are classified as “non-entitlement units” will receive funds through their applicable state government.

Local governments should expect to receive their funds in two tranches, with 50% provided in May 2021 and the balance delivered 12 months later. States that have experienced a net increase in the unemployment rate of more than two percentage points between February 2020 and the latest available data as of the date of certification, will receive their full allocation of funds in a single payment. Other states will receive funds in two equal tranches.

Governments of U.S. territories will receive a single payment while Tribal governments will receive two payments, with the first payment available in May and the second payment, based on employment data, to be delivered in June 2021.

Before Treasury can execute a payment, a representative of an eligible government must submit the government's information for verification through the Treasury Submission Portal. The verification process takes approximately four business days. Once verification is complete, payments are generally scheduled for the next business day.

USE OF FUNDS

The Coronavirus State and Local Fiscal Recovery Funds may only use funds to cover costs incurred during the period beginning March 3, 2021 and ending December 31, 2024. Recipients may use the new funding in the following ways:

COVID-19 Response & Prevention – Treasury's guidance provides for broad use of ARPA funds by counties for COVID-19 related expenses. Funds may generally be used to support public health needs including expenses related to vaccination programs, staffing, acquisition of equipment, facilities costs, information technology and other administrative expenses.

ARPA funds may also be used to cover expenses for acquisition and distribution of medical and personal protective equipment (PPE) as well as for disinfection of public areas. County governments may use the funds for technical assistance on mitigation of COVID-19-related threats to public health including the costs associated with quarantining or isolation of individuals, providing paid sick and paid family and medical leave to public employees.

ARPA funds may also be used to improve and safeguard facilities including hospitals, clinics, skilled nursing facilities, long-term care, homeless shelters, residential foster care facilities, and incarceration settings. ARPA also allows expenses related to ventilation system improvements.

Counties may establish temporary medical facilities with ARPA funds to provide additional treatment capacity, including construction costs and other capital investments. Counties may use the funds to cover the costs of providing COVID-19 testing and monitoring, contact tracing, and monitoring of case trends and genomic sequencing for variants. They may also use the funds to establish telemedicine capabilities and emergency medical response expenses, including emergency medical transportation, mental health and substance abuse treatment related to COVID-19.

Address Economic Impacts – ARPA funds may be used to negate economic impacts caused by the public health emergency. Counties may aid impacted small businesses and nonprofits in the form of loans, grants, in-kind assistance, technical assistance, or other services. Funds may also be used by counties to assist local industries negatively impacted by the pandemic such as tourism, travel, and hospitality. Counties may use ARPA funds to directly assist struggling households through cash assistance programs. Funds may also be used for benefits for the surviving family members of individuals who have died from COVID-19.

Public Sector Services – ARPA funds may be used to replace lost public sector revenue and filling budget shortfalls. Funds may be used for payroll, covered benefit. Job training for unemployed individuals is an allowable expense. A recipient may use funds to provide premium pay or grants to eligible workers who perform essential duties during the COVID-19 public health emergency. Treasury directs entities to prioritize low and moderate-income workers in key sectors including healthcare, grocery, food service, education, childcare, sanitation, and transit.

Disproportionately Impacted Populations and Communities – A County may use ARPA dollars to fund a program or service (in a Qualified Census Tract) that facilitates access to health and social services including applying for public benefits, remediation of lead paint or other lead hazards, and community violence intervention programs. ARPA funds may also be used for programs or services that address housing insecurity, lack of affordable housing, or homelessness. Programs or services that address the impacts of the COVID-19 public health emergency on education are also allowable expenses including new or expanded early learning services and new or expanded childcare.

Necessary Investments in Infrastructure – Counties may use ARPA funds to invest in water, sewer, and broadband infrastructure. Recipients may use Fiscal Recovery Funds to invest in a broad range of projects that improve drinking water infrastructure, such as building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines.

Allocated funds may be used for the construction of publicly owned treatment infrastructure, manage and treat stormwater or subsurface drainage water, facilitate water reuse, and secure publicly owned treatment works, among other uses. Finally, consistent with the CWSRF and DWSRF, Fiscal Recovery Funds may be used for cybersecurity needs to protect water or sewer infrastructure, such as developing effective cybersecurity practices and measures at drinking water systems and publicly owned treatment works.

Treasury notes that it is important that investments in water, sewer, or broadband infrastructure be carried out in ways that produce high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. Treasury will seek information from recipients on their workforce plans and practices related to water, sewer, and broadband projects undertaken with Fiscal Recovery Funds. Treasury will provide additional guidance and instructions on the reporting requirements later.

Treasury’s Interim Final Rule also encourages recipients to ensure that these projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions.

Within these overall categories, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities.

Restrictions on ARPA Funds - Recipients shall not use funds to either directly or indirectly offset a reduction in net tax revenue. Funds may also not be used for deposit into any pension fund.

FUNDING LEVELS

Congress has allocated Coronavirus State and Local Fiscal Recovery Funds to tens of thousands of eligible state, local, territorial and Tribal governments. These allocations include:

TYPE	AMOUNT (\$BILLIONS)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cites	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-Entitlement Units of Local Government	\$19.5

ARPA included \$195.3 billion for the 50 states and the District of Columbia. Of this amount, \$25.5 billion will be allocated equally to the 50 states and the District of Columbia (ARPA also requires \$754.9 million to be paid to the District of Columbia, which is equal to difference between the amount that the District of Columbia would have received from the Coronavirus Relief Fund (CRF) had the District of Columbia been treated as a state rather than as a territory under the CRF allocations provided by the CARES Act).

After the equal allocation to the 50 states and the District of Columbia and the “additional amount” for the District of Columbia, approximately \$169 billion remains in the account. The Act requires that this remaining amount be allocated to each state and the District of Columbia “in an amount which bears the same proportion to such remainder as the average estimated number of seasonally-adjusted unemployed individuals (as measured by the Bureau of Labor Statistics Local Area Unemployment Statistics program) in the State or District of Columbia

over the 3-month period ending with December 2020 bears to the average estimated number of seasonally adjusted unemployed individuals in all of the 50 States and the District of Columbia over the same period.”

You can view the allocations for states [here](#), territories [here](#), counties [here](#) and cities [here](#).

Contact Tidal Basin today for assistance with obtaining and managing ARPA funds for your programs



About Carlos Castillo

Carlos Castillo serves as the Senior Vice President and Chief Development Officer (CDO) for Tidal Basin Group. As CDO, Carlos oversees the growth functions of the company and Tidal Basin’s operations in the Caribbean.

An internationally recognized leader in emergency and disaster management with more than 40 years’ experience, Carlos joined Tidal Basin directly from FEMA, where he most recently held the position of Acting Deputy Administrator for Resilience, leading an organization of more than 1,300 employees across the following sectors:

- The Federal Insurance & Mitigation Administration
- The National Preparedness Directorate
- The Grant Programs Directorate
- National Continuity Programs
- The Office of Counterterrorism and Security Preparedness
- The Office of Resilience Integration and Coordination

He also served as FEMA’s Assistant Administrator for Disaster Assistance where he led the Individual and Public Assistance Programs after Hurricanes Katrina, Rita, and Ike among other major disasters.

Prior to his work with FEMA, Carlos held several leadership roles at the local, national, and international levels. His 26-year career with Florida’s Miami-Dade County in fire and emergency services included managing some of the nation’s largest disasters and three years as Director of Emergency Management where he managed the county’s response and recovery for the 2004 and 2005 historic hurricane seasons.

He also served as the Regional Disaster Officer of the South Florida Region American Red Cross. Carlos was instrumental in developing the Urban Search and Rescue Response System for the United States, and internationally for the U.S. Agency for International Development’s Office of U.S. Foreign Disaster Assistance. In addition to his decades of government experience, he also led the disaster risk reduction consulting services for a large consulting firm.

Click [HERE](#) to contact Carlos