



# ARPA Spending

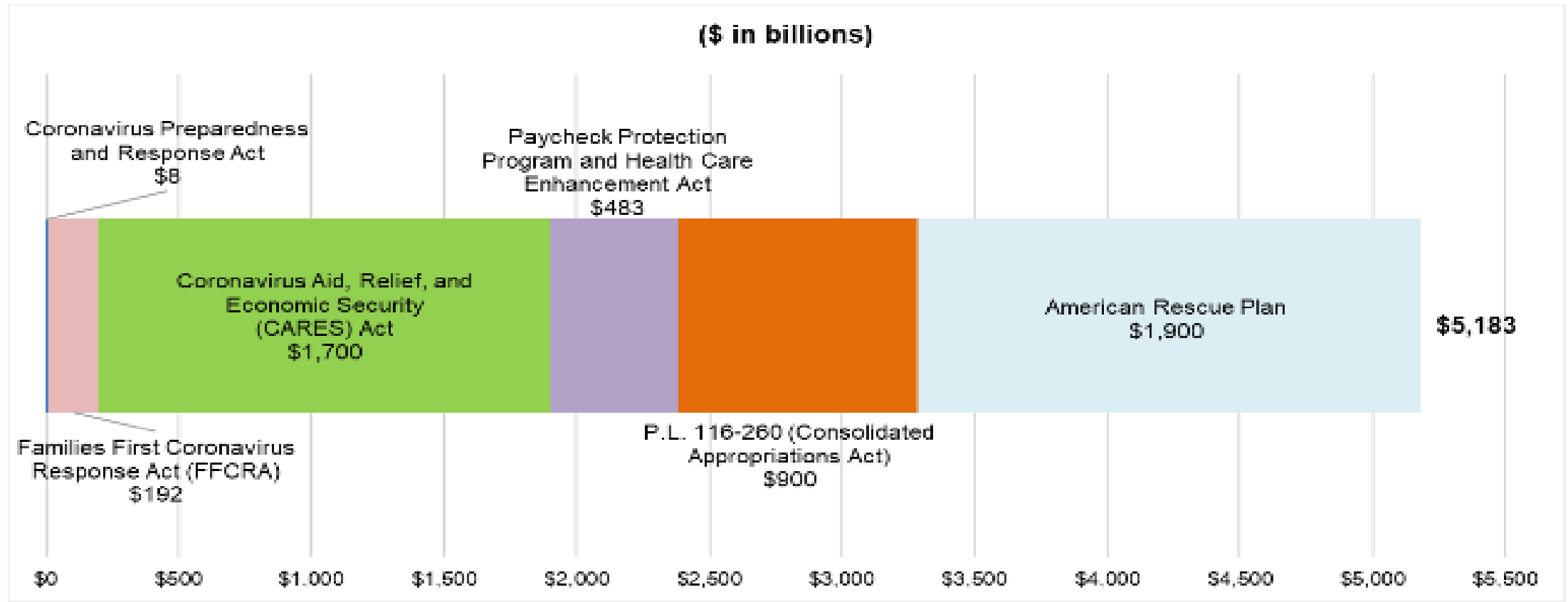
March 26, 2022

Emily Maher, Senior Policy Specialist, Fiscal Affairs Program, NCSL

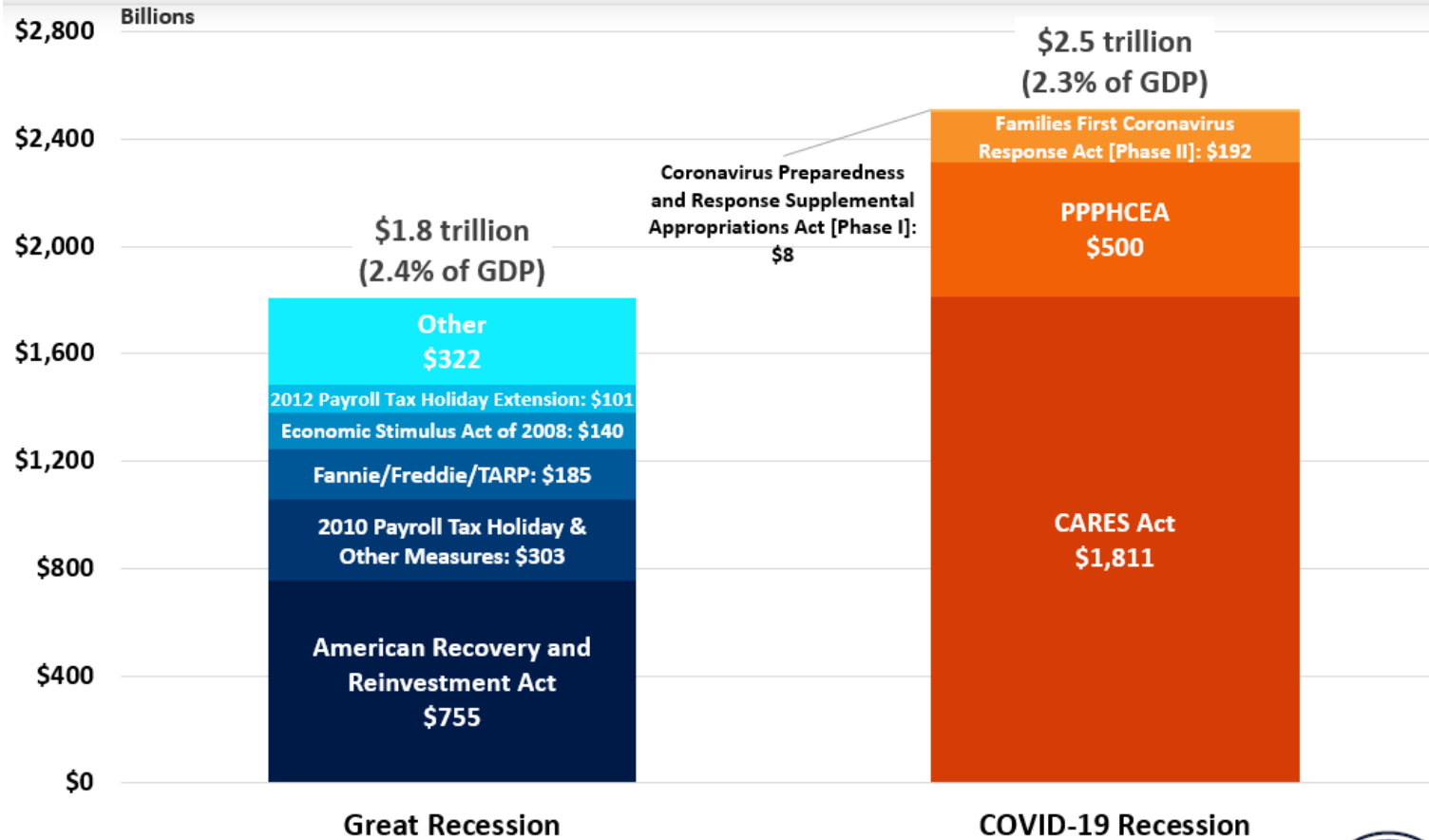
Austin Reid, Senior Legislative Director, State-Federal Relations, NCSL

Greg Mennis, Director, Public Sector Retirement Systems, The Pew Charitable Trusts

# Enacted COVID-19 relief funding

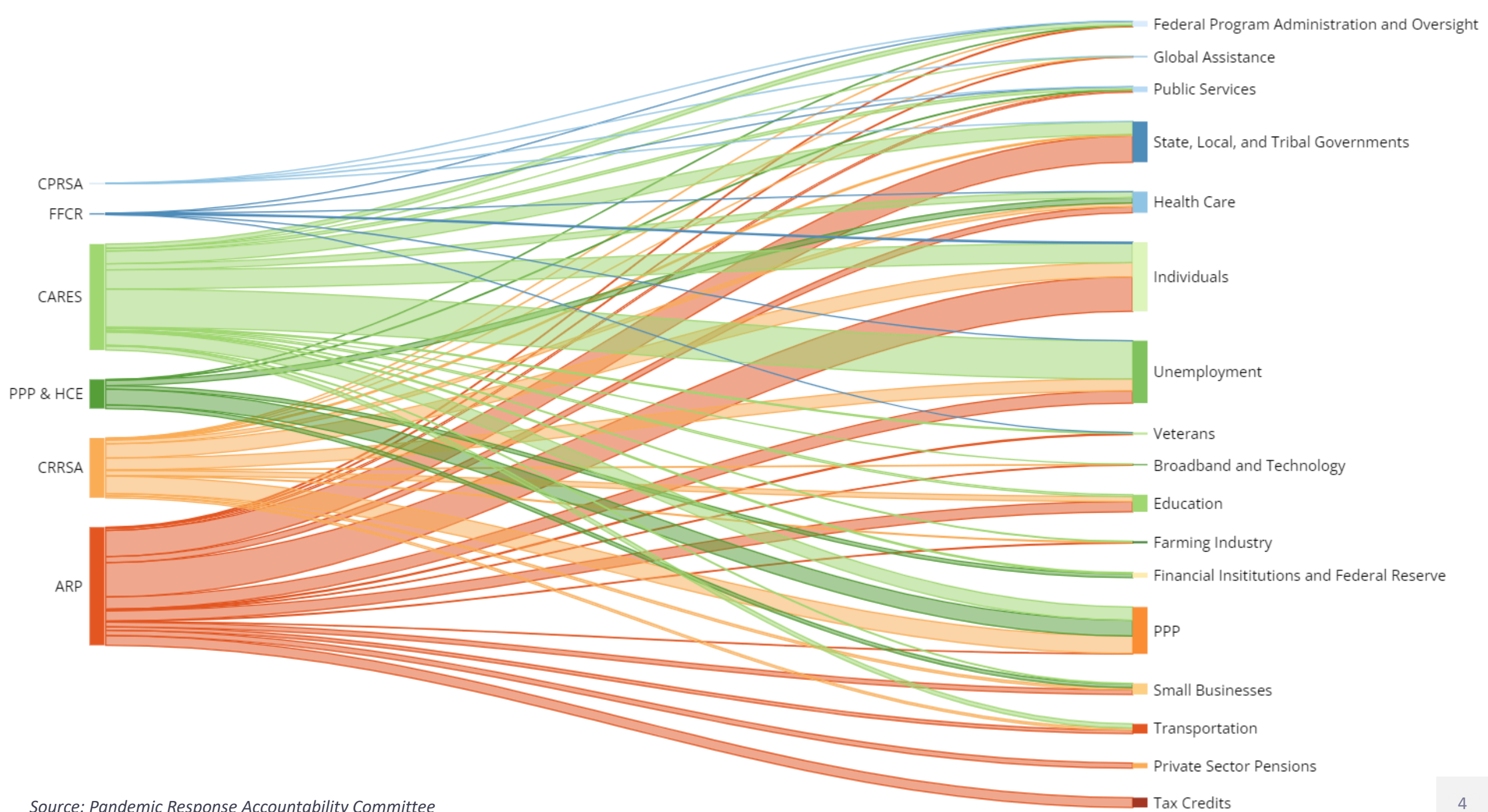


# Cost of COVID-19 and Great Recession Responses



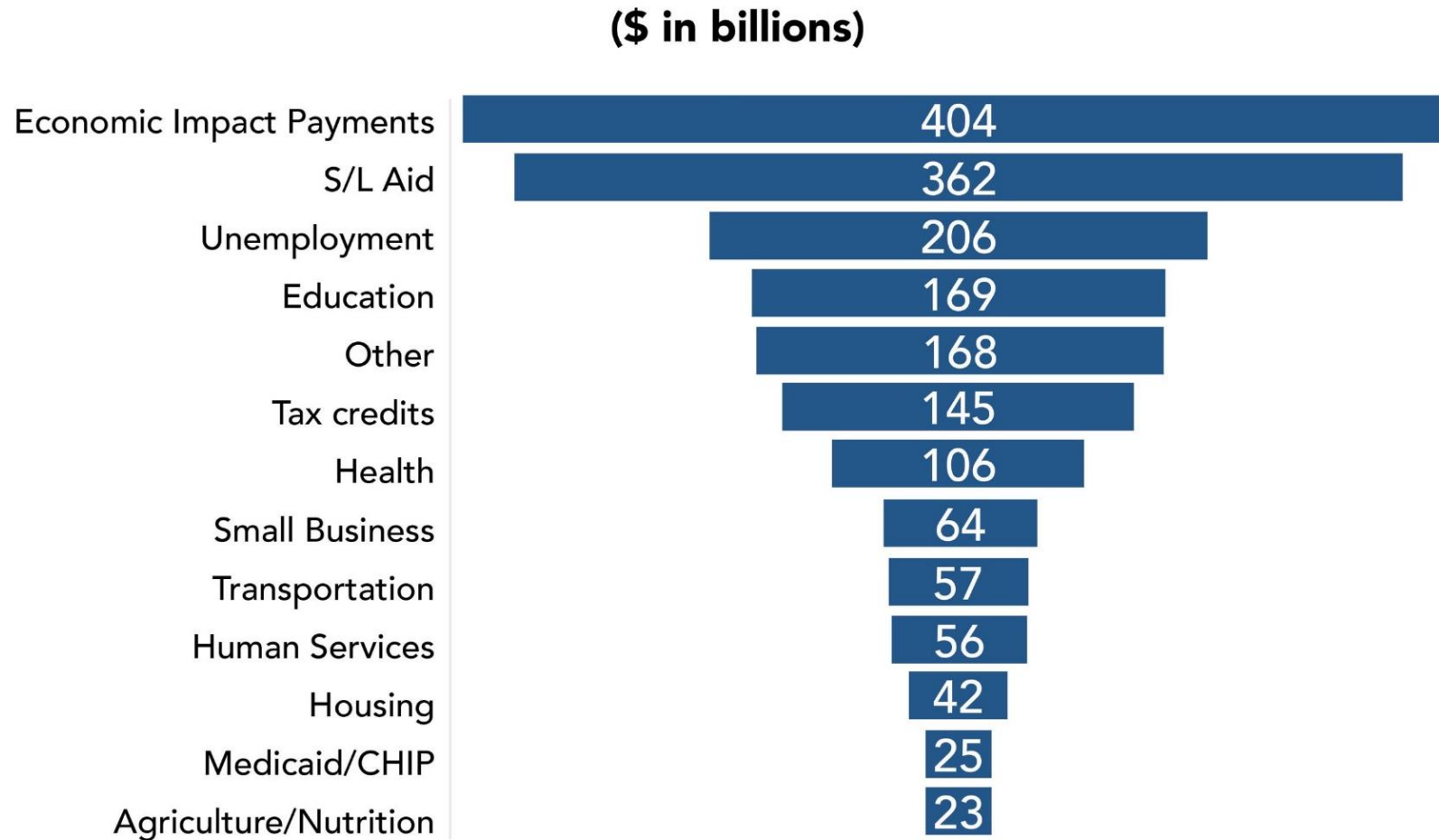
Note: Figures reflect 5-year cost estimates  
 Source: CBO, CRFB Calculations





Source: Pandemic Response Accountability Committee

# American Rescue Plan Act Funding





# Federal Education Relief Aid

March 26, 2022

# Education Stabilization Fund

	CARES	CRRSA	ARPA	Total
<b>K-12 (ESSER)</b>	\$13.2	\$54	\$123	\$190
<i>Per pupil (in 1000s)</i>	<i>(\$270)</i>	<i>(\$1100)</i>	<i>(\$2600)</i>	<i>(\$3,970)</i>
<b>Governors (GEER)</b>	\$3	\$1.3	-	\$4.3
<b>Higher Ed (HEER)</b>	\$14	\$22	\$40	\$76
<b>Private K-12 (EANS)</b>	-	\$2.7	\$2.75	\$5.45
	<b>\$30.75</b>	<b>\$82</b>	<b>\$168</b>	<b>\$281</b>

estimates in billions

# Education Relief Aid in the 21<sup>st</sup> Century

## American Recovery and Reinvestment Act (ARRA)

- \$98 billion in education grant programs
- **Policymaking: Top-Down, Federal/State Priorities**
- **Goal: Relief**
  - \$48.6b – State Fiscal Stabilization Fund
  - \$10b Title I + \$11.7b IDEA
- **Goal: Reform**
  - \$4.35b - Race to the Top
  - \$~4b - School Improvement Grants, innovation grants

## COVID Relief Packages (ARPA, CRRSA, CARES)

- \$281 billion in grant programs
- **Policymaking: Bottom-Up, Local Priorities**
- \$190b in state and local relief aid for K-12
  - 10% reserved for statewide uses
  - 90% for local discretion, no state/federal influence
  - Extremely flexible uses
- **Goals: Response, Relief, Recovery**



# ESSER State Plans and Spending

What role do states play in the ESSER program?

## APRA State Set-Aside + Plans

- 2/3 of ESSER III funds available in March 2021
- USED required state plans to receive 1/3 of ESSER III funds
- ESSER III Set-aside
  - 5%: learning loss
  - 1%: afterschool
  - 1%: summer school
  - 2.5%: discretionary

## State Legislative Action on ESSER

- States had to approve receipt of ESSER funds
- [NCSL blog](#) on 2021 state legislation on ESSER
  - States appropriated set-aside
  - States offered legislative guidance on local use of funds

## ESSER State Plan Themes

- [NCSL ESSER state plan tracker](#) + [NCSL blog](#)
- 29 plan tutoring
- 31 for students with disabilities
- 25 to support curriculum
- 20 to assist with mental health
- 13 to expand CTE

# ESSER Local Spending

Districts control \$171 billion | ~\$30 billion has been drawn down as of January 31st

## Implementation

- Funds obligated by Sept 2024, spent by Jan 2025
- Districts have broad flexibility in using funds, must tie to COVID-19
- Districts submit plans to state, then request reimbursement as funds are spent

## Local Challenges

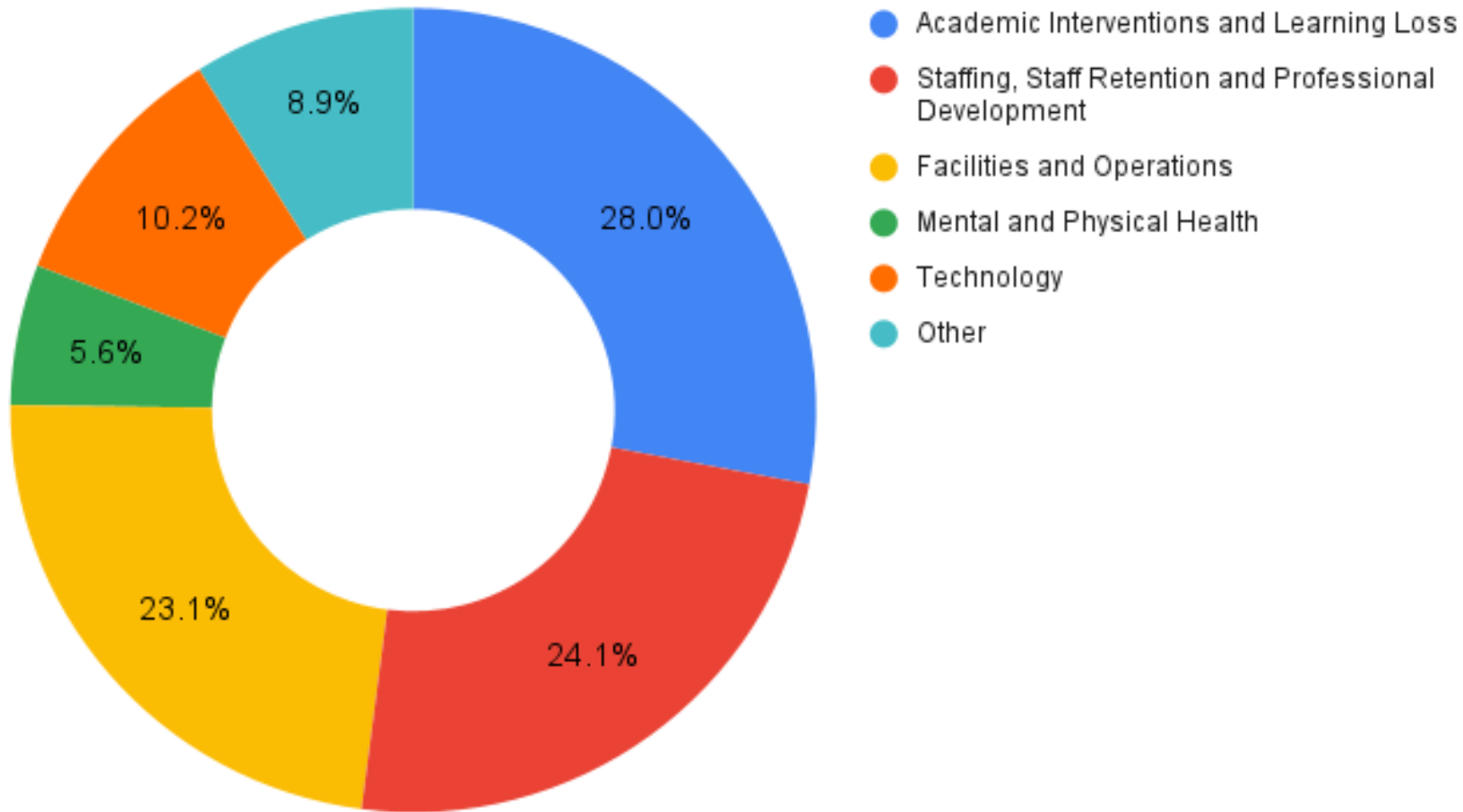
- District capacity limited
- Supply chain + contract issues
- Labor Shortages
- “Fiscal cliff” concerns

## Tracking Challenges

- District plans are very hard to locate
- District plans aren’t always accounting documents
- More funds “obligated” than counted as “spent”
- Spending data is opaque

## Planned ESSER III Spending by Category

Source: Burbio ESSER III analysis of over 3000 ESSER III spending plans representing 60% of US K-12 public school



# ESSER Maintenance of Effort + Maintenance of Equity

12 provisions for states to consider

## CARES MOE

- FY20: Spending on K-12 and higher education at least same amount as spending averaged from FY17-19
- FY21: Spending on K-12 and higher education at least same amount as spending averaged from FY17-19
- Waiver authority for declines

## CRRSA + ARP MOE

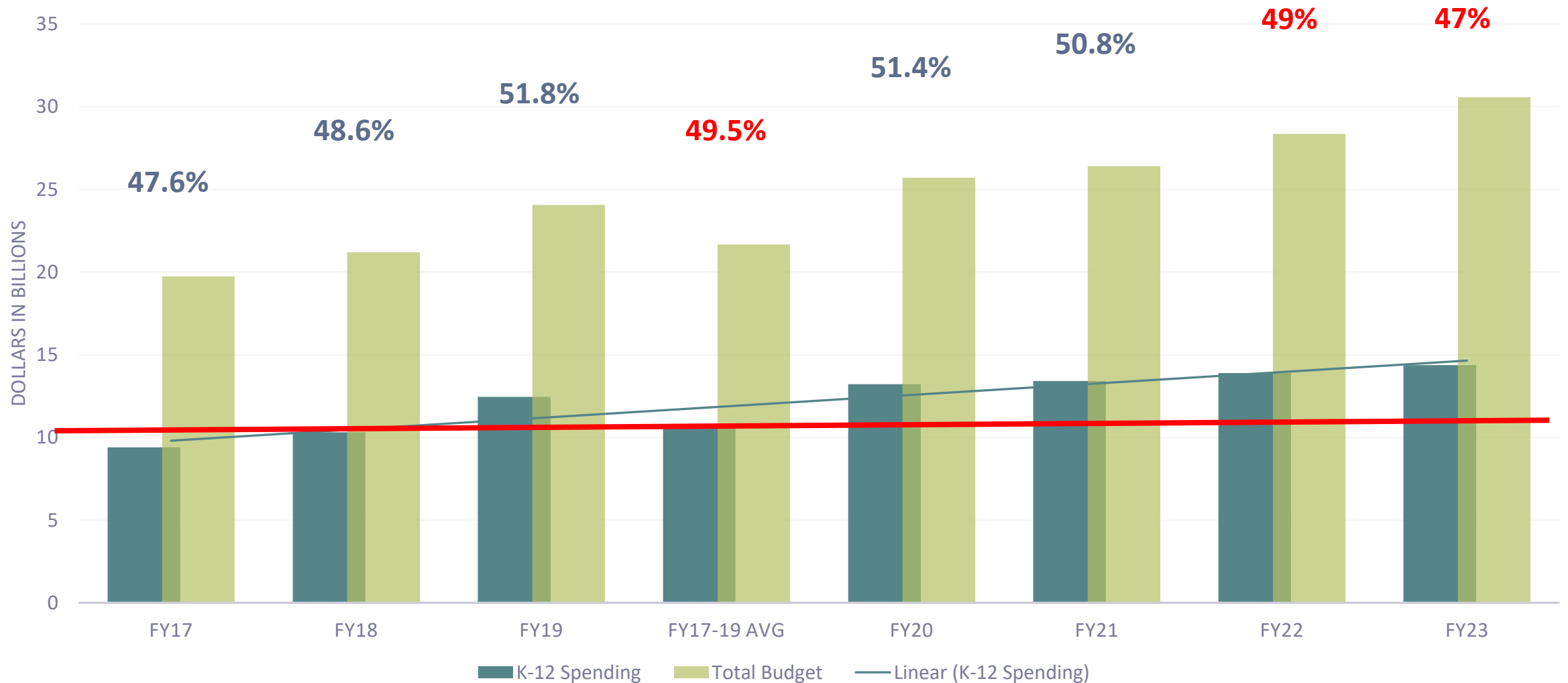
- FY22: Spending on K-12 and higher education (each) at least same share of total spending averaged from FY17-19
- FY23: Spending on K-12 and higher education (each) at least same share of total spending averaged from FY17-19
- Broader waiver authority- CRF and SLFRF can count as match

## State and Local MOEquity

- State MOEquity: FY22 and FY23
  - No disproportional cuts to 50% “high-need” districts
  - No cuts to 20% “highest poverty” districts below FY19 funding
- Local MOEquity: FY22 and FY23
  - No disproportional cuts to high-poverty schools
  - No disproportional staffing cuts to high-poverty schools

# State Challenges with Maintenance of Effort

## Washington State K-12 Education Spending



# State Challenges with MOE + MOEquity

## NASBO February 2022 Survey

- 43 states, 1 territory responded
- Maintenance of Effort
  - 24 states indicated concerns with meeting MOE
  - 8 states indicated they were unsure
- Maintenance of Equity
  - 11 states indicated concerns with meeting MOEquity
  - 15 states indicated they were unsure

## 24 Pending MOE Waiver Requests

	K-12				Higher Education			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Colorado		X				X		
Kansas							X	
Minnesota			X	X			X	X
North Dakota							X	X
New Hampshire			X	X				
New Jersey							X	
Puerto Rico	X	X	X	X	X	X	X	X
Washington			X	X			X	X

# NCSL “Federal Education Relief Aid” Resolution

The National Conference of State Legislatures believe state fiscal requirements for education relief aid **should only ask states to maintain aggregate funding levels or serve as a guide for how states can make cuts to education if facing revenue declines.**

The National Conference of State Legislatures believe state fiscal requirements **should not be used to compel states to make fiscal or policy decisions** beyond the purposes enumerated above, **which includes requiring states to increase funding for education or distribute funds to local education agencies by methods other than a state’s statutorily defined school funding formula.**



# ARPA Flexible Funds: Trends and Processes

March 26, 2022



# Flexible Spending for States



## Distribution

- \$350 billion to state and locals
  - 195.3 billion - states and the District of Columbia
  - \$4.5 billion - territories
  - \$130.2 billion - local governments
- Formula disbursement – minimum allocation and unemployment rate
- Tranche disbursement
- Funds must be obligated by Dec. 31, 2024 and spent by Dec. 31, 2026.



## Guidance

- Allowable uses:
  - Emergency and Economic effects of pandemic
  - 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
- Ineligible uses:
  - Towards pensions or to offset revenue resulting in a tax cut
  - Rainy Day Funds
- Final Rule effective April 1

# More on the Final Rule

## Revenue Replacement

- Standard allowance for revenue loss of up to \$10 million.
- Allows recipients to select the standard amount of revenue loss calculation.
- Government services = services traditionally provided by a gov'n't

## Public Health/Econ. Impacts

- Clarifies the use for capital expenditures
- Expands “impacted and “disproportionately impacted” definitions

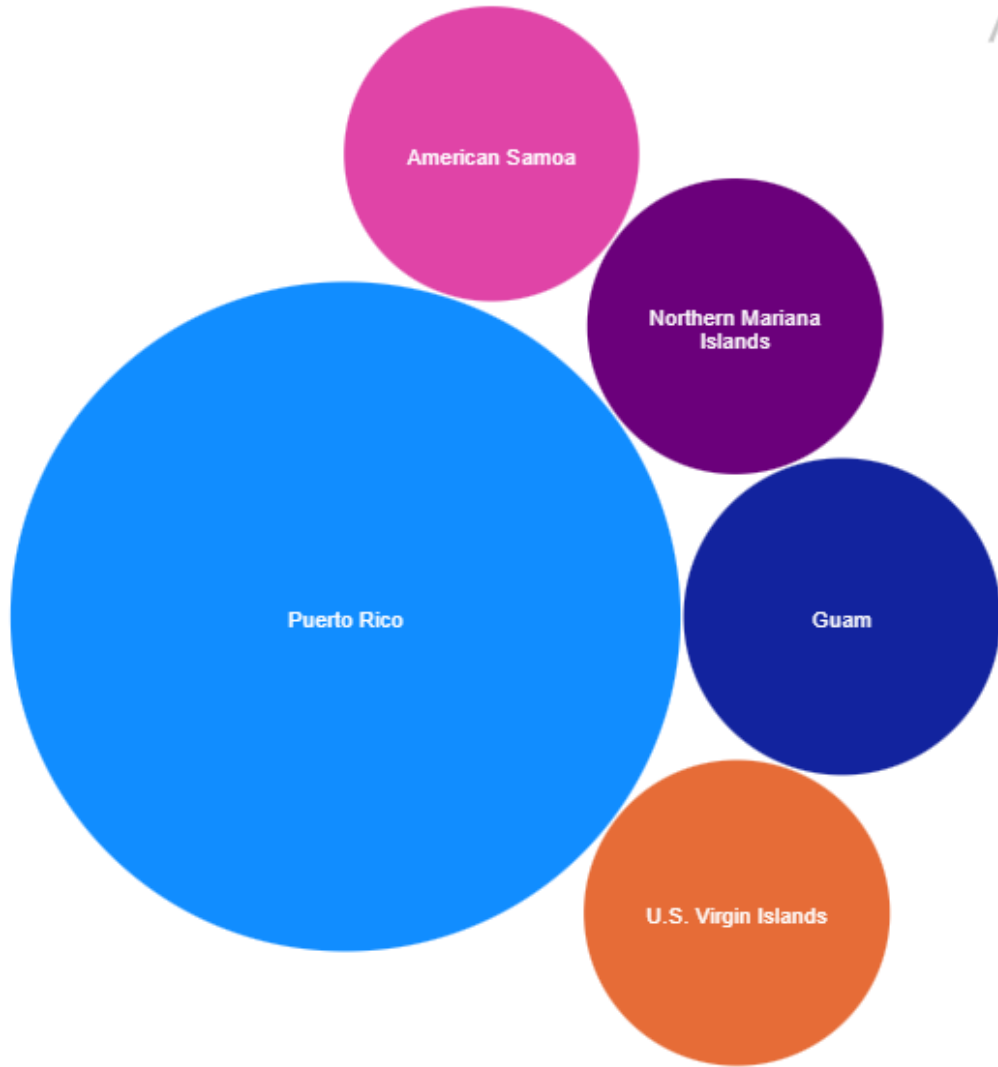
## Premium Pay

- Broadens the share of eligible workers
- Without a written justification
- Focus on lower-income and frontline workers

## Water, Sewer & Broadband

- Broadens flexibility for broadband access, affordability, and reliability
- Adds eligible water and sewer investments



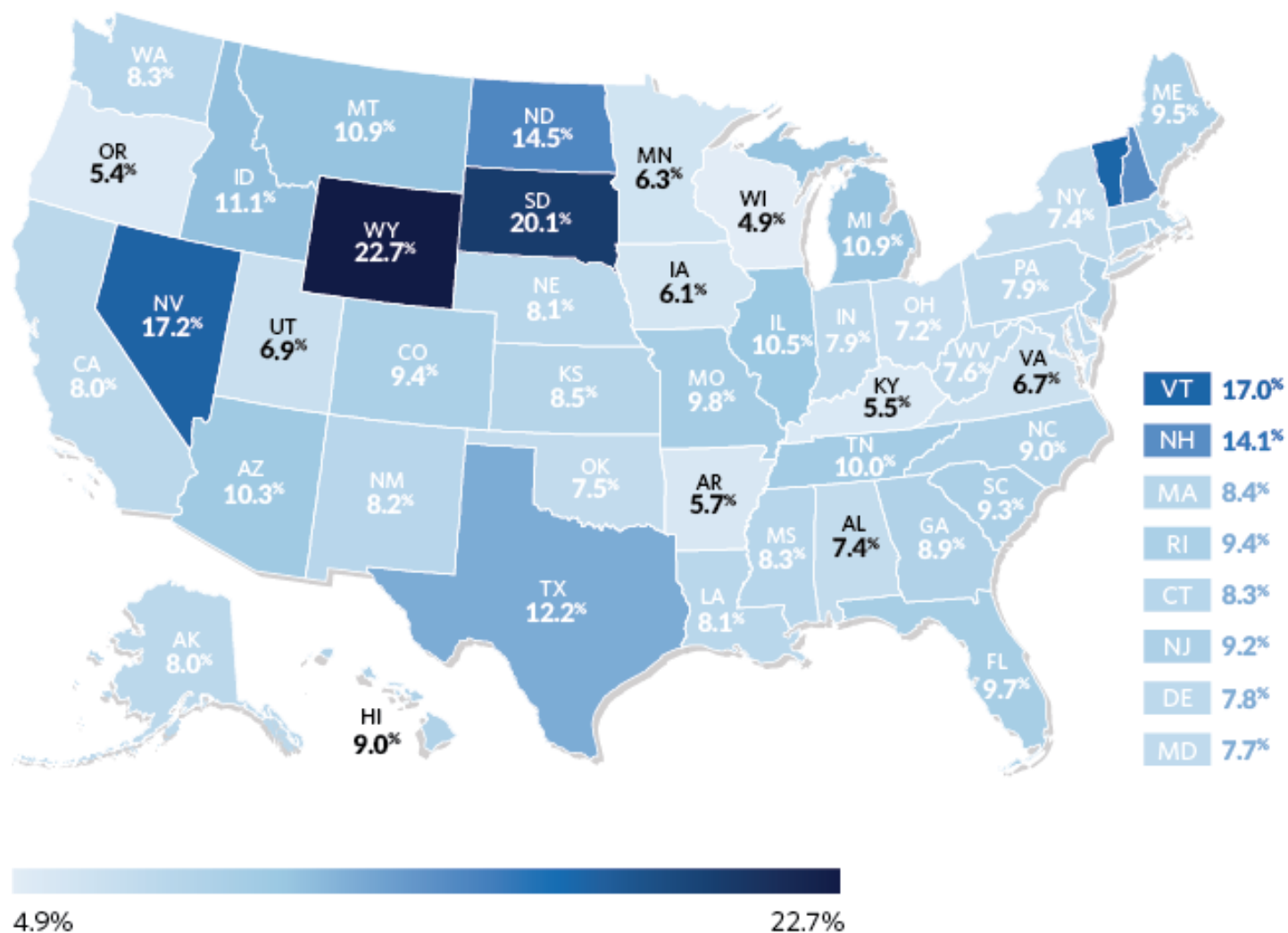


Territory	Total Funding (in millions)	Funding Based on Population (in millions)	Funding from Even Distribution (in millions)
American Samoa	\$479.14	\$29.14	\$450
Guam	\$553.58	\$103.58	\$450
Northern Mariana Islands	\$481.88	\$31.88	\$450
Puerto Rico	\$2,470.06	\$2,020.06	\$450
U.S. Virgin Islands	\$515.34	\$65.34	\$450

Source: U.S. Department of *Treasury*.

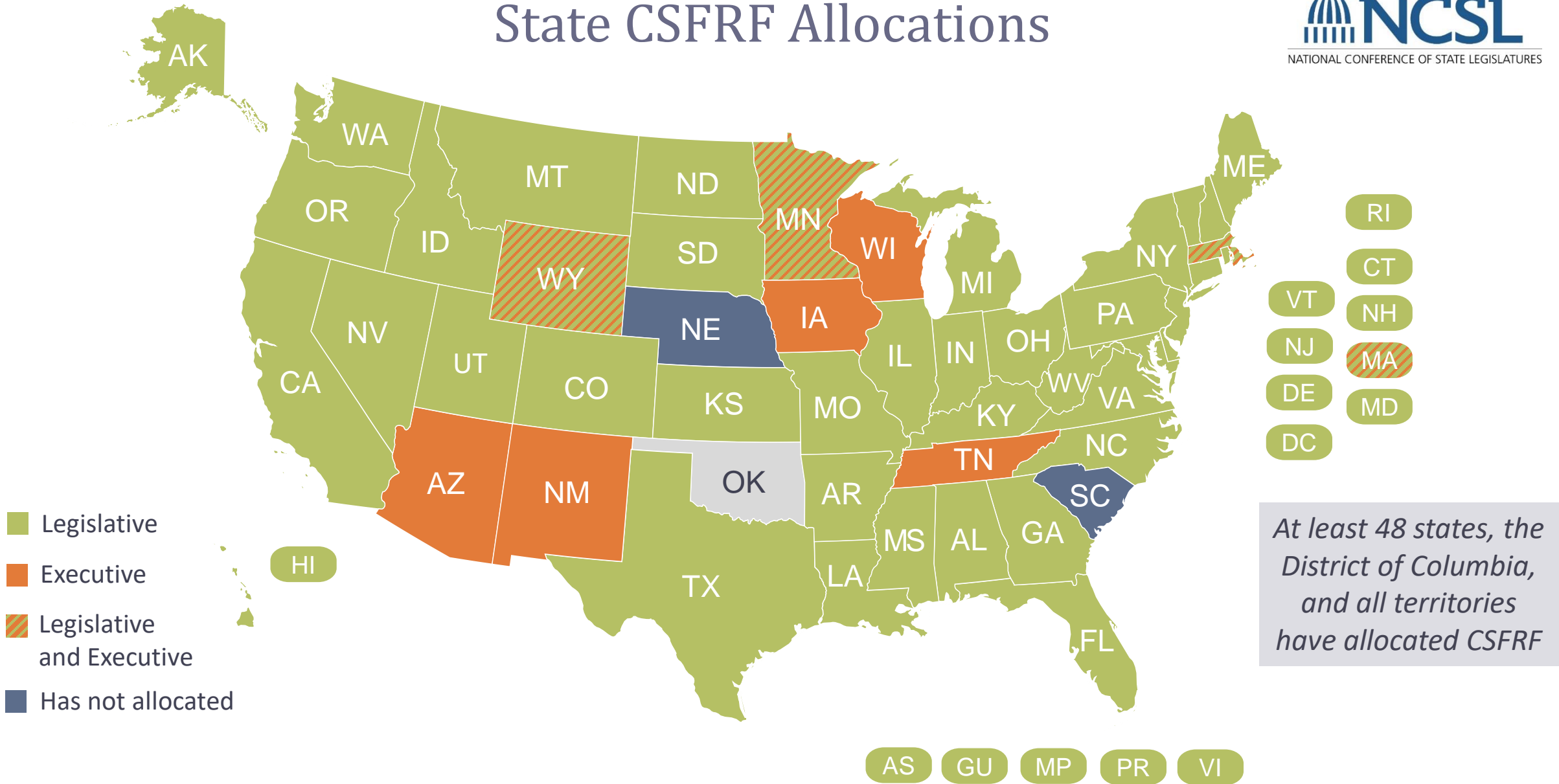
# How ARPA Aid Compares With the Size of States' Budgets

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.

# State CSFRF Allocations



*At least 48 states, the District of Columbia, and all territories have allocated CSFRF*

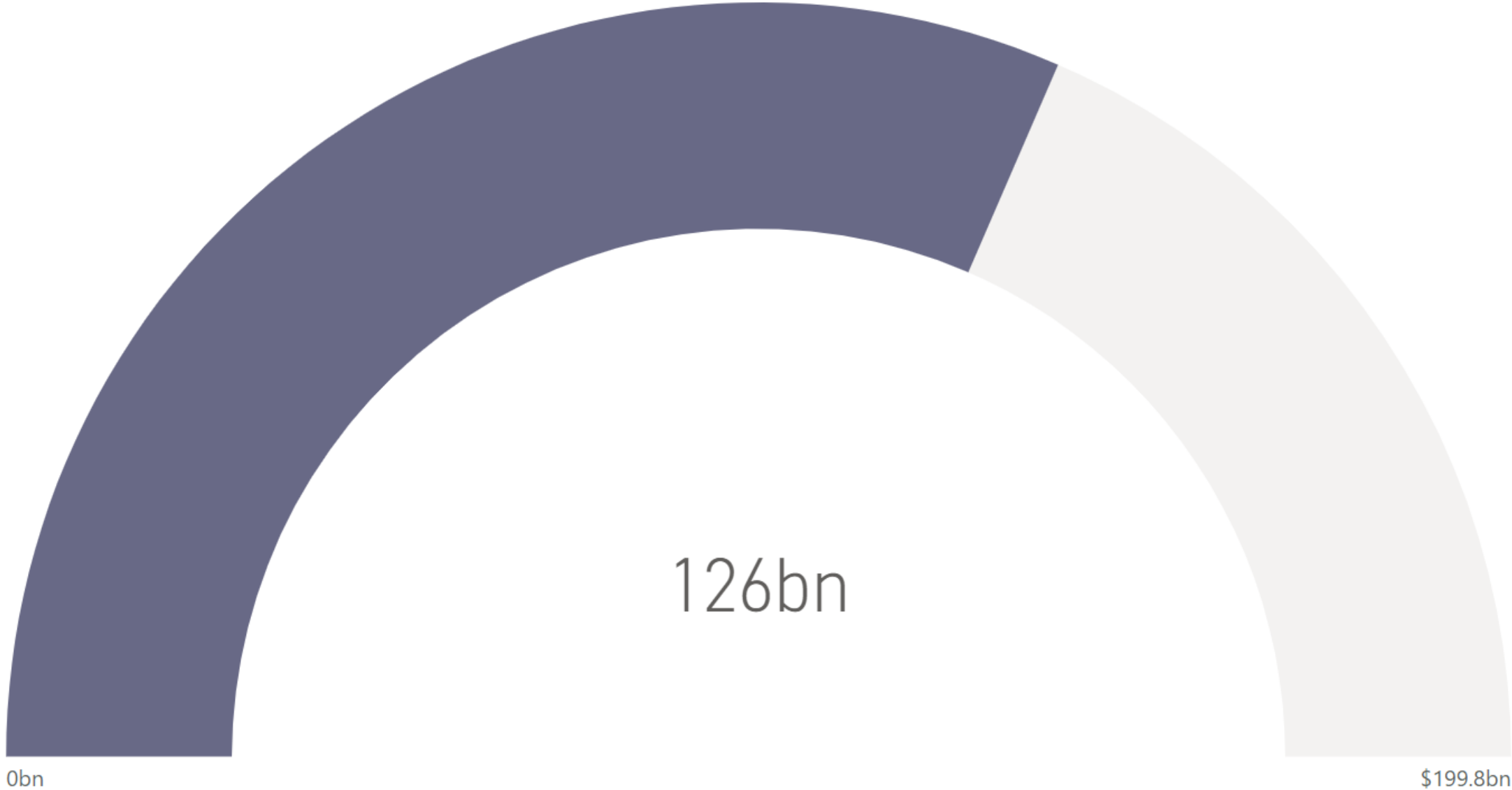
# Allocation Timelines Vary

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



# Total Allocated vs. Est. Full Disbursement

States, D.C., plus Territories





**Fiscal Recovery Fund Categories**

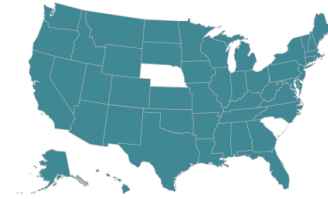
- Arts, Culture and Tourism
- Economic Relief and Development
- Education
- Health Services
- Human Services
- Infrastructure
- Public Health Response
- State Operations and Administration
- Unemployment Trust Fund
- Water Infrastructure
- Workforce Development

**States**

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

**Authority**

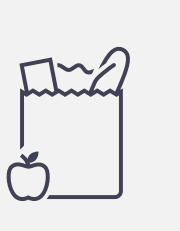
- Select all
- Executive
- Legislative




**Description Search**

Category	State	Authority	Description	Source
Arts, Culture and Tourism	Florida	Legislative	\$10 million to the Department of State for the 2022-2023 Cultural Facilities Grants ranked list.	Legislation
Arts, Culture and Tourism	Florida	Legislative	\$13.8 million to the Department of State for the design and construction of an artifact curation facility.	Legislation
Arts, Culture and Tourism	Florida	Legislative	\$23 million to the Department of Environmental Protection for the acquisition of Rattlesnake Key Recreational Park.	Legislation
Arts, Culture and Tourism	Florida	Legislative	\$30.3 million to the Department of State for African-American Cultural and Historical Grants.	Legislation
Arts, Culture and Tourism	Washington	Legislative	\$20 million for assistance to arts businesses.	Legislation
Arts, Culture and Tourism	Washington	Legislative	\$200,000 for a grant to a Tacoma based automotive museum as business assistance to address COVID-19.	Legislation


# CSFRF Major Allocation Categories




**Broadband**




**Economic Relief**



**Education**



**Housing**



**Human Services**



**State Ops/Admin.**



**Arts and Tourism**



**Unemployment Trust Fund**



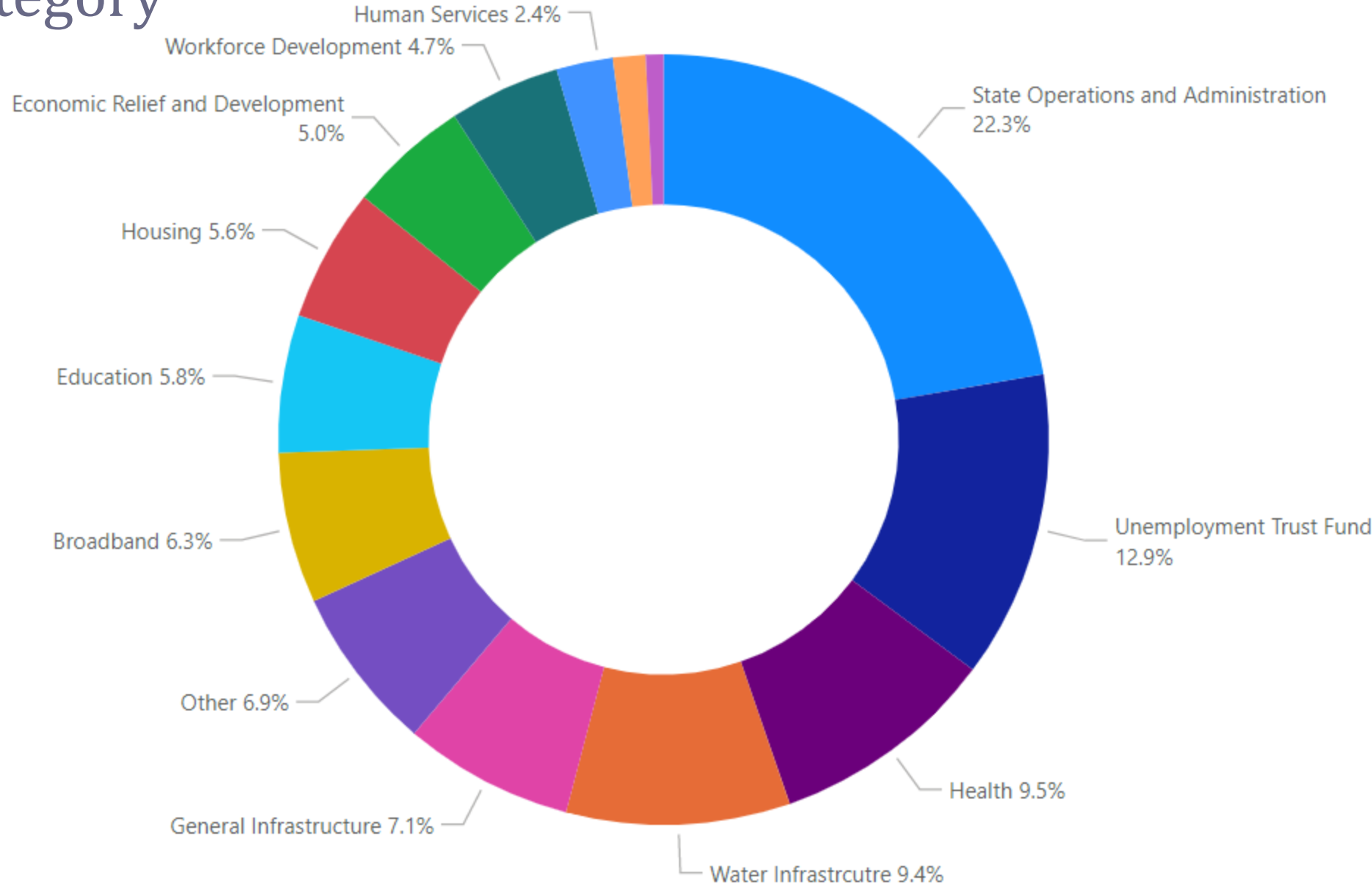
**Water Infrastructure**



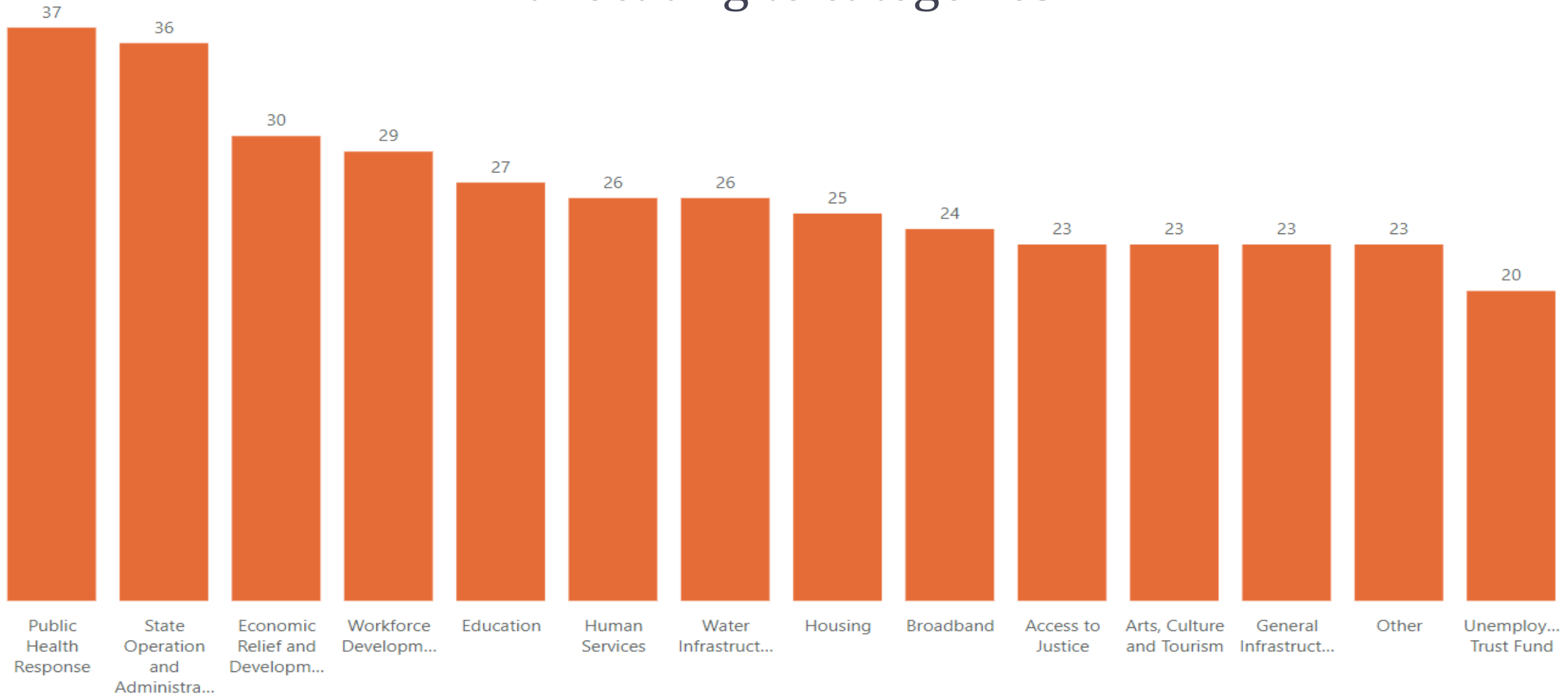
**Workforce Development**

 **Public Health still a major priority!**

# Amount Allocated Per Category



# Number of states and territories allocating to categories



## More on Tranches

- 30 states subject to split
- 20 states and the District of Columbia received full disbursement.
- Combined - \$155.8 billion out the door initially.
- \$39.5 billion coming in May.





# What About the Capital Projects Fund?

- \$10 billion for “critical capital projects that directly enable work, education, and health monitoring, in response to the public health emergency”
- Distribution – fixed amount, population size, amount of people living in rural areas, proportion of individuals with a household income below 150% of the poverty line; divided equally for territories, Hawaii, tribal governments
  - \$9.8 billion reserved for the states, the District of Columbia, and Puerto Rico.
  - \$100 million reserved for territories.
  - \$100 million reserved for tribal governments and the state of Hawaii (for Native Hawaiian programs).
- Uses
  - Critical need caused or exacerbated by the pandemic
  - Address critical need of the community
  - Directly enable work, education and health monitoring



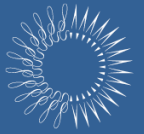
# Avoiding the Fiscal Cliff

- Managing one-time expenditures
  - Non-recurring vs. recurring
  - Coordinating with local governments
  - Oversight measures
- 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

# Questions?







THE PEW CHARITABLE TRUSTS

# ARPA SPENDING: SPOTLIGHT ON INFRASTRUCTURE

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# Allowable Uses of Recovery Funds



## Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



## Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



## Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



## Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



## Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



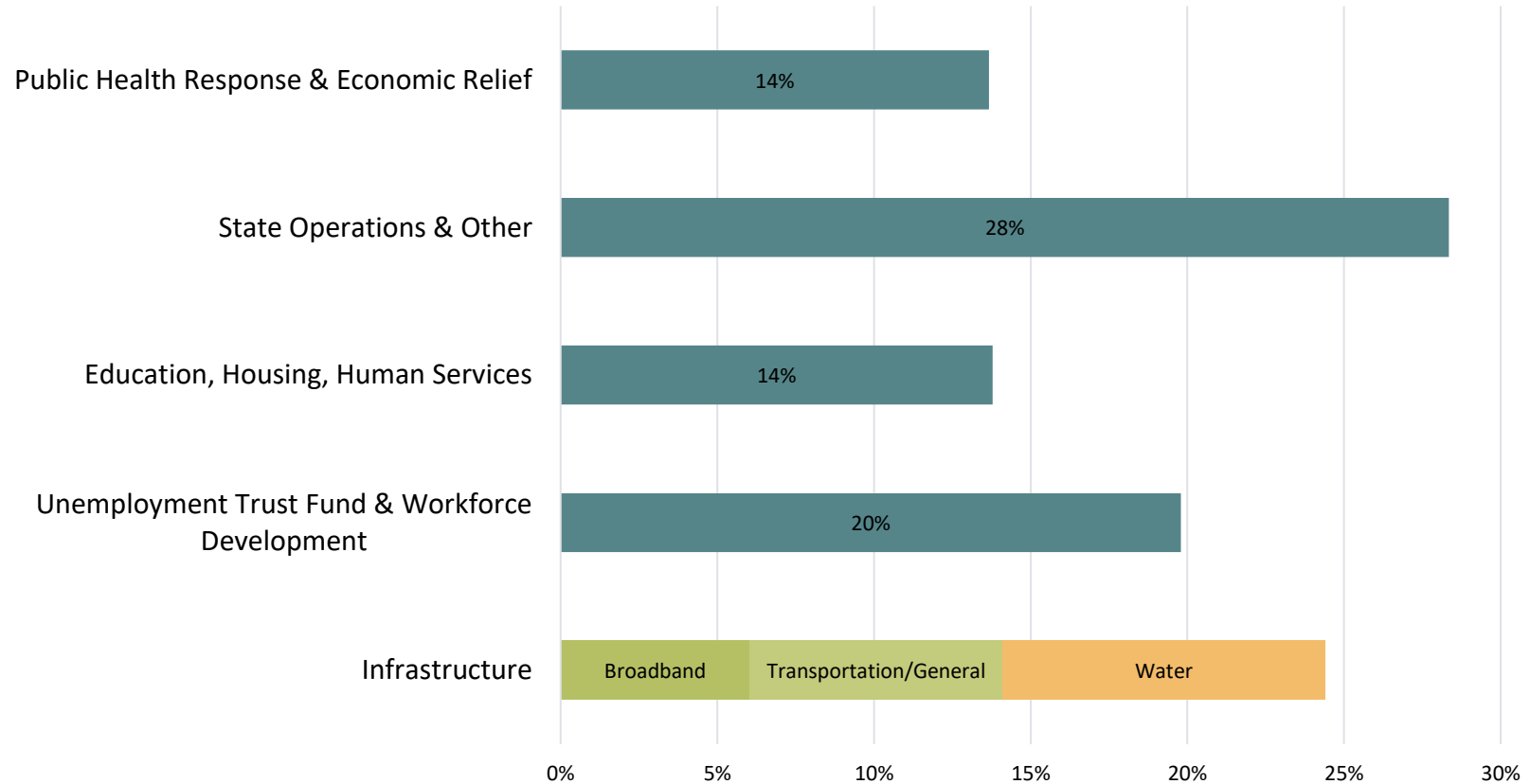
## Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

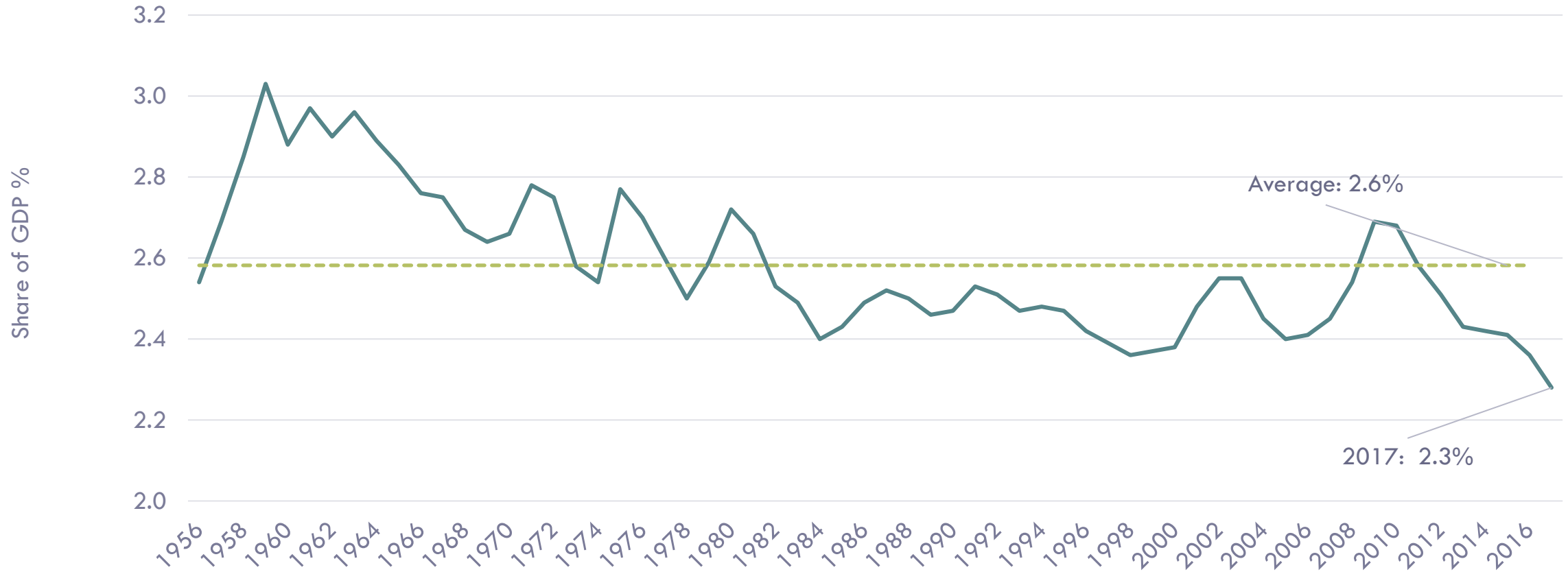
Source: NACo [overview](#) of Treasury Final Rule for ARPA Fiscal Recovery Funds.

# Use of Recovery Funds to Date

State Commitments of Recovery Fund Allocations As of January



# Public Spending on Transportation and Water Infrastructure as a Share of GDP 1956 to 2017

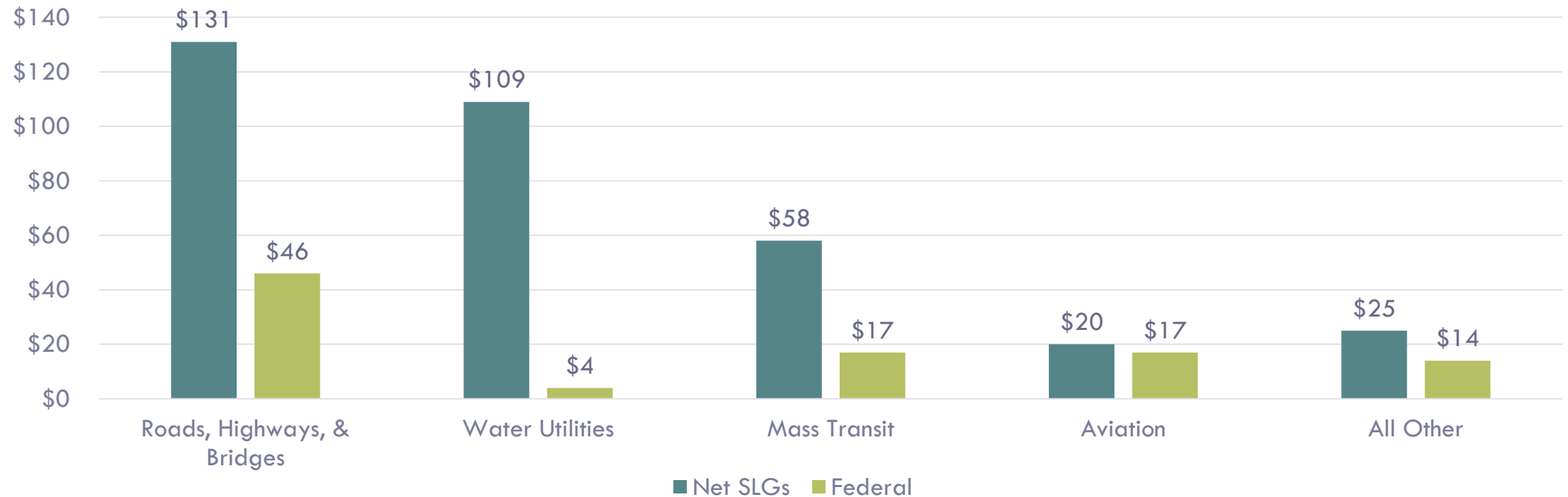


Source: [Congressional Budget Office \(2018\)](#)

# Increased Costs to State and Local Budgets

Roads & Bridges, Mass Transit, Water infrastructure account for most spending

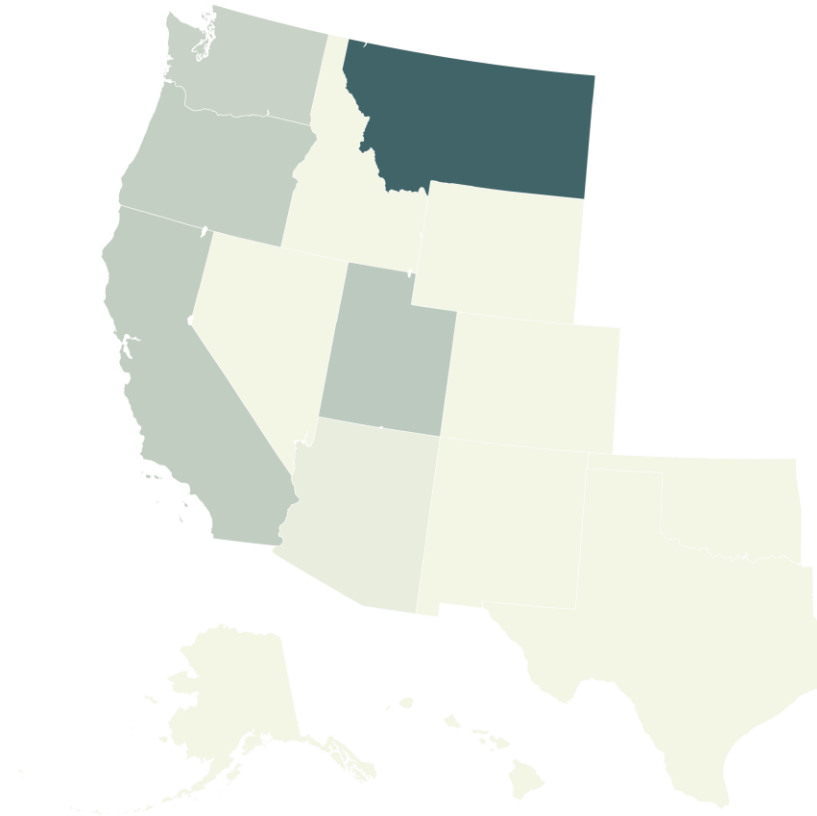
Public Spending on Transportation & Water Infrastructure  
By Category (2017, \$ Billions)



Source: CBO

# States that are Making Water Infrastructure a Priority

6 out of 15 states have committed ARPA funds to water related infrastructure or projects



Source: Pew Analysis using data from NCSL ARPA tracker as of January 2022.

# Research Focus for Infrastructure

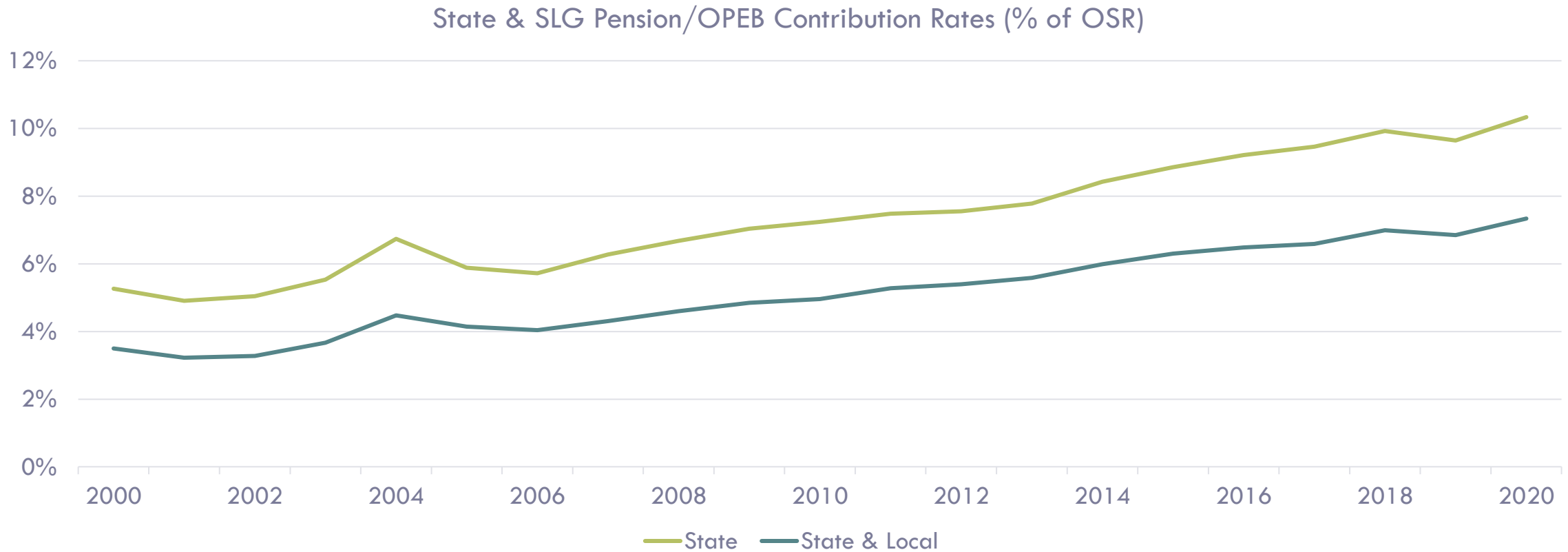
- Measurement of Deferred Maintenance
- Prioritizing and Scoring Projects
  - Reducing Long-Term Costs
  - Supporting Economic Growth
  - Ensuring Climate Resiliency
  - Promoting Equity

# APPENDIX



# Trends - Progress on Pensions

## Improved Fiscal Discipline Raises Funding, Crowds Out Other Spending



Source: Pew analysis using data from comprehensive annual financial reports, valuations, and other public documents, or as provided by plan officials.

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