ARPA Spending

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Cost of COVID-19 and Great Recession Responses

### Great Recession
- **0.2%** American Recovery and Reinvestment Act
- **0.2%** Economic Stimulus Act of 2008
- **0.2%** Fannie/Freddie/TARP
- **0.5%** 2011/2012 Payroll Tax Holiday
- **0.4%** Other

### COVID-19 Recession
- **1.5%** American Rescue Plan
- **1.6%** CARES Act
- **0.8%** Response & Relief Act
- **0.5%** Other

**Note:** Figures reflect 5-year cost estimates measured against 5-year GDP

**Source:** CBO, CRFB Calculations
American Rescue Plan Act Funding

<table>
<thead>
<tr>
<th>Category</th>
<th>Funding ($ in billions)</th>
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<tbody>
<tr>
<td>Economic Impact Payments</td>
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<tr>
<td>S/L Aid</td>
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<tr>
<td>Unemployment</td>
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<td>Education</td>
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<td>Other</td>
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<td>Tax credits</td>
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<td>Health</td>
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<td>Small Business</td>
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<td>Transportation</td>
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<td>Human Services</td>
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<td>Housing</td>
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<td>Medicaid/CHIP</td>
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<tr>
<td>Agriculture/Nutrition</td>
<td>23</td>
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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

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 obligate by Dec. 31, 2024 and spend 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 cuts
  - 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 govt

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
Second Tranche PORTIONS (!) on Its Way for 20 states and D.C.
At least 49 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.

- CSLFRF Begins
- Prior to Interim Rule
- End of Fiscal Year
- Special Sessions or Interim
- 2022 Legislative Sessions
- May 2022
- Post- 2nd Tranche
Total Allocated vs. Est. Full Disbursement
States, D.C., plus Territories

133bn

$199.8bn
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!
<table>
<thead>
<tr>
<th>Category</th>
<th>Number of States Allocating</th>
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<tbody>
<tr>
<td>Broadband</td>
<td>26</td>
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<tr>
<td>Economic Relief</td>
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<tr>
<td>Education</td>
<td>29</td>
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<tr>
<td>Housing</td>
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<tr>
<td>Human Services</td>
<td>29</td>
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<tr>
<td>State Ops/Admin.</td>
<td>41</td>
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<tr>
<td>Arts and Tourism</td>
<td>27</td>
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<tr>
<td>Unemployment Trust Fund</td>
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<tr>
<td>Water Infrastructure</td>
<td>31</td>
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<tr>
<td>Workforce Development</td>
<td>32</td>
</tr>
<tr>
<td>Public Health</td>
<td>41</td>
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</table>

*Number of states allocating to categories

*at least
Amount Allocated Per Category

- State Operations and Administration 21.8%
- Other 6.9%
- Health 9.6%
- Water Infrastructure 11.1%
- General Infrastructure 6.8%
- Broadband 6.2%
- Education 5.7%
- Housing 5.5%
- Economic Relief and Development 4.8%
- Workforce Development 4.6%
- Human Services 2.4%
- Unemployment Trust Fund 12.2%
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, the 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 needs caused or exacerbated by the pandemic
  - Address the critical need of the community
  - Directly enable work, education, and health monitoring
Lessons Learned?

Challenges ahead?
## Education Stabilization Fund

<table>
<thead>
<tr>
<th></th>
<th>CARES</th>
<th>CRRSA</th>
<th>ARPA</th>
<th>Total</th>
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<tbody>
<tr>
<td>K-12 (ESSER)</td>
<td>$13.2</td>
<td>$54</td>
<td>$123</td>
<td>$190</td>
</tr>
<tr>
<td><em>Per pupil (in 1000s)</em></td>
<td>($270)</td>
<td>($1100)</td>
<td>($2600)</td>
<td>($3,970)</td>
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<tr>
<td>Governors (GEER)</td>
<td>$3</td>
<td>$1.3</td>
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<td>$4.3</td>
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<td>Higher Ed (HEER)</td>
<td>$14</td>
<td>$22</td>
<td>$40</td>
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<td>Private K-12 (EANS)</td>
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<td>$2.7</td>
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<td><strong>$30.75</strong></td>
<td><strong>$82</strong></td>
<td><strong>$168</strong></td>
<td><strong>$281</strong></td>
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</table>

estimates in billions
## Elementary and Secondary School Emergency Relief (ESSER) Fund

<table>
<thead>
<tr>
<th>Fund</th>
<th>Totals</th>
<th>Spend Rate (2/28/22)</th>
<th>Obligation Date</th>
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<tbody>
<tr>
<td>ESSER I (via CARES)</td>
<td>$13.5 billion</td>
<td>$11.6 billion (87.5%)</td>
<td>09/30/22</td>
</tr>
<tr>
<td>ESSER II (via CRRSA)</td>
<td>$54.3 billion</td>
<td>$17.9 billion (33%)</td>
<td>09/30/23</td>
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<tr>
<td>ESSER III (via ARPA)</td>
<td>$123.7 billion</td>
<td>$6.7 billion (5.5%)</td>
<td>09/30/24</td>
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<tr>
<td></td>
<td>$189.5 billion</td>
<td>$36.2 billion (19.1%)</td>
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# Education Relief Aid in the 21st 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**
NCSL Education Stimulus Analysis

• **Federal Stimulus Funds for Education Page**

• **School District ESSER Spending**

• **CSRF Education Spending Analysis**

• **CRF Education Spending Analysis**

• **ARPA ESSER III State Plan Trends**

• **Legislative Action on ESSER Fund**
## ESSER Local Spending

Districts control $171 billion ESSER funds

### Implementation
- Districts gained access to ESSER III Fall 2021 through Spring 2022
- Districts have broad flexibility in spending funds, must tie to COVID-19 or “pre-existing challenges that would impede recovery”

### Local Challenges
- “Fiscal cliff” concerns
- Shifting priorities
- District capacity challenges
- Labor shortages
- Supply chain + contract issues
- Inflation

### Tracking Challenges
- District plans can be hard to locate
- District plans aren’t always accounting documents
- More funds “obligated” than counted as “spent”
- Spending data is opaque
District ESSER Spending Data

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

- 28.0% Academic Interventions and Learning Loss
- 24.1% Staffing, Staff Retention and Professional Development
- 23.1% Facilities and Operations
- 10.2% Mental and Physical Health
- 8.9% Technology
- 5.6% Other
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

<table>
<thead>
<tr>
<th>Year</th>
<th>K-12 Spending</th>
<th>Total Budget</th>
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<tr>
<td>FY17</td>
<td>48.6%</td>
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<td>FY18</td>
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<tr>
<td>FY22</td>
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<tr>
<td>FY23</td>
<td>47%</td>
<td>50.8%</td>
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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

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY20</th>
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</table>
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.
Questions?