

# Considerations on American Rescue Plan Funds for Pennsylvania's Local Governments

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City and county officials, advocates, and concerned residents across Pennsylvania are having conversations about how local governments should prioritize spending American Rescue Plan (ARP) funds. Pennsylvania's local governments received a total of nearly \$5.8 billion in Coronavirus Local Fiscal Recovery Funds via the American Rescue Plan, the \$1.9 trillion federal package adopted in March 2021, to help them respond to the COVID-19 crisis and its economic aftermath and to kick-start their local economies. The ARP provided funds to counties, metropolitan areas, and small towns, and these entities have until the end of 2024 to obligate this money.

In this brief, we discuss the intentions and purpose of the American Rescue Plan and considerations for local decision makers and advocates.

Perhaps most important is understanding that **American Rescue Plan funds are relief funds. Similar to relief funds provided after a hurricane, these funds should be used to address the impact of the crisis and set the region up for a strong recovery.**

Investments that directly address the COVID-19 crisis and its impacts will set up localities to be healthier and stronger. Importantly, investments that will help local governments recover from the pandemic—things like providing funds for housing, utilities, and food and investing in child care, health care, workforce training and small business support—are the same types of investments that will support robust economies and equitable communities in the long term.

## **ARP Guidance Encourages States and Localities to Focus on Disparities Made Worse by the Pandemic**

The Department of the Treasury has issued interim final guidance for the Coronavirus Local Fiscal Recovery Funds so local governments can engage in a robust public input process, disperse funds quickly to aid in the recovery from the COVID-19 pandemic, and kick-start local economies. To meet these goals, these funds are incredibly flexible so they can be used to address the specific needs of each locality.

In particular, the guidance notes that disparities and inequities were made worse by the pandemic and encourages states to support a robust economic recovery by focusing on addressing those inequities:

“...although the pandemic's impacts have been widespread, both the public health and economic impacts of the pandemic have fallen most severely on communities and populations disadvantaged before it began. Low-income communities, people of color, and Tribal communities have faced higher rates of infection, hospitalization, and death, as well as higher rates of unemployment and lack of basic necessities like food and housing. Pre-existing social vulnerabilities magnified the pandemic in these communities, where a reduced ability to work from home and, frequently, denser housing amplified the risk of infection. Higher rates of pre-

existing health conditions also may have contributed to more severe COVID-19 health outcomes. Similarly, communities or households facing economic insecurity before the pandemic were less able to weather business closures, job losses, or declines in earnings and were less able to participate in remote work or education due to the inequities in access to reliable and affordable broadband infrastructure.”<sup>1</sup>

A key element of ARP funds used by local governments is equity, and in particular, promoting equitable, long-term outcomes. As the Treasury’s interim final guidance notes, the “Fiscal Recovery Funds provide resources **to not only respond to the immediate harms of the pandemic but also to mitigate its longer-term impact** in compounding the systemic public health and economic challenges of disproportionately impacted populations. The **Treasury encourages recipients to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with long-term benefits for health and economic outcomes.**”<sup>2</sup> Local governments are required to report on their efforts to promote equity by describing “efforts to date and intended outcomes to promote equity. Each annual report thereafter must provide an update, using qualitative and quantitative data, on how the recipients’ approach achieved or promoted equitable outcomes or progressed against equity goals during the performance period.”<sup>3</sup>

This encouragement to focus on the hardest-hit communities and households shows up in the Treasury’s guidance over the specific ways the American Rescue Plan allows local governments to spend their fiscal recovery funds. Allowable uses of the funds include the following:

1) **Response to the public health emergency.** This includes COVID-19 mitigation and prevention including supports for vulnerable populations to access medical or public health services, medical expenses, behavioral healthcare including mental health treatment and substance misuse treatment and funding certain public health and safety staff.<sup>4</sup>

Notably, the Treasury says funds can be used not only to respond to immediate health needs but also to **“address disparities in public health that have been exacerbated by the pandemic,”**<sup>5</sup> which could include things like permanently strengthening the mental health system.

2) **Response to the negative economic impacts** caused by the public health emergency by providing services and programs, including food assistance; rent, mortgage, or utility assistance; counseling or legal aid to prevent eviction or homelessness; cash assistance; emergency home repair, etc. Support can also go to small businesses, nonprofits or to aid impacted industries. The Treasury’s interim final rule

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<sup>1</sup> Department of the Treasury, “Interim Final Rule.” 31 CFR Part 35, RIN 1505-AC77, p. 5. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

<sup>2</sup> The Treasury’s Interim Final Rule, p. 41. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

<sup>3</sup> Department of Treasury, “Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds,” June 24, 2021, p. 24-25. Accessed at: <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

<sup>4</sup> The Treasury’s Interim Final Rule, p. 18-21. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

<sup>5</sup> The Treasury’s Interim Final Rule, p. 17. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

encourages local governments to focus on **“the needs of households and businesses that were disproportionately and negatively impacted by the public health emergency.”**<sup>6</sup>

Local governments should plan to keep records and document how funds have benefited or were distributed to those suffering economic harm due to the pandemic. However, greater flexibility and discretion in the use of funds exist for programs or relief targeted to lower-income neighborhoods. (See number 6 below.)

3) **Replacement of lost public sector revenue.** The Treasury’s interim final rule provides a formula to calculate how much a local government’s revenues have fallen below expected levels as a result of the pandemic and allows localities to use their relief funds to fill this gap. This helps to ensure that the pandemic doesn’t lead to harmful cuts to public services. These funds are very flexible and can be used on anything local governments need.

4) Payment of **premium wages to essential workers.** Funds can be used to offer additional support to those who have taken on the greatest health risks because of their service in critical infrastructure sectors. Premium pay can be up to \$13 per hour in addition to wages otherwise received, not to exceed \$25,000 per eligible worker.

The Treasury encourages local governments to prioritize low-income, eligible workers performing essential work for essential pay.<sup>7</sup> The Treasury guidance notes that low-wage workers and workers of color have **“borne a disproportionate share of the health and economic impacts of the pandemic,”** including: staff at nursing homes, hospitals and home care settings; workers at farms, food production facilities, grocery stores and restaurants; janitors and sanitation workers; child care workers, educators, and other school staff; public health and safety staff; social service and human services staff; and truck drivers, transit staff, and warehouse workers..

5) **Investment in water, sewer, and broadband infrastructure.** Funds can be used to make necessary improvements to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand access to broadband.

6) **Targeting of services to the hardest-hit communities.** Beyond the specific uses noted above, the Treasury guidance explains that a wide range of services to low-income residents and communities are allowable uses of local fiscal recovery funds. For example, ARP spending is deemed allowable if funds are provided within a qualified census tract (QCT – a low-income area designated by the Department of Housing and Urban Development) to families living in a QCT or to other populations disproportionately impacted by the pandemic. These eligible uses include

- **addressing health disparities and the social determinants of health.** This can be through funding community health workers, public benefits navigators, remediation of lead hazards, and/or community violence intervention programs.
- **investing in housing and neighborhoods,** including services to help those facing homelessness, housing vouchers, affordable housing development, residential counseling, etc.

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<sup>6</sup> The Treasury’s Interim Final Rule, p. 41. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

<sup>7</sup> The Treasury’s Interim Final Rule, p. 46-49. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

- **addressing educational disparities** through new or expanded early learning services, services to high-poverty districts, and after-school programs or services to address the emotional, social, and mental health needs of students.
- **promoting health childhood environments** through high-quality child care, home visiting programs, and enhanced services for child welfare.<sup>8</sup>

## Considerations for Local Governments

As local governments work to develop a plan to best use these ARP funds to address deep economic and racial inequities, and to support a robust recovery, they should consider the following:

### 1) Engage in a robust public input process to help inform spending strategies

The Treasury guidance on the ARP urges “...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 economic recovery and rebuilding.”<sup>9</sup> Each locality is required to report on its community input process following this instruction: “Please describe how your jurisdiction’s planned or current use of funds incorporates written, oral, and other forms of input that capture diverse feedback from constituents, community-based organizations, and the communities themselves.”<sup>10</sup>

Some localities have developed multiple mechanisms for community members, leaders, and organizations to engage in the process.

- Youngstown, Ohio, held a summit of city stakeholders and a series of community listening sessions, conducted a stakeholder survey, and provided residents with a way to propose community projects that fell into one of the allowable spending categories.<sup>11</sup>
- Kim Janey, mayor of Boston, Massachusetts, announced a “Let’s Go Better” listening campaign, an equitable recovery task force, and [a survey](#), all of which will help inform the city’s ARP spending plan. In Boston, virtual community meetings were held on a variety of topics like affordable homeownership, support for small businesses, substance use disorders, career training, quality jobs, and child care. The task force will be set up for a 12-month period and is made up of more than 30 representatives from labor, business, nonprofit, and community organizations, as well as representatives from the education, health care, and housing sectors.<sup>12</sup>

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<sup>8</sup> U.S. Department of Treasury, “Fact Sheet: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver \$350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs,” May 10, 2021. Accessed at: <https://home.treasury.gov/system/files/136/SLFRF-Fact-Sheet-FINAL1-508A.pdf>.

<sup>9</sup> Treasury’s Interim Final Rule, p. 9. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

<sup>10</sup> Treasury’s Compliance and Reporting Guidance, p. 25. Accessed at: <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

<sup>11</sup> The City of Youngstown, “American Rescue Plan.” Accessed at: <https://youngstownohio.gov/arpsummit>.

<sup>12</sup> City of Boston Mayor’s Office, “Community Engagement Launched for Boston’s Use of American Rescue Plan Act Federal Funding,” August 10, 2021. Accessed at: <https://www.boston.gov/news/community-engagement-launched-bostons-use-american-rescue-plan-act-federal-funding>.

- The City of Tulsa in Oklahoma conducted a survey particularly aimed at understanding the impacts of the COVID-19 pandemic on communities of color and immigrants in the City. The survey was conducted in 16 languages and covered four key areas, including personal and household well-being, perception of COVID-19 response and sense of belonging, access to economic relief, and cultural/linguistic inclusion.<sup>13</sup>
- Louisville, Kentucky, also conducted a survey, the results of which are [here](#).
- Chester County, Pennsylvania, has established seven ARPA evaluation teams, which include representatives from the county's finance department, solicitor's office, and strategic planning team, as well as county employees and citizen volunteers.<sup>14</sup>

Even smaller cities and counties have figured out ways to engage their residents on ARP uses. Clarksburg, West Virginia, with a population of just over 15,000, has posted a survey and is seeking public input. Ludington, Michigan, with a population of only around 8,000 residents, has asked residents to provide feedback on how this small city should allocate its funds. The City of Wausau, Wisconsin (population just over 38,000), implemented listening sessions so they could hear from local residents.<sup>15</sup> All recipients, whether large cities or smaller towns or counties, should be able to engage their citizens and receive public input from those most impacted by the COVID-19 crisis. With this, local governments will better be able to allocate funds in a way that responds to the pressing needs of its residents.

## 2) **Ensure funds are allocated in a transparent manner.**

Once robust public input is gathered, local residents should have clear information about how local input was gathered and considered and how final decisions were made on how to spend ARP funds. Once allocated, clear details on spending plans and regular updates should be given and made accessible to the public. In the "Key Principles" section of the Department of the Treasury's Compliance and Reporting guidance, it states the importance of transparency.

The Treasury wrote: "Transparency and public accountability for SLFRF award funds and use of such funds are critical to upholding integrity and trust in all levels of government."<sup>16</sup>

As an example, Houston, Texas, has announced they will launch a website that will track the ARP spending in the city.<sup>17</sup>

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<sup>13</sup> City of Tulsa, "City Launches Survey to Understand COVID-19 Impact on Immigrants, Communities of Color," April 23, 2021. Accessed at: <https://www.cityoftulsa.org/press-room/city-launches-survey-to-understand-covid-19-impact-on-immigrants-communities-of-color/>.

<sup>14</sup> Chester County Government News, "Commissioners Seek Volunteers to Help Direct County's American Rescue Plan Act Funds," July 29, 2021. Accessed at: <https://www.chesco.org/CivicAlerts.aspx?AID=1271>.

<sup>15</sup> National League of Cities, "COVID-19: Local Action Tracker." Accessed at: <https://www.nlc.org/resource/covid-19-local-action-tracker/>.

<sup>16</sup> Treasury's Compliance and Reporting Guidance, p. 3. Accessed at: <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

<sup>17</sup> Daniela Sternitzky-Di Napoli, "Here is how you can track the city's use of American Rescue Plan funding." Click2Houston, August 11, 2021. Accessed at: <https://www.click2houston.com/news/local/2021/08/11here-is-how-you-can-track-the-citys-use-of-american-rescue-plan-act-funding/>.

- 3) **American Rescue Plan funds are relief funds. Similar to relief funds provided after a hurricane—these funds should be used to address the impact of the crisis and set the region up for a strong recovery.**

Investments that directly address the COVID-19 crisis and its impacts will set up localities to be healthier and stronger. As noted above, investments that will help local governments recover from the pandemic—support for food, utilities, and housing; child care and health care; workforce training; and small business support—are the same types of investments that will support robust economies and create equitable communities long term.

As Treasury guidance notes, the “Fiscal Recovery Funds provide resources **to not only respond to the immediate harms of the pandemic but also to mitigate its longer-term impact** in compounding the systemic public health and economic challenges of disproportionately impacted populations. **The Treasury encourages recipients to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with long-term benefits for health and economic outcomes.**”<sup>18</sup>

- 4) **Use historic federal funding as an opportunity to jumpstart long-term investments in stronger and more equitable communities.**

Some local governments are hesitant to spend ARP funds on anything that will need continued funding once ARP funds run out. In fact, some local governments are either letting funds sit in hopes that the Treasury expands its allowable uses or are only considering short-term projects that don’t need sustained funding. Localities that limit themselves only to covering one-time costs may miss a historic opportunity to *permanently* improve the lives of people long neglected by public policies. A limit to one-time costs, for example, would prevent states from permanent reforms to strengthen services to address substance use disorder, mental health services for youth, or job training.

Local governments should not let the short-term nature of federal relief funds stop them from spending a portion of their fiscal recovery funds on projects that give relief to residents, small businesses, and communities most in need. Why?

First, not all programs will need to be sustained. When you invest now to deal with the crisis, individuals and small businesses will be in a better place and residents, workers, and small businesses will likely no longer need the same type of support as the economy recovers.

Second, local governments have three years to spend ARP money giving them plenty of time for their economies to grow and revenues to increase. Spending now will help to kick-start the economy resulting in stronger revenues. Stronger revenues can be used to sustain wildly successful and effective programs if needed. This is a good thing. We would hope that good public policy has its desired effect—to improve communities.

Third, ARP funding allows local governments to try new approaches and then stick with what works. Such trials may lead to very successful programs, some of which may deserve to be preserved. If this is the case, local governments can, and should, figure out ways to raise additional revenue from corporations and individuals who have financially benefited during this crisis. Billionaires have done

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<sup>18</sup> The Treasury’s Interim Final Rule, p. 41. Accessed at: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

quite well in the COVID economy. In fact, while many residents have been struggling since the onset of the pandemic, the wealth of Pennsylvania’s billionaires doubled between March 2020 and August 2021 from \$33 to \$61 billion.<sup>19</sup> Figuring out ways for billionaires and large corporations to pay their fair share is important to ensuring our local governments have the funds they need.

**5) Investment now will improve the economy and help those most in need weather the crisis, setting counties and cities up for long-term success.**

There is plenty of evidence that the more you invest in people up front, the fewer problems and costs you have down the road. Investments in mental health care, preventative health care, housing stability, quality child care, pre-K education, workforce training—all of these investments allow people to better care for their families, go back to work, and make important contributions to their communities. This sets people up for success moving forward and sets up cities and counties for success long-term.

**6) Local governments should balance spending on infrastructure with spending to meet the immediate needs of the hardest-hit communities.** A balanced approach to using these funds offers the best promise for a robust and sustainable recovery. This fall, the federal government is considering a huge infrastructure bill. There is a lot in the [legislation](#) that will require state, county, and local entities to be involved in implementation related to clean water, public transit, upgrading the power grid, and more. This should give local leaders confidence to spend a share of their fiscal recovery funds on things other than infrastructure.

**7) Immigrants, regardless of immigration status, should have access to benefits or services created using local ARP funds.** The American Rescue Plan and the Treasury’s interim final rule makes no mention of citizenship, meaning that any benefits or services provided to your residents do not need an immigration test. Congress could have imposed this type of test and the fact that they did not indicates that they intended for people not to be excluded from programs or services based on their immigration status.<sup>20</sup> Undocumented immigrants and mixed-status families were originally excluded from CARES Act relief, so states and local governments now have an opportunity to provide support to a population that was previously excluded.

## **Conclusion**

Funds provided to state and local governments via the American Rescue Plan represent an incredible opportunity. Treasury guidance is there to help local governments figure out how best to use this money, and from what we are hearing from our federal partners, not much is expected to change between the interim final rule and the final rule. Throughout the guidance, state and local governments are urged to

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<sup>19</sup> Stephen Herzenberg, Muhammad Maisum Murtaza, Claire Kovach, “State of Working PA 2021,” Keystone Research Center, September 2021. Accessed at: [https://krc-pbpc.org/wp-content/uploads/SWP-Final\\_rev1432.pdf](https://krc-pbpc.org/wp-content/uploads/SWP-Final_rev1432.pdf).

<sup>20</sup> La-Brina Almeida. “Using State Fiscal Recovery Funds: Sustainable, Equitable, and Community-Driven Planning.” MassBudget. Accessed at: <https://massbudget.org/2021/07/19/using-state-fiscal-recovery-funds-sustainable-equitable-and-community-driven-planning/>. Center on Budget and Policy Priorities, “Memo to Interested Parties on Administering Relief Programs Without an Immigration Test, When Possible,” April 26, 2021. Accessed at: [https://drive.google.com/file/d/1426VOd\\_ma28w3BidqPM2qNfpRObcvu\\_m/view](https://drive.google.com/file/d/1426VOd_ma28w3BidqPM2qNfpRObcvu_m/view).

- respond to and address the needs of those most impacted by the crisis, which tend to be communities that were already struggling pre-pandemic.
- act quickly, yet thoughtfully, with these funds.
- seek and prioritize community input, especially from those most affected by the COVID-19 crisis.
- think long term about how investments today can build a better tomorrow.

Local ARP funds allow local government officials to invest in the households and communities that have been most hard hit by this devastating pandemic. It also provides the money needed to address inequities made worse from the pandemic and to invest in long-term solutions, which will allow cities and counties to come out of this crisis better than they started.