ARPA Spending

March 26, 2022

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Enacted COVID-19 relief funding

- Coronavirus Preparedness and Response Act: $8
- Paycheck Protection Program and Health Care Enhancement Act: $483
- Coronavirus Aid, Relief, and Economic Security (CARES) Act: $1,700
- Families First Coronavirus Response Act (FFCRA): $192
- P.L. 116-260 (Consolidated Appropriations Act): $900
- American Rescue Plan: $1,900

Total: $5,183
Cost of COVID-19 and Great Recession Responses

<table>
<thead>
<tr>
<th>Category</th>
<th>Billions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Recession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Recovery and Reinvestment Act</td>
<td>$755</td>
<td></td>
</tr>
<tr>
<td>2010 Payroll Tax Holiday &amp; Other Measures</td>
<td>$303</td>
<td></td>
</tr>
<tr>
<td>Fannie/Freddie/TARP</td>
<td>$185</td>
<td></td>
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<tr>
<td>Economic Stimulus Act of 2008</td>
<td>$140</td>
<td></td>
</tr>
<tr>
<td>2012 Payroll Tax Holiday Extension</td>
<td>$101</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$322</td>
<td></td>
</tr>
<tr>
<td>COVID-19 Recession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP/CEA</td>
<td>$500</td>
<td>Families First Coronavirus Response Act [Phase I]: $1.92</td>
</tr>
<tr>
<td>CARES Act</td>
<td>$1,811</td>
<td></td>
</tr>
<tr>
<td>Coronavirus Preparedness and Response Supplemental Appropriations Act [Phase I]: $8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures reflect 5-year cost estimates
Source: CBO, CRFB Calculations
Source: Pandemic Response Accountability Committee
American Rescue Plan Act Funding

($ in billions)

- Economic Impact Payments: 404
- S/L Aid: 362
- Unemployment: 206
- Education: 169
- Other: 168
- Tax credits: 145
- Health: 106
- Small Business: 64
- Transportation: 57
- Human Services: 56
- Housing: 42
- Medicaid/CHIP: 25
- Agriculture/Nutrition: 23
Federal Education Relief Aid

March 26, 2022
# Education Stabilization Fund

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

estimates in billions
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**
## 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](https://www.ncsl.org/) 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](https://www.ncsl.org/)
- 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

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Local Challenges</th>
<th>Tracking Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Funds obligated by Sept 2024, spent by Jan 2025</td>
<td>• District capacity limited</td>
<td>• District plans are very hard to locate</td>
</tr>
<tr>
<td>• Districts have broad flexibility in using funds, must tie to COVID-19</td>
<td>• Supply chain + contract issues</td>
<td>• District plans aren’t always accounting documents</td>
</tr>
<tr>
<td>• Districts submit plans to state, then request reimbursement as funds are spent</td>
<td>• Labor Shortages</td>
<td>• More funds “obligated” than counted as “spent”</td>
</tr>
<tr>
<td></td>
<td>• “Fiscal cliff” concerns</td>
<td>• Spending data is opaque</td>
</tr>
</tbody>
</table>
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
- 5.6% Mental and Physical Health
- 10.2% Technology
- 8.9% 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>
<th>Linear (K-12 Spending)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>48.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>51.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>49.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td>51.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>50.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY22</td>
<td>49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY23</td>
<td>47%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DOLLARS IN BILLIONS
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

<table>
<thead>
<tr>
<th></th>
<th>K-12</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY20</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Kansas</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Minnesota</td>
<td></td>
<td>X X</td>
</tr>
<tr>
<td>North Dakota</td>
<td>X</td>
<td>X X</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>New Jersey</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>X</td>
<td>X X X X X</td>
</tr>
<tr>
<td>Washington</td>
<td>X</td>
<td>X X</td>
</tr>
</tbody>
</table>

| **FY21**       |      |                  |
| Colorado       | X    |                  |
| Kansas         |      |                  |
| Minnesota      |      |                  |
| North Dakota   | X    |                  |
| New Hampshire  | X    |                  |
| New Jersey     |      |                  |
| Puerto Rico    | X    |                  |
| Washington     | X    |                  |

| **FY22**       |      |                  |
| Colorado       | X    |                  |
| Kansas         |      |                  |
| Minnesota      |      |                  |
| North Dakota   | X    |                  |
| New Hampshire  | X    |                  |
| New Jersey     |      |                  |
| Puerto Rico    | X    |                  |
| Washington     | X    |                  |

| **FY23**       |      |                  |
| Colorado       | X    |                  |
| Kansas         |      |                  |
| Minnesota      |      |                  |
| North Dakota   | X    |                  |
| New Hampshire  | X    |                  |
| New Jersey     |      |                  |
| Puerto Rico    | X    |                  |
| Washington     | 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 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 govn’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
<table>
<thead>
<tr>
<th>Territory</th>
<th>Total Funding (in millions)</th>
<th>Funding Based on Population (in millions)</th>
<th>Funding from Even Distribution (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Samoa</td>
<td>$479.14</td>
<td>$29.14</td>
<td>$450</td>
</tr>
<tr>
<td>Guam</td>
<td>$553.58</td>
<td>$103.58</td>
<td>$450</td>
</tr>
<tr>
<td>Northern Mariana Islands</td>
<td>$481.88</td>
<td>$31.88</td>
<td>$450</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>$2,470.06</td>
<td>$2,020.06</td>
<td>$450</td>
</tr>
<tr>
<td>U.S. Virgin Islands</td>
<td>$515.34</td>
<td>$65.34</td>
<td>$450</td>
</tr>
</tbody>
</table>

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.

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.

- CSLFRF Begins
- Prior to Interim Rule
- End of Fiscal Year
- Special Sessions or Interim
- Post- 2nd Tranche

2022 Legislative Sessions
May 2022
Total Allocated vs. Est. Full Disbursement
States, D.C., plus Territories

0bn
126bn
$199.8bn
CSFRF Major Allocation Categories

Public Health still a major priority!
Amount Allocated Per Category

- State Operations and Administration: 22.3%
- Unemployment Trust Fund: 12.9%
- Health: 9.5%
- Water Infrastructure: 9.4%
- General Infrastructure: 7.1%
- Other: 6.9%
- Broadband: 6.3%
- Education: 5.8%
- Housing: 5.6%
- Economic Relief and Development: 5.0%
- Workforce Development: 4.7%
- Human Services: 2.4%
Number of states and territories allocating to categories

- Public Health Response: 37
- State Operation and Administration: 36
- Economic Relief and Development: 30
- Workforce Development: 29
- Education: 27
- Human Services: 26
- Water Infrastructure: 26
- Housing: 25
- Broadband: 24
- Access to Justice: 23
- Arts, Culture, and Tourism: 23
- General Infrastructure: 23
- Other: 23
- Unemployment Trust Fund: 20
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.
SECOND TRANCHE
clawback
What About the Capital Projects Fund?

- $10 billion for “critical capital projects that direct 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?
ARPA SPENDING: SPOTLIGHT ON INFRASTRUCTURE
Allowable Uses of Recovery Funds

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 Health Response & Economic Relief: 14%
- State Operations & Other: 28%
- Education, Housing, Human Services: 14%
- Unemployment Trust Fund & Workforce Development: 20%

Infrastructure:
- Broadband
- Transportation/General
- Water

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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Please feel free to reach out!