



Cornhusker Economics

American Rescue Plan Act for Local Communities

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Biden. ARPA provides direct relief to all 19,000 cities, towns and villages across the United States affected by COVID-19. The purpose of ARPA is to support pandemic recovery efforts, replace public sector lost revenue, spur job growth, jump start economic growth through household and business stabilization and address systemic public health and economic challenges.

Funds will be administered by the U.S. Treasury directly to municipalities (over 50,000 population) and to the state for distribution to local governments with populations under 50,000. Of the \$65.1 billion, 70% of the funds (\$45.57 billion) will be allocated to cities with over 50,000 population and the remaining \$19.53 billion (30%) to the smaller locales. These are not competitive grants and do not require federal application. However, communities will need to work with the state to obtain funds.

In addition to funds for local governments, counties and states will receive ARPA funds. Anticipated Nebraska state and local allocations are currently estimated at \$1.77 billion - \$1.1 billion at the state level and \$667 million for local governments (cities and counties). The Nebraska Department of Education and school districts will receive \$545 million bringing Nebraska's estimated ARPA funds to \$2.3 Billion.

ARPA - Local Government Guidelines

Distribution guidelines for Non-Entitlement Units (NEU) of Local Governments (cities under 50,000) are

still being developed at the time of this article. However, general guidance will help communities better understand and strategically prepare for fund distribution.

The amount of funds distributed to local governments is based on the proportion of the population in the NEU (community under 50,000) as a share of the total population of all NEUs in the state, according to the most recent Census data. These are estimates that may be determined by other factors, per state recommendations. A spreadsheet of estimated funding allocations can be found on the House Committee on Oversight and Reform [website](#) (see site, bottom of page).

Eligible Usage. On May 17, the Department of Treasury issued Interim Final Rule Guidelines for usage of the ARPA funds. Categories of Eligible Uses and examples are:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff; i.e., PPE purchases, ventilation improvements in key settings, prevention/mitigation support for congregate living facilities and schools.
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and

the public sector. Examples: Supporting small businesses to address financial challenges, accelerating recovery of tourism, travel, and hospitality sectors, addressing health disparities, promoting healthy childhood environments, affordable housing development.

- **Replace lost public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic. Specific guidelines for calculating reduction in revenue will apply.
- **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors. Recipients may include staff at nursing homes, janitors, public health and safety staff, childcare workers.
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.¹

Ineligible Usage: There are two specifically addressed ineligible uses of the ARPA funds:

- No recipient may use this funding to make a deposit to a pension fund. Treasury’s Interim Final Rule defines a “deposit” as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability¹.
- Other ineligible uses include funding debt service, legal settlements or judgments, and deposits for a “rainy day” fund or financial reserves².

Fund Distribution of NEUs: After the signing of the law on March 11, cities, towns, and villages will receive the first half of the ARPA funds within approximately 90 days. The second release will be one year after the

first disbursement. The bill states that funds for local governments will remain available through December 31, 2024, and funds obligated for infrastructure projects can continue but must be completed by December 31, 2026.

NEUs will need to submit an application form to the state to receive their funds. Your community does need to have a valid Data Universal Numbering System (DUNS) number for processing fund transfer. Additional requirements and instructions from state government will be forthcoming, including reporting requirements on proposed APRA fund usage.

Community and County Opportunities

The ARPA funds create a unique situation for communities to carefully consider fund usage to mitigate, prevent, or build-up their community and county infrastructure, health and education, and/or economic structures. Community and county leaders should communicate and plan to align strategies. Leadership should encourage open dialogue concerning the use of these funds, solicit input and strategically plan for optimum fund use that will best support your community. If your community recently conducted a planning process such as a comprehensive, strategic, or other plan involving public input, this fund could help with implementation, depending on eligibility alignment.

Resources are available to assist communities process and strategize options, including the Nebraska Department of Economic Development, Nebraska Extension Rural Prosperity Nebraska, Nebraska Association of County Officials, and your local economic development districts.

¹ <https://home.treasury.gov/system/files/136/SLFRP-Fact-Sheet-FINAL1-508A.pdf>

² <https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>

² <https://www.wittobriens.com/resources/summary-of-treasurys-arpa-interim-final-rule-guidelines#Appendix1>

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