



## Trying to fit that square peg in a round hole? Your efforts at spending ARPA stimulus may get easier with pending changes

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Legislation currently under consideration in Congress may serve to dramatically expand the eligible uses of American Rescue Plan Act (ARPA) funds. The proposed [State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act](#) does not add new appropriations under ARPA, but rather frees up funding for (i) those governments which had no or low revenue impacts from COVID-19, (ii) emergency funding related to natural disasters, and (iii) an expanded list of infrastructure projects.

Under the current law, ARPA allows four buckets of eligible use: “(A) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (B) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (C) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (D) To make necessary investments in water, sewer, or broadband infrastructure” (see the U.S. Department of the Treasury’s [Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#) as of July 19, 2021, Item 4.6).

The pending legislation (S.3011), which passed the U.S. Senate on October 19, 2021, would open up the third bucket’s use (i.e., for the provision of government services) by allowing every recipient to expend ARPA funds for government services (i.e., beyond the extent of revenue reduction); define a new fifth bucket for natural disaster responses; and authorize funds to be used for

transportation and other public infrastructure projects (the latter ties in with spending categories included in the \$1 trillion federal infrastructure bill that passed the Senate on August 10, 2021).

In particular, state and local government recipients of Fiscal Recovery Funds could deploy their federal stimulus in the following new ways:

- For the provision of government services (third bucket) in the *greater* of amounts equal to (i) the calculated reduction in revenue as compared to the last full fiscal year prior to the onset of COVID-19 or (ii) \$10 million. Thus, a recipient which calculated little or no revenue loss due to the pandemic under the current ARPA law now could direct up to \$10 million of its stimulus to the broad “provision of government services” use of funds.
- To provide emergency relief from natural disasters or their negative economic impacts (new fifth bucket), including use of ARPA funds for emergency housing, food assistance and lost wages.
- For infrastructure project funding for freight and highway projects, surface transportation, and public transit projects; in some cases, stimulus could be used as local match to federal funding for such projects, or to repay federal infrastructure loans. Here, recipients could use up to the *greater* of \$10 million or 30 percent of their Fiscal Recovery Fund payment for such purposes.

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