

Strengthening State and Local Economies in Partnership with Nonprofits:

Principles, Recommendations, and Models for Investing Coronavirus State and Local Fiscal Recovery Funds

Executive Summary

Congress expressly declared in the [American Rescue Plan Act](#) (“ARPA”) that state, local, Tribal, and territorial governments may use their allocations of the \$350 billion in Coronavirus State and Local Fiscal Recovery Funds to provide “assistance to households, small businesses, **and nonprofits**, or to aid impacted industries” (emphasis added). The Treasury Department has adopted an [Interim Final Rule](#) (“Treasury IFR”) and issued a set of frequently asked questions ([Treasury Guidance FAQs](#)) that provide a non-exhaustive list of how governments may use those federal funds to respond to pandemic needs and support the organizations, communities, and populations hit hardest by the COVID-19 crisis. Specifically, governments may use the federal funds directly or through others, meaning that individual charitable nonprofits can be the recipient of assistance as well as the provider of assistance to others.

Nationwide and in every community in America, charitable nonprofits provide vital services and are a key part of the economy, employing more people than the construction, finance, and manufacturing industries.¹ During the pandemic, tens of millions more Americans than usual turned to charitable organizations for help – and nonprofits delivered. Yet resources declined for tens of thousands of nonprofits, resulting in the loss of more than 700,000 nonprofit jobs.² For communities and local economies to recover, governments need to invest in the work of nonprofits.

Serving Those Who Need It Most

Nonprofits and governments are natural partners, serving the same constituents in the same communities. Partnerships between the sectors allow for leveraging of resources, relationships, and strengths to serve those communities even better. Governments at all levels are charged to serve and invest in those within their communities. Nonprofits have close relationships and high levels of trust with those they serve. They are perfectly positioned to maximize public benefits with their deep knowledge of community needs, reach, and existing relationships, particularly in low-income and underserved or hard-to-reach populations. We as a people are stronger when governments and nonprofits work together.

Guiding principles for identifying the best use of the funds

The Coronavirus State and Local Fiscal Recovery Funds are substantial, but not limitless; governments need to adopt reasonable selection criteria to ensure they apply fair guiding principles for spending the money to secure the greatest impact for the public good. **First**, governments should apply lessons learned throughout the crisis and prioritize equity from the outset to end the many inequities in access to and delivery of health and human services in our country that were more fully exposed by the pandemic. **Second**, to promote healthy local economies, governments should invest in economic

¹ [Nonprofit Impact Matters](#), National Council of Nonprofits, Fall 2019.

² [COVID-19 Jobs Update May 2021](#), Johns Hopkins University Center for Civil Society Studies, June 14, 2021.

multipliers, like nonprofits, that can rehire people, promote other employment by providing services like childcare and job training, all while also stimulating economic activities, such as by people spending money at restaurants and retail stores near the arts and cultural institutions they visit. **Third**, it is in everyone's interest for governments to push the funding out quickly to meet urgent needs, yet doing so fairly by spreading opportunities beyond the usual recipients. **Finally**, governments should promote accountability in the use of the funds through reasonable documentation and transparency.

Recommendations for designing programs with integrity

Based on experiences related to programs created and funded under the 2020 CARES Act, governments can benefit from recent lessons learned about designing and managing relief and grant programs. Rather than reinventing the wheel, governments can recognize some universal factors related to grant programs – eligibility criteria, allowable uses, program administration, application requirements, prioritization, grant amounts, budget surpluses, and communication of opportunities – and consider recommendations informed by recent experiences on how to proceed.

Successful Models of Nonprofit Relief from Around the Country

In 2020, more than half the states and the District of Columbia – recognizing as the federal government did that nonprofits are essential for COVID relief and recovery efforts – made sure that nonprofits were eligible for the CARES Act monies when those governments created more than 50 relief funds and grant programs. Importantly, the \$350 billion in Coronavirus State and Local Fiscal Recovery Funds under the ARPA of 2021 allow **even more** flexibility than the CARES Act did. Therefore, governments can now be more creative with the new ARPA funding than they were with their many successful programs investing CARES Act monies on nonprofits in 2020. This Special Report presents some of the greatest opportunities for partnerships between governments and nonprofits using the federal funds, organized in these categories:

- (1) Lifting unemployment insurance burdens off employers
- (2) Creating relief and recovery funds and grants for nonprofits to use in their communities
- (3) Improving the process and other aspects of government grants and contracts with nonprofits
- (4) Expanding and replicating innovative nonprofit programs to help communities respond, adapt, and recover