Strengthening State and Local Economies in Partnership with Nonprofits:

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

Guiding Principles for Identifying High-Impact Programs

Congress specified in the American Rescue Plan Act ("ARPA") that state, local, Tribal, and territorial governments may spend their allocations of the $350 billion Coronavirus State and Local Fiscal Recovery Funds to provide "assistance to households, small businesses, ***and nonprofits***, or to aid impacted industries" (emphasis added). The law allows these governments to use the monies to hire nonprofits to provide services and programs in their communities, restore jobs and wages, and boost the economy. These funds are substantial, but not limitless; governments need to adopt reasonable selection criteria to ensure they apply fair guidelines for spending the money to secure the greatest impact for the public good. Charitable nonprofits, which serve the same people and communities as governments, offer the following principles to help guide the selection process.

1. Prioritize Equity from the Outset

The pandemic exposed many inequities in the delivery of health and other human services in our country. Governments should apply these lessons and intentionally listen to marginalized communities for solutions that overcome past and current barriers blocking access for people of color, low-income individuals and families, people living with disabilities, and individuals who identify as LBGTQ+. In particular, governments should prioritize spending of the ARPA funds to improve outcomes for communities traditionally left behind. One potential method would be to require each funded program and grantee for funding to provide an explanation of how the program centers around equitable results for the communities served.

2. Invest in Economic Multipliers

Healthy local economies require sustainable nonprofits and businesses. Congress recognized that reality when appropriating the ARPA funds for "small businesses and ***nonprofits***." During the pandemic, tens of millions more Americans than usual turned to nonprofits for help – and nonprofits delivered. Investing in charitable organizations will enable them to rehire employees and hire even more people to deliver services on which constituents depend for relief and recovery. Further, investing in nonprofits will allow these organizations – the third largest employer in the country and consumers of products and services – to operate as economic multipliers by providing needed services, such as childcare and job training, and stimulate economic activities, such as by people spending money at restaurants and retail stores near the arts and cultural institutions they visit.

3. Implement Quickly, Yet Fairly

Governments can fulfill the obligations and promise of the ARPA by balancing the need to move urgently to provide relief while also considering both existing systems and new programs that can distribute funds in ways that provide quality benefits to communities. For example, many charitable nonprofits already provide an array of services – and with the ARPA funds could scale up to do more – that help

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local economies recover from the pandemic. Examples include after-school programs for kids that help parents go to work, residential assistance programs for seniors and others, food preparation and delivery services to support people in need, job training and placement, and more. Similarly, community foundations already have systems in place to channel resources where needs are greatest. For virtually every need in the community, there is likely one or several nonprofits ready to ramp up their service delivery or expand to provide new services to help all residents get past the pandemic.

4. Maintain Accountability via Reasonable Documentation and Transparency

Governments spending Coronavirus State and Local Fiscal Recovery Funds must apply appropriate safeguards and disclosure requirements to protect the public from waste, fraud, and abuse. Charitable nonprofits represent the most transparent segment of the economy (e.g., all nonprofits must publicly disclose their financial information annually), and we like it that way – otherwise individuals would not be willing to trust organizations with their time, resources, and lives. That said, governments should maintain the proper balance between keeping the public informed about use of funds versus imposing excessively burdensome and expensive reporting requirements. In practice, this means governments should collect the information it truly needs and not create unnecessary forms demanding needless data points. Finally, when nonprofits are part of the target audience for proposed loans, grants, or in-kind assistance, governments need to work with nonprofit leaders – in advance – to identify and avoid needless red tape and redundant documentation requirements.