

Strengthening State and Local Economies in Partnership with Nonprofits:

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

Authorized Recipients and Uses of ARPA Coronavirus State and Local Fiscal Recovery Funds

A reasonable early question a public official may ask is whether governments are authorized to use Coronavirus State and Local Fiscal Recovery Funds to support charitable nonprofits and their work in communities. The unambiguous answer is: **Yes**.

Congress specified multiple times in Section 9901 of the [American Rescue Plan Act](#) 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 explain how governments may use these federal funds to respond to pandemic needs, fill revenue shortfalls among state and local governments, and support the organizations, communities, and populations hit hardest by the COVID-19 crisis. Specifically, governments may use these federal funds – directly or through nonprofits and others – to help those they serve “adopt safer operating procedures, weather periods of closures, or mitigate financial hardship resulting from the COVID-19 public health emergency.”¹

The Treasury Department provides a non-exhaustive list of examples of authorized uses. For instance, governments may bring unemployment systems back to pre-pandemic levels by depositing the funds into unemployment trust funds and paying off unemployment insurance loans from the U.S. Department of Labor. The result of these actions will be to alleviate burdens on nonprofit and for-profit employers contributing to the state UI system of increased taxes. States may also use the funds to cover the unemployment costs weakening reimbursing employers, including certain nonprofits and local governments, not otherwise covered by the federal government since the onset of the pandemic.²

Recipients may use Coronavirus State and Local Fiscal Recovery Funds for administrative expenses, including to cover a portion of payroll and benefits related to disbursing payments and managing grant

Coronavirus State and Local Fiscal Recovery Fund Allocation	
Source: U.S. Treasury: Assistance for State, Local, and Tribal Governments	
Type	Amount (\$ billions)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cities	\$45.6
Territories	\$4.5
Non-entitlement Units of Local Government	\$19.5

¹ See Treasury IFR, page 9.

² See Treasury IFR, page 9; Treasury Guidance FAQs #2.4.

programs using the federal funds.³ Other examples of authorized uses the Treasury Department identified include:⁴

- Payroll and benefits costs
 - Employee retention
 - Mortgage, rent, utilities assistance
 - Social distancing requirements
 - Enhanced cleaning
 - Vaccination, testing, or contact tracing programs
 - Loans or grants to mitigate financial hardship, such as declines in revenues
- or impacts of periods of business closure
 - Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics
 - Technical assistance, counseling, or other services to assist with business planning needs

Governments may also utilize these funds to hire nonprofits to provide services that respond to the “negative economic impacts of the pandemic.” These include:⁵

- Food assistance
- Counseling and legal aid to prevent eviction or homelessness
- Emergency assistance
- Internet access or digital literacy assistance
- Job training and workforce development
- Disparate impact of COVID-19 on certain populations and geographies.

As shown by these examples, charitable nonprofits can be both the recipient of assistance and the provider of assistance to others on behalf of governments.

³ See Treasury Guidance FAQs ##2.14, 10.2.

⁴ See Treasury IFR, page 9.

⁵ See Treasury Guidance FAQs ##2.1, 2.5, 2.8, 2.11.