

Executive Summary

On March 11, President Biden signed into law the American Rescue Plan (ARP), a \$1.9 trillion package aimed at COVID relief and recovery. Among the many areas funded in this legislation, \$350 billion is directed to state governments and local governments across the country. Unlike in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), every state, every territory, every tribal nation, every county, and every city will be receiving a portion of this funding. Additionally, this funding is not based on reimbursements, but rather is forward looking and allows governments to invest in recovery efforts associated with COVID-19.

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Funding allocations for each level of government are available through the [National Conference of State Legislatures](#), [National Association of Counties](#), and the [National League of Cities](#).

State and local governments can use these funds for five eligible uses:

- Support public health expenditures.
- Address negative economic impacts caused by the public health emergency.
- Replace lost public sector revenue.
- Provide premium pay for essential workers.
- Invest in water, sewer, and broadband infrastructure.

Local governments are not required to appropriate funds to each of these in any certain way. It is up to government officials to determine what uses to fund, and at what levels. This means that early childhood groups will have to work with their government officials to receive funding either directly or through grant-like programs.

In May of 2021, the US Treasury issued their Interim Final Rule on this funding, along with additional information, providing more detailed guidance on eligible uses, methodology, and more. This report aims to highlight where within this guidance, and further information available at the time of writing, early childhood initiatives and groups may find support from various levels of government through these funds.

Early childhood initiatives will find eligibility easily within a number of the uses stated above. As the Interim Final Rule provides, the following broad areas would align with many early childhood priorities and programs:

1. **Public Health Impacts**
 - Public Communication Efforts
 - Mitigation Needs at Facilities

- Behavioral Healthcare
- Public Health & Safety Staff
- Improve the Design and/or Execution of Health Programs
- Disparities in Public Health Outcomes

2. **Negative Economic Impacts**

- Small Businesses & Nonprofits
- Investments in Housing and Neighborhoods
- Educational Disparities
- Promoting Healthy Childhood Environments
- Premium Pay for Essential Workers

This report details these potential eligible uses, and also provides more insight into this particular funding source.

Introduction

In the CARES Act of 2020, only cities and counties with populations over 500,000 saw relief. This left the vast majority of Americans and businesses unable to access much needed relief. As such, those groups had to rely on state-level funding within the CARES Act, which in some instances, did not prioritize early childhood and other needs.

However, the ARP took a different approach and created the State and Local Fiscal Recovery Fund to distribute funds across the country and ensure every American and business would have access to relief and recovery opportunities.

The ARP provides \$350 billion for state and local governments—every state and local government. Every state, every tribal nation, every territory, every county, every city, and every town in America will be receiving funds to support relief and recovery efforts related to COVID-19.

This document does not cover additional potential opportunities within the ARP, such as the Elementary and Secondary School Emergency Relief (ESSER) Fund which is distributing funding to state education departments and every local school district. Early childhood groups may find additional opportunities for funding within this program, among others potentially.

What's Eligible

State and Local funds have five categories of eligible uses:

- **Support public health expenditures**, by, for example, funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector.

- **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.
- **Provide premium pay for essential workers**, offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors.
- **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.

Throughout the guidance issued by US Treasury detailing these eligible uses, it is clear that early childhood initiatives are most certainly eligible for support from their local or state governments.

Four Themes

Before diving into how early childhood aligns with the eligible uses of ARP funds, it is important to note four major themes throughout the guidance issued:

1. Local Control & Flexibility

Guidance from Treasury clearly states that, within the five eligible uses, local governments have the authority to identify community-based needs that can be met with ARP funding which may or may not be listed in the guidelines. Authority also lays with the governing body in every instance. Local governments do not report to state governments. All levels of government are required to submit regular reports to the federal government, but guidance puts a lot of trust on local leaders to ensure funds are spent in accordance with the law.

Additionally, governments are not mandated to spend their funds any specific way - no minimum investments across eligible uses, no caps, or any such guidance is provided for. Governments have the ability to pick and choose how they spend their money.

Implications for Early Childhood: Just because programs may be eligible for support through state/local ARP funds doesn't mean it will happen. It is up to local advocates to push their city councils, county councils, and state legislatures to acknowledge this eligibility and support it with funding.

2. Forward-Looking

On numerous instances, Treasury's guidance states that ARP funds are meant to be more forward-looking rather than reflective. This is demonstrated even in the eligibility period for most expenses that governments may wish to recoup—March 3, 2021 or later. Funding also has a long life. Governments must obligate all their funds by December 31, 2024, but do not have to spend those funds until December 31, 2026. These funds are intended for recovery more so than relief in many ways.

Implications for Early Childhood: This is both a short game and a long game. Looking at immediate needs is important, but it may also be just as vital to think about how to leverage ARP funds for activities that may have a longer horizon.

3. Addressing Disproportionate Impacts

One key priority within almost every eligible use of ARP funds is addressing the inequitable impacts of COVID-19 on communities of color (Black and Latinx), indigenous communities, rural communities, businesses located within those communities, as well as businesses operating in the hospitality, tourism, and travel industries. Governments are encouraged to use funds to help address these inequities.

Implications for Early Childhood: Programs that help meet the needs of a segment of the population which has been disproportionately impacted by COVID-19 could be able to make a compelling case for support.

4. Meeting A Need (“The Test”)

There is one central “test” that Treasury uses to help governments determine whether or not an expenditure meets the intent of the legislation. It is simple, but important to remember.

1. What is the negative impact (health or economic)?
2. How does the intervention address this impact?

Governments must be able to justify their expenditures based on this two-part test. Expenditures must be in response to the negative impacts of COVID-19. While funding is flexible, it is not a blank check.

Implications for Early Childhood: There are many negative impacts of COVID-19 within early childhood—be it increased demand for service paired with strains on operational capacity, pandemic-related closures, or direct health impacts. But to meet the intent of the ARP, proposals for funding must address mitigating or eliminating those impacts. Again, this funding is forward-looking.

Logistics

HOW MUCH WILL MY COMMUNITY RECEIVE?

The ARP allocated \$350 billion for State and Local Fiscal Recovery Funds. At the top level, funding is broken down as follows:

- \$195.3 Billion - States & District of Columbia
- \$65.1 Billion - Counties
- \$45.6 Billion - Metropolitan Cities (50,000+ population)
- \$19.5 Billion - Nonentitlement Units of Government (NEUs - < 50,000 population)
- \$20 Billion - Tribal Governments
- \$4.5 Billion - Territories

Further allocation information, and the methodology used, is available on the US Treasury’s website. Additional data can be found through the National Association of Counties, National League of Cities, and the National Conference of State Legislatures.

WHEN WILL MY COMMUNITY RECEIVE FUNDING?

Everyone except Nonentitlement Units of Government (NEUs) will receive funds directly from the US Treasury within 60 days of passage of the bill. NEU funding will first go to the respective state, who then has thirty days to issue funds to all NEUs.

Most areas will see their funds arrive in two 50 percent tranches, with the second tranche arriving no later than twelve (12) months after the first tranche is received. However, in all cases, funds first have to be requested by the unit of government through the US Treasury. For NEUs, they must depend on their state legislatures to request their funds.

REPORTING REQUIREMENTS

Given that this funding is for governments to use, if early childhood groups receive funding, they will have to abide by local reporting requirements, which could vary greatly, even city to city within the same county. There are no requirements placed on governments by the US Treasury when it comes to localized reporting—governments dictate those criteria.

However, all government entities must submit regular reports to the US Treasury. With the exception of NEUs, governments must submit quarterly reports detailing their ARP expenditures. NEUs will only submit annual reports. These reports are currently not standardized, although that information may come in future guidance.

Early Childhood Opportunities

The American Rescue Plan's State/Local funding has numerous areas in which early childhood initiatives could find justification for support—either explicitly or implicitly. Below is an overview of key sections of the US Treasury's guidance on these funds where early childhood groups should look to in order to gauge their eligibility to receive funding from their local and state governments.

This eligibility is found in three broad eligible uses of funding: Public Health Impacts, Addressing Negative Economic Impacts, and Premium Pay for Essential Workers. The other eligible uses are targeted specifically for government expenses such as government revenue loss, and infrastructure.

These opportunities are pulled from the Interim Final Rule posted by the US Treasury on their website. While current as of writing, additional guidance may be issued in the future that provides greater clarification on some of these opportunities.

It is important to restate that these funds are controlled by state and local governments. Eligibility does not guarantee funding as government entities first have to direct funds to these eligible uses. Early childhood groups should be actively engaging elected officials at all levels to make their case.

PUBLIC HEALTH IMPACTS

This section details public health-related eligible uses. These expenditures are meant to address the public health aspect of communities. Each opportunity below references a specific section of the Interim Final Rule.

- **Public Communication Efforts**
Campaigns detailing the impacts of COVID-19 on children, or promoting access to healthcare or COVID-19 testing/treatments/vaccinations. Additionally, communicating how additional continued impacts can be addressed could find eligibility in this section.
- **Mitigation Needs at Facilities**
Funding can be used to make necessary changes to physical spaces to help mitigate the spread of COVID-19 at facilities used for congregate living spaces or other key settings like schools.
- **Behavioral Healthcare**
Governments can use funding to enhance current, or create new, services related to behavioral healthcare, including mental health treatment, substance misuse treatment, crisis intervention, overdose prevention, infectious disease prevention, and services or outreach to promote access to physical or behavioral health primary care and preventative care.
- **Public Health & Safety Staff**
Public employers of public health and safety workers can use funds to cover up to 100 percent of their salary and benefits. This is intended for those who respond to COVID-19 health emergencies, but includes a broad spectrum of public employee types within those spaces. Some early childhood workers may find eligibility in this section if employed by government entities.
- **Improve the Design and/or Execution of Health Programs**
Expenses related to research, data analysis, planning, targeted consumer outreach, and improvements to data or technology infrastructure within the public health sphere are eligible uses under this provision.
- **Disparities in Public Health Outcomes**
US Treasury guidance is clear in numerous sections, and explicitly in this section, that funds should be used to address various inequities and disparities that cause COVID-19 to impact certain populations greater than others, both in health and economic outcomes. This section in particular states that the services stated below that are offered in Qualified Census Tracts (QCTs) will be presumed as automatically eligible for use of these funds:
 - Funding community health workers to help community members access health services and services to address the social determinants of health.
 - Funding public benefits navigators.

- Housing services to support healthy living environments and neighborhoods conducive to mental and physical wellness.
- Remediation of lead paint or other lead hazards to reduce the risk to children.
- Evidence-based community violence intervention programs to prevent violence and mitigate the increase in violence during the pandemic.

These items would most likely also be eligible outside of QCTs, but are assumed eligible if located within those tracts.

NEGATIVE ECONOMIC IMPACTS

The eligible uses within this section are broad and community-wide. There are some portions where early childhood groups will be eligible just by being established and active in their community (grants to nonprofits and businesses), and some where they are more strictly aligned with an eligible use (educational disparities). This section is meant to allow governments to help local economies emerge and move past COVID-19's negative impacts. So, while being able to state how COVID-19 impacted service levels or bottom lines is important and necessary, these funds are meant to be forward looking—funding should help address the negative impact and not simply reimburse for expenses.

- **Small Businesses & Nonprofits**

Governments are specifically allowed to use funds to provide support to nonprofits and businesses located in their jurisdictions. Early childhood groups are included in each of these categories. Specifically, they can use funds to do the following for these groups:

- Loans or grants to mitigate financial hardships such as declines in revenue or impacts of periods of business closure.
- Loans, grants, or in-kind assistance to implement COVID-19 prevention and mitigation tactics.
- Technical assistance, counseling, or other services to assist with business planning needs.

- **Investments in Housing and Neighborhoods**

Acknowledging disproportionate impacts on lower-income neighborhoods, areas of higher unemployment, and limited economic opportunities, these funds can be used to help lift up these communities. Eligible services include:

- Services to address homelessness.
- Affordable housing developments.
- Housing vouchers, residential counseling, or housing navigation.

- **Educational Disparities**

Many early childhood groups may find eligibility in this section, which allows for expenditures in the following areas:

- New, expanded, or enhanced early learning services.
- Assistance to high-poverty school districts.
- Evidence-based educational services and practices to address academic needs of students.

- Evidence-based practices to address social, emotional, and mental health needs of students.
- **Promoting Healthy Childhood Environments**

Perhaps the most clearly aligned with early childhood issues and program areas, this section allows for funds to be used to fund services such as:

 - New or expanded high-quality childcare.
 - Home visiting programs.
 - Enhance services for child welfare-involved families and foster youth to provide support and training on child development, positive parenting, cooking skills, or recovery for mental health and substance use challenges.

PREMIUM PAY

While the ARP State/Local funding is focused on the needs of various units of government, it does provide flexibility for governments to support essential workers across industries. In this section in particular, premium pay can be given to essential workers vital to community infrastructures who have had to work in-person and/or interact with various members of the public. In particular, governments are permitted to provide funding to other employers via grants to cover premium pay for essential workers outside of public sector employment. These funds could impact early childhood workers directly, or impact parents of children. Included in this list are:

- Staff at nursing homes, hospitals, and home care settings.
- Workers at farms, food production facilities, grocery stores, and restaurants.
- Janitors and sanitation workers.
- Truck drivers, transit staff, and warehouse workers.
- Public health and safety staff.
- Childcare workers, educators, and other school staff.
- Social service and human services staff.