COVID-19

ARPA and Technology Purchases: A Primer

Navigating ARPA to Fund Technology

For local governments, questions abound about the American Recovery Plan Act (ARPA) and its support of state, local, and county governments through State and Local Fiscal Recovery Funds (SLFRF). Below is an overview of SLFRF and information about how funds might be used to pay for technology that supports governments' "response to and recovery from the COVID-19 public health emergency."

How Does SLFRF Relate to ARPA?

Established by ARPA, SLFRF includes $350 billion in emergency funding for state, local, territorial, and Tribal governments. The funds are specifically designated to help governments "respond to the COVID-19 emergency and bring back jobs." The SLFRF payments are part of ARPA's overall $1.9 trillion in funding.

What Is the Timeline?

Funds will be delivered to local governments and some states in two portions, referred to as tranches. For local governments, the first payment of 50% of their designated funding total was delivered in May/June of 2021. The second payment was to be paid about 12 months from that date. States that saw a net increase in their unemployment rate of more than 2% received a single payment. Funds must be obligated by Dec. 31, 2024, and expended by Dec. 31, 2026.

Because guidelines may change, state and local governments should refer to the most current guidance available on the U.S. Department of the **Treasury's ARPA homepage**. (https://home.treasury.gov/policy-issues/coronavirus)

How Will Funding Flow to Local Governments?

Funding paths depend on an entity's classification. Classifications include states, counties, metropolitan cities, and non-entitlement units. The U.S. Department of the Treasury distributes funds directly to states, metropolitan cities, and counties. Smaller local governments classified as non-entitlement units receive funds through their applicable state governments. Methodology for determining classification is available on Treasury's ARPA homepage under allocation information.

How Are Funds Being Used?

It varies. Some entities are holding public hearings on the use of funds, while others are making decisions based on needs determined by administrators and elected officials. Research shows that:

- 67% of cities responding to a recent survey plan to use funding to replace lost revenue (National League of Cities)
- "Most places have been slow to spend or even commit their funding" (Brookings Institution)
- "Few places are pursuing transformational investment" (Brookings Institution)

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How Much Will Governments Receive?

Treasury's ARPA home page has SLFRF allocation totals for individual state and local governments:

• States • Counties • Metropolitan Cities
• Non-Entitlement Units

Spending Guidelines & Technology

Treasury guidelines for spending funds provide recipients with "broad flexibility to decide how best to use this funding to meet the needs of their communities."

The most likely sources for paying for technology are SLFRF funding categories that:

- Replace lost public sector revenue (SLFRF category A)
- Respond to the far-reaching public health and negative economic impacts of the pandemic (SLFRF category B)

Treasury does NOT pre-approve expenditures. Entities should follow evolving Treasury guidance. Here are details about two possible technology funding tracks.

Replace Lost Public Sector Revenue: Providing Government Services

For technology projects, the most relevant and streamlined path for funding is likely to be funds Treasury has earmarked to replace lost revenue for eligible state, local, territorial, and Tribal governments. Governments have great flexibility in how these replacement funds may be used. Treasury's broad guideline is that local governments may use replacement funds to "pay for 'government services' in an amount equal to the revenue loss experienced by the recipient due" to the pandemic.

The amount of funding to replace lost revenue is either determined by a Treasury formula that ascertains negative revenue impact over time or by a standard allowance of up to $10 million. (The $10 million option, which streamlines reporting, is aimed at smaller local governments.)

Once a recipient identifies the reduction in revenue and available funding, Treasury is providing "broad latitude to use funds for the provision of government services."

Treasury specifically includes "modernization of cybersecurity, including hardware, software, and protection of critical infrastructure" in its discussion of government services.

Respond to Health & Negative Economic Impacts: Effective Service Delivery

Enabling effective service delivery is another option for funding technology. However, this route is less flexible than the track to replace lost revenue. In its final guidelines for this track, Treasury specifically mentions using funds for tech that supports "a local government's specific pandemic response" that aligns with SLFRF guidelines.

It's important to understand that "effective service delivery" funding needs to be used to "improve the efficacy of public health and economic programs through tools like program evaluation, data, and outreach, as well as to address administrative needs caused or exacerbated by the pandemic."

In other words, a technology purchase would need to be tied to specific programming that meets ARPA's public health or economic requirements.

The final rule offers "non-exhaustive" examples of tech that could be purchased under this category. These include "supporting program evaluation, data, and outreach through:

- "Data analysis resources to gather, assess, share, and use data"
- "Technology infrastructure to improve access to and the user experience of government IT systems, as well as technology improvements to increase public access and delivery of government programs and services"
- "Community outreach and engagement activities"
- "Technology infrastructure to adapt government operations to the pandemic"

Click here to learn more about ARPA.
(https://www.tylertech.com/arpa)

***Sources*:**

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