

Strengthening State and Local Economies in Partnership with Nonprofits:

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

Roles for Philanthropy

Last year, Congress allocated \$350 billion in flexible funding to state, local, and Tribal governments for “assistance to households, small businesses, and **nonprofits**, or to aid impacted industries” via the American Rescue Plan Act (ARPA) (emphasis added). **Many philanthropic organizations have been helping governments and nonprofits implement this massive, unscripted, and fast-moving opportunity.** Substantial amounts of funding remain unspent, leaving significant opportunities for foundations to assist, including by [promoting an equitable recovery](#). This new section of the Special Report highlights multiple ways foundations have been helping their grantees and communities approach and leverage this ARPA funding, presenting those examples in these three broad categories:

1. **Using their own resources in creative ways**, ranging from *direct financial support*, such as matching funds to expand public-private initiatives, to *indirect support* in the form of capacity building grants to help nonprofits access and effectively manage use of the federal funds.
2. **Providing their grantmaking expertise** to help *distribute* and *administer* the ARPA funds in their communities.
3. **Convening groups** – governments, nonprofits, foundations, and the public – to disseminate and collect information about ARPA opportunities, community needs, and how to best use the funds to address local challenges.

Background

As earlier sections of this Special Report explain in detail, ARPA included \$350 billion in flexible funding for state, local, Tribal, and territorial governments to use for pandemic relief and recovery, known as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). (Note: We pronounce this acronym “sissel-furf,” only partly in jest; sometimes just saying a long-winded acronym aloud makes it easier to remember its meaning.)

State, local, and Tribal governments must obligate (commit to how they plan to spend) their specific allocations of the CSLFRF funds by the end of 2024 and spend them by the end of 2026. Twenty states (those where the unemployment rate was 2.0 or more

percentage points above its pre-pandemic level) received their full share of state funding in 2021, although they still have not obligated all of those funds, and the remaining 30 states will receive a second payment this year, currently scheduled for distribution in May 2022. The proverbial bottom-line: substantial amounts of funding remain available that state and local governments have not yet obligated.¹ Accordingly, foundations can still play key roles in ensuring that these funds are allocated equitably, for the most pressing community needs, and with input from those most impacted.

The National Council of Nonprofits initially published this Special Report in June 2021 for governments, nonprofits, and the public, to call attention to and frame the legal and practical aspects of the CSLFRF opportunity. That first edition:

- Offered four guiding principles for spending the CSLFRF money to secure the greatest impact for the public good, with the first principle being “prioritize equity from the outset.”
- Identified factors to consider when designing relief programs with integrity and made recommendations informed by lessons learned from the 2020 CARES Act.
- Shared specific examples of successful models for governments and nonprofits to partner since they serve the same constituents in the same communities.

We updated the Special Report last October with new CSLFRF-specific examples as we learned of successes. This third edition of the Special Report identifies more examples throughout and adds this new section highlighting roles that philanthropy has played, and can still play, in leveraging ARPA funds to maximize impact for communities.

1. Foundations Providing Their Own Resources in Creative Ways

Direct Financial Support

When Macon-Bibb County, Georgia, decided to use part of its CSLFRF allocation to provide grants to two nonprofits for creating affordable housing, the [Knight Foundation leveraged the ARPA funds by providing a matching grant](#), doubling the amount of money the government-nonprofit partnership will have for residents to receive job training and rehabilitate local buildings as affordable housing.

Last fall, the [David and Lucille Packard Foundation announced a commitment of \\$20 million](#) to support “equitable and effective distribution” of ARPA funding to advance the health of children, women, and families, and to support non-partisan coalitions working to make permanent those policies with the greatest potential for long-term, transformational change.

¹ For an overview of how much CSLFRF funding is flowing into a state, see [Federal Allocations per State Under the Coronavirus State and Local Fiscal Recovery Funds](#). For more detailed information about how much funding has been allocated to specific counties, cities, and territories and the allocation methodology for Tribal governments, see the Treasury Department materials collected on our webpage devoted to [ARPA Resources](#). As for how much has been spent and remains per jurisdiction, those numbers are in constant flux, which is why links to state and local ARPA Fund Trackers maintained by others are continually being updated and posted on our [ARPA Resources](#) webpage.

Capacity Building Grants

Foundations can underwrite capacity building programs that provide training and technical assistance for nonprofits that traditionally have been left out of government funding opportunities to help them learn how to apply for and manage government grants and contracts. Also, philanthropy can support efforts by state associations of nonprofits to advocate for governments to include nonprofits in CSLFRF grant programs.

➤ **To Advance Equity by Expanding Skills to Access and Use Government Grants**

Charitable nonprofits of all sizes are often hesitant to seek resources from governments for multiple reasons, including, among others, ignorance about processes, legitimate concerns over paperwork burdens, and the potential that administrative costs will surpass any programmatic resources they receive. These challenges are particularly acute for smaller nonprofits, those led by people of color, and organizations operating in low-income, rural, or underserved areas, creating barriers to access to funding. The federal government recently acknowledged these severe problems, which detailed research has long documented.²

Foundations and donors can help by providing capacity building grants to help nonprofits develop the needed skills and systems to overcome some of these barriers. For instance, support from the Vermont Community Foundation enabled Common Good Vermont to conduct a [COVID-19 Response Webinar Series](#) and host online discussions on fundraising, philanthropy's response to COVID-19, and a review of the Paycheck Protection Program to help nonprofits in the Green Mountain State.

Similarly, foundation grant support has enabled state associations of nonprofits to provide capacity building trainings and technical assistance to nonprofits across their states. The New York Council of Nonprofits, for instance, has long provided trainings and support services on challenges nonprofits face when performing work under government grants and contracts. Others, like Maryland Nonprofits and Providers' Council in Massachusetts, also provide capacity building training on government grant applications, grant management, negotiation of indirect cost rates, and collaboration, to name only a few such focus areas. Hunger for this information is growing. See, e.g., [Washington Nonprofits Government-Contracting Report](#), Washington Nonprofits, March 2022. Investing in

² See, e.g., [Advancing Equity and Racial Justice Through the Federal Government](#), White House, April 13, 2022 ("Federal funding [is] available to individuals, companies, universities, non-profit organizations, State, Tribal, territorial, and local governments, and small businesses. Yet **persistent barriers make it difficult for under-resourced and underserved communities to compete for and effectively deploy such funds.**" "By **making federal procurement opportunities more readily available to all eligible vendors and by removing the barriers faced by underserved communities and individuals to entering the federal marketplace, equitable procurement is a core strategy for addressing racial and gender wealth gaps.**"). (Emphases added.) See also the National Council of Nonprofits' page on [Government-Nonprofit Contracting Reform](#), linking to extensive research documenting the problems and dozens of recommended practical solutions.

programs at state associations of nonprofits could scale capacity-building for prospective ARPA recipients on a community-wide or statewide basis.

The Blue Cross NC Foundation in **North Carolina** just demonstrated this approach in connection with ARPA by announcing it would fund up to five \$300,000 grants to capacity-building organizations or intermediaries (up to \$150,000 per organization per year), of which [up to \\$100,000 a year may be used to support delivery of technical assistance](#) and \$50,000 a year to support mini-grants to their community-based organization partners. The foundation will award grants to “five regional and state-level organizations ... to work with local stakeholders to support community-identified ARPA priorities at the county and municipal level to promote health equity and system-level change.”

Foundations committed to equity may find investing in capacity building training and technical assistance especially useful in leveling the playing field for nonprofits that traditionally have not had ready access to government grant funding. We encourage foundations to view CSLFRF funding and other ARPA funding programs as potentially transformational in two ways: not only for the direct community impact of what is funded, but also as a “gateway” opportunity for nonprofits traditionally excluded from government grants to develop the skills and confidence to apply in the future so more funding gets distributed to and used by under-resourced and underserved populations and communities.

➤ To Level the Playing Field to Access the Funds

While Congress *authorized* state, local, and Tribal governments to use the funds for “assistance to households, small businesses, and nonprofits, or to aid impacted industries,” it did *not guarantee* that governments would set any specific dollar amounts or percentages for nonprofits. Governments have seemingly endless spending options, including keeping CSLFRF resources for their own initiatives, such as covering government’s lost revenue during the pandemic and providing pay raises to certain categories of public employees. Also, small businesses and impacted industries, being eligible for CSLFRF dollars, will have ideas for their own purposes, and they have the experience, contacts, and systems already in place to advocate for public funds for themselves.

Nonprofits needing help to recover from the effects of the pandemic and those wanting to advance their missions by delivering services to more people cannot sit silently on the sidelines hoping government will recognize or remember all that nonprofits did to hold communities together during the pandemic. Government officials facing multiple options and requests will not create grant program for nonprofits just to be nice. Nonprofits must advocate to make the case for why investing in charitable organizations is the best use of a government’s allocation.

Frontline nonprofits in many states have been coalescing through their state associations of nonprofits to make sure governments include charitable nonprofits when investing

CSLFRF resources in relief and recovery. As noted in this Special Report’s section on the [Role of Nonprofit Advocacy](#), state associations of nonprofits have been making the case for nonprofits through survey data, policy analyses, and media engagement; they have provided examples of frameworks and programs, created materials for nonprofits and potential partners, and built coalitions.

Some state associations of nonprofits have seen significant victories in their states; most are still in the midst of the fight. But the enormous amount of work relating to this fast-moving and ever-evolving opportunity is piled on top of other important and often urgent work. Smaller nonprofits, nonprofits led by people of color, and organizations operating in low-income or rural areas – and the people and communities they serve – who would benefit the most cannot do this work on their own or pay to have it done. There is power and safety in numbers, and efficiencies in collecting information in a central place that is made freely available to all. Foundations and donors can help leverage this unique opportunity to secure CSLFRF resources for nonprofit missions by investing in the capacity of their [state association of nonprofits](#) to do this vital work.

Informational Resources

Impartial, expert information is another valuable contribution that philanthropic organizations can make. The Bloomberg Cities Network, working with Johns Hopkins University, has developed [educational materials about federal funding](#) available to local governments for COVID recovery, including expert analysis and responses to more than 200 ARPA-related questions from cities across the country. One answer, for instance, clarifies the [registration requirements of nonprofits](#) providing services on behalf of governments utilizing CSLFRF monies. Another response advises that local governments may provide funds to [support nonprofit “friends of” organizations](#) for parks, venues, or other tourism-related activities, either as beneficiaries themselves or as subrecipients. Still another reply addresses whether governments may [convey vacant land to nonprofits](#).

The [Kresge Foundation recently identified](#) reasons “ARPA’s second year [2022] holds the promise of innovation and new ways of spending that could support underserved communities.” The piece underscored the importance of equity. It also highlighted examples of CSLFRF-funded projects in Baltimore, Cleveland, and Macon-Bibb County (see above) to show “how cities are pairing ARPA funds with other sources of funds, or engaging nonprofit partners, to position projects to scale and continue after ARPA ends.” A key recommendation: “**Cities should fully leverage nonprofits as partners in their strategy, engaging nonprofits to help shape that strategy and playing expanded roles in service delivery and impact measurement.**” (Emphasis in original.)

Informational resources do not have to target external audiences. The Hartford Foundation for Public Giving commissioned The Philanthropic Initiative (TPI) to conduct research among eight other community foundations to learn their approach to ARPA funds coming to their region, how they are responding, and how they might adjust grantmaking in

the context of ARPA resources over the next few years. Selected key findings in [TPI's Community Foundation Peer Analysis](#) (Nov. 2021) include:

“Community foundations highlighted the following actions they will take to address gaps in ARPA spending, support partnerships and leverage opportunities, and enhance impact:

- Fund regional research and planning activities
- Ensure diverse voices are at the table in ARPA planning
- Support facilitation, convening, community engagement, and advocacy to inform allocation of ARPA funding
- Provide seed funding to support new ideas
- Help nonprofit organizations access ARPA funds for which they may be eligible
- Fund training, technical assistance, and capacity building to help organizations use ARPA funds more effectively
- Align systems work to capitalize on ARPA funds (and vice-versa)
- Support collaboration through creation and staffing of local collaborative infrastructures and other approaches
- Fund monitoring activity to ensure ARPA funds are distributed equitably and according to plan
- Advocate for continued public funding commitments beyond ARPA.”

When asked how ARPA funding would affect their grantmaking strategies, respondents said they anticipate, among other things, “Helping nonprofits take advantage of ARPA funds for which they may be eligible,” “Funding training, technical assistance, and capacity building to help organizations use ARPA funds more effectively,” and “Funding advocacy activities to inform and oversee ARPA spending.”

Expertise and Insights

Another valuable resource foundations can provide is their own expertise and insights about their communities. The Rhode Island Foundation initiated and led a six-month “initiative to develop recommendations for state leaders to consider as they decide how to spend \$1.1 billion in federal American Rescue Plan Act funding.” The final report, [Make it Happen: Investing for Rhode Island's Future](#) (Oct. 2021), makes 20 recommendations, including one calling for **immediate relief** because “Rhode Island could not have transformative, sustainable, and equitable change without acknowledging and addressing the immediate needs of the many Rhode Islanders still experiencing hardships caused by the pandemic”:

RECOMMENDATION: Invest \$50 million in Rhode Island nonprofit organizations to provide immediate relief to residents suffering from behavioral health disorders, domestic violence, lack of affordable childcare, and economic, food, and housing insecurity, exacerbated by the COVID-19 pandemic.

The Vermont Community Foundation shared its knowledge with the public about both the state of Vermont and the fragile state of many nonprofits serving Vermonters by wisely observing that while “it might be tempting for philanthropists to sit on the sidelines and watch as Vermont and other states spend the enormous pot of federal money, ... that doesn’t mean all of Vermont’s problems are solved. This is a time for private donors to jump in and participate, rather than reduce giving.” In the public-facing piece [Philanthropy in the Age of ARPA](#), the foundation identifies three ways donors can help stretch those public dollars and fill gaps that CSLFRF funds will not reach.

2. Foundations Distributing and Administering Funds

Many foundations have leveraged their experience managing grant programs, their knowledge of community needs, and their working relationships with nonprofits by administering CSLFRF funds set aside by state, city, and county governments. In **Maryland**, the leaders of Maryland Nonprofits, the state association of nonprofits, and Maryland Philanthropy Network, the grantmakers group in the state, wrote an [open letter to government officials](#) last year making the case for tapping the knowledge and expertise of local funders: “community foundations know the nonprofit sector and are experienced grantmakers, uniquely positioned to accept your investment of ARP dollars for the maximum impact on your constituents.”

That form of partnership is occurring in some states at the state level. In **Alaska**, the state’s Department of Commerce, Community, and Economic Development partnered with the Alaska Community Foundation to distribute [\\$20 million of ARPA funds in grants to eligible nonprofits](#). In **New Hampshire**, where the Governor allocated [\\$60 million to a New Hampshire Nonprofit Emergency Relief Fund to help nonprofit organizations](#) impacted by the COVID-19 pandemic, the New Hampshire Charitable Foundation, New Hampshire Center for Nonprofits, and New Hampshire Community Development Finance Authority partnered to administer this program.

That emerging trend among the states echoes a clear trend of county and city governments of varied sizes relying on local philanthropic organizations to identify eligible grant recipients and administer CSLFRF funds. Examples include:

- **Buffalo, New York** allocated [\\$22.5 million for grants to nonprofits](#), administered by the Western New York Foundation, including \$1 million for nonprofits that deliver food to insecure older residents to purchase electric vehicles, and \$2.5 million for a frontline arts organization sustainability fund.
- **Collier County, Florida** turned to the Community Foundation of Collier County to distribute approximately [\\$5.1 million of the county’s ARPA funds to local food banks](#).
- **La Cross, Wisconsin** allocated [\\$2 million for nonprofits](#) and contracted with the La Crosse Community Foundation to oversee grant decisions.
- **Omaha, Nebraska** designated two local philanthropic organizations to administer a [\\$15 million RPA community grant program for qualifying nonprofits](#). The Omaha Community Foundation will distribute \$10 million for programs such as workforce

development and violence intervention and prevention, while United Way of the Midlands will deliver \$5 million to address basic needs.

- Policymakers in **San Marcos, Texas**, have turned to three community foundations to administer the city's [\\$3 million allocation of ARPA funds for a Nonprofit Community Grant Program](#).
- **Parkersburg, West Virginia**, [allocated \\$500,000 of its ARPA funds to support community-based nonprofits](#). The Parkersburg Area Community Foundation and the Bernard McDonough Foundation will administer the grants program.

3. Foundations' Convening Power

Funders have considerable influence in helping communities plan for the best use of funds and making sure all voices are represented. They have the power to bring disparate interests together, connecting individuals and entities with no pre-existing relationships, to learn, discuss, and problem-solve. Because governments must decide how to spend CSLFRF monies in a finite amount of time, funders have an ideal opportunity to leverage their convening power for collective learning and relationship-building. Approaches we have participated in or heard about include:

- Foundations in different regions have brought funders together privately with their [state associations of nonprofits](#) for funders to learn more about ARPA and discuss with nonprofits known needs and possible ways foundations could assist in accessing and leveraging CSLFRF funds.
- As noted in [TPI's Community Foundation Peer Analysis](#), several – but not all – community foundations reported they are communicating with other funders in their regions about ARPA allocations to promote “learning about ARPA, identifying gaps, ensuring equitable funds distribution and regional readiness,” and “share learning, conduct research, host convenings, advise government, or coordinate a regional response.”
- Several community foundations in the [TPI study](#) reported they have either participated in or funded convenings designed for community engagement to encourage community input in their regions. The San Francisco Foundation also conducted a poll of residents' priorities.
- Foundations can learn more about ARPA and its \$350 billion CSLFRF program by reading the full [third edition of this Special Report](#) and the materials on [our ARPA Spending webpage](#), which highlights opportunities and resources for nonprofits by state.

Summary

- ARPA's CSLFRF program is unprecedented in terms of its:
 - Enormous opportunities to make a difference – \$350 billion of federal funding flowing to thousands of state, county, city, Tribal, and territorial governments.

- Complexities of moving parts – with an incalculable number of decision-makers applying different processes, standards, and timetables to determine community needs and allocate funding between competing options.
- Although nonprofits are *eligible* for CSLFRF funds, they are not automatically *entitled* to any funds.
- For nonprofits and the people and communities they serve to take full advantage of this once-in-a-generation opportunity in an effective and equitable way, foundations can provide needed support, especially through capacity building grants that:
 - Allow the nonprofit community to make the case for why governments should include charitable organizations when allocating their CSLFRF dollars.
 - Provide training and technical assistance to nonprofits – especially smaller nonprofits, nonprofits led by people of color, and nonprofits serving under-resourced and underserved communities that historically have been left out of government grant opportunities – on how to access and apply for government grants and complying with government grant requirements.
- Foundations can also help through the use of matching funds, grant administration, hosting convenings, providing technical assistance, and other creative approaches.