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Principles for Allocating ARPA State and Local Fiscal Recovery Funds

The [American Rescue Plan Act](#) (ARPA) provides \$350 billion in aid to state, local, Tribal, and territorial governments to be used to respond to the COVID-19 pandemic for “assistance to households, small businesses, *and nonprofits*, or to aid impacted industries.” These State and Local Fiscal Recovery Funds are substantial, but not limitless; reasonable selection criteria are needed to ensure governments spending the money use fair guidelines to secure the greatest impact for the public good. Charitable nonprofits, which serve the same people and communities as governments, often as direct partners, offer the following principles to help guide the selection process.

1. Equity from the Outset

The realities and impacts of the pandemic have highlighted the many inequities and deficiencies in the delivery – and even access to – health and other human services. Our communities should apply these lessons and intentionally listen to marginalized communities for solutions that overcome past and current barriers that block access for people of color and low-income individuals and families. Governments should prioritize spending of ARPA funds to improve outcomes for communities traditionally left behind. One potential method would be to require each funded program and

grantee to provide an explanation of how the program centers around equitable results for the communities served.

2. Investing in Economic Multipliers

Healthy local economies require sustainable nonprofits and businesses. Congress recognized that when appropriating ARPA funds for “small businesses, *and nonprofits.*” Nationwide, charitable nonprofits are the third largest employer – more than construction, finance, and manufacturing. During the pandemic, tens of millions more Americans than usual turned to nonprofits for help ... and nonprofits delivered. Yet resources declined, resulting in the loss of more than 800,000 jobs in the sector. For communities and local economies to recover, governments need to invest ARPA funds in the work of charitable nonprofits. Investing in charitable organizations will enable them to hire more people and deliver services on which other people depend for their own relief and recovery. Further, support for nonprofits will allow them to operate as economic multipliers by providing services, such as childcare and job training, and stimulate economic activities, such as people spending at restaurants, bars, and retail stores near arts and cultural institutions they are visiting.

3. Rapid and Efficient Implementation

Governments can fulfill the obligations and promise of the ARPA by looking more broadly for existing systems and programs that distribute funds in ways that benefit communities. For example, many charitable nonprofits already provide – and with ARPA funds could scale up to do more – an array of services that help local economies recover from the pandemic, such as 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 to help all residents get past the pandemic.

4. Documentation, Accountability, and Transparency

Governments spending ARPA Fiscal Recovery Funds must, of course, spend the funds wisely and apply appropriate safeguard and disclosure regimes to protect the public from waste, fraud, and abuse. Charitable nonprofits represent the most transparent segment of the economy (public disclosure of informational tax returns, state registration and solicitation documentation), 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 protecting and informing the public and preventing excessive and disruptive administrative burdens. In practice, this means governments should collect the information it truly needs and not create unnecessary forms demanding needless data points, given the urgency of the crisis. Governments should respect the following principles:

- **Ask for Need-to-Know Data, Not the Kitchen Sink:** Most charitable nonprofits are deeply grounded in local communities and aren't going anywhere; so there is less risk or need to ask every imaginable question upfront or impose burdensome reporting regimes, especially for low-dollar grants. We ask that governments tailor the documentation demands to the circumstances, actual risk, and need to know.
- **Ask Nonprofits 'Nonprofit Questions', Not 'For-Profit Questions':** As nonprofits discovered in applying for CARES Act relief, government applications and reporting forms designed for for-profit businesses often do not make sense when applied to charitable organizations. For example, there is no nonprofit answer to the grant-form question: "Owner?" The question is not applicable because the public, and not individuals, own a charitable nonprofit. Similarly, other questions frequently asked of businesses– such as a list of directors and a report on revenues and expenses – are already supplied on charitable organizations' most recent IRS Form 990 informational tax returns that are available for public view. When nonprofits are part of the target audience for proposed loan, grant, or in-kind assistance, governments need to work with nonprofit leaders – in advance – to identify and avoid needless red tape and redundant documentation requirements.