



Oct 14, 2021

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Making the Most of the ARPAtunity

State and local governments across the United States have been overcome with analysis paralysis when it comes to how to spend their American Rescue Plan Act (ARPA) funding, leaving potentially hundreds of millions of dollars sitting on the sidelines that could be rapidly deployed to improve their communities.

Signed into law on March 11, 2021, ARPA created the \$350 billion Coronavirus State and Local Fiscal Recovery Funds, which may be used by state and local governments to respond to the COVID-19 public health emergency or its negative economic impacts. Since ARPA passed, the Treasury Department has released a plethora of guidance outlining acceptable uses of ARPA funding and the accompanying reporting requirements. This article examines some of the more novel uses for ARPA funds provided in the guidelines, outlines some of the misconceptions regarding ARPA funding, and details some of the more daunting aspects of using these funds.

Novel APRA uses and proposals

\$450 million, Downtown Revitalization, Massachusetts

Earlier this summer, Massachusetts Governor Charlie Baker produced a plan that included spending \$450 million for economic development opportunities including cultural facilities and downtown development.

\$1 million, Residential Property Purchasing and Rehabilitation, Restore SGF, Springfield, Missouri

The Springfield city council is considering spending \$1 million in ARPA funds to create a non-profit entity to partner with the city for the purpose of promoting homeownership, restoring historic neighborhoods, and boosting neighborhood property values.

\$250,000, Downtown Economic Development Study, Raleigh, NC

The city of Raleigh, in partnership with the Downtown Raleigh Alliance, is using \$250,000 in ARPA funding for a retail and office market strategy economic development study, and to explore ways to increase diversity and equity initiatives.

ARPA Misconceptions

ARPA funds can be used for water, storm, sewer, or broadband infrastructure projects.

While it is true that ARPA funds are generally prohibited from being used for infrastructure projects other than water, storm, sewer, or broadband infrastructure, government entities receiving ARPA funds are permitted to use those funds for traditional infrastructure projects, including maintenance and building new infrastructure, to the extent of their reduction in revenue when compared to pre-pandemic fiscal years.

The Treasury Department has provided an extensive formula by which recipients can calculate their lost revenue due to the pandemic and has granted broad latitude to use those funds for the provision of general government services, including infrastructure, that would normally not be eligible for ARPA funding.

ARPA cannot be used to fund business start-up programs and can only go to businesses that can demonstrate a negative economic impact due to the pandemic.

Where government entities can identify economically impacted populations or communities that would be assisted by the goods, services, or jobs created by the business, ARPA funds may be used for start-up business programs, or provide grants, loans, or similar funding for new or existing businesses, regardless of whether those businesses are themselves able to demonstrate economic distress or job loss due to the pandemic. In addition, funding can be provided to businesses to assist with COVID-19 mitigation tactics like developing outdoor spaces for restaurants and bars.

ARPA funding for businesses is limited to tourism, travel, and hospitality industries.

The Treasury Department has expressed that funding can be provided for any industry that can demonstrate that it has been impacted to a similar extent as the tourism, travel, and hospitality industries. Government entities using funds to assist impacted industries should maintain records supporting their assessment that the businesses receiving funding (or their local communities) were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts.

Communities are limited to uses that are a one-time spend.

The effects of the pandemic are still being felt by communities and the full depth of the problem is not yet known. It is possible to consider ways in which to extend the funds for your community for years to come. Communities should consider pooled funds, capitalizing revolving loan programs, reinvesting in existing economic development programs, etc. In this way, the ARPA funds can have a lasting impact over many years. This may intentionally include investing in, or creating, community development corporations, special improvement districts, local CDFI programs, bond funds, landbanks, etc.

ARPA Requirements and Necessities

While the Treasury Department guidance does provide some latitude for communities to leverage ARPA funding for economic development and infrastructure projects, it is important that government entities keep adequate records to support their assertion that the projects are eligible for ARPA funding. This can include economic and demographic information as well as impact studies. In addition, the Treasury Department has published annual and quarterly reporting requirements that vary depending on the size of the jurisdiction receiving ARPA funding.

ARPA funding presents a once-in-a-lifetime opportunity for many economically disadvantaged communities to develop new ideas to solve their biggest economic issues. Recognizing the need for

communities to figure out the best ways to deploy ARPA funding in a smart, equitable manner, the Brookings Institution wrote “the stakes are high. The money needs to move fast and be deployed smartly and equitably. In 10 years, we may look back at this time and ask: Which places merely spent their money, and which places invested it?”

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