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Nowak Metro Finance Lab

Lindy Institute for Urban Innovation

The State of ARPA Flexible Funding

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As of July 15th, most states have received their first half of the total flexible funding offered by the American Rescue Plan (ARPA), with a small group of states having received their entire funding allotment already. **The vast majority of states** have either: (a) **not allocated any funding** from their flexible funds or (b) have allocated **far less than half** of their total funds. And despite the guidance from the U.S. Department of Treasury, many state legislatures and governors have expressed concern about whether their proposed projects will comply with that guidance.

As states prepare to spend their funds in the upcoming months and years, they should look towards best practices emulated by other states—both in terms of what states fund and also the processes by which they allocate that funding. In these early stages, only a few states have transparently documented their appropriations. Moving forward, **all states should adopt transparent methods of allocation** for the benefit of local communities, relevant organizations, and other state policymakers deciding how to spend their own funding.

Below is a cursory outline of approaches to-date. As more states allocate additional funding, it will be crucial to monitor their approaches to identify and share additional best practices.

The Governance of ARPA Allocations

States have taken three distinct approaches to govern their allocations of flexible funding from ARPA.

- 1.) The vast majority of states—including those which have at least partially allocated funds and those which have yet to do so—have committed to allocating their funding through a **regular budget process**. In some of these states, the governor has submitted a proposal much like a traditional state operating budget. In others, the legislature, usually led by members of Appropriations Committees, has taken the lead in allocating funds. In both these scenarios, the process for allocating ARPA funds has, or will, resemble the traditional budget process (see the Timeline section for information on when states are allocating funding). Notably, this trend remains the case both in states with partisan trifectas and in states that have split-party governance.
- 2.) Six states have delegated spending authority of ARPA to a **smaller advisory group**, usually appointed by the governor, which includes the governor, leaders from state agencies, the legislature, and relevant industries.
- 3.) Only one state, Wisconsin, is using a **unilateral funding allocation structure**, in which the Governor has sole decision-making authority. Three states have so far not indicated who will be in charge of distributing funds, but it seems likely they will use the traditional budget process in a special session or future legislative session like the majority of states.



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Traditional Budget Process Model		Advisory Group Model	Sole Governor Authority Model	Not Known
Arizona	Nebraska	Arkansas	Wisconsin	Delaware
Alaska	Nevada	Georgia		Mississippi
Alabama	New Hampshire	Kansas		Tennessee
California	New Jersey	Montana		
Colorado	New Mexico	Oklahoma		
Connecticut	New York	South Carolina		
Florida	North Carolina			
Hawaii	North Dakota			
Idaho	Ohio			
Illinois	Oregon			
Indiana	Pennsylvania			
Iowa	Rhode Island			
Kentucky	South Dakota			
Louisiana	Texas			
Maine	Utah			
Maryland	Vermont			
Massachusetts	Virginia			
Michigan	Washington			
Minnesota	West Virginia			
Missouri	Wyoming			

Timelines

Twenty-six states have either partially or fully allocated their ARPA money. These states have incorporated a portion of initial ARPA funds into FY '22 budgets, while leaving the remaining funding (in addition to their second tranches, where applicable) for appropriation during future legislative sessions. Some states, like Nevada and Colorado, have established loose guidelines for how future ARPA funding should be appropriated.

Among this group of twenty-six, there is wide variance in how much of their total flexible funding they have chosen to appropriate. Indiana has appropriated nearly 100% of their total funding. Meanwhile, Vermont and Arizona have allocated under 10% of theirs. Maine has spent 0.5%, purely on the future fiscal management of their allocated funds. The remaining funding for these states will likely be determined in future regular and special sessions.

The other twenty-four states (including the three states which have not publicly outlined a process) will most likely appropriate their ARPA funding in either an upcoming special session—which would involve a supplementary FY '22 budget—or in the 2022 legislative session during deliberations around the FY '23 budget.



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Partial or Full Allocation		Future Allocation (Either for FY '23 or Supplemental Budget)	
Arizona	Maryland	Alabama	New Mexico
Alaska	Minnesota	Arkansas	North Carolina
California	Montana	Delaware	North Dakota
Colorado	Nevada	Georgia	Tennessee
Connecticut	New Jersey	Iowa	Oregon
Florida	New York	Kansas	Rhode Island
Hawaii	Ohio	Massachusetts	South Carolina
Idaho	Oklahoma	Michigan	South Dakota
Illinois	Pennsylvania	Missouri	Texas
Indiana	Utah	Mississippi	Virginia
Kentucky	Vermont	Nebraska	West Virginia
Louisiana	Washington	New Hampshire	Wyoming
Maine	Wisconsin		

Allocation Categories

Many states are clearly prioritizing using their flexible funds to **cover revenue losses** during the pandemic. Among states that have made allocations in this category, this is often their largest single expenditure of ARPA flexible funding so far.

State	Amount Spent on Revenue Replacement	Percentage of Total Fund Allocation
Florida	\$2 billion	23%
Connecticut	\$859.9 million	31%
Washington	\$600 million	19%
Louisiana	\$563 million	14%

Even with the potential for a major federal infrastructure bill, states are also choosing to spend significant amounts of their funding on **infrastructure projects** (water, sewer, broadband), as well.

State	Amount Spent on Infrastructure (Broadband, Water, Sewer)	Percentage of Initial Fund Allocation
Indiana	\$1.35 billion (Broadband)	44%
Montana	\$462.7 (Water and Sewer)	51%
Maryland	\$300 Million (Broadband)	8%
Kentucky	\$250 Million (Water and Sewer)	11%



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Other major categories include replenishing **state unemployment trusts** and supporting various **education initiatives** (including outfitting schools with better ventilation and supporting students who experienced learning loss during the pandemic). Beyond these areas, states are taking diverse approaches. Washington, for example, has appropriated \$967.5 Million (or 22% of their total allocation) on housing services, including affordable housing projects and utility assistance for low-income renters. By contrast, a majority of the other states that have spent ARPA funding have spent no money in this category.

States like Indiana, Utah, Louisiana, and Colorado are also prioritizing economic recovery. Allocations include small business relief programs, workforce development programs, and tourism initiatives. Indiana is spending \$731 million (nearly a quarter of their total funding) on a variety of economic recovery programs, though it's unclear now how those funds will be spent. Other states aiming to model Indiana's focus on economic development should note that ARPA funding for economic development must be targeted to mitigate the negative impacts of the pandemic, per the [Interim Final Rule](#) from the Department of Treasury.

Transparency

Perhaps one of the largest sources of variation between states is how they share information on ARPA flexible. Many states have buried their appropriations of ARPA flexible funding in their normal budgets for the fiscal year. Oftentimes, the funding is spread across multiple different budget documents. In many cases, a program or agency will receive an appropriation with little explanation on how that money is intended to be spent. In many cases, those state agencies will have the authority to allocate that money further but simply have not done so yet. Regardless, this makes tracking and understanding funding decisions and priorities extremely difficult for local stakeholders and other policymakers.

Instead, in addition to the traditional budgeting language and documentation, states should *also* publish clear outlines of how they are spending their funding. [Maryland](#), [Illinois](#), [Colorado](#), and [New Jersey](#) offer valuable models for other states on how to explicitly indicate where ARPA funds are going so individuals and organizations can easily find them and provide feedback.

Next Steps

The vast majority of ARPA flexible funding remains to be spent by the states. As states continue to make decisions in the coming months, they should emphasize a transparent approach that gives opportunities for feedback and insight from stakeholders. In the meantime, the National Conference of State Legislatures (NCSL) has [created a tracker](#) that documents specific state allocations. Additional tracking will be necessary to document emerging models for allocation, success stories, and other relevant details that go beyond specific allocations.