

## Supporting States in Planning and Deploying American Rescue Plan Act (ARPA) Funds

July 2021

### Introduction

The American Rescue Plan Act (ARPA) is a \$1.9 trillion economic stimulus bill passed by the 117th United States Congress and signed into law by President Biden on March 11, 2021. This is a once-in-a-generation opportunity to improve outcomes for Americans who have been disproportionately impacted by the COVID-19 pandemic and structural racism. States can use one-time ARPA funds to stabilize community-based organizations, ramp up services to meet critical needs during the recovery and, as clarified in [guidance from the Department of Treasury](#), invest in their capacity to improve programs addressing negative economic impacts. ARPA funding offers the opportunity to address several issues, including:

- **Child Care:** Nearly \$15 billion in flexible Child Care and Development Block Grant (CCDBG) funding and a childcare stabilization grant fund of nearly \$24 billion.
- **Mental Health:** \$1.5 billion in flexible Community Mental Health Services Block Grant funding and \$1.5 billion in Substance Abuse Prevention and Treatment Block Grant Program
- **Homelessness:** \$5 billion through the Homeless Assistance and Supportive Services Program
- **State and Local Recovery:** \$350 billion to help states, counties, cities and tribes cover increased expenditures, replenish revenue, and mitigate economic harm from COVID-19

### Support for States in Planning and Deploying ARPA Funds

Through the remainder of 2021 and into early 2022, States are making decisions now on where and how to deploy ARPA funding to provide relief and build back better for their citizens. Third Sector can support leaders and their teams to make key decisions on accelerated timelines by providing project coordination, gathering and analyzing data, developing tools to support scenario planning and facilitating outreach and engagement with key stakeholders including communities. Third Sector will help leaders answer key questions including:

- **How can we deploy ARPA funds with an intentional focus on racial equity and outcomes?** How should we structure our funding disbursements to address these factors? What systems-level analysis should we be considering as we make decisions?
- **How can we align ARPA funds with broader goals and existing initiatives?** How can these one-time funds pilot or test reforms or other innovative approaches we have been considering?
- **How can we engage with the community during the design and development of our ARPA funding approach?** What methods should we use to engage with the community?
- **How can we use data to inform our decision making?** How will we learn and improve as funding is deployed?

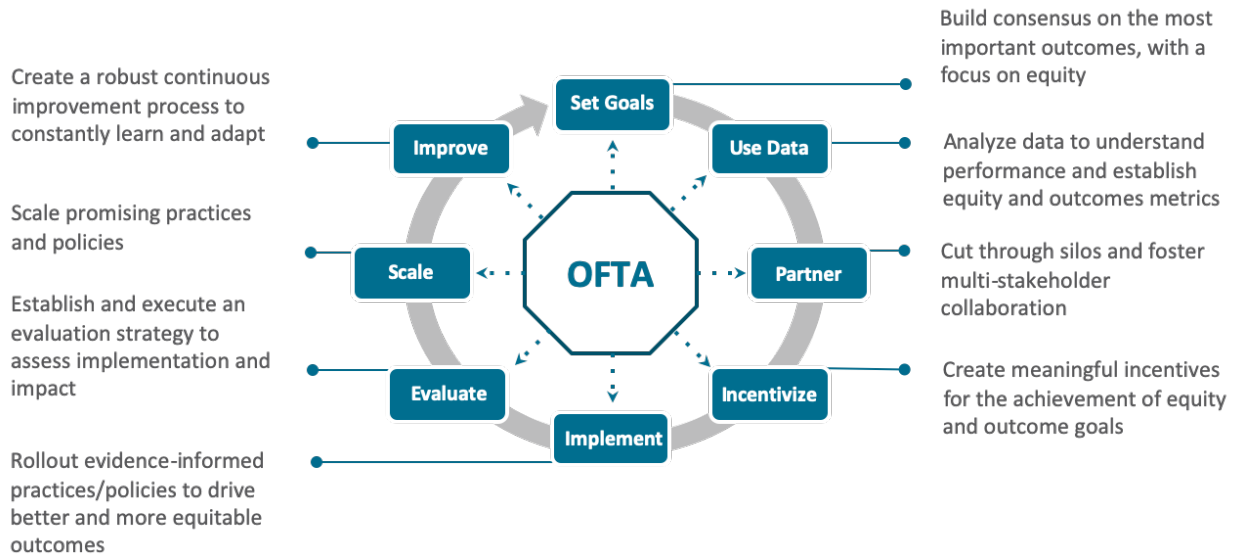
## Strategies for Deploying ARPA for Outcomes and Equity

Through our work with states, Third Sector has surfaced a number of concrete strategies for using flexible ARPA funding to improve efficacy and equity of programs that address the COVID-19 negative economic impacts:

- *Equitable Funding Formulas:* States can treat any ARPA grant program as an opportunity to improve outcomes and advance equity. For example, states can use administrative data alongside measures like [CDC's Social Vulnerability Index \(SVI\)](#) to address historical disparities by focusing stabilization grants and other resources on community-based organizations and businesses serving low-income black, indigenous and other people of color (BIPOC) communities.
- *Outcomes-focused Contracting:* States can seize the opportunity presented by an influx of one-time funds to contract for outcomes-focused services that can help communities “build back better” - especially for BIPOC who have disproportionately suffered in the pandemic. For example, states can contract with community-based organizations to re-engage low-income students in higher education, or increase school-based mental health services to address the trend of increasing self-harm amongst teenagers.
- *Performance Infrastructure:* States can use ARPA funding to build their capacity to manage to outcomes. For example, states can use the allowance for data infrastructure and technical assistance to integrate data systems and train program managers to lead others through outcomes-focused projects, setting the stage for broader systems transformation.
- *Integrated Programs and Services:* States can take the opportunity ARPA presents to think holistically about programs, services, and funding. For example, states can look for ways to braid and blend funds, establish co-enrollment procedures, coordinate services, and share data in service of a particular set of population outcomes such as increasing income for BIPOC living in the census tracts with the highest SVI scores or reducing intergenerational poverty.
- *Data-informed Decision-making:* States can use ARPA to strengthen agencies' capacity to use data for continuous program improvement and learning. For example, states can deepen partnerships between IT, research, reporting, and program units to better use existing administrative data to direct resources, services and outreach to those most impacted by the pandemic.

## An Outcomes-Focused Approach to Supporting States

As states deploy ARPA funding they will benefit from a facilitated approach that ensures funds are integrated with broader priorities and goals. Third Sector's Outcomes-Focused Technical Assistance (OFTA) model can provide state agencies planning and deploying ARPA funds with a collaborative and flexible approach that is built on agency goals and community needs. Through the OFTA approach, Third Sector can guide state agencies and their communities in making funding decisions rooted in community need, driven by data, intentional on advancing racial equity, and aligned with broader systems goals:


**OFTA**

Use outcomes focused technical assistance to support implementation and drive change management

## OFTA in Action: Supporting Connecticut and Massachusetts in Using ARPA Funds for Child Care

Third Sector partnered with the Connecticut Office of Early Childhood (CT OEC) and Massachusetts Department of Early Education and Care (MA EEC) to develop a funding model for allocating federal relief funds, including ARPA, with intentional incentives for advancing equity and quality. OEC and EEC had to move quickly to stabilize childcare providers that had lost significant revenue as a result of the pandemic, but the agencies wanted to avoid perpetuating historical funding patterns that led to low-income, BIPOC communities becoming childcare deserts, and prioritize support for providers serving these communities.

OEC and EEC worked closely with Third Sector to develop a data-driven model that incorporates the [CDC Social Vulnerability Index](#) (SVI) for the communities providers served to determine the level of grant funding each organization would receive. Because the % of non-white residents in a census tract is highly correlated with higher SVI scores, this model led to providers in majority BIPOC communities receiving an average of ~35% more in total funding per child compared with providers in census tracts with >80% white residents. The process took only two months from start to finish, and led to more equitable deployment of relief funds than would otherwise be possible. This model is now being used by both states for other ECE system reform initiatives. Detailed information on CT OEC’s Child Care Program Stabilization Funding can be found [here](#).

For more information, please contact Tim Pennell, Managing Director ([tpennell@thirdsectorcap.org](mailto:tpennell@thirdsectorcap.org)), Maria Posey, Director (Federal Practice) ([mposey@thirdsectorcap.org](mailto:mposey@thirdsectorcap.org)), or Oliver Gould, Director ([ogould@thirdsectorcap.org](mailto:ogould@thirdsectorcap.org)).