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Treasury Announces New Rules To Make Spending \$350 Billion ARPA Funds Easier for State, Local Governments

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In a move designed to offer greater flexibility in the deployment of the \$350 billion under the American Rescue Plan Act (ARPA), the U.S. Department of Treasury has announced new interim rules.

Termed as the "ARPA Flex, Interim Final Rule," these modifications allow state and local governments more latitude in utilizing these federal funds. The changes are particularly aimed at addressing urgent requirements such as natural disasters, transportation projects, and housing.

A press release issued by Senator Angel Bolques Jr. notes that the new draft rules provide an expanded range of options for the allocation of ARPA funds, allowing state and local governments

to direct resources towards preparation and recovery efforts for natural disasters. This includes everything from preparing for incoming storms to disaster recovery activities and even temporary housing, food assistance, and flood mitigation. Additionally, the new regulations will allow unspent ARPA funds to be redirected towards existing transportation projects without replacing current state funding, benefiting programs such as the Surface Transportation Block Grant Program and the Highway Safety Improvement Program.

Also noteworthy is the inclusion of RAISE (Rebuilding American Infrastructure with Sustainability and Equity) Program projects as a legitimate use of ARPA funds. While these projects previously did not receive federal funding, they will now be eligible if they align with RAISE program requirements. Waterfront revitalization in the Virgin Islands is one such project that meets the stipulations set out for RAISE projects.

Another avenue opened up by the interim rules is the ability to repay federal loans taken under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. Finally, Community Block Development Grant (CDBG) programs have been added to the list of acceptable uses for the ARPA funds. These could involve property acquisition for public purposes and the construction or rehabilitation of public facilities.

The Treasury department has also set new deadlines for the expenditure of ARPA funds. Under the original regulations, governments had until December 31, 2024 to decide how the funds would be allocated. Now, under the new rules, projects related to surface transportation, disaster relief, and CDBG must be completed by September 30, 2026. Furthermore, any projects in the categories of transportation and CDBG will have to meet the National Environmental Policy Act (NEPA) standards.

Emphasizing the significance of the new funding options, Mr. Bolques believes that "with these new possibilities, our leaders have a unique chance to address pressing needs, bolster infrastructure, and enhance disaster preparedness to benefit the Virgin Islands' residents." He encouraged all stakeholders to collaborate, ensuring the ARPA funds are used to their fullest potential while meeting all requirements.

ARPA is a \$1.9 trillion economic stimulus bill signed into law by President Joe Biden on March 11, 2021. The bill was enacted to provide relief to Americans who were affected by the economic and health impacts of the Covid-19 pandemic. It followed previous relief packages such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act.

The ARPA included various forms of financial aid and support, such as:

- Direct payments to individuals (stimulus checks)
- Extended unemployment benefits
- Funds for Covid-19 vaccinations and testing
- Financial aid for schools and colleges
- Support for small businesses
- Rental and homeowner assistance
- Expansion of child tax credits
- Funding for state and local governments

The \$350 billion earmarked for state and local governments under ARPA was intended to address budget shortfalls, support public health initiatives, assist in economic recovery, and more. The

purpose was to provide a financial cushion that would enable these governments to continue essential services and accelerate economic recovery from the pandemic.

The U.S. Department of Treasury was charged with overseeing these funds, including setting rules for their distribution and usage.

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