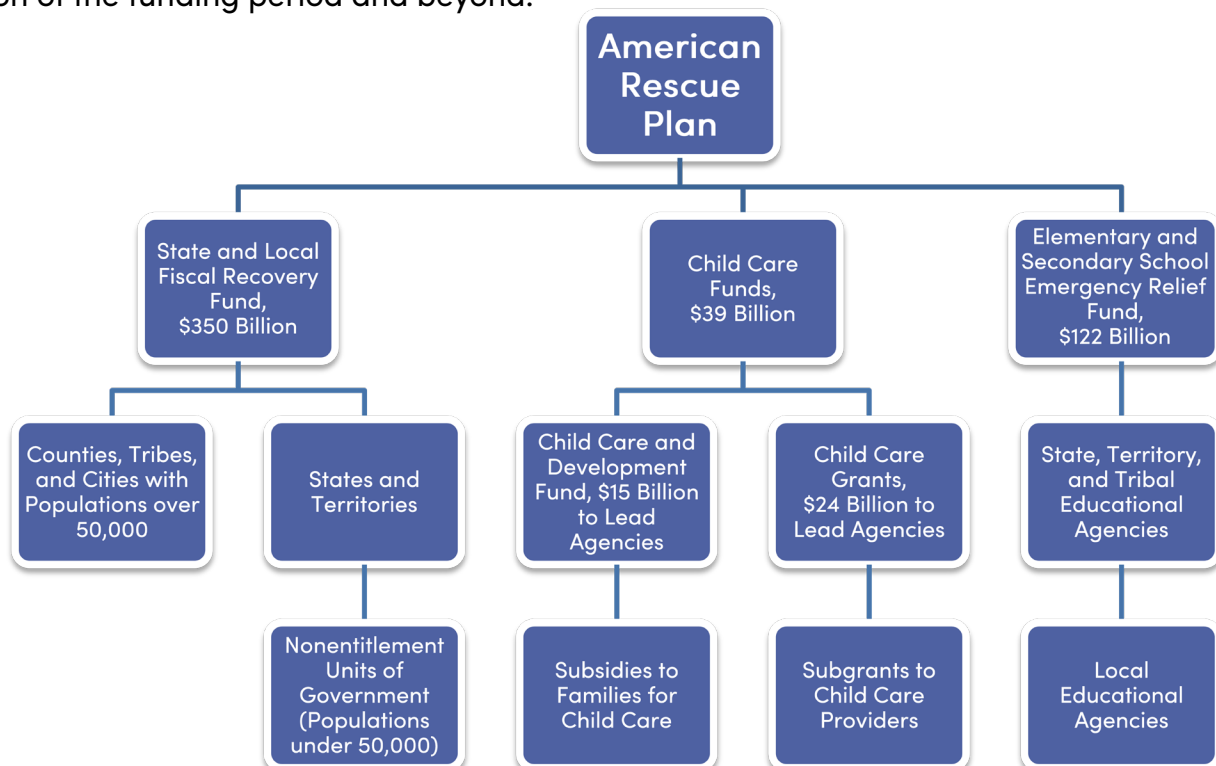


Building a Strong Backbone

How American Rescue Plan Funds Can Strengthen the Administrative Operations Needed to Support Kids

The American Rescue Plan is the federal government's \$1.9 trillion relief package designed to help the nation recover from the economic impacts of the COVID-19 pandemic. The package includes more than \$160 billion designated for education and child care as well as over \$350 billion more that states and localities can flexibly spend on children. Many of the state and local agencies that ultimately will be responsible for these funds have never received funding of this magnitude and lack the administrative infrastructure and capacity to plan, commit, and spend the funds within the mandated timeline.

Intermediary organizations that work on behalf of children and their families are uniquely well positioned to support these agencies and provide additional administrative capacity by coordinating and deploying the new funding. Given their relationships to so many organizations, and their foot in the door with wider support networks, local intermediary organizations can act as brokers and help programs leverage critical resources. The following sections outline how states and localities can use these new federal funds to develop and maintain the administrative infrastructure that will be necessary to deploy the many programs in which their communities will invest their funding. Additionally, they illustrate how intermediary organizations can partner with state and local agencies and fund recipients to expand and provide much needed support for the duration of the funding period and beyond.



Note: Some states and communities may have additional federal funds available from previous COVID relief packages; however, those amounts are not included here.

State and Local Fiscal Recovery Fund

The State and Local Fiscal Recovery Fund (SLFRF) is the most flexible funding stream in the American Rescue Plan and has the longest spending horizon. States and localities must commit their allocated funds for spending by December 31, 2024, and actually spend the funds by December 31, 2026. Because of their flexibility, these funds offer an excellent opportunity to build a sustainable administrative infrastructure. All state, territory, local, and tribal governments will receive their funds directly from the U.S. Department of the Treasury, with the exception of localities with populations of fewer than 50,000.¹ States and localities may use their allocations from the SLFRF for the following administrative purposes:

- Covering costs related to disbursing American Rescue Plan funds and managing new grant programs established with these allocations. Recipients may transfer funds to, or execute grants or contracts with, a wide range of third-party entities to implement these strategies.² These entities include but are not limited to private and nonprofit organizations, public benefit corporations, and special-purpose units of local government, such as [children's cabinets](#).
- Rebuilding public sector capacity to implement economic relief programs including investing in data analysis, outreach, technology infrastructure, and impact evaluations. Economic relief programs include child care, housing, after-school programs, educational services, workforce development, and other programs developed to respond to the negative economic impacts of the COVID-19 pandemic.
- Rebuilding public sector capacity to the same level as that of January 27, 2020, through spending on payroll and benefits for staff who administer social services, public benefits, child welfare benefits, and family care.
- Addressing a decrease in a state or local government's ability to effectively administer services, which the Treasury Department recognizes as a "negative economic impact" of the pandemic.

Additional information about the allowable uses for SLFRF money is available from the following resources:

- [State and Local Fiscal Recovery Funds: Overview of the Final Rule](#) (U.S. Department of the Treasury) This resource contains an extensive (but not exhaustive) list of eligible uses for SLFRF and a complete list of ineligible uses. The [full text final rule](#) also is available from the Treasury Department.
- [Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#) (U.S. Department of the Treasury) The Treasury Department regularly updates these questions.
- [American Rescue Plan and COVID-19 Resources](#) (Results for America) Results for America developed this extensive set of resources about the American Rescue Plan.

Child Care and Development Fund and Child Care Stabilization Grants

Both the Child Care and Development Fund (CCDF) and Child Care Stabilization Grants (CCSG) are administered by the federal Office of Child Care, a subagency of the Administration for Children and Families within the U.S. Department of Health and Human Services. Both sets of funds will be distributed to lead agencies—such as an office of child care, early learning, or social services within a state or territory’s department of human services or education. The lead agencies then will distribute funds to recipients: either to families in the form of subsidies (CCDF) or to providers in the form of subgrants (CCSG). Visit the Administration for Children and Families’ website for a [full list of lead agencies](#).

Child Care and Development Fund

CCDF funds in the American Rescue Plan total \$15 billion. This funding is in addition to the \$3.55 billion mandatory annual appropriation and state matching funds for fiscal year 2021. States must commit the new CCDF funds for spending by September 30, 2023, and spend them by September 30, 2024. Unlike regular CCDF allocations, the American Rescue Plan money is not subject to set-aside mandates on quality and direct services.³ However, these funds are still subject to the regular administrative spending limitation: States and territories may spend up to 5% of their total fund allocations on administrative costs, and tribes may spend up to 15%. Lead agencies may use American Rescue Plan CCDF money for the following administrative purposes:

- Paying salaries and benefits for lead agency staff or other agency staff engaged in the administration or implementation of a child care program.
- Developing agreements with administering agencies to carry out program activities. Administering agencies can include child care resource and referral agencies, local departments of health and human services, or other social service agencies.
- Coordinating the provision of CCDF services with other federal, state, and local programs focused on child care, early childhood development, and before- and after-school services.
- Providing administrative services such as accounting performed by grantees, subgrantees, or third parties.
- Covering indirect costs as determined by an indirect cost agreement or cost allocation plan. Indirect costs are costs that are not specifically tied to a grant project or activity. They can include facility operation and maintenance and administrative salaries and supplies.⁴

For additional information and a full list of administrative activities permitted within the spending limitation, visit the [CCDF technical assistance website](#).

Child Care Stabilization Grants

Funds from the American Rescue Plan CCSG total \$24 billion. States must commit their funds for spending by September 30, 2022, and spend the funds by September 30, 2023. State and territory lead agencies may reserve up to 10% of funds for the program’s administrative costs, while tribes

may reserve up to 20% of funds for administration. Lead agencies may use CCSG funds for the following administrative purposes:

- Funding intermediary organizations through contracts or grants to help distribute subgrants or to help child care providers meet their needs.
- Administering child care stabilization subgrants, including making technical upgrades to data systems and expanding capacity to assess outcomes.
- Executing activities to increase the supply of high-quality child care, including providing start-up resources for child care services, facility improvement grants, business practice training, and improvements to lead agency data systems.
- Providing technical assistance to help subgrant applicants submit their applications for funds and meet all requirements.
- Publicizing the availability of CCSG funds through outreach programs, partnerships with intermediaries, and widely accessible application systems.

For additional information, read the [CCSG guidance from the Administration for Children and Families](#) and [Optimizing Distribution of American Rescue Plan Funds to Stabilize Child Care](#) from Center for American Progress.

Elementary and Secondary School Emergency Relief Fund

The American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ESSER III) provides \$122 billion in funds to state educational agencies through the U.S. Department of Education. State educational agencies, in turn, must allocate 90% of their ESSER III funds to local educational agencies based on the respective share of funding the local agencies received in 2020 under [Title I, Part A of the Elementary and Secondary Education Act](#) (ESEA). ESSER III funds have a longer spending timeline and fewer restrictions on spending activities than ESSER funds authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). Local educational agencies must commit to spend their ESSER III funds by September 30, 2024, and actually spend the funds by January 28, 2025. States and localities must allocate their ESSER III funds according to the following structure:

- State educational agencies must subgrant *at least 90%* of their ESSER III funds to local educational agencies. Then state agencies must allocate the remaining 10% of funds in the following manner:
 - *at least 5%* for implementing evidence-based learning loss interventions such as extended day, after-school, and summer enrichment programs;
 - *at least 1%* specifically for evidence-based summer enrichment programs;
 - *at least 1%* specifically for evidence-based comprehensive after-school programs; and
 - *up to 1.5%* for administrative costs, including activities related to [compliance requirements](#).
- States may use their remaining funds to provide additional funds to local educational agencies or to respond to emergency needs related to COVID-19 as determined by the state. Several states are allocating a portion of their reserved funds to school districts that are not eligible for ESSER III funds based on Title I.

- Local educational agencies must reserve *at least 20%* of their funds to implement evidence-based interventions to address learning loss. They may spend the remaining 80% of funds on a wide range of activities and services, including the following:
 - any activities authorized by the ESEA, the Individuals with Disabilities Education Act, the Adult Education and Family Literacy Act, or the Carl D. Perkins Career and Technical Education Act;
 - planning and implementing activities related to summer learning and supplemental after-school programs;
 - activities that are necessary to maintain operation and continuity of services and continuing to employ existing staff;
 - activities to address the unique needs of students from low-income families, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and youth in foster care; and
 - defraying certain [compliance](#) costs.

A governor or state educational agency may determine the amount of funds local educational agencies may use for administration. **Federal guidance encourages local educational agencies to partner with community organizations to develop programming that addresses learning loss, summer enrichment, workforce stabilization, and other areas of concern.** Local educational agencies should consult their [state ESSER III plan](#) for additional direction about how to spend their funds. For additional information about all allowable uses of ESSER III funds, read the [ESSER III guidance](#) and [FAQ](#) documents from the U.S. Department of Education.

How Intermediary Organizations Can Help

Intermediary organizations can play an important role in ensuring that their states and communities spend their American Rescue Plan dollars resourcefully, equitably, and on time. They also can fill existing gaps in state and local administrative infrastructure. Intermediary organizations can help in the following ways:

1. Communicate with

- families, educators, child care providers, and other stakeholders to educate them about how much money their communities will receive, when it will arrive, and how their communities can use it;
- fund administrators who may need expanded administrative services and wish to contract with third-party entities; and
- community representatives, especially youth and historically underrepresented and underfunded groups, to ensure they are aware of the incoming funds and engage in the decision-making process for allocating and spending funds.

2. Hold leaders accountable by

- keeping fund administrators on track to meet important commitment and spending deadlines for funds;
- convening and organizing stakeholders, especially youth stakeholders, to inform leaders about how they want the funds allocated;
- advocating on behalf of potential fund recipients for equitable distribution of funds;

- aiding fund administrators in maintaining compliance with federal, state, territory, and/or tribal guidelines, especially where compliance includes equitable spending rules, such as the [maintenance of equity requirement for ESSER III funds](#); and
- contracting with fund administrators and/or fund recipients to perform data collection and analysis and impact evaluations of programs funded with American Rescue Plan dollars.

3. Help deliver, coordinate, and sustain American Rescue Plan programs by

- contracting with fund administrators, or acting as go-betweens for contractors and fund administrators, to bolster system administrative capacity;
- identifying trusted partners to provide technical assistance to fund administrators and grant recipients, especially for child care;
- demonstrating the added value of programs funded with American Rescue Plan money—especially for culturally specific and grassroots programs—to the community, local advocates, and government officials;
- establishing, promoting, and preserving sustainable funding models for services or programs that state and communities start or maintain with COVID relief funding; and
- exploring alternate funding streams to support child- and youth-serving programs after American Rescue Plan funds end, such as [local dedicated funds](#), philanthropic funding opportunities, or other federal grant programs.



Partnership Highlight: UP Partnership in San Antonio, TX

[UP Partnership](#), a San Antonio-based nonprofit, leveraged its deep network to develop recommendations for spending American Rescue Plan funds that align with its [Equitable Recovery Pledge](#). The pledge outlines commitments to supporting equitable recovery from COVID-19 for youth. In 2019, UP Partnership collaborated with Children’s Funding Project to develop a [fiscal map](#) of the federal, state, county, city, and philanthropic funding for children and youth in San Antonio and Bexar County. In 2020, Children’s Funding Project worked with UP Partnership to facilitate a cross-systems policy and funding alignment task force. This task force focused on using the results of the fiscal map to identify priority outcome areas, funding gaps, and potential solutions.

When the American Rescue Plan passed, UP Partnership, with the continued support of Children’s Funding Project and the addition of PFM Asset Management’s services, was well positioned to identify how San Antonio could use recovery funds to advance its goals for local youth. In July 2021, UP Partnership published [Leveraging American Rescue Plan Act Funds for Youth Outcomes](#), a set of concrete spending recommendations for local government leaders. UP Partnership is using this report to advocate for spending that aligns with the Equitable Recovery Pledge for youth, and plans to develop a second report on longer-term outcome areas.

Endnotes

- 1 Localities with populations of fewer than 50,000 are [designated as nonentitlement units](#) of government and will receive their SLFRF funds from their respective state or territory government in accordance with [Treasury Department guidelines](#).
- 2 For additional information about the compliance and reporting requirements for entities that receive SLFRF funds, see U.S. Department of the Treasury, *Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds* (Washington, DC: Author, 2021), <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.
- 3 For additional information see Jillian Luchner, "Guidance on \$15 Billion in Supplemental Child Care Funding Released, Including Opportunities to Increase Staff Wages," *Afterschool Snack* (blog), Afterschool Alliance, June 25, 2021, http://www.afterschoolalliance.org/afterschoolsnack/Guidance-on-15-billion-in-Supplemental-Child-Care-Funding_06-25-2021.cfm.
- 4 The definition of "indirect cost" included in this document comes from the U.S. Department of Education, *Guidance for Establishing an Indirect Cost Rate Agreement or Cost Allocation Plan* (Washington, DC: Author, n.d.) available at <https://www2.ed.gov/about/offices/list/ope/trio/indirect-costs-guidance.pdf> and not directly from any CCDF guidance.

ABOUT CHILDREN'S FUNDING PROJECT

Children's Funding Project is a nonprofit social impact organization that helps communities and states expand equitable opportunities for children and youth through strategic public financing.

childrensfundingproject.org