

# Building Digital Government and Investing for the Future with American Rescue Plan Funding

Since last spring, Congress has allocated more than \$500 billion in federal aid to state and local governments through the CARES Act and the American Rescue Plan (ARP) to deal with disruptions caused by the pandemic.

The ARP allocated \$350 billion to state and local governments, which should help them counter a projected \$225 billion budget deficit in 2022.<sup>1</sup> The Omnibus Appropriation Bill, which was passed in December 2020, will also allow them to build out their broadband infrastructure.<sup>2</sup>

This recent influx of federal funding will help state and local governments in several ways, particularly by allowing them to make critical long-term technology investments that help them modernize service delivery and improve business continuity.

Here are some important details about the recent rounds of federal aid and how state and local governments can best leverage these funding sources.

## CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND

The federal government has allocated \$350 billion in federal aid to state and local governments through The Coronavirus State and Local Fiscal Recovery Fund.

- **ARP Allocation:** States will receive \$195 billion in funding, while counties and cities will receive nearly \$65 billion and \$46 billion, respectively. Tribal governments will receive a \$20 billion allocation, while territorial governments will receive \$4.5 billion in federal aid. Congress has allocated \$19.5 billion to smaller cities and counties, or what's known as non-entitlement units of local government.<sup>3</sup>

**HOW GOVERNMENTS CAN USE THIS FUNDING:** The federal government has issued broad guidance for how state and local governments can use this aid for a variety of technology needs, including:

- Covering expenses, such as data and technology infrastructure improvements, to improve the design and execution of public health programs,<sup>4</sup> as well as the administration and effectiveness of economic relief programs.<sup>5</sup>
- Covering expenses related to delivering government services, including cybersecurity modernization.<sup>6</sup>
- Paying for cybersecurity tools to protect water and sewer infrastructure.<sup>7</sup>

States and localities can use money from the Coronavirus State and Local Fiscal Recovery Fund to cover eligible costs incurred by Dec. 31, 2024.<sup>8</sup>

## OMNIBUS APPROPRIATIONS BILL

- **Allocation:** In December 2020, Congress passed the Consolidated Appropriations Act, which included the \$1.4 trillion Omnibus Appropriations Bill that allocated \$7 billion in funding for broadband initiatives.
- **How governments can use this funding:** This \$7 billion in funding targets several key priorities as it relates to broadband expansion. Just over \$5 billion of it is dedicated to expanding broadband access in low-income, tribal, rural and underserved communities, while almost \$2 billion is designated for replacing or removing unsecured communications infrastructure and networks.<sup>9</sup> The federal government has yet to issue more guidance on funding deadlines or final program rules. However, it's important for state and local governments to be aware that this additional funding source is available.

## OPPORTUNITIES FOR INVESTING FEDERAL FUNDING

Both of these funding sources provide an invaluable opportunity for state and local governments to make long-term technology investments. As organizations

embrace remote and hybrid work models, expanding broadband connectivity will help ensure employees have access to reliable wireless internet to do their jobs, especially those who live in rural or underserved communities. As governments enhance digital service delivery, this can also foster greater digital equity and ensure constituents in these communities can access a range of government services.

State and local governments can also use this funding to invest in cloud solutions such as digital workspace platforms; modern network connectivity solutions such as 5G; and automated, AI-driven cybersecurity tools to better protect public data as it travels across their networks. These investments will also improve business continuity and government resilience.

For too long, legacy systems have made it more difficult for governments to achieve their mission. However, state and local governments can take advantage of this massive influx of federal funding to address long-standing challenges. By seizing this opportunity, state and local governments can build a robust technology infrastructure that will serve them well during the current crisis — and in a post-pandemic world.

1. <https://www.cbpp.org/research/state-budget-and-tax/states-localities-tribal-nations-territories-need-more-federal-aid>  
2. <https://www.ncsl.org/ncsl-in-dc/publications-and-resources/fy-2021-omnibus-appropriations-bill.aspx>  
3. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>  
4. <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>, pg. 21  
5. <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>, pg. 34  
6. <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>, pg. 60  
7. <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>, pg. 67  
8. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>  
9. <https://www.commerce.senate.gov/2020/12/committee-broadband-priorities-included-in-omnibus-heads-to-president-s-desk>

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