



# Rebuilding for a Better Tomorrow: Montana's Use of Federal American Rescue Plan Funds

March 2021

As the state accepts more than \$2 billion in federal funds through the American Rescue Plan Act (ARPA) to support families and communities struggling through the COVID-19 pandemic, Montana can take proactive actions to mitigate the damage to families, businesses, and begin to build a stronger economy that will support workers and families into the future. This report provides overarching principles the legislature should consider, a summary of the federal funding streams and Montana's allocation, and specific recommendations on the use of funds.

## Guiding Principles for Effective Use of ARPA Funds

As the legislature considers the use of federal American Rescue Plan funds, including roughly \$900 million in more flexible COVID state relief funds, the state should consider the following guiding principles.

- 1. Montana should utilize revenue recovery funds to restore critical services and ensure continuity of services into the 2023 Biennium.** The executive's proposed 2023 biennium budget was constructed in 2020, using assumptions of revenue levels that were well below previous projections.<sup>1</sup> While revenue levels are projected to come in for FY 2021 below the previous fiscal year, the state is now projecting steady growth in revenue for FY 2022 and FY 2023.<sup>2</sup> However, the 2023 Biennium budget was built on lower revenue projections and provides for austere budget growth, even in areas lacking services. Under current HJ 2 revenue estimates, Montana faces a revenue decline of \$189 million over the three-year period FY 2020 – FY 2022.<sup>3</sup> (This is subject to change if the legislature updates HJ 2.) The state can utilize relief funds to offset declines in revenue from 2019. As such, Montana should consider using those additional funds to restore essential funding, including items such as health provider rates, early childhood education funding, and caseload adjustments for the Office of Public Defender.
- 2. Funding considered "one-time-only" should be used to provide direct relief for families and communities hit hardest by the pandemic, as well as critical infrastructure demands.** The state can utilize flexible state relief funds to support one-time assistance to families, including bolstering SNAP, child care assistance, and cash payments to families and workers. Additionally, the state should utilize existing structures to get funding out the door quickly, including fully funding existing eligible infrastructure projects already in the queue and utilizing programs such as the Community Development Block Grant program to fund infrastructure projects targeted to underserved populations.
- 3. The Legislature should proceed cautiously with any tax legislation that could risk the loss of federal funds.** The American Rescue Plan Act provides that the state fiscal relief funds *cannot* be used to cut taxes.<sup>4</sup> As the state considers a series of tax cut measures that could ultimately reduce revenue below ongoing expenditures, the state should reconsider any legislation that would hinder the state's ability to access federal funds. At a minimum, tax cut legislation should be reviewed for potential conflict with ARPA limitations.

4. **Montana should expedite funding allocated to local governments, those best equipped to address immediate needs quickly.** The American Rescue Plan allocates roughly \$300 million to local government, much of which must be appropriated by the state legislature. In order for local government to act quickly to support families, businesses, and essential services, the state should ensure these funds are appropriated expeditiously to address ongoing needs on the ground. The Legislature should also utilize existing funding streams to leverage local nonprofit organizations that can support families most impacted by COVID-19.

## Appendix A – Funding included in the American Rescue Plan Act

\* Funding estimates for Montana only take into account initial formula allocations.<sup>5</sup>

Department	Program	Montana Allocation (estimate)	Time Constraints on Use
<b>TREASURY: STATE/LOCAL RELIEF FUNDS</b>			
	Money to state governments	\$910,100,000	Dec. 31, 2024
	Money to local governments	\$289,000,000	Dec. 31, 2024
	Capital projects	\$119,300,000	Dec. 31, 2024
<b>HEALTH &amp; HUMAN SERVICES</b>			
	Increase funding for testing and contact tracing	\$143,400,000	Until expended
	Increase public health workforce and investments	\$23,000,000	Until expended
	Fund vaccine distribution, confidence, and supply chains	\$22,500,000	Until expended
	Substance Abuse and Mental Health Services Administration (SAMHSA)	\$17,000,000	Sept. 30, 2025
	Supporting Older Americans and Their Families	\$1,000,000	Until expended
	Family Violence Prevention	\$900,000	Until expended
	Child Abuse Prevention	\$400,000	Sept. 30, 2023
	Funding for state homes	\$1,700,000	Until expended <sup>6</sup>
	Emergency Assistance to Children and Families	\$2,800,000	Until expended
<b>EDUCATION</b>			
	K-12 Education	\$404,000,000	Sept. 30, 2023
	Assistance to non-public schools	\$7,000,000	Sept. 30, 2023
	Higher Education	\$81,200,000	Sept. 30, 2023
	IDEA (Individuals with Disability Education Act)	\$10,172,000 <sup>7</sup>	Not specified
<b>HOUSING</b>			
	Emergency rental assistance	\$152,400,000	Sept. 30, 2025
	Homeless Assistance	\$11,600,000	Sept. 30, 2025
	Homeowner Assistance	\$50,000,000	Sept. 30, 2025

	LIHEAP/Water Assistance	\$21,000,000	Sept. 30, 2022
<b>CHILD CARE</b>			
	Child Care Development Block Grant	\$42,673,000	Sept. 30, 2023
	Child Care Stabilization Grants	\$68,251,000	Sept. 30, 2023
	Head Start	\$3,551,000	Sept. 30, 2022
<b>LABOR</b>			
	Corporation for National and Community Service	\$5,500,000	Sept. 30, 2026
	Rapid Retraining	\$2,000,000	Varies <sup>8</sup>
	Extend unemployment programs with \$300/week supplement	\$286,000,000	Sept. 6, 2021
	Unemployment Administration	\$5,200,000	
<b>TRANSPORTATION</b>			
	Airports	\$600,000	Sept. 30, 2024
	Rural Transit Assistance	\$800,000	Sept. 30, 2024
<b>FOOD ASSISTANCE</b>			
	Supplemental Nutrition Assistance Program	\$11,000,000	Sept. 30, 2026
	Commodity Supplemental Food Program	\$200,000	Sept. 30, 2022
	WIC	\$1,130,000	Sept. 30, 2021
<b>OTHER AGENCIES</b>			
	State Small Business Credit Initiative	\$60,000,000	Until expended
	Institute of Museum and Library Services	\$2,300,000	Until expended
	National Endowment of the Arts	\$764,000	Until expended

<sup>1</sup> Governor's Office of Budget and Program Planning, "[State of Montana 2023 Biennium General Fund Balance Sheet - Executive Proposal](#)," Nov. 15, 2020.

<sup>2</sup> Legislative Fiscal Division, "[General Fund Revenue Forecast Update #2](#)," Feb. 22, 2021.

<sup>3</sup> Authors calculations using Legislative Fiscal Division, "[RIC Adopted HJ 2 Revenue Estimate](#)" and Actual FY2019 revenue contained in Legislative Fiscal Division, "[2023 Biennium Revenue Estimate and Comparison to the Executive](#)," Nov. 19, 2020.

<sup>4</sup> Johnson, N., "[Rescue Plan Protects Against Using Federal Dollars to Cut State Taxes](#)," Center on Budget & Policy Priorities, Mar. 11, 2021.

<sup>5</sup> Most estimates come from Governor's Office of Budget and Program Planning, "[Summary of ARPA funds](#)", Mar. 15, 2021, with additional information from the Federal Funds Information for States, "Estimated State Funding in the American Rescue Plan," on file with author.

<sup>6</sup> First \$500 million remains available until expended, and the remaining \$250 million in one-time emergency payments available until Sept. 30, 2022.

<sup>7</sup> Roughly \$8.3 million will be allocated to K-12 schools, and approximately \$1.2 million will go to DPHHS for IDEA for toddlers and infants.

<sup>8</sup> Funding can be used to provide up to 12 months of retraining assistance to eligible veteran.