

AMERICAN RESCUE PLAN CSLFRF Guidance



Government Finance Officers Association



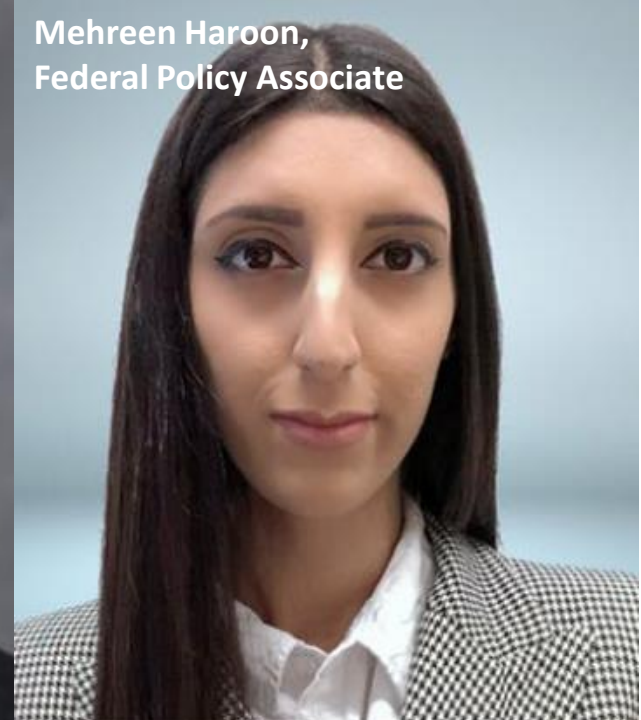
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GFOA is YOUR Advocate in Washington DC





The American Rescue Plan Act of 2021

American Rescue Plan Act of 2021

○ American Rescue Plan Act

- Subtitle M
- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
 - Section 602: Coronavirus State Fiscal Recovery Fund
 - Section 603: Local Fiscal Recovery Fund

Subtitle M—Coronavirus State And Local Fiscal Recovery Funds

SEC. 9901. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS.

(a) IN GENERAL.—Title VI of the Social Security Act (42 U.S.C. 801 et seq.) is amended by adding at the end the following:

“SEC. 602. CORONAVIRUS STATE FISCAL RECOVERY FUND.

“(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated for fiscal year 2021, out of any money in the Treasury not otherwise appropriated—

“(1) \$219,800,000,000, to remain available through December 31, 2024, for making payments under this section to States, territories, and Tribal governments to mitigate the fiscal effects stemming from the public health emergency with respect to the Coronavirus Disease (COVID-19); and

“(2) \$50,000,000, to remain available until expended, for the costs of the Secretary for administration of the funds established under this title.

“(b) AUTHORITY TO MAKE PAYMENTS.—

“(1) PAYMENTS TO TERRITORIES.—

“(A) IN GENERAL.—The Secretary shall reserve \$4,500,000,000 of the amount appropriated under subsection (a)(1) to make payments to the territories.

“(B) ALLOCATION.—Of the amount reserved under subparagraph (A)—

“(i) 50 percent of such amount shall be allocated by the Secretary equally to each territory; and

“(ii) 50 percent of such amount shall be allocated by the Secretary as an additional amount to each territory in an amount which bears the same proportion to $\frac{1}{2}$ of the total amount reserved under subparagraph (A) as the population of the territory bears to the to

American Rescue Plan Act of 2021

- **\$1.9 Trillion TOTAL**
- **\$350B to states and local governments**
- **The state portion of the funding is \$195 billion:**
 - \$1.25 billion minimum will be distributed equally among the 50 States and the District of Columbia.
 - Remaining amount will be distributed according to a formula that takes into account each state's share of unemployed individuals.

Note: Items that don't apply to the Town of Vienna in gray print.



American Rescue Plan Act of 2021

- **The local portion of the funding is \$130 billion**
 - Equally divided between cities and counties.
 - For cities, \$45.5 billion of the \$65 billion will be allocated to metro cities (pop. over 50,000) utilizing a modified formula,
 - and the remaining amount for smaller jurisdictions (pop. under 50,000) will be allocated according to pop. share but will not exceed 75 percent of their most recent budget.
 - For counties, the \$65 billion will be allocated based on the county share of population. Counties that are CDBG recipients would receive the larger share between the population based on CDBG formula.
- Payments to local governments will be made in two tranches - first half 60 days after enactment, second half one year later.



American Rescue Plan Act of 2021

- **Eligible uses include ([section 602 and 603](#))**
 - “(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
 - “(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal / local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
 - “(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal / local government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
 - “(D) to make necessary investments in water, sewer, or broadband infrastructure.



GUIDANCE UPDATE

Guidance and Next Steps

- Law enacted **March 10**
- Preview of Interim Final Rule (IFR) dropped on **May 10**
- “[Interim Final Rule](#)” because of expedited rulemaking
 - Feedback is solicited, **due 60 days from May 17**
 - Questions sprinkled throughout, 130+ pages
 - GFOA will comment!
- US Treasury: [FAQs](#)
- US Treasury: [Fact Sheet](#)

Non-Entitlement Units (NEUs)

- Funds flow through the State – final values to be calculated by the State
- Distributed 30 days after State certification
 - 75% of their most recent budget (IFR p. 97)
- Relationship between States and NEU
 - No additional restrictions on the funds from the states
 - NEU are NOT subrecipients of the states
- NEUs that refuse their allocation are then redistributed up to 75% qualifier



Process and Certifications

Process and Certifications

○ Certification:

- Where/how to certify and who needs to certify
- Any directive on investment of the funds
- Is ID.me the only choice?

○ Process:

- No set timeline for jurisdictions to complete certification
- Second tranche released 1 year after first

The screenshot shows the ID.me sign-in page for the U.S. Treasury. At the top, the ID.me logo is followed by a plus sign and the U.S. Treasury seal and the word "TREASURY". The main heading is "Sign in to ID.me". Below this, there is a light blue banner with the text "New to ID.me?" and a link "Create an ID.me account". The form contains two input fields: "Email" with the placeholder "Enter your email" and "Password" with the placeholder "Enter your password". A blue button labeled "Sign in to ID.me" is positioned below the password field. Underneath the button is a link for "Forgot password". Below that, there is a section for social login with the text "Or sign in with" and three buttons for "Facebook", "Google", and "LinkedIn". At the bottom of the form is a link "View more options >".



Guidance Central Statements

Eligible Expenditures: Central Statements

- Unless otherwise noted, covered period is March 3, 2021-December 31, 2024 (IFR p. 88)
 - Costs can be incurred by December 31, 2024 but must be expended by December 31, 2026 (IFR p. 88)
 - *(c) Return of funds. A recipient must return any funds not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026 (IFR p. 122)*
- Cannot spend funds on pension deposits (IFR p. 71)
- States and territories cannot spend the funds to reduce taxes or delay a tax increase (IFR p. 69)
 - In this sub-section, “recipient governments” refers only to States and territories. In other sections, “recipient governments” refers more broadly to eligible governments receiving funding from the Fiscal Recovery Funds (IFR p. 72)
- May not be used as non-Federal Match for other Federal Programs (IFR p. 86)



Eligible Expenditures

Eligible Expenditures: Four Main Categories

- A. COVID-19 or a negative economic impact
- B. Premium pay for eligible workers
- C. For government services to the extent of the loss of revenue
- D. Investments in water, sewer and broadband infrastructure



A. COVID-19 or a Negative Economic Impact

COVID-19 Eligible Expenditures

Eligible Uses	Details (IFR p. 11-21)
<p>Containing/Mitigating Covid-19 (IFR p. 16)</p>	<ul style="list-style-type: none">• Vaccine programs, PPE, medical expenses• Enhancing public health data systems• Capital investments in public facilities to meet pandemic operational needs etc.
<p>Behavioral Healthcare Needs (IFR p. 17)</p>	<ul style="list-style-type: none">• Mental health/substance abuse treatment• Crisis intervention/hotlines• Services to promote access to social services
<p>Payroll/Benefits for: Public health/safety Human services Similar employees (IFR p. 18)</p>	<ul style="list-style-type: none">• Eligible to the extent that the work completed was for COVID-19 response/mitigation.• For administrative convenience, public health/safety workers, recipients can use funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response.• Payroll and covered benefits can also be used for an employee's pension benefits as part of their payroll contribution to their pensions (FAQ 43).

Negative Economic Impact

Eligible Uses	Details (p. 21-38)
<p align="center">Impacted Industries (Tourism/Travel/Hospitality etc.) (IFR p. 32)</p>	<ul style="list-style-type: none"> Implement COVID-19 mitigation/prevention measures to enable safe resumption of tourism, travel, and hospitality services <ul style="list-style-type: none"> E.g. improvements to ventilation, physical barriers or partitions, signage to facilitate social distancing, provision of masks or personal protective equipment, or consultation with infection prevention professionals to develop safe reopening plans
<p align="center">Rebuilding Public Sector Capacity to Pre-Pandemic Levels (IFR p. 32)</p>	<ul style="list-style-type: none"> Payroll Benefits Rehiring public-sector staff Replenishing Unemployment Insurance trust funds
<p align="center">Small Business support (IFR p. 30)</p>	<ul style="list-style-type: none"> Loans, grants, in-kind assistance for operation continuity, mitigation/prevention, and counseling programs to rebound from the downturn - <i>Only through County IDA</i>
<p align="center">Hardest-hit Communities (IFR p. 34)</p>	<ul style="list-style-type: none"> Investing in socioeconomic disparities, housing/communities Addressing disparities in education



B. Premium Pay for Eligible Workers

Premium Pay (IFR p. 40)



- Can be used **retroactively (IFR p. 45)**
- Employees of the jurisdiction designated by executive as essential (IFR p. 43)
- Can be provided directly, or through grants to private employers to public health/safety staff and essential workers outside the public sector:
- Workers at food production facilities, grocery stores, and restaurants, janitors/sanitation workers, truck drivers, and warehouse workers etc.
 - Contact workers performing essential work also eligible.
 - *E.g. If a municipality contracts with a third party to perform sanitation work, the third-party contractor could be eligible to receive a grant to provide premium pay for these eligible workers.*

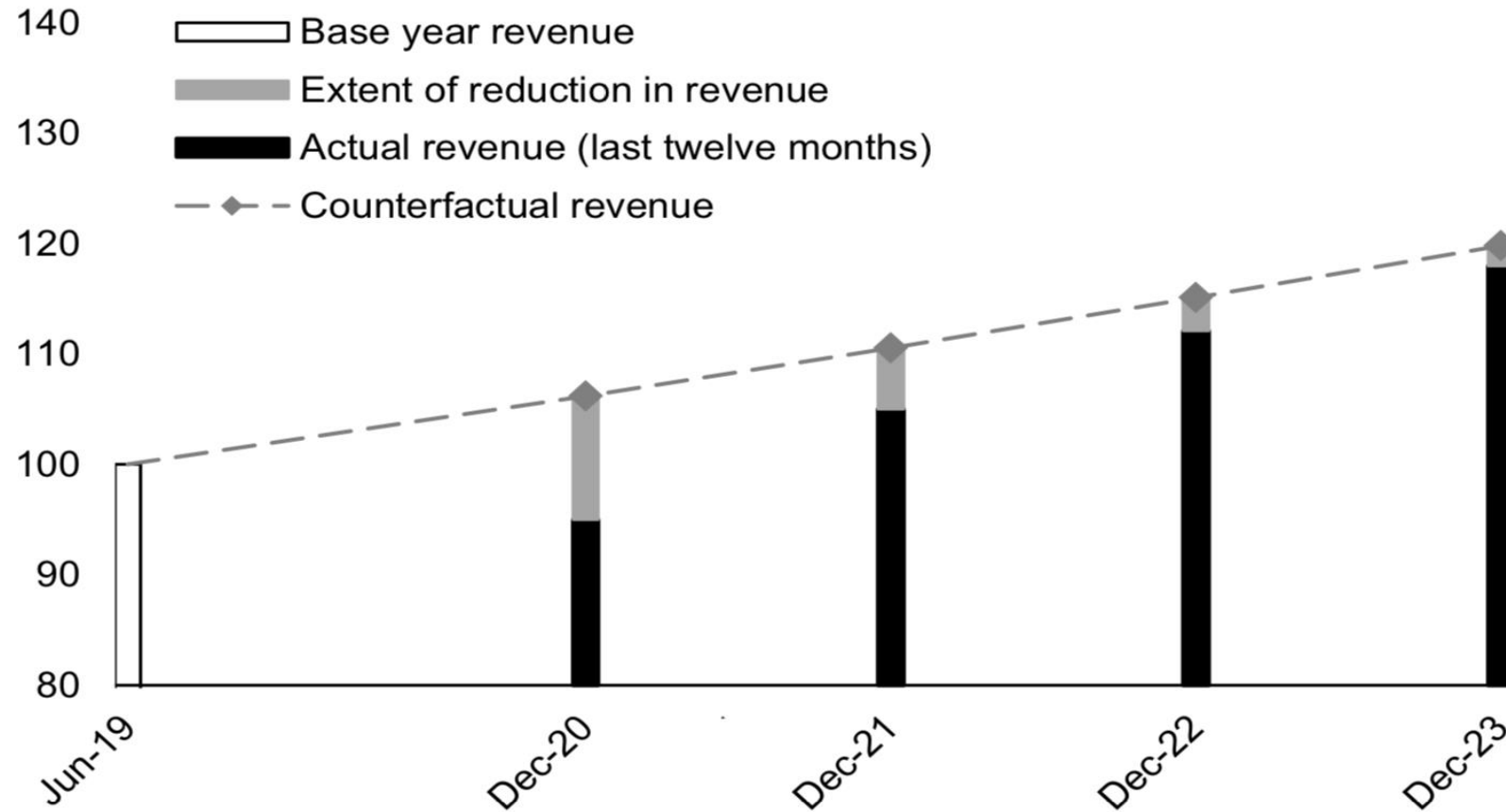


C. For Government Services to the Extent of the Loss of Revenue

Types of Data Needed (IFR p. 53)

The overall methodology for calculating the reduction in revenue is illustrated in the

figure below:



Revenue Calculation

- What is OUT of the revenue calculation:
 - Federal transfers (even those flowing through the State) (IFR p. 50)
 - Intergovernmental transfers from your entity to your entity ([Census p. 45](#))
 - Revenues from utilities (water supply, electric power, gas supply, and public mass transit systems) [Census p. 65](#)
 - Refunds and other correcting transactions (IFR p. 49)
 - Proceeds from the issuance of debt (IFR p. 49)
 - Liquor store revenues [Census p. 62](#)

- What is IN?
 - Everything not listed above
 - taxes, fees and other revenues to support public services
 - Including Fees generated by the underlying economy
 - Component units and enterprise funds
 - civic center, zoo, parking, ports, sports stadiums etc. etc. etc.

Process for Revenue Replacement

- Look at the past 2019 base year revenue (IFR p. 52)
 - Recipients average annual growth of the past three fiscal years
 - Apply 4.1% growth rate or greater to annual revenues collected
- Multiplier applies to the revenue collected in each calendar year
 - Checkpoint each December 31 for actual revenues
 - Not the fiscal year!
- Compare projected growth revenue to actuals collected
 - If actual exceeds projected, collection is zero for that year

Government Services

- What can I spend it on?
 - “Government services” (IFR p. 53)
 - directly provide services or aid to citizens
 - Maintenance pay go of building
 - Can use it on a capital project together with bond financed portion
 - You can start a project and you finish it with future revenues / bonds
 - Cybersecurity, Healthcare service, School or education services, Police, fire or public safety
 - NOT ALLOWED: (IFR p. 54)
 - NOT ON principal or interest of debt service (or settlement agreement)
 - NOT ON reserves or rainy day funds



D. Investments in Water, Sewer and Broadband Infrastructure

Water/Sewer Infrastructure (IFR p. 56)



- **Necessary investments** are designed to provide an adequate minimum level of service and are unlikely to be made using private sources of funds (IFR p. 55).
- Uses aligned with Environmental Protection Agency's **Clean Water Revolving Fund** and **Drinking Water State Revolving Fund** to expedite project identification (IFR, p. 56).
 - Building/upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines.
 - Invest in wastewater infrastructure projects
 - E.g. constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works
- **Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities**

Broadband Infrastructure (IFR p. 61)

- Build broadband infrastructure with modern technologies in mind, specifically projects that deliver services offering:
 - reliable 100 Mbps download and 100 Mbps upload speeds, unless impracticable due to topography, geography, or financial cost.
- Assisting households to support internet access or digital literacy is an eligible use.





Audit and Reporting Requirements

Audit/Reporting

- There will be reporting requirements that our auditors will guide us through. (*abridged from GFOA presentation*)



GFOA Guiding Principles

GFOA ARPA Guiding Principles

- Temporary Nature of ARPA Funds
 - Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
 - Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
 - Investment in critical infrastructure is particularly well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.

GFOA ARPA Guiding Principles

- ARPA Scanning and Partnering Efforts
 - Local jurisdictions should be cognizant of state-level ARPA efforts, especially regarding infrastructure, potential enhancements of state funding resources, and existing or new state law requirements.
 - Consider regional initiatives, including partnering with other ARPA recipients. It is possible there are many beneficiaries of ARPA funding within your community, such as schools, transportation agencies and local economic development authorities. Be sure to understand what they are planning and augment their efforts or create cooperative spending plans to enhance the structural financial condition of your community.

GFOA ARPA Guiding Principles

- Take Time and Careful Consideration
 - Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
 - Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
 - Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

Links

- [US Treasury State and Local Fiscal Relief Fund](#)
- [The Interim Final Rule \(IFR\)](#)
- [FAQs](#)
- [Fact Sheet](#)
- [GFOA Guiding Principles](#)
- [GFOA Analysis of Guidance](#)
- [GFOA American Rescue Plan Analysis](#)



Thank you!