

Coronavirus State and Local Fiscal Recovery Funds

May 20, 2021



Background

- ▶ On March 10, 2021, the \$1.9T American Rescue Plan Act (ARPA) was signed into law.
- ▶ ARPA established the Coronavirus State and Local Fiscal Recovery Funds (FRF) which provides \$350B to states and local governments.
- ▶ On May 10, 2021, Treasury released a preview of the Interim Final Rule (IFR) with additional detail on how the program will be administered.

Purpose

- ▶ The Fiscal Recovery Funds are intended to provide support in responding to the impact of COVID-19 on the communities, residents, and businesses.
- ▶ “Treasury encourages recipients to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with **long-term benefits for health and economic outcomes.**”

Timing of Receipt and Use of Funds

- ▶ The City has certified and received \$52,757,862 from the Federal government. The remaining 50% is expected to be received in May of 2022.
- ▶ Eligible expenditures need to be obligated by December 31, 2024
- ▶ Performance (use/payment) through December 31, 2026

Restrictions on Use

- ▶ Paying down unfunded pension liabilities
- ▶ Offsetting tax cuts
- ▶ Applying as matching funds toward other federal grants
- ▶ Paying interest or principal on outstanding debt, or for consent decrees/legal settlements
- ▶ Contributing to reserve or rainyday funds

Eligible Uses

1. Responding to public health needs and economic damage from the pandemic
2. Providing premium (i.e. hazard) pay for essential workers
3. Replacing lost revenue
4. Investing in necessary water, wastewater and/or broadband infrastructure

Public Health and Economic Impacts

Eligible Uses	Non-Exhaustive List
Containing/Mitigating COVID-19	<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...
Behavioral Healthcare Needs	<ul style="list-style-type: none">• Mental health/substance abuse treatment• Crisis intervention/hotlines• Services to promote access to social services
Payroll/Benefits for: Public health/safety Human services Similar employees	<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.

Negative Economic Impacts

Eligible Uses	Non-Exhaustive List
Impacted Industries (Tourism/Travel/Hospitality)	<ul style="list-style-type: none"> Implement COVID-19 mitigation/prevention measures to enable safe resumption of tourism, travel, and hospitality services 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
Rebuilding Public Sector Capacity to Pre-pandemic levels	<ul style="list-style-type: none"> Rehiring public-sector staff Replenishing UI trust funds
Small Business Support	<ul style="list-style-type: none"> Loans, grants, in-kind assistance for operation continuity, mitigation/prevention, and counseling programs to rebound from the downturn
Hard-Hit Communities	<ul style="list-style-type: none"> Investing in socioeconomic disparities, housing/communities

Premium Pay

- ▶ ARPA names premium pay compensation for essential workers as an authorized use.
- ▶ The IFR names qualifying sectors, including health care, public health and safety, education transportation, but also provides local governments with the ability to add other sectors deemed critical during the pandemic.

Premium Pay

- ▶ ARP allows for premium pay to be awarded at up to \$13 per hour but clarifies that governments should prioritize compensation for lower-income eligible workers (defined as less than 150% of the state or county average annual wage).
- ▶ Telework roles are excluded
- ▶ The definition of premium pay also clarifies that premium pay may be provided retrospectively for work performed at any time since the start of the COVID-19 public health emergency.

Revenue Loss

- ▶ IFR provides a methodology for each local government to calculate its reduction in revenue (if any). In calculating revenue, recipients have to sum across all revenue streams.
- ▶ This calculation compares actual revenue to an alternative representative what could have been expected to occur in the absence of the pandemic.
- ▶ The methodology begins with the last full fiscal year prior to the public health emergency and projects forward at either the recipient's average annual revenue growth over the three full fiscal years prior or 4.1% (the national average state and local revenue growth).

Investment in Infrastructure

- ▶ Water and Sewer Infrastructure
 - ▶ 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

Investment in Infrastructure

- ▶ Broadband Infrastructure
 - ▶ 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.
 - ▶ Eligible projects are expected to focus on locations that are unserved or underserved, which the IFR defines as an area lacking a wireline connection capable of providing at least 25/3 Mbps (download/upload) speed.

Reporting

- ▶ Interim report due July 31st, 2021 and thereafter quarterly Project and Expenditure reports through the end of the award period on December 31, 2026
- ▶ The quarterly Project and Expenditure reports will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of the award funds
- ▶ For cities with population over 250,000, the Recovery Plan Performance reports are due each year on July 1. This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award

Potential Uses

- ▶ Regional Homeless Solution
- ▶ Food Assistance Distribution Logistics
- ▶ Premium Pay
- ▶ Water/Wastewater Infrastructure
- ▶ Broadband Infrastructure
- ▶ Small Business Assistance (e.g. restaurants)
- ▶ Technical Assistance Facilities
- ▶ Workforce/Job Training Facilities
- ▶ Medical Transport Vehicles
- ▶ Assisting Travel/Tourism Reopening
- ▶ Smart Meters for low income customers
- ▶ Other

Next Steps

- ▶ Continue to research eligibility of City priorities for use of these funds
- ▶ Work with national organizations (NLC, GFOA, etc..) to provide Treasury with clarifying questions during feedback period (through July 17th)
- ▶ Return to City Council with expenditure plan



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