

# AMERICAN RESCUE PLAN CSLFRF Guidance



Government Finance Officers Association



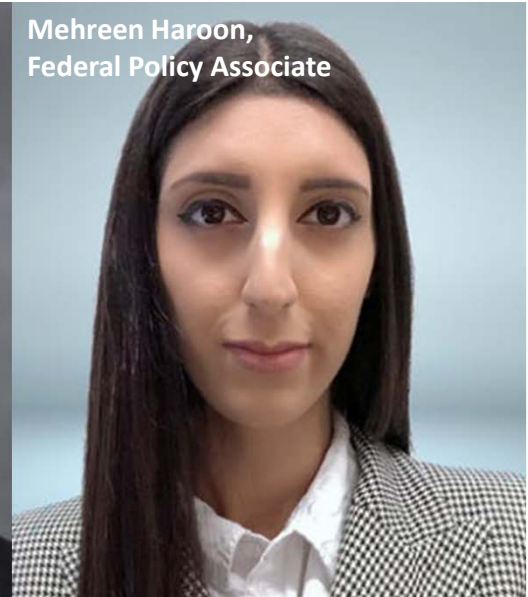
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# GFOA is YOUR Advocate in Washington DC





# *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.



# 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 July 16**
  - Questions sprinkled throughout, 130+ pages
  - GFOA will comment!
- US Treasury: [FAQs](#)
- US Treasury: [Fact Sheet](#)

# Non-Entitlement Units (NEUs)

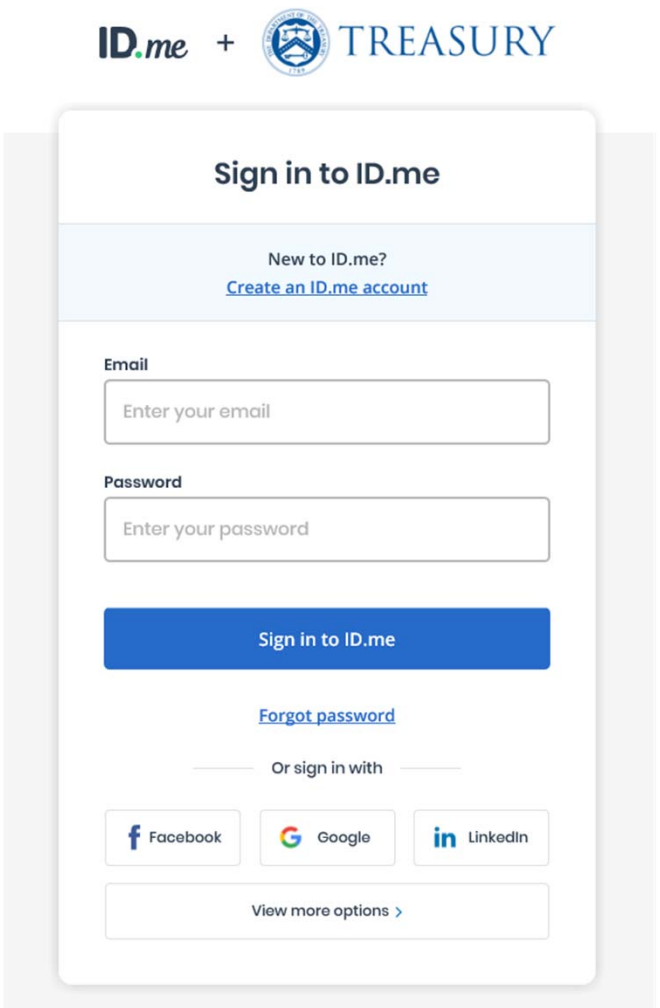
- Funds flow through the State – final values to be calculated by the State
- Distributed 30 days after State certification
  - 75% of their most recent budget (IFR p. 97)
- Relationship between States and NEU
  - No additional restrictions on the funds from the states
  - NEU are **Prime Recipients** NOT subrecipients of the states
  - Still unsure about significance of judgement by the state
- NEUs that decline *and do not transfer* their allocation are then redistributed to NEUs up to 75% qualifier
  
- Illinois: **Total NEU \$742,179,391.00 First Tranche \$371,089,695.50**



# Process and Certifications

# Process and Certifications

- Certification for Metro and Counties:
  - Where/how to certify and who needs to certify
  - Funds can be invested and interest earnings are not ARPA restricted (FAQ 10.3)
  - 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. At the top right, there is a logo for ID.me + TREASURY. The main heading is "Sign in to ID.me". Below this, there is a link for "New to ID.me? 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 "Or sign in with" featuring three social media icons: Facebook, Google, and LinkedIn. At the bottom of the form is a link for "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><b>Containing/Mitigating Covid-19</b> (IFR p. 16)</p>	<ul style="list-style-type: none"> <li>• Vaccine programs, PPE, medical expenses</li> <li>• Enhancing public health data systems</li> <li>• <b>Capital investments in public facilities to meet pandemic operational needs etc.</b></li> </ul>
<p><b>Behavioral Healthcare Needs</b> (IFR p. 17)</p>	<ul style="list-style-type: none"> <li>• Mental health/substance abuse treatment</li> <li>• Crisis intervention/hotlines</li> <li>• Services to promote access to social services</li> </ul>
<p><b>Payroll/Benefits for:</b> Public health/safety Human services Similar employees (IFR p. 18)</p>	<ul style="list-style-type: none"> <li>• Eligible to the extent that the work completed was for COVID-19 response/mitigation.</li> <li>• For administrative convenience, <b>public health/safety workers</b>, recipients can use funds to cover the <b>full payroll and covered benefits costs</b> for employees or operating units or divisions <b>primarily dedicated to the COVID-19 response.</b></li> <li>• 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).</li> </ul>

# Negative Economic Impact

Eligible Uses	Details (p. 21-38)
<p><b>Impacted Industries (Tourism/Travel/Hospitality etc.) (IFR p. 32)</b></p>	<ul style="list-style-type: none"><li>• Implement COVID-19 mitigation/prevention measures to enable <b>safe resumption</b> of tourism, travel, and hospitality services<ul style="list-style-type: none"><li>• 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</li></ul></li></ul>
<p><b>Rebuilding Public Sector Capacity to Pre-Pandemic Levels (IFR p. 32)</b></p>	<ul style="list-style-type: none"><li>• Payroll Benefits</li><li>• Rehiring public-sector staff</li><li>• Replenishing UI trust funds</li></ul>
<p><b>Small Business support (IFR p. 30)</b></p>	<ul style="list-style-type: none"><li>• Loans, grants, in-kind assistance for operation continuity, mitigation/prevention, and counseling programs to rebound from the downturn</li></ul>
<p><b>Hardest-hit Communities (IFR p. 34)</b></p>	<ul style="list-style-type: none"><li>• Investing in socioeconomic disparities, housing/communities</li><li>• Addressing disparities in education</li></ul>



## **B. Premium Pay for Eligible Workers**



## Premium Pay (IFR p. 40)

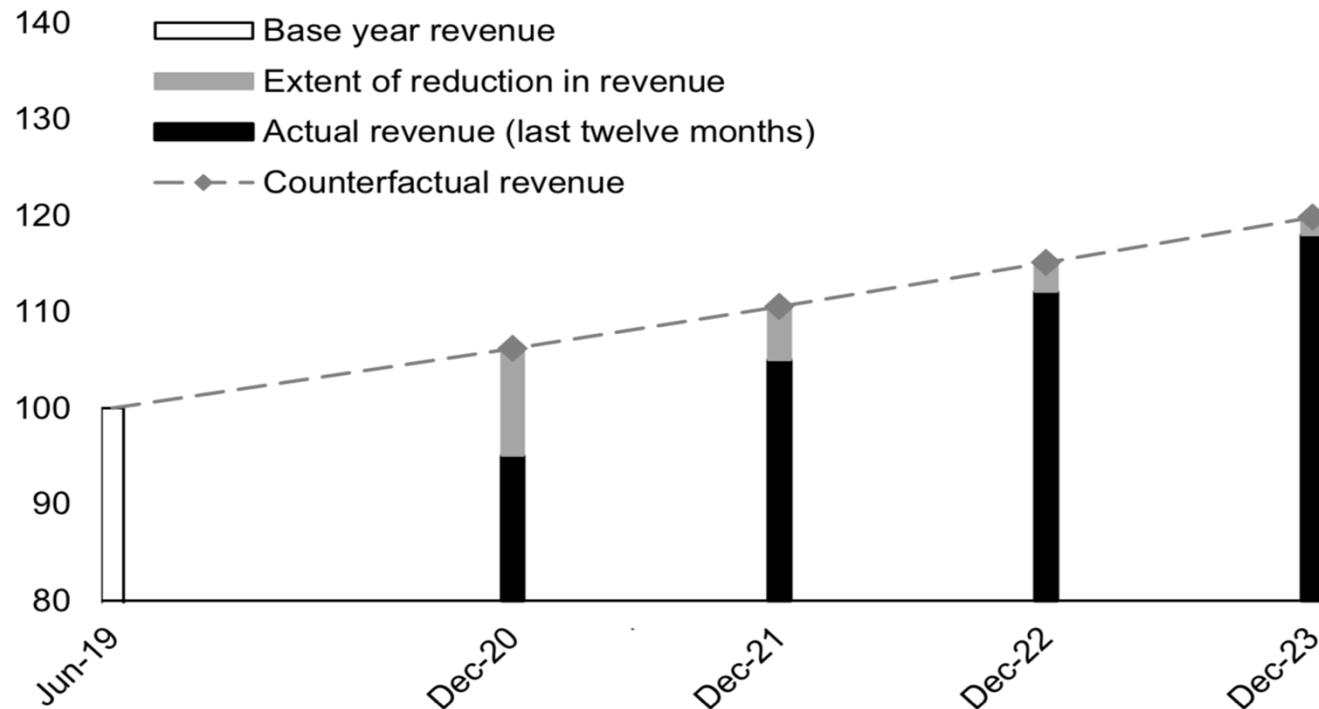
- Can be used **retroactively (IFR p. 45)**
- Employees of the jurisdiction designated by executive as essential (IFR p. 43)
- Can be provided directly, or through grants to private employers to public health/safety staff and essential workers outside the public sector:
- Workers at food production facilities, 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.



# GFOA Revenue calculator



## GFOA Revenue Loss Calculator

Background Information		Notes:
1) Fiscal Year End	<input type="text" value="June"/>	
Base Year Revenue Period	<input type="text" value="6/30/2019"/>	FY used for base year calculation
2) Calculation Date	<input type="text" value="12/31/2020"/>	
Number of Months	<input type="text" value="18"/>	Months between Base Year and Calculation Date

Estimate Revenue	
3) Base Year Revenue	<input type="text" value="\$ 1"/> <a href="#">Use Worksheet to Calculate</a>
4) Growth Rate	<input type="text" value="4.1%"/> <a href="#">Use Worksheet to Calculate</a>
Counterfactual Revenue	<input type="text" value="\$ 1"/> Estimated Revenue Without Pandemic
5) Actual Revenue	<input type="text" value="\$ 1"/> <a href="#">Use Worksheet to Calculate</a>

Reduction in Revenue		Fiscal Year Ended
Revenue Reduction	<input type="text" value="\$ 0"/>	12/31/2020
Revenue Reduction %	<input type="text" value="-5.8%"/>	

- Base year calculation includes:
  - Taxes
  - Intergovernmental revenue
  - Other revenues
- Growth rate:
  - Compares years 2016-2019 in eligible revenue categories
- Actual revenues calculated on December 31 each year

### Base Year Revenue Worksheet



Fiscal Year Ended **6/30/2019**

Revenue Source	Base Revenue (Y/N)	Amount
<b>Taxes</b> Amount of tax collections for all taxes imposed by the government.		
<b>Property Tax</b>		
Property Tax	Y	\$ 1
<b>Sales and Gross Receipts Tax</b>		
General Sales and Use Tax	Y	\$ -
Selective Sales Tax		
Alcoholic Beverage	Y	\$ -
Amusements Sales Tax	Y	\$ -
Motor Fuels Sales Tax	Y	\$ -
Parimutuels Tax	Y	\$ -
Public Utilities Sales Tax	Y	\$ -
Tobacco Products Tax	Y	\$ -
Other Sales Tax	Y	\$ -
<b>Licensing and Permit Taxes</b>		
Alcoholic Beverage Licensing and Permits	Y	\$ -
Building/Construction Permits	Y	\$ -
Amusements Licensing and Permits	Y	\$ -
Motor Vehicles Licensing and Permits	Y	\$ -
Public Utilities Licensing and Permits	Y	\$ -
Occupation and Business Licensing and Permits	Y	\$ -
Other Licensing and Permits	Y	\$ -
<b>Income Tax</b>		
Individual Income Tax	Y	\$ -
Corporate Income Tax	Y	\$ -
<b>License and Permit Tax</b>		
Alcoholic Beverage	Y	\$ -
Amusements	Y	\$ -
Motor Vehicles	Y	\$ -
Public Utilities	Y	\$ -
Occupational and Business Licenses	Y	\$ -
Other Selective Sales	Y	\$ -
<b>Other Taxes</b>		
Death and Gift Tax	Y	\$ -
Documentary and Stock Transfer Tax	Y	\$ -
Severance Tax	Y	\$ -
Other	Y	\$ -

# 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)

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- 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

- Audit/Reconciliation:
  - Single Audit Act applicability and definitions (IFR p. 86)
  - Yellowbook Guidance and instruction (if any) from the [GAO](#)
  - Audit periods and reporting instructions (IFR p. 98-100)
  - Audit relationships between direct recipients and nonprofits, etc. (IFR p. 94)
  
  - Local governments are authorized to transfer Fiscal Recovery Funds to other constituent units of government (e.g., a county is able to transfer Fiscal Recovery Funds to a city, town, or school district within it) or to private entities. (IFR p 28)
  
- ARPA CFDA: 21.027

# Audit/Reporting

Report Type	Due Date	Who Submits
<b>Interim Report</b> - recipient's expenditures by category at summary level from date of award to July 31, 2021; additionally states and territories to provide info on distribution to NEUs	Aug. 31, 2021	States, territories, metro cities, counties, Tribal governments
<b>Quarterly Report</b> –financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds; first quarterly report will cover the two quarters from date of award to Sept. 30, 2021, subsequent reports will only cover one calendar quarter	First quarterly report due Oct. 31, 2021  Subsequent quarterly reports due within 30 days after calendar quarter end	States, territories, metro cities, counties, Tribal governments
<b>Annual Project and Expenditure Reports</b> - First annual report will cover activity from the date of award to Sept. 30, 2021	First annual report due Oct. 31, 2021  Subsequent reports due Oct. 31 each year	NEUs
<b>Annual Recovery Plan Performance Report</b> – First report will cover period from the date of award to July 31, 2021, subsequent reports will cover 12-mo period with the second report covering from July 1, 2021 – June 30, 2022	First performance report due Aug. 31, 2021.  Subsequent reports due within 30 days after the end of 12-mo. period, e.g. by July 31, 2022	States, territories, metro cities, and counties <b>with population over 250,000</b>



# 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!