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AMERICAN RESCUE PLAN ACT

US Department of the Treasury
Interim Final Rule - Implementation of COVID State
Fiscal Recovery Fund and COVID Local Fiscal
Recovery Fund

This document offers a high-level overview of funds deployed through the American Rescue Plan, with allocations for states and territories. Funds deployed to counties and cities are also mentioned. Ultimately, this document is intended to offer guidance to eligible entities that receive funds from the COVID State Fiscal Recovery Fund and the COVID Local Fiscal Recovery Fund on how to comply with necessary requirements for receiving these funds as well as what the funds can be used for. The interim rule is effective as of May 17. The open comment period for this rule ends July 16, at which point a final rule will be adopted and promulgated. Until that point, this guidance takes precedent. It is unknown at this time whether the guidance will change significantly based on the final comment period.

ARP STATE & LOCAL FISCAL RECOVERY FUNDS

OVERVIEW:

- \$350 billion for state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs.
 - May 17th: Published in the Federal Register, open comment period until July 16 before Final Rule

FUNDING OBJECTIVES:

- **Support urgent COVID-19 response efforts** to continue to decrease the spread of the virus and bring the pandemic under control
- **Replace lost public sector revenue** to strengthen support for vital public services and help retain jobs
- **Support immediate economic stabilization** for households and businesses
- **Address systemic public health and economic challenges** that have contributed to the unequal impact of the pandemic

ELIGIBLE JURISDICTIONS AND ALLOCATIONS:

- **Direct Recipients**
 - States and District of Columbia (\$195.3 billion)
 - Counties (\$65.1 billion)
 - Metropolitan cities (\$45.6 billion)
 - Tribal governments (\$20.0 billion)
 - Territories (\$4.5 billion)
- **Indirect Recipients**
 - Non-entitlement units (\$19.5 billion)

Illustration of *sample below* allowable uses of Recovery Funds, per new US Treasury Guidance, more detail provided on following pages:



Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



Water & Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

EXAMPLE USES OF FUNDS

1

1. SUPPORT PUBLIC HEALTH RESPONSE



COVID-19 Mitigation & Containment

A broad range of services and programming that are needed to contain COVID-19



Medical Expenses

Provide care and services to address COVID-19 public health needs, risks presented by new variants and long-term effects of the virus



Behavioral Healthcare

New or enhanced state and local government services that may be needed to meet mental health, substance use, and other behavioral health needs



Public Health & Safety Staff

Responding to the public health and negative economic impacts of COVID-19 and requires additional human resources

PROJECT EXAMPLES:

- Contract tracing
- Emergency medical transportation
- Establishment and operation of telemedicine capacities
- PPE supply acquisition
- Vaccine education and site operation
- Temporary public medical facilities to increase treatment capacity
- Related construction costs and other capital investments to meet COVID 19 operational needs
- Local Public Health measure technical assistance
- Improvement of ventilation systems
- Establishment and maintenance of public health data systems
- Mental health treatment
- Increased number of state and local government staff



EXAMPLE USES OF FUNDS

2.

2. ADDRESS NEGATIVE ECONOMIC IMPACTS



Workers & Families

- Assistance to unemployed workers
- Job training, food, housing, cash, and other assistance to households
- Survivor's benefits for family members of COVID-19 victims



Small Business

- Loans and grants to mitigate financial hardship
- Loans, grants, and in-kind assistance to implement COVID-19 prevention or mitigation tactics
- Technical assistance



Public Sector

Rehire staff, replenish state Unemployment Insurance funds, and administer economic relief programs



Impacted Industries

Tourism, travel, hospitality, and other similarly affected sectors

PROJECT EXAMPLES:

- Assistance and job training for those looking for work
- Contributions to state Unemployment Insurance trust fund
- Small business – assistance (loans/grants) or other technical assistance
- Nonprofits – assistance (loans/grants) or other technical assistance
- Cash assistance to households
- Impacted industries - assistance (loans/grants) or other technical assistance

EXAMPLE USES OF FUNDS

3.

3. PROVIDE EQUITY-FOCUSED SERVICES



Addressing Health Disparities

Community health workers and public benefits navigators and community violence intervention programs



Housing & Neighborhoods

Services to support individuals experiencing homelessness, and other housing needs



Educational Disparities

New or expanded early learning services, resources for high-poverty school districts and education



Healthy Childhood Environments

New and expanded high quality childcare, home visiting programs for families with young children, and services for child welfare-involved families and foster youth

PROJECT EXAMPLES:

- Specific assistance for disproportionately impacted people and communities (program/ service/other) that is provided in a qualified census tract, this includes anything that is provided to households, businesses, or people, such as: facilitation of access to social services, programs/services that address housing insecurity or lack of affordable housing. This includes such things as supportive housing programs that improve access to affordable housing, development of affordable housing, and housing vouchers.
- Additionally, funds can be used for new or expanded early learning services, assistance to high poverty school districts, and addressing the academic, social, emotional, and mental health needs of students. Other eligible uses are new or expanded childcare, programs for home health visits, and educational support for child welfare involved families and foster youth.

EXAMPLE USES OF FUNDS

4.

4. REPLACE PUBLIC SECTOR REVENUE LOSS



Ensure Continuity of Vital Government Services

Funds used to provide government services to the extent of reduction in revenue experienced due to COVID



Lost Revenue Calculation

Recipients have two options to calculate lost revenue:

OPTION 1

Option One

Recipient's average annual revenue growth over the three, full fiscal years prior to the public health emergency

OPTION 2

Option Two

4.1% -- the national average state and local revenue growth rate from 2015-18

PROJECT EXAMPLES:

- Funds may be used for the provision of government services to the extent of the reduction in the recipient's general revenue.



EXAMPLE USES OF FUNDS

5.

5. PREMIUM PAY FOR ESSENTIAL EMPLOYEES



Prioritize Low- and Moderate-Income Workers

Those who face the greatest mismatch between employment-related health risks and compensation



Key Sectors

- Healthcare, grocery, and food services, education, childcare, sanitation, and transit
- Must be fully additive to a worker's wage

PROJECT EXAMPLES:

- May use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers, provided that any premium pay or grants provided under this must respond to eligible workers performing essential work during COVID-19. The funds must prioritize low- and moderate-income people.

6.

6. WATER & SEWER INFRASTRUCTURE



Improvements to Infrastructure

Assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband



Broadband Specifically

- Target support to households and businesses that do not deliver 25 Mbps download/3 Mbps upload
- Fund projects that deliver reliable services: minimum 100 Mbps download/100 Mbps upload

PROJECT EXAMPLES:

- Funds may be used for necessary investments in infrastructure, such as a state's clean water revolving fund and drinking water revolving fund. Other uses include building out broadband infrastructure for underserved households and businesses.

INTERIM FINAL RULE SPECIFICS

Eligible entities must be certified for recovery funds. Treasury has released certification guidelines and opened the electronic “[portal](#)” for requesting recovery funds. Before requesting funds, counties should [complete](#) the following: (1) ensure they have a DUNS number, (2) ensure they have an active SAM registration, and (3) gather payment information, which includes an EIN number, county executive information, and bank information. Funds **MUST** be requested through this portal, so it is important to complete these administrative steps first.

As a note, for many of the enumerated eligible uses of funds, more specific projects or activities under the guidelines’ provisions are highlighted in corresponding relevant statutes for a relevant act or agency that has already determined what is eligible under certain language. For example, in the language regarding eligible uses the guideline highlights that funds can be used to invest in “necessary infrastructure” and one of these provisions states that “projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Act.” So, throughout the final interim rule, eligible uses are explicitly defined under existing statutes or more broadly defined by Treasury, or a combination of both. Thus, during the process of identifying projects for funding, it is recommended to determine first if there is already explicit language relevant to what you are looking to fund. If not, defer to the Treasury Rule.

KEY DATES RELATED TO RECOVERY FUNDS

Date	Description
1/27/20	Declaration of Public Health Crises
3/3/21	Beginning of Fund “covered period”
7/9/21	Deadline to comment on Interim Report to Treasury
8/31/21	Deadline to submit first Interim Report to Treasury
8/31/21	Deadline to submit County specific report (those that have > 250k people)
10/31/21	Deadline to submit 1st Quarterly Project & Expenditure Report (ALL counties)
12/31/24	Recovery funds must be obligated
12/31/26	Recovery Funds must be spent, all work/performance must be completed

INELIGIBLE USES

PENSION FUNDS

- Funding cannot be used for deposits into defined benefit pension funds
- However, Treasury defines a “deposit” as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability
 - Recipients may use funds for routine payroll contributions to pensions of employees whose wages and salaries are an eligible use

OTHER RESTRICTIONS

- Funding debt service, legal settlements, or judgements
- Deposits to rainy day funds or financial reserves
- Non-federal match requirement (i.e., EDA & Medicaid) and be sure to read the latest FEMA guidance

NET REDUCTION IN TAX REVENUE

- If a state or territory has a reduction in net tax revenue, they must demonstrate how they paid for the tax cuts from a source other than the Recovery Fund



REPORTING REQUIREMENTS

Recovery Fund recipients will be required to submit an interim report, quarterly report, quarterly project and expenditure reports, and an annual recovery plan

INTERIM REPORTS

- Counties will be required to submit one interim report, which will include the county's expenditures by category at the summary level.
- Interim reports are due by August 31, 2021.

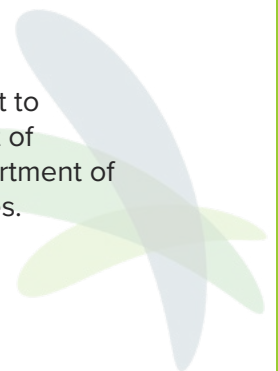
QUARTERLY PROJECT & EXPENDITURE REPORTS

- Counties will be required to submit quarterly project and expenditure reports, which will include financial data, information on contracts and subawards over \$50,000, and other information regarding utilization of funds.
- These reports will be like those required for the CARES Act Coronavirus Relief Fund. The first report will cover spending from the date the county receives Recovery Funds to September 30, 2021. The first report is due by October 31, 2021.

RECOVERY PLAN PERFORMANCE REPORTS

- Counties will be required to submit an annual recovery plan performance report, which will include descriptions of projects funded and information on performance indicators and objectives of each award.
- Local governments with fewer than 250,000 residents are not required to develop a Recovery Plan Performance Report. The recovery plan is due by August 31, 2021

The section below highlights the deployment of ARP funds to agencies that are relevant to economic and workforce development for reference. This includes the U.S. Department of Education, the U.S. Economic Development Administration, and the United States Department of Agriculture. These funds will likely be competitive or must comply with agency mandates.



DEPARTMENT OF EDUCATION

Overview

The American Rescue Plan will provide funding to each State, Puerto Rico, and the District of Columbia in support of their efforts to reopen K-12 schools safely and equitably while also expanding opportunities for students who need it most.

FUNDING OVERVIEW: APPROXIMATELY \$165 BILLION

PUBLIC K-12 EMERGENCY RELIEF FUND

- \$122.7 billion for the K-12 General Stabilization Fund
 - LEAs are required to use at least 20% of funds received to address learning loss caused by the pandemic
 - Up to 80% can be used for operations, staffing, programming, and infrastructure upgrades to transition to in-person learning, reduce the risk of COVID-19 transmission, and make buildings healthy and environmentally safe.
- \$800 million is included to help children experiencing homelessness
 - [Stipulations for Use](#)

HIGHER EDUCATION

- \$40 billion to colleges and universities through the Higher Education Emergency Relief Fund (HEERF)
 - \$36 billion for public and nonprofit institutions of higher education
 - Institutions are required to direct 50% of their funding to students in the form of emergency grants
 - \$3 billion for Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs) and other Minority Serving Institutions (MSIs)
 - \$198 million for institutions with the greatest pandemic-related needs



DEPARTMENT OF EDUCATION



STATE SPECIAL EDUCATION GRANTS

- \$3 billion in formula grants for special education programs. Three types of programs can be funded through the Department of Education:
 - (1) programs for students with specified disabilities between ages 3-21
 - (2) programs for infants and toddlers with specified disabilities ages birth-2 years
 - (3) programs for students with specified disabilities between ages 3-5
 - Breakdown of funding and restrictions

PRIVATE K-12 EMERGENCY RELIEF FUND

- \$2.8 billion in funds will be awarded to Governors under the Emergency Assistance to Non-Public Schools Program
- The goal is to provide services or assistance to non-public schools that enroll a significant percentage of low-income students and are most impacted by the pandemic
- Funds are available until September 30, 2023



ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)

Overview

The Rescue Plan provides funds for EDA Economic Adjustment Assistance grants. These grants support a wide range of technical, planning, and public works and infrastructure assistance in regions experiencing adverse economic changes. A quarter of the authorized funding must go to assisting states and communities that have suffered economic injury as a result of job and gross domestic product losses in the travel, tourism, or outdoor recreation sectors.

FUNDING OVERVIEW: APPROXIMATELY \$3 BILLION

ECONOMIC ADJUSTMENT ASSISTANCE

- \$3 billion in to support small businesses responding to and/or recovering from economic effects of COVID-19
- Economic Development Assistance Programs to prevent, prepare for, and respond to coronavirus:
 - Including necessary expenses for responding to economic injury as a result of coronavirus
 - \$750 million carve-out to states and communities suffering losses in travel, tourism, and outdoor recreation
- EAA is primary funding line administered by EDA

ELIGIBLE EAA APPLICANTS:

- Counties, Cities, and Townships
- Special purpose government units engaged in economic development
- Institutions of higher education
- Public/private non-profits acting in cooperation with officials of political subdivisions



UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)

Overview

The American Rescue Plan Act seeks to address the cumulative effects of discrimination among socially disadvantaged producers with a program of debt relief and long-term racial equity work. The funding is broken down into four overarching sections as seen below:

FUNDING OVERVIEW: APPROXIMATELY \$6 BILLION

NUTRITION ASSISTANCE

- The ARP provides bold solutions that work toward the goal of ending food insecurity by providing:
 - Expanded access to the Pandemic EBT (P-EBT) Program
 - Expanded access to the Supplemental Assistance Program (SNAP)
 - \$880 million to Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
 - \$37 million for senior nutrition through the Commodity Supplemental Food Program
 - \$1 billion in nutrition assistance for territories

SUPPORTING FARMERS & STRENGTHENING FOOD SUPPLY

- To respond to disruptions in the food supply chain caused by the COVID-19 pandemic, the American Rescue Plan makes long-term investments to increase the resiliency of the food supply in the future by:
 - Increasing the food available for distribution to help families in need
 - Providing grants/loans to reimburse PPE and other equipment to keep food workers safe
 - Investing in infrastructure and retooling support for various food systems

ENSURING EQUITY FOR FARMERS OF COLOR

- Key steps in assisting marginalized communities through a varied approach:
 - \$4 billion toward debt relief for socially disadvantaged farmers
 - \$1.01 billion in funding to USDA to create a racial equity commission and address longstanding discrimination across USDA

STRENGTHENING INFRASTRUCTURE, HOUSING, & HEALTHCARE IN RURAL AMERICA

- The American Rescue Plan implements funding that invests in the people of Rural America:
 - \$500 million in Community Facility Program funds
 - \$100 million in rental assistance for low-income and elderly borrowers
 - \$39 million to help refinance direct loans under the Single-Family Housing Loan Program and the Single-Family Housing Repair Loans and Grants

REFERENCES

National Association of Counties - Preliminary Review of Treasury's Fiscal Recovery Fund Guidance: <https://www.naco.org/sites/default/files/documents/NACo%20Preliminary%20Overview%20of%20Treasury%20Guidance%205.11.21.pdf>

U.S. Treasury, 31 CFR Part 35, Coronavirus State and Local Recovery Funds: <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>

National Association of Counties – US Treasury Releases New Guidance on Certification Process for State and Local Fiscal Recovery Fund: <https://www.naco.org/blog/us-treasury-releases-new-guidance-certification-process-state-local-fiscal-recovery-fund-0>





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For more on the American Rescue Plan or to discuss the creation of plans and programs to put funds to use in your community contact us at info@tpma-inc.com.