



# *American Rescue Plan Act: An Overview of Eligible Uses and Revenue Loss Calculation*



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Department of Local Affairs

# *American Rescue Plan - ARP*

## *A brief overview*

March 11, 2021: President Biden signed the \$1.9 trillion package American Rescue Plan Act of 2021 (H.R. 1319) into law. It is intended to combat COVID-19 pandemic, including health and economic impacts.

As part of the \$362 billion in federal fiscal recovery aid for state and local governments. Of this, \$130.2 billion is for local fiscal recovery funds distributed to metropolitan cities, municipalities (population below 50,000), and counties. Commonly referred to as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF).

These funds are to help cover increased expenditures, replenish lost revenue, and mitigate economic harm from COVID-19 pandemic.



# *\$5.76 Billion of ARPA-SLFRF to Colorado*

Level of Government	Allocation
State of Colorado	\$3,828 M
Counties	1,118 M
Major Metros	551 M
Non-entitlements	265 M
TOTAL	\$5,762 M



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# *ARP: Required Reading*

## Understanding State and Local Fiscal Recovery Funds (SLFRF)

US Treasury: Coronavirus State and Local Fiscal Recovery Funds

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>

1. [Interim Final Rule](#): Provisions effective May 17, 2021. Final Rule will be issued sometime after public comment period ends (July 16, 2021). When will this become the FINAL Rule? Not sure!
2. [Quick Reference Guide](#): Snapshot of funding objectives and example uses of funds
3. [FAQ](#): Frequently Asked Questions, updated periodically in response to stakeholder questions.
4. [Recipient Compliance and Reporting Responsibilities](#): On June 17, 2021, Treasury released [Compliance and Reporting Guidance](#) for the SLFRF



# *Key Definitions*

**§200.86 - Recipient** - a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out activity under a Federal program. The term recipient does not include subrecipients.

**§200.93 - Subrecipient** - a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**The Recipient is responsible for compliance and reporting!!!**



# Important Dates

- **March 3, 2021** - costs incurred by recipients are not reimbursable prior to this date.
- **December 31, 2024** - all costs must be *obligated* by this date.
- **December 31, 2026** - all costs must be *expended* by this date (reimbursed by the Treasury).

Recipients may use SLFRF award funds to provide assistance to households, businesses, and individuals within the eligible use categories described in Treasury's Interim Final Rule for costs that those households, businesses and individuals incurred prior to March 3, 2021. See details provided in the page SLFRF Compliance and Reporting Guidance, page 5



# Eligible Uses

As a recipient of an SLFRF award, your organization has substantial discretion to use the award funds in the ways that best suit the needs of your constituents - as long as such use fits into one of the following four statutory categories:

1. To respond to the COVID-19 **public health emergency** or its **negative economic impacts**;
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing **premium pay** to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work;
3. For the provision of government services, to the extent of the **reduction in revenue** of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency
4. To make necessary investments in **water, sewer, or broadband infrastructure**.



# *Eligible Use Types*

These four eligible uses are broken down further into seven eligible spending types within the [Compliance and Reporting Guidance for State and Local Recovery Funds](#) document:

1. Public Health
2. Negative Economic Impacts
3. Services to Disproportionately Impacted Communities
4. Premium Pay
5. Infrastructure
6. Revenue Replacement
7. Administrative

Also within the *Compliance and Reporting Guidance for State and Local Recovery Funds* document, These eligible spending types are broken down even further into 66 individual spending categories.



# Eligible Uses

## Public Health

- ❖ 1.1 COVID-19 Vaccination
- ❖ 1.2 COVID-19 Testing
- ❖ 1.3 COVID-19 Contact Tracing
- ❖ 1.4 Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)
- ❖ 1.5 Personal Protective Equipment
- ❖ 1.6 Medical Expenses (including Alternative Care Facilities)
- ❖ 1.7 Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
- ❖ 1.8 Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
- ❖ 1.9 **Payroll Costs** for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
- ❖ 1.10 Mental Health Services
- ❖ 1.11 Substance Use Services
- ❖ 1.12 **Other Public Health Services**

## Negative Economic Impacts

- ❖ 2.1 Household Assistance: Food Programs
- ❖ 2.2 Household Assistance: Rent, Mortgage, and Utility Aid
- ❖ 2.3 Household Assistance: Cash Transfers
- ❖ 2.4 Household Assistance: Internet Access Programs
- ❖ 2.5 Household Assistance: Eviction Prevention
- ❖ 2.6 Unemployment Benefits or Cash Assistance to Unemployed Workers
- ❖ 2.7 Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)
- ❖ 2.8 Contributions to UI Trust Funds
- ❖ 2.9 Small Business Economic Assistance (General)
- ❖ 2.10 Aid to Nonprofit Organizations
- ❖ 2.11 Aid to Tourism, Travel, or Hospitality
- ❖ 2.12 Aid to Other Impacted Industries
- ❖ 2.13 **Other Economic Support**
- ❖ 2.14 Rehiring Public Sector Staff



# Eligible Uses

## Services to Disproportionately Impacted Communities

- ❖ 3.1 Education Assistance: Early Learning
- ❖ 3.2 Education Assistance: Aid to High-Poverty Districts
- ❖ 3.3 Education Assistance: Academic Services
- ❖ 3.4 Education Assistance: Social, Emotional, and Mental Health Services
- ❖ 3.5 Education Assistance: Other
- ❖ 3.6 Healthy Childhood Environments: Child Care
- ❖ 3.7 Healthy Childhood Environments: Home Visiting
- ❖ 3.8 Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System
- ❖ 3.9 Healthy Childhood Environments: Other

## More Services to Disproportionately Impacted Communities

- ❖ 3.10 Housing Support: Affordable Housing
- ❖ 3.11 Housing Support: Services for Unhoused Persons
- ❖ 3.12 Housing Support: Other Housing Assistance
- ❖ 3.13 Social Determinants of Health: Other
- ❖ 3.14 Social Determinants of Health: Community Health Workers or Benefits Navigators
- ❖ 3.15 Social Determinants of Health: Lead Remediation
- ❖ 3.16 Social Determinants of Health: Community Violence Interventions



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*The examples listed in this document are non-exhaustive, do not describe all terms and conditions associated with the use of this funding, and do not describe all the restrictions on use that may apply. All ARPA recipients must refer to US Treasury guidance and their own legal counsel.*

# *Eligible Uses*

## **Premium Pay**

- ❖ 4.1 Public Sector Employees
- ❖ 4.2 Private Sector: Grants to Other Employers

## **Infrastructure**

- ❖ 5.1 Clean Water: Centralized Wastewater Treatment
- ❖ 5.2 Clean Water: Centralized Wastewater Collection and Conveyance
- ❖ 5.3 Clean Water: Decentralized Wastewater
- ❖ 5.4 Clean Water: Combined Sewer Overflows
- ❖ 5.5 Clean Water: Other Sewer Infrastructure
- ❖ 5.6 Clean Water: Stormwater
- ❖ 5.7 Clean Water: Energy Conservation
- ❖ 5.8 Clean Water: Water Conservation
- ❖ 5.9 Clean Water: Nonpoint Source
- ❖ 5.10 Drinking water: Treatment
- ❖ 5.11 Drinking water: Transmission & Distribution
- ❖ 5.12 Drinking water: Transmission & Distribution: Lead Remediation
- ❖ 5.13 Drinking water: Source
- ❖ 5.14 Drinking water: Storage
- ❖ 5.15 Drinking water: Other water infrastructure
- ❖ 5.16 Broadband: “Last Mile” projects
- ❖ 5.17 Broadband: Other projects



# Eligible Uses

## Revenue Replacement

- ❖ 6.1 Provision of Government Services

## Administrative

- ❖ 7.1 Administrative Expenses
- ❖ 7.2 Evaluation and Data Analysis
- ❖ 7.3 Transfers to Other Units of Government
- ❖ 7.4 Transfers to Non-entitlement Units (States and territories only)

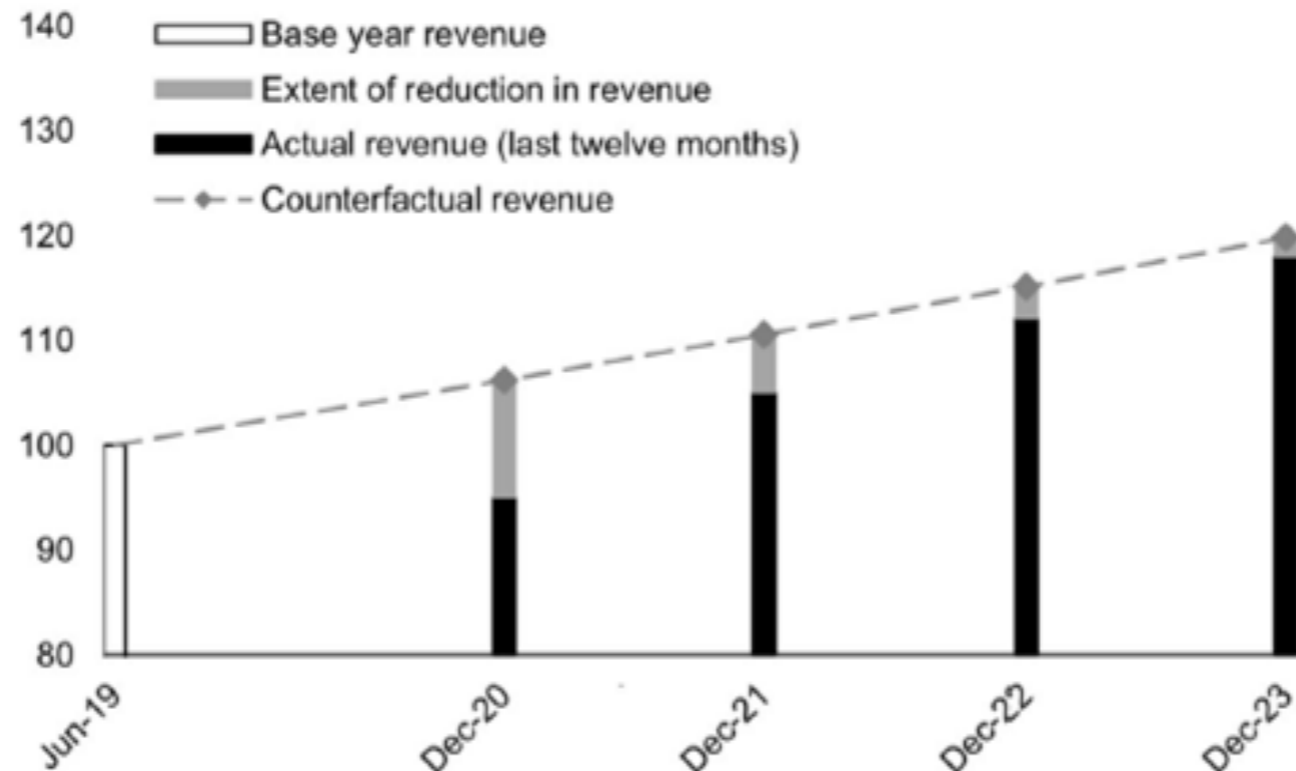
***Yes, you can pay people to do the work!***

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# Revenue Loss Calculations

The overall methodology for calculating the reduction in revenue is illustrated in the figure below:



- Base year = revenue from last full fiscal year prior to Jan. 27, 2020
- Set a 4.1% growth rate (or historical)
- Calculate actuals and compare with counterfactual (“what-ifs”) on **Dec. 31 for 2020, 2021, 2022, 2023**

# Revenue Loss Calculations


**GFOA Revenue Loss Calculator**

**Background Information**

1) Fiscal Year End

June

Notes:

Base Year Revenue Period

6/30/2019

FY used for base year calculation

2) Calculation Date

12/31/2020

Number of Months

18

Months between Base Year and Calculation Date

**Estimate Revenue**

3) Base Year Revenue

\$ 1

Use Worksheet to Calculate

4) Growth Rate

4.1%

Use Worksheet to Calculate

Counterfactual Revenue

\$ 1

Estimated Revenue Without Pandemic

5) Actual Revenue

\$ 1

Use Worksheet to Calculate

**Reduction in Revenue**

Revenue Reduction

\$ 0

Revenue Reduction %

-5.8%

Fiscal Year Ended

12/31/2020

What's included and not in revenue calculation?	
<b>Included</b>	<ul style="list-style-type: none"> <li>Everything not listed below (taxes, fees and other revenues to support public services)</li> <li>Including Fees generated by the underlying economy (Component units and enterprise funds, civic center, sports stadiums, etc.)</li> </ul>
<b>Excluded</b>	<ul style="list-style-type: none"> <li>Federal transfers (even those flowing through the State)</li> <li>Intergovernmental transfers from your entity to your entity</li> <li>Revenues from utilities</li> <li>Refunds and other correcting transactions</li> <li>Proceeds from the issuance of debt</li> </ul>

# Revenue Loss Calculations

## (Spending the money)

<b>Provision of Government Services (can include, but are not limited to):</b>	<ul style="list-style-type: none"><li>• Maintenance or pay-go funded building of infrastructure/roads</li><li>• Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure.</li><li>• Health services</li><li>• Environmental remediation</li><li>• School/educational services</li><li>• Provision of police, fire, and other public safety services</li></ul>
<b>Restrictions</b>	<ul style="list-style-type: none"><li>• Paying interest or principal on outstanding debt</li><li>• Replenishing rainy day or other reserve funds</li><li>• Paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens</li></ul>

**PRO: FLEXIBILITY**

**CON: TIMING & UNCERTAINTY**



# CARES vs ARPA

CARES	ARPA
Cost incurred between March 1, 2020 and December 31, 2021	Costs incurred between March 3, 2021* and December 31, 2024 (drawn by 2026)
Through the State (State is recipient)	Direct to Counties & Major Metros
Payroll expenses	Premium pay
Response to COVID 19 public health emergency	Response <b>and recovery</b> Explicit inclusion of water, wastewater and Broadband Disproportionally impacted communities
Costs cannot be within ordinary 2020 budget	No pension funds; no tax reductions
Interim and quarterly reports	Additional reporting requirements on Performance (Annual or quarterly)

\* Flexibility in providing resources to subrecipients;  
Project may be underway, but costs can only be incurred after March 3.



# *Tips and Advice*

Pick your eligible activity from the list and **document your rationale.**

Pass on requirements in contracts and MOUs.

- Reporting requirements (trying to collect data later is difficult)
- Compliance

2 CFR 200 applies for eligible expenses

Be careful when matching with other funding sources (know which rules apply)

**YOU CAN DELEGATE AUTHORITY, BUT YOU CAN'T DELEGATE RESPONSIBILITY.**



# *Current ARPA programs through DOLA's Division of Local Government*

DLG is managing the ARPA Non-Entitlement Distributions

## State ARPA (\$3.8 B)

- Innovative Housing Planning (HB21-1271) \$39.3M
- Innovative Housing Implementation (HB21-1271) \$7.1M
- Broadband (HB21-1289) \$5M

*More to come in the next legislative session...*



# *Over to Natriece*



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# *More Info on DLG Stimulus Programs*



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# *Innovative Affordable Housing Grant Programs*

## *(HB21-1271)*

- Incentive Grants (\$37.7M to award - **reviewing 1st round LOIs**)
  - To qualify, applicants must have adopted at least 3 qualifying strategies
  - Incredibly flexible funds: land acquisition, purchase/renewal of expiring deed restrictions, housing construction and rehab, infrastructure, tap fees, etc.
- Planning Grants (\$6.8M - **12.6.21 next app due date**)
  - Funds qualifying strategy work (but can add on other needs such as housing needs assessment, housing action plan, evaluation of strategies)
- Division of Housing (DOH) Toolkit Program (2022)

***Question: How many of you need site planning & feasibility analysis funds to get a project ready for application?***



# *Broadband*

## *(HB21-1289)*

- \$5M allocation
- Engage in regional planning for identifying broadband infrastructure needs, determining optimal configuration, and identify public/private partnerships for deployment
- Provide or enhance the network connection between communities
- Focus on middle mile
- Focus on unserved and underserved



# *State-funded Stimulus Programs*

- RENW (HB21-1253) \$5M for Renewable Energy Projects
- REDI (SB21-204) \$5M for the Rural Economic Development Initiative
- Main Street Open for Business (SB21-252) \$7M to revitalize main street corridors with physical improvements and energy savings (fully obligated)



# Questions?



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