



# **American Rescue Plan Act (ARPA)**

## **Understanding Final Rule & Best Practices**

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# American Rescue Plan (ARP)

## Connecticut:

- Municipalities = \$1.56 billion (\$864.1 million direct / \$692.5 million county)

## Distributed on modified CDBG formula:

- Metropolitan Cities (populations over 50k) – Direct allocation from Treasury
  - Non-entitlement Units (population under 50K) – Indirect allocation with State as passthrough
- 
- Local governments will receive funding in two tranches (2<sup>nd</sup> tranche May/June 2022)
  - Most of the funds are *prospective* – costs incurred March 3, 2021
  - Funds must be “obligated” by the end of calendar year 2024, “liquidated” by end of calendar year 2026.

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## **Final rule defines five(5) broad eligible categories:**

1. Responding to the public health emergency and the negative economic impacts of COVID-19;
2. Replacement of lost revenue;
3. Provide premium pay;
4. Water and sewer infrastructure; and
5. Broadband infrastructure.

The rule takes effect April 1, 2022, able to take advantage of any new provision prior to the effective date.

## **Prohibited uses:**

- Paying down unfunded pension liabilities
- Paying interest or principal on outstanding debt,
- Paying for consent decrees or legal settlements
- Contribute to reserve or rainy day funds

# American Rescue Plan (ARP)

## Responding To The Public Health Emergency And The Negative Economic Impacts Of COVID-19 (subcategories)

- public health,
- assistance to households,
- assistance to small businesses,
- assistance to nonprofits,
- aid to impacted industries, and
- public sector capacity.

### Each sub-category includes:

- Non-exhaustive list of particular individuals or groups that the final rule presumes to have been impacted by the pandemic.
- Specified eligible projects referred as “enumerated” projects and services.

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## Support Public Health Response

- **To contain and mitigate the spread of COVID-19** (or future pandemics)
  - Vaccination incentives
  - Medical expenses
  - Quarantine costs
  - Implementing mitigation strategies (improving air quality)
- **Behavioral health services**
  - Behavioral health response
  - Substance abuse treatment and prevention
  - Crisis intervention
- ***Preventing and responding to violence***
  - Address an increase in gun violence during the pandemic
  - Referrals to trauma recovery service for victims of crime
  - Community violence intervention programs

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## Provide direct assistance to households impacted by COVID

- It distinguishes between those “impacted” and “disproportionately impacted.”
- **Impacted:**
  - Food assistance
  - Loans and grants
  - Job training and workforce development
  - Emergency housing assistance
  - Long-term housing
- **Disproportionately impacted:**
  - Investments in neighborhoods to promote improved health outcomes including improvements in open and public spaces;
  - Improvements to vacant and abandoned properties
  - Services to address educational disparities.

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## Provide direct assistance to businesses

- Small businesses are those that have less than 500 employees
- It distinguishes between those “impacted” and “disproportionately impacted.”
- **Impacted:**
  - Loans or grants to mitigate financial hardship, such as by supporting payroll and benefits, costs to retain employees, and mortgage, rent, utility, and other operating costs.
  - Technical assistance, counseling, or other services to support business planning.
- **Disproportionately impacted:**
  - Rehabilitation of commercial properties, storefront improvements & façade improvements
  - Technical assistance, business incubators & grants for start-up or expansion costs for small businesses

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## Assistance to Nonprofits

- Eligible nonprofits – those that experienced increase demand for services, changes to operations and decline in revenue.
- Treasury defines eligible nonprofits as those that are 501(c)(3) or 501(c)(19).
- **Eligible projects:**
  - Loans or grants to mitigate financial hardship, such as by supporting payroll and benefits, costs to retain employees, and mortgage, rent, utility, and other operating costs.
  - Technical assistance, counseling, or other services that mitigate negative economic impacts of the pandemic
- Nonprofits can carry out eligible uses of funds on behalf of the municipality as a “subrecipient” (e.g., assisting in a vaccination campaign, operating a job training program, providing service).

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## Assistance to Impacted Industries

- Industry related to travel, tourism or hospitality (or industry with similar impacts)
- Funds cannot be used for new business development in this industry.
- Aid should be provided broadly to all businesses within the impacted industry (within your municipality) and should first be used on operational expenses (ex. payroll) prior to other costs.
- **Eligible uses:**
  - Aid to mitigate financial hardship, such as supporting payroll costs, lost pay and benefits for returning employees, support of operations and maintenance of existing equipment and facilities
  - Technical assistance, counseling, or other services to support business planning
  - COVID-19 mitigation and prevention measures (similar to those enumerated in the public health category)

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## Improving Public Sector Capacity

- Restore and support public sector employees and services, to strengthen local governments ability to deliver critical services as they relate to COVID-19 response.
- Specific areas of investment:
  - **Provide payroll and covered benefits for public safety, public health and human service staff for their time spend on COVID-19 response.**
  - **Restoring and retaining public sector staff** to pre-pandemic levels and supporting and retaining public sector workers.
  - **Effective service delivery** – Funds can be used to address additional administrative costs caused or exacerbated by the pandemic
    - Address administrative needs caused or exacerbated by the pandemic, Technology infrastructure to improve access to and the user experience of government IT systems

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## Improving Capital Expenditures

- Final rule clarifies how funds can be used for capital expenditures that respond to public health needs or address a negative economic impact.
- Expenditure must be related and reasonably proportional to the impact identified and reasonably designed to benefit an impacted group.

Total capital expenditure	Expenditure <u>enumerated</u> in FR	Expenditure <u>unenumerated</u> in the FR
Less than \$1 million	No written justification required	No written justification required
Greater than \$1 million but less than \$10 million	Written justification required, but not required as part of regular reporting	Written justification required and must be submitted as part of regular reporting
Greater than \$10 million	Written justification required and must be submitted as part of regular reporting	

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## Process Simplified

When allocating funds to respond to public health emergency or address negative economic impact, need to:

1. Identify the particular sub-category the project aligns with,
2. Identify what individual/class that was impacted because of COVID-19, and
3. What and how the project or service will address the harm experienced.

Unenumerated projects may be eligible through a two-step process:

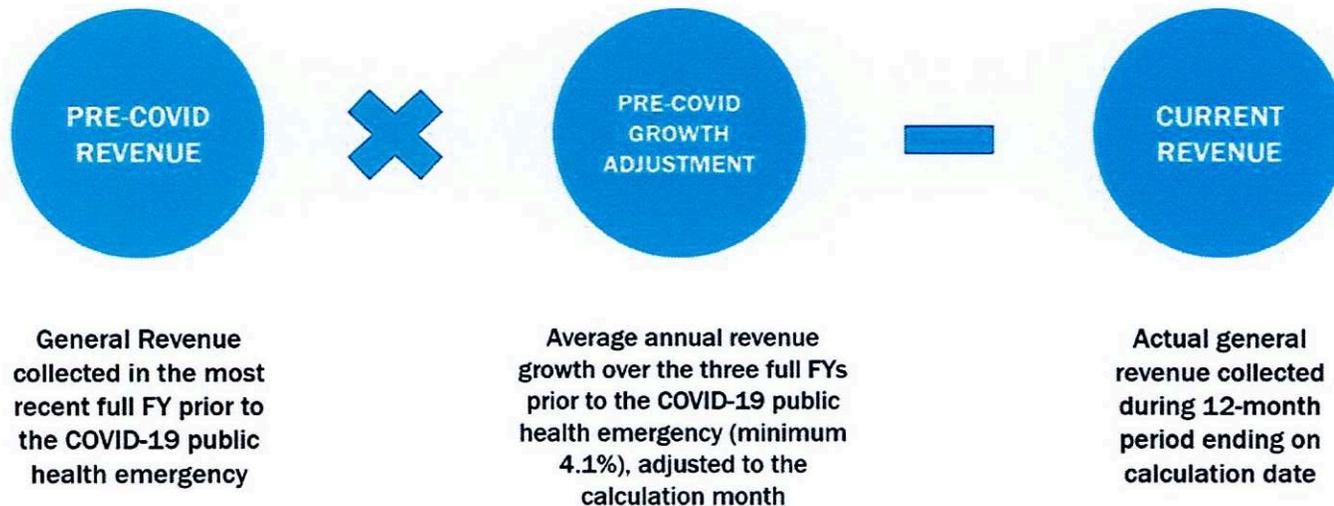
1. Identify the COVID-19 public health or economic impact, and
2. How will the ARP funds respond to that impact.

Treasury has indicated that the responses needs to be related and reasonably proportional to the harm (i.e. the scale of the response needs to be compared to the scale of the harm experienced).

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## Replace Loss of Revenue

- Change in final rule – two options in this category:
  1. Select a “standard allowance” of \$10 million, *OR*
  2. Calculate revenue loss according to the Treasury developed formula.



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## Replace Loss of Revenue (cont.)

- Accounting can be based *cash, accrual, or modified accrual basis* - consistent in methodology throughout the covered period and until reporting is no longer required.
- Final rule provides greater latitude in choosing between a *calendar or fiscal year* when making calculation, however the metric needs to be consistent throughout the period of the program.

**What is Government services:** Generally, “*any service that is traditionally provided by a government for their residents.*”

- This could include capital expenditures.
- Can't be used on prohibited activities.

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## Premium Pay

- Provide premium pay for eligible essential workers, in addition to the existing wages and compensation that the employee already receives.
- For those eligible, workers can be paid up to \$13 per hour, and may not exceed \$25,000 in the aggregate of the program.
- Can be provided retroactively for work completed prior to March 3, 2021 that were associated with responding to the pandemic.
- In order to provide premium pay, the following needs to be considered:
  1. Identify an “eligible” worker
  2. Verify the worker performs essential work, and
  3. Confirm that the premium pay “responds to” workers performing essential work during the pandemic.
- Cannot be used to reimburse local funds for premium pay or hazard pay that was already provided.
- Final rule prohibits elected officials from paying themselves premium pay.

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## Investments in Sewer and Water

- **Projects eligible under EPA's Clean Water State Revolving Fund**
  - Wastewater treatment plants
  - Control non-point sources of pollution
  - Green infrastructure
- **Projects eligible under EPA's Drinking Water State Revolving Fund**
  - Upgrade facilities to improve water quality
  - Transmission, distribution and storage systems
  - Consolidation or establishment of drinking water systems
- Other projects:
  - Stormwater infrastructure (such as culvert repair, resizing, and removal, replacement of storm sewers, and additional types of stormwater infrastructure),
  - Residential wells,
  - Certain rehabilitations to dams and reservoirs.

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## Broadband Infrastructure

- Projects are “encouraged” rather than “must” reliably meet or exceed symmetrical speeds of 100 Mbps or at least 100/20 Mbps with the ability to scale to 100 Mbps symmetrical.
- Able to provide service that may already have 25/3 mbps, but are in locations with an identified need for additional broadband investment. This “need” would address a lack of (a) access to reliable broadband connection, (b) affordable broadband, or (c) reliable service.
- Other broadband investments:
  - Digital literacy programs and device purchase programs.
  - Investments in the “middle mile.”
  - Provide necessary investments in cybersecurity, including modernization of hardware and software, for existing and new broadband projects

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## Reporting & Compliance

- Strong financial control mechanisms include written policies and procedures, written standards of conduct, risk-based compliance monitoring and record maintenance and retention.
- ARPA funds can be used cover “direct” and “indirect costs” associated with administering of the program, which could include costs of consultants for ensuring compliance.
- **Going forward, Connecticut municipalities will need to complete a “Project and Expenditure Report.”**
  - **Metropolitan cities** (quarterly Project & Expenditure Report) by January 31, April 30, July 31, and October 31.
  - **NEU’s** (annual Project & Expenditure Report) by April 30.

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## Project and Expenditure Report

- **Detail Project:** Need to provide name, expenditure category, and description (50-250 description).
- **Expenditures:** Provide specific amount of obligation and expenditures, including current obligation/expenditures, and anticipated cumulative obligation/expenditures.
- **Project Status:** Once a project begins, report during each reporting period the status whether it has (a) not started, (b) less than 50% completed, (c) at least 50% completed, and (d) completed.
- **Subawards:** If awarding grants or loans that exceed \$50,000, the local government will need to provide specific information regarding the award and subrecipient.
- **Civil Right Compliance:** Ensuring compliance with the Title VI of the Civil Rights Act.
- **Specific Program Data:** The type of information collected will be based upon the expenditure category that is being funded.

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## Basic Foundations and Best Approaches

- Follow allowable uses established by Treasury
- Meet and maintain consistency in reporting and accounting
- Comply with federal and state laws and regulations, local ordinances
- Final decision to authorize project or allocation is not an executive function
  - Follow normal process when allocating supplemental revenue
- Do not create future budget deficits

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## Basic Foundations and Best Approaches (cont.)

- **Be organized and ensure transparency - convene all stakeholders in your community**
- **Provide funds to those that have an immediate need**
  - Families, businesses, non-profits
- **Use existing delivery channels and compliment existing efforts for efficiency**
  - Non-profits, COGs, business groups
- **Consider using portion of county allocation on regional/multitown initiatives**

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**Questions?**

**Thank you!**

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