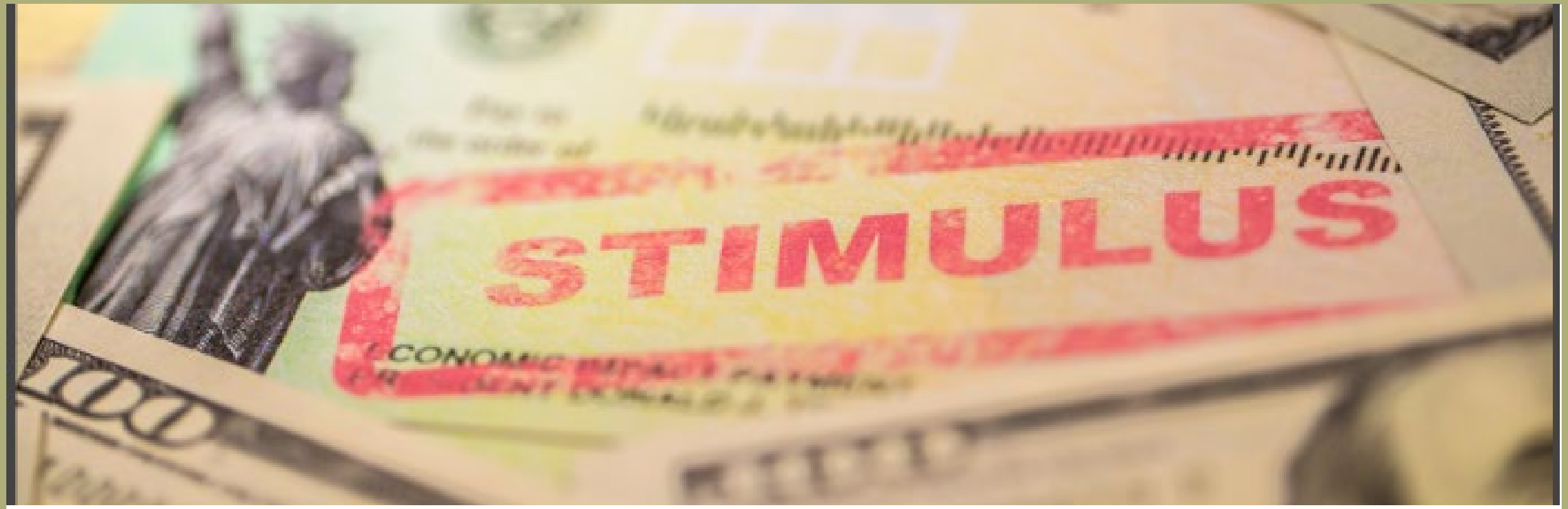



# Coronavirus State and Local Fiscal Recovery Funds of the American Rescue Plan Act of 2021

Kara A Millonzi

Robert W. Bradshaw Jr. Distinguished Professor of Public Law and Government
UNC Chapel Hill School of Government
millonzi@sog.unc.edu
August 2021

# What's in a Name?

ARP Funds

American Rescue Plan Act Funds

ARPA Funds

Coronavirus State and Local Fiscal Recovery Funds

CSLFRF

CLFRF

Fiscal Recovery Funds

# Who is Getting Money?

- Counties
- Metropolitan Cities (over 50K population)

- Nonentitlement units of local government/ NEUs (all other municipalities)

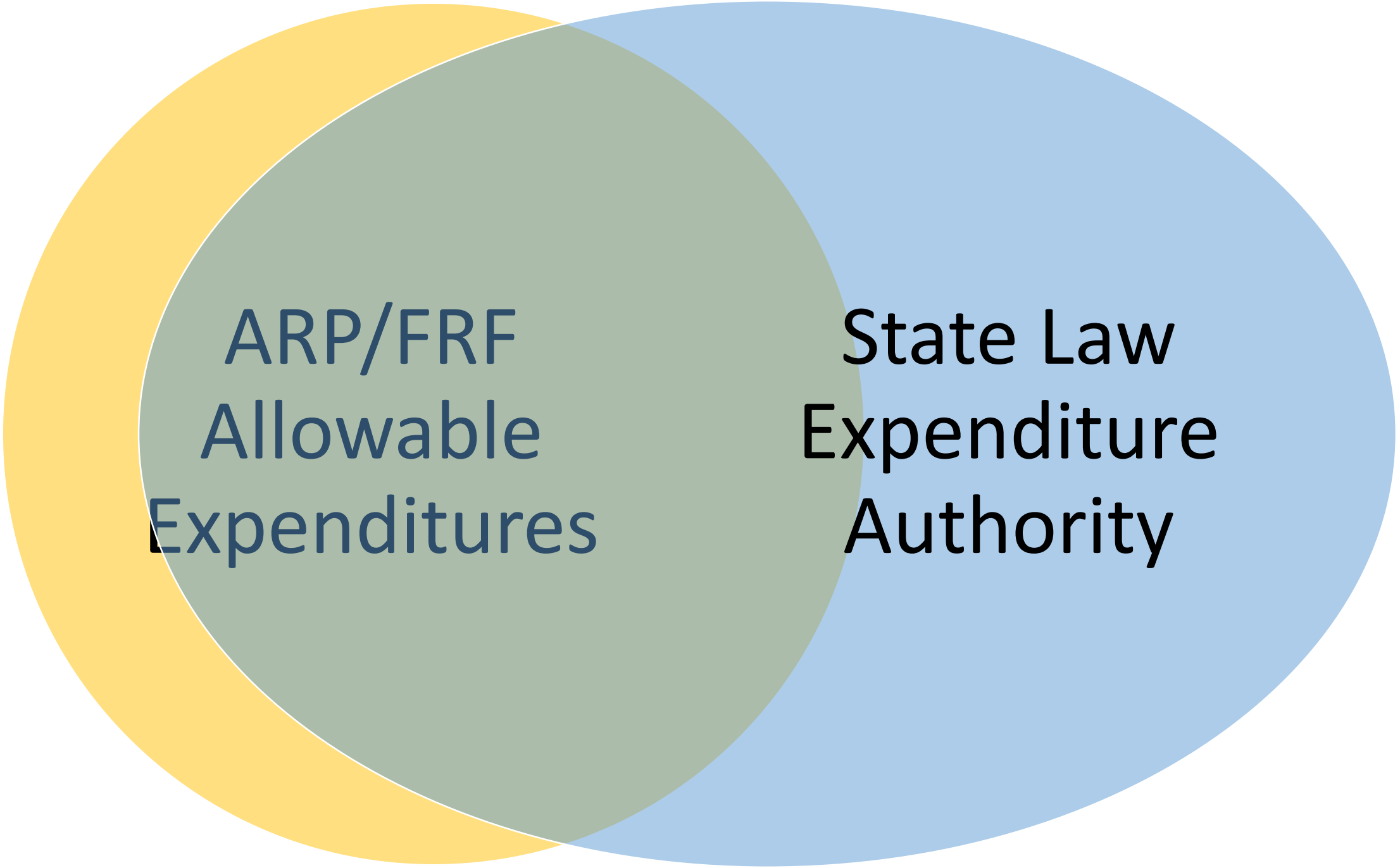
# What Determines ARP/FRF Allowable Expenditures?

## Federal Law

- Part 8, Subtitle M—Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021

## US Treasury Regulations & Guidance

- 31 CFR Part 35 (Interim Final Rule; Will be Final Soon)
- US Treasury FAQs (updated periodically)
- Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds
- Treasury User Guide for Reporting
- US Treasury Compliance Webpage


ARP/FRF
Allowable
Expenditures
State Law
Expenditure
Authority

# ARP/FRF Allowable Expenditures

## Address COVID Public Health

Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;

## Address COVID Economic Impact

Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;

## Replace Lost Revenue

Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;

## Premium Pay

Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,

## Infrastructure Investments

Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

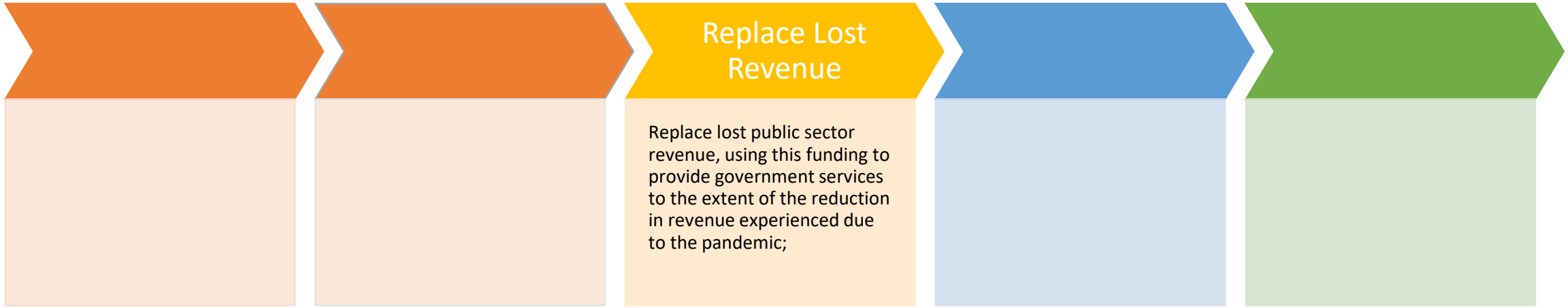

**"[E]ligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency"**

Assess short and long-term effects on public health of COVID-19 and identify how program/project/activity addresses them

Specifically identify negative impact from COVID-19 and identify how program/project/activity addresses the negative impact

Focus on those most disproportionately impacted by the pandemic; broader expenditure authority in Qualify Census Tracts (QCT)

Make sure there is state law authority for the particular program/project/activity




**Allows a local government to use ARP monies to fund (most) general government services, to the extent that the local government experiences a reduction in general revenue during the pandemic, according to specified formula.**

Compares “general revenue,” as defined by US Treasury in each of four calendar years (2020-2023) to artificially inflated base year general revenue

Any resulting “lost revenue" may be expended for most general government services authorized by state law

*See* American Rescue Plan Act of 2021 (ARP): Local Government Expenditures of ARP funds for General Government Purposes


## “[T]o provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency….”

Local governments have broad authority to determine which workers are essential, but they must regularly perform in-person work, interact with others at work, or physically handle items handled by others.

May not be used as substitute for regular earnings.

May be retroactive to the start of the pandemic

US Treasury emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker’s total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.

All premium pay must comply with state law authority.


**Aligns eligible uses with the types or categories of projects that would be eligible to receive financial assistance through the EPA's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).**

DWSRF: Projects include treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.

CWSRF: Projects include construction of publicly- owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act.

NO State Law Authority for Broadband Infrastructure (but watch for new legislation)

# Must Relate Every Project/Program to Expenditure Category (EC)

**1: 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

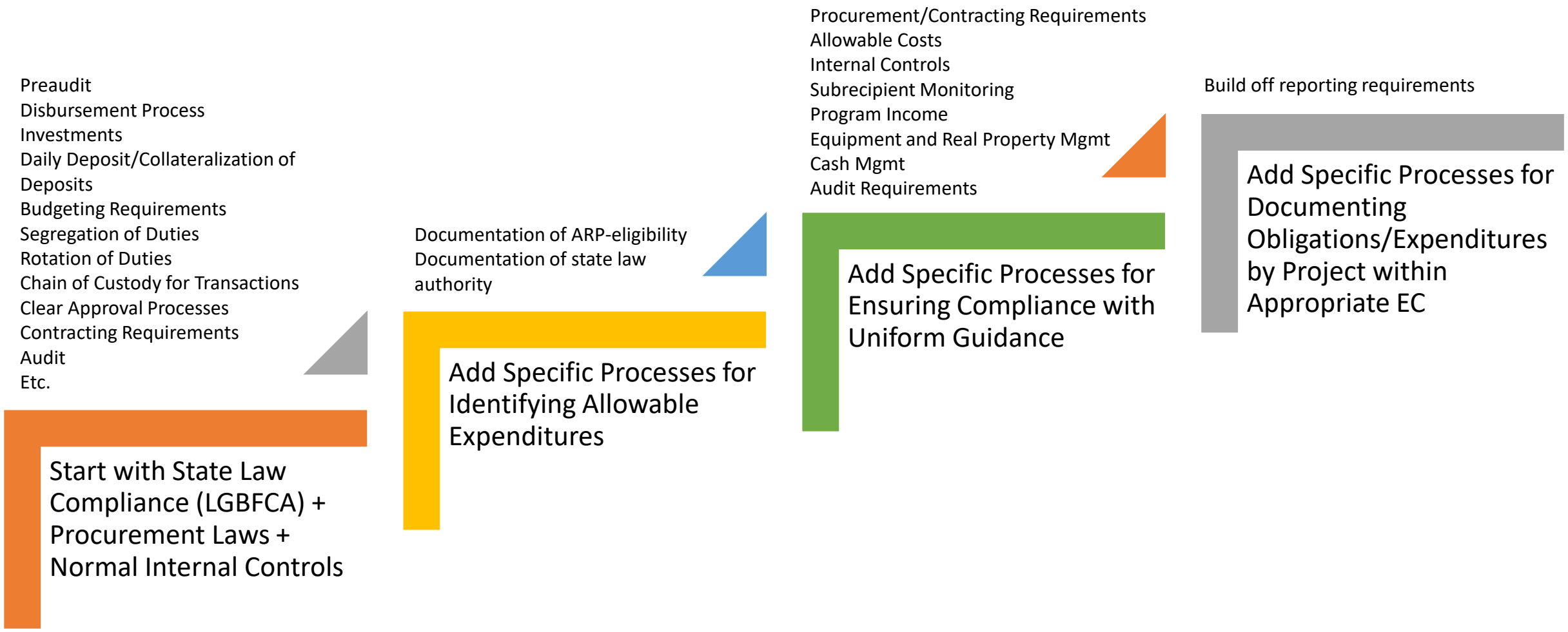
# NO ARP Monies for

- Financial reserves/replenish fund balance
- Debt issuance or debt payments (even short-term)
- Pension fund payments
- Litigation costs

# ARP Compliance

- Uniform Guidance (CFR Part 200 & Compliance Supplement)
  - Procurement/Contracting Requirements
  - Allowable Costs
  - Internal Controls
  - Reporting
  - Subrecipient Monitoring
  - Program Income
  - Equipment and Real Property Management
  - Cash Management
  - Audit Requirements
- State Law (LGBFCA & Procurement Rules)
  - Budgeting
  - Accounting
  - Reporting
  - Independent Audit
  - Procurement/Contracting Requirements

# Set up and Test Internal Control Processes NOW



# Sharing ARP funds with Nonprofits and Other Private Entities

ARP allows transfers of funds to nonprofits and other private entities as subrecipients for ARP-authorized purposes

Recipient government should develop written policies and procedures for subrecipient monitoring and risk assessment and maintain records of all award agreements identifying or otherwise documenting subrecipients' compliance obligations

State law provides broad authority for a local government to **contract** with a private entity to perform specific activities that the **local government has statutory authority to undertake**

See G.S. 160A-20.1 & G.S. 153A-449

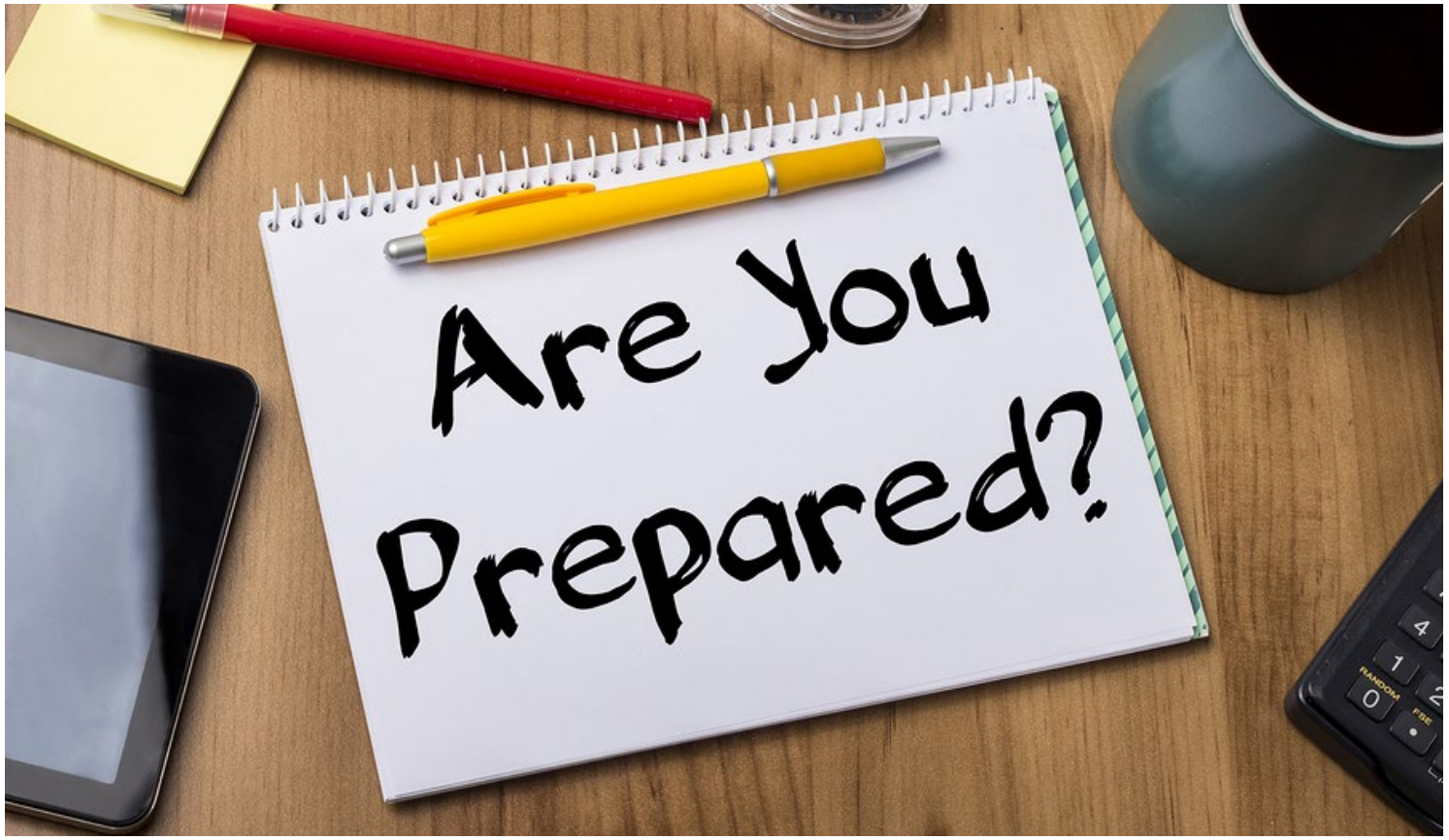
Contract must clearly identify in writing:

- That award is subaward of ARP funds,
- Specific purposes for which ARP funds will be spent, and
- Performance accounting and other process/ compliance/ reporting/ documentation requirements (see 2 CFR 200.332)

Recipient government must manage and monitor subrecipient to ensure compliance with law and regulations. Subrecipient must comply with all applicable requirements, reporting, and other documentation.

Recipient government must perform noncompliance risk assessment on subrecipient and tailor monitoring according to risk.

# What now?




- Wait for final expenditure guidance from US Treasury
- Wait on state budget / ARP legislation
- Learn how other ARP programs may aid community
- Set up budgeting, accounting, and other compliance processes and controls
- Develop evidenced-based outcome measures
- Engage in strategic planning

# Union County, NC

## American Rescue Plan Act of 2021 (ARPA)
## Recovery Act Committee

## Board of County Commissioners Meeting

August 31, 2021

UNIONCOUNTY
north carolina

# Presentation Overview

- Recovery Act Committee:  Charge, Participants, and Process for Developing Guidance
- Recommended Guiding Principles and Funding Considerations
- Key Community Needs to Address through ARPA Funding
- Suggested Communication Approaches
- Expectations of Next Steps by Staff

# ARPA and Recovery Act Committee

## RAC Charge, Participants, and Process

UNIONCOUNTY
plant your future.

# Recovery Act Committee Charge

- Represent the community in offering Guiding Principles and considerations for the general allocation of funds.
- Provide input as a stakeholders group who offer a broad representation of individuals and businesses within Union County.
- Present information and guidance that the Board would utilize when determining the specific allocation.

# RAC Process Participants

## Recovery Act Committee Members

- *Scott Byrum*
- *Rev. Osco Gardin*
- *Scott Keziah*
- *Archie Morgan*
- *Victoria Robinson (in place of Melissa McKeown - Session #1 attendee)*
- *Julie Thomas*
- *Christa Tyson*

## UCG Staff Representatives

- *Michelle Lancaster, Deputy County Manager*
- *Dennis Joyner, Public Health Director*
- *Beverly Liles, Finance Director*
- *Blake Hart, Budget Management Director*
- *Lee Jenson, Planning Director*

## Additional Participant

- *Ed Gagnon, CSS, Inc. (RAC Facilitator)*

# Recovery Act Committee Meeting Process/Timeline

**Session 1 - Share Overview of ARPA and Recovery Act Committee Goals/Process – July 16**

**Session 2 - Provide Information on Current Strategic Priorities, and Understand Community Priorities – August 2**

**Session 3 - Learn Recovery Act Committee Priorities and Considerations – August 6**

**Session 4 - Finalize Recovery Act Committee Recommendations for the BOCC – August 12**

**Presentation to the BOCC – August 31**

# Recommended Guiding Principles and Funding Considerations

UNIONCOUNTY
plant your future.

# Guiding Principles

- Don't address *only* big-ticket items.  Spread the allocations.
- Touch as many lives as possible in a positive way.
- Ensure that all regions of the County, West/Central/East, feel they are benefiting from the funds.
- Support those who are impacted most by COVID through these allocations.
- The use of these funds should have a positive impact on quality of life.
- Ensure that short-term needs are addressed.

# Key Community Needs to Address through ARPA Funding

UNIONCOUNTY
plant your future.

# Key Areas to Address

- 11 Key Areas Identified for Funding Consideration
- **All important** and relate in some form to RAC Guiding Principles or the ARPA Funding Recommended Uses
- 3 Groupings (Levels) offered based on collective scoring of RAC
  - **Level 1** – Near unanimity that these have significant alignment to RAC's Guiding Principles and ARPA guidelines and recommended uses of funding
  - **Level 2** – Close to Level 1; not universal agreement that all have significant alignment to Guiding Principles and ARPA recommended uses of funding
    - Some Level 2 higher priority for some members than Level 1, and vice versa
  - **Level 3** – Have at least some alignment to Guiding Principles or ARPA

# Key Areas to Address – Priority Groupings

## Listed Alphabetically within Each Level

### Level 1

- *Behavioral Health*
- *Broadband*
- *Public Health*

### Level 2

- *Affordable Housing*
- *Public Safety*
- *Sewer*
- *Transportation/ Transit*
- *Water*

### Level 3

- *Library*
- *Parks*
- *Stormwater*

# Suggested Communication Approaches

UNIONCOUNTY
plant your future.

# Communications Guidance

- Communication Principle
  - For engagement process, discussions, and decisions, focus on **transparency** - providing all information possible to the community
- Methods of Communication
  - Social Media (Sharing/Responding)
  - In-person/Remote Meetings across All County
  - Additional Effective Tools (Videos, Radio, Library, E-newsletters, etc.)
- Community Groups
  - Churches/Faith-based Organizations, Chamber

# Expectations of Next Steps by Staff

- The Recovery Act Committee expects that staff will take these Guiding Principles as well as the 11 Key Areas identified and determine:
    - What locations within the community or particular groups within the community have the greatest needs as they relate to the Key Areas.
    - Which Partnership opportunities exist with providers and other Union County municipalities.
    - Where funding already exists to address the needs.
- We would expect staff to utilize this additional analysis when determining the specific recommended uses of the ARPA funds.

# Thank You!

UNIONCOUNTY
north carolina