NACo INFORMATION SESSION: FISCAL RECOVERY FUND

ELIGIBLE USES FOR NEGATIVE ECONOMIC IMPACTS & SUPPORTIVE SERVICES

JANUARY 24, 2022

KEY HIGHLIGHTS OF THE GUIDANCE

1. **Final Rule is effective April 1, 2022,** but counties can take advantage of flexibility prior to that date
2. Allows counties to use up to **$10 million of ARPA Recovery Funds as "loss revenue" for the provision of general government services** without needing to use the Treasury revenue loss formula
3. Improves revenue loss calculation formula **to include utility revenue and liquor store sales, at option of counties**
4. Clarifies eligible use of funds for capital expenditures and written justification for certain projects
5. **Presumes certain populations were "impacted" and "disproportionately impacted" by the pandemic** and therefore are eligible to receive a broad range of services and support
6. Streamlines options for premium pay, by **broadening the share of eligible workers who can receive premium pay**
7. Authorizes re-hiring of local government staff, either at or above pre-pandemic levels
8. Allows Recovery Funds to be used for modernization of cybersecurity, including hardware and software
9. Broadens eligible use of funds for water and sewer projects to include culvert repair, dam and reservoir rehabilitation
10. **Broadens eligible broadband infrastructure investments to ensure better connectivity to broader populations**

REPORTING REQUIREMENTS

On January 7, Treasury released the Project and Expenditure Report and User Guide.

- **The following counties are required to submit a <u>Project and Expenditure Report the Treasury by January 31, 2022</u>:**
  - Counties with populations that **exceed 250,000 residents** (referred to as Tier 1 recipients by Treasury)
  - Counties with a population **below 250,000 residents yet received more than $10 million** in Recovery Funds (referred to as Tier 2 recipient by Treasury)
- The **Project and Expenditure Report will cover the period between March 3, 2021, and December 31, 2021,** and requires the reporting of project, obligations and expenditure data, subaward data, as well as certain required programmatic data
- Counties with **populations below 250,000 residents and received less than $10 million** in Recovery Funds, **<u>are not required to submit</u>** a report by January 31, 2022
  - First reporting deadline is now **<u>April 30, 2022,</u>** and annually afterwards

ILLUSTRATION ONLY OF ***SAMPLE*** ALLOWABLE USES OF RECOVERY FUNDS, PER U.S. TREASURY GUIDANCE

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 and 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

DECODING *THE LANGUAGE* OF THE GUIDANCE

Throughout the Final Rule, U.S. Treasury uses various *key words* that are important to understand in determining the eligible use of funds.

- “Should” and “must” = **Mandatory** reporting, use and compliance
- “May” and “encourage” = Allows county **discretion**
- Proportional & Reasonable

REPLACING LOST REVENUE

Counties can use Recovery Funds to provide government services, up to the amount revenue loss experienced. Under the Final Rule, counties now have two options:

KEY NEW FEATURES IN FINAL RULE

1. **NEW $10 MILLION REVENUE LOSS ALLOWANCE**
    - Counties can allocate up to $10 million of their total Recovery Fund allocation to spend on government services
    - Counties can still calculate actual revenue loss through Treasury formula
    - Simplifies reporting requirements for counties using the standard $10M standard allowance
    - 2,137 counties (70%) now eligible to invest entirety of allocated Recovery Funds in general government services

2. **IMPROVEMENTS TO THE REVENUE LOSS FORMULA**
    - General revenue now includes utility revenue and liquor store revenue, at discretion of the county
    - Counties can choose to calculate revenue loss on a fiscal year **or** calendar year basis – *must pick & stay with 1 option*
    - Counties must adjust actual revenue totals for the effect of tax cuts/increases adopted after January 6, 2022
    - Revenue loss growth rate changed from 4.1% to 5.2%

REPLACING LOST REVENUE

Counties may use "lost revenue" for **general government services up to the *revenue loss* amount**, whether that be the standard allowance amount ($10 million) or the amount calculated using Treasury's formula:

- **Government services generally include any service traditionally provided by a government,** unless Treasury has stated otherwise
- **Common examples** include, but are not limited to:
  - Construction of schools and hospital
  - Road building and maintenance, and other infrastructure
  - Health services
  - General government administration, staff and administrative facilities
  - Environmental remediation
  - Police, first responders and other public safety services (including purchase of fire trucks and police vehicles)

RECOVERY FUNDS USED TO REPLACE "REVENUE LOSS" ARE MORE FLEXIBLE AND MAY BE USED FOR A BROAD RANGE OF GOVERNMENT SERVICES, PROGRAMS AND PROJECTS OUTSIDE OF TYPICAL ELIGIBLE USES OF RECOVERY FUNDS UNDER THE INTERIM RULE. **HOWEVER, REVENUE RECOUPMENT CANNOT BE USED FOR RAINY DAY FUNDS OR DEBT SERVICES**

REPLACING LOST REVENUE

KEY TAKEAWAYS

- Counties have two options to calculate revenue loss:
    1. Up to $10 million of ARPA allocation
    2. Calculate revenue loss with Treasury formula

- If your county previously declared “$0” for revenue loss in the Interim Report, you are allowed to update this number in the first Project and Expenditure Report

- If your county is declaring revenue loss, you may abide by the reporting requirements within the Project and Expenditure Report’s “revenue loss” category

REPLACING LOST REVENUE

Counties may use "lost revenue" for **general government services up to the *revenue loss* amount**, whether that be the standard allowance amount ($10 million) or the amount calculated using Treasury's formula:

HOWEVER, the **following activities are NOT an eligible use** of a county's "revenue loss" allowance:

- Extraordinary contribution to a **pension fund**
- **Debt service** payment, including Tax Anticipation Notes (TANs)
- Rainy day or **reserve account**
- **Settlement agreement, judgment, consent decree or judicially confirmed debt** *(with limited exceptions)*
- **Activity that conflicts with the purpose of the American Rescue Plan Act statute** (e.g. uses of funds that conflict with COVID-19 mitigation practices in line with CDC guidance and recommendations)
- **Violations of Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance**

PUBLIC HEALTH & NEGATIVE ECONOMIC IMPACTS

1. **PUBLIC HEALTH**
2. ASSISTANCE TO **HOUSEHOLDS**
3. ASSISTANCE TO **SMALL BUSINESSES**
4. ASSISTANCE TO **NONPROFITS**
5. AID TO **IMPACTED INDUSTRIES**
6. **PUBLIC SECTOR CAPACITY**

NEGATIVE ECONOMIC IMPACTS

DEFINING IMPACTED HOUSEHOLDS

- Treasury presumes the following households and communities are **impacted** by the pandemic**:**
  - **Low-or-moderate income** households or communities
  - Households that experienced **unemployment**
  - Households that experienced **increased food or housing insecurity**
  - Households that **qualify for CHIP, childcare subsidies under CCDF or Medicaid**
  - Households that **qualify for National Housing Trust Fund** – *for affordable housing programs*
  - Any **student that lost access to in-person** education – *services to address lost instructional time in K-12*

NEGATIVE ECONOMIC IMPACTS

DEFINING DISPROPORTIONATELY IMPACTED HOUSEHOLDS

- Treasury presumes the following households and communities are **disproportionately impacted** by the pandemic:
  - **Low-income** households and communities
  - Households residing in **Qualified Census Tracts (QCTs)**
  - Households that **qualify for certain federal benefits** (i.e. TANF, SNAP, SSI, WIC, Section 8 vouchers, LIHEAP)
  - Households receiving services provided by **Tribal governments**

NEGATIVE ECONOMIC IMPACTS

The Final Rule also clarifies the definition of "low-or-moderate income" and "low-income"

LOW OR MODERATE INCOME	LOW INCOME
• Income at or below 300 percent of the Federal Poverty Guidelines • Income at or below 65 percent of area median income for its county • Counties may use a default household size of three when easier for administration • Counties may presume any household earning below $65,880 is impacted and eligible for services • Counties may designate additional households as impacted or disproportionately impacted	• Income at or below 185 percent of the Federal Poverty Guidelines • Income at or below 40 percent of area median income for its county • Counties may use a default household size of three when easier for administration • Counties may any household earning below $40,626 is disproportionately impacted

NEGATIVE ECONOMIC IMPACTS

Federal Poverty Guidelines for 2022

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE (D.C. AND CONTIGUOUS STATES)	POVERTY GUIDELINE (ALASKA)	POVERTY GUIDELINE (HAWAII)
1	$13,590	$16,990	$15,630
2	$18,310	$22,890	$21,060
3	$23,030	$28,790	$26,490
4	$27,750	$34,690	$31,920
5	$32,470	$40,590	$37,350
6	$37,190	$46,490	$42,780
7	$41,910	$52,390	$48,210
8	$46,630	$58,290	$53,640

NEGATIVE ECONOMIC IMPACTS

IMPACTED HOUSEHOLDS

The Final Rule outlines the following eligible uses of Recovery Funds to respond to the **impacts** of the pandemic on households and communities (non-exhaustive list):

- Food assistance and food banks
- Emergency housing assistance
- Health insurance coverage expansion
- Benefits for surviving family members who have died from COVID-19
- Burials, home repair and home weatherization
- Cash assistance
- Assistance in accessing and applying for public benefits or services
- Child care and early learning services
- Assistance to address the impact of early learning loss for K-12 students

NEGATIVE ECONOMIC IMPACTS

DISPROPORTIONATELY IMPACTED HOUSEHOLDS

The Final Rule outlines the following eligible uses of Recovery Funds to respond to the **disproportionate impacts** of the pandemic on households and communities (non-exhaustive list):

- Pay for community health workers to help households access health and social services
- Remediation of lead paint or other lead hazards
- Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment and facilities designed to address health disparities
- Housing vouchers and assistance relocating to neighborhoods with higher economic opportunity
- Investments in neighborhoods to promote improved outcomes
- Improvements to vacant/abandoned properties
- Services to address educational disparities
- School and other educational equipment and facilities

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO SMALL BUSINESSES

Treasury defines small businesses by having no more than 500 employees, in general, and is independently owned and operated and is not dominant in its field of operation.

IMPACTED SMALL BUSINESSES

- Decreased revenue or gross receipts
- Financial insecurity
- Increased costs
- Capacity to weather financial hardship
- Challenges covering payroll, rent or mortgage and other operating costs
- Other reasonable factors determined by the county

DISPROPORTIONATELY IMPACTED SMALL BUSINESSES

- Small business operating in **Qualified Census Tracts**
- Small businesses operate by **Tribal governments or on Tribal lands**
- Small businesses operating in **U.S. territories**

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO SMALL BUSINESSES

ELIGIBLE USES TO SUPPORT IMPACTED SMALL BUSINESSES

- Loans or grants to mitigate financial hardship (i.e. support 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
- **For loans, please refer to additional Treasury guidance and overall federal rules on loan provisions with federal funds**

ELIGIBLE USES TO SUPPORT DISPROPORTIONATELY IMPACTED SMALL BUSINESSES

- Rehabilitation of commercial properties, storefront improvements and façade improvements
- Technical assistance, business incubators and grants for start-up or expansion costs for small businesses
- Support for microbusinesses, including financial, childcare and transportation costs

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO NONPROFITS

Treasury defines a nonprofit as 501(c)(3) and 501(c)(19) tax-exempt organizations.

IMPACTED NONPROFITS

- Decreased revenue
- Financial insecurity
- Increased costs (i.e. uncompensated services)
- Capacity to weather financial hardship
- Challenges covering payroll, rent or mortgage and other operating costs

DISPROPORTIONATELY IMPACTED NONPROFITS

- Nonprofits operating in Qualified Census Tracts
- Nonprofits operating in Tribal governments
- Nonprofits operating in U.S. territories

ELIGIBLE USES INCLUDED

- Loans or grants to mitigate financial hardship
- Technical or in-kind assistance or other services that mitigate negative economic impacts of the pandemic

NEGATIVE ECONOMIC IMPACTS

AID TO IMPACTED INDUSTRIES

- **The Final Rule states that an industry can be designated as "impacted":**
    1. If the industry is in the travel, tourism or hospitality sectors, the industry is impacted
    2. If the industry is outside of travel, tourism or hospitality sectors, the industry is impacted if:
        a. The industry **experienced at least 8 percent employment loss from pre-pandemic levels**, **<u>or</u>**
        b. The **industry is experiencing comparable or worse economic impacts as the tourism, travel and hospitality industries** as of the date the Final Rule is published (12/6/2022)
- **Recipients (i.e. counties) have flexibility to define industries**
- Aid can only be provided to businesses and attractions that were **operating prior to the pandemic and affected by required closures**

CAPITAL EXPENDITURES

Counties can use Recovery Funds for capital expenditures that respond to the public health and negative economic impacts of the pandemic.

<table>
<tr><th>COST OF CAPITAL EXPENDITURE PROJECT</th><th>USE IS ENUMERATED BY TREASURY AS ELIGIBLE</th><th>USE IS BEYOND THOSE ENUMERATED BY TREASURY AS ELIGIBLE</th></tr>
<tr><td>Less than $1 million</td><td>No written justification required</td><td>No written justification required</td></tr>
<tr><td>Greater than or equal to $1 million, but less than $10 million</td><td>Written justification required but county does not need to submit as part of reporting</td><td rowspan="2">Written justification required and county must submit as part of regular reporting</td></tr>
<tr><td>$10 million or more</td><td>Written justification required and county must submit as part of regular reporting</td></tr>
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CAPITAL EXPENDITURES

EXAMPLES *ELIGIBLE* CAPITAL EXPENDITURE PROJECTS	EXAMPLES *INELIGIBLE* CAPITAL EXPENDTIURE PROJECTS
• **Schools** • **Childcare facilities** • Medical facilities generally dedicated to COVID-19 treatment and mitigation (i.e. ICUs, emergency rooms, etc.) • Temporary medical facilities • Emergency operation centers • **Behavioral health facilities** • **Affordable housing and permanent supportive housing** • Primary care clinics, hospitals • Improvements to vacant/abandoned properties	• Construction of **new** correctional facilities • Construction of **new** congregate facilities • Construction of convention centers, stadiums and other larger capital projects intended for general economic development

COUNTY SNAPSHOT

NATIONAL ASSOCIATION of COUNTIES NACo

KING COUNTY, WASH.

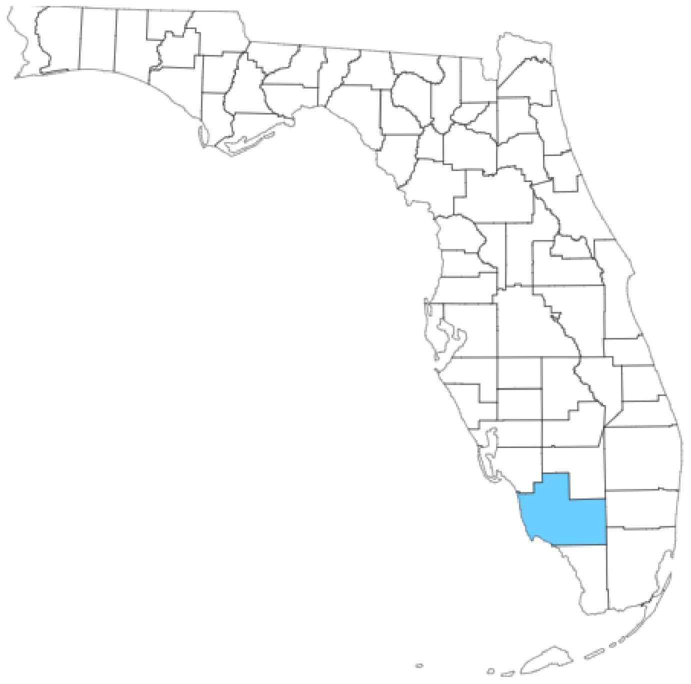
- $4.5 million for rapid response to homelessness based on a Housing First model, including non-congregate temporary housing with wraparound services and street outreach
- $5 million for food security assistance to serve around 6,600 households through a Community Based Organization
- The county plans to make significant investments in childcare, including grants to formally licensed and informal providers and ongoing support for a childcare voucher program for essential workers.

COUNTY SNAPSHOT

NATIONAL ASSOCIATION of COUNTIES NACo

COLLIER COUNTY, FLA.

- $5.1 million for food programs, including support to food banks and direct assistance to households
- $7.5 million for rent and mortgage assistance in the form of direct grants to households and $525,000 for eviction prevention through Housing Navigator Services
- $1.5 million for non-profits serving socially vulnerable individuals
- $2.7 million for educational sessions at libraries in high-poverty school districts, with programming focused on community outreach, homework centers and teen life skills



COUNTY SNAPSHOT

BUNCOMBE COUNTY, N.C.

- $2.5 million to construct 120 new units of affordable rental housing with a range of affordable rents serving those earning between 30 and 80 percent of the Area Median Income. All units will accept Section 8 Housing Vouchers.
- $1 million for services to survivors of domestic violence, sexual assault and human trafficking have continued access to a continuum of services
- $500,000 to provide extended time in Early Head Start so care givers of young children can seek better employment, enroll in and complete degree or certificate programs

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ELIGIBLE USES FOR NEGATIVE ECONOMIC IMPACGTS & SUPPORTIVE SERVICES

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