

NACo INFORMATION SESSION: FISCAL RECOVERY FUND

**ELIGIBLE USES FOR
PUBLIC HEALTH RESPONSE**
JANUARY 28, 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 Project and Expenditure Report the Treasury by January 31, 2022:**
 - 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, **are not required to submit** a report by January 31, 2022
 - First reporting deadline is now **April 30, 2022**, 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

OVERVIEW OF PUBLIC HEALTH CATEGORY

KEY CHANGES

“Since Treasury issued the interim final rule in May 2021, both the public health and economic situations facing the country have evolved...”

- Clarification on capital expenditures for the public health response
- Enumeration of eligible medical expenses
- Expanded eligibilities for behavioral health services
- Eligible uses for responding to violence
- Broadened allowable uses for impacted and disproportionately impacted communities*

OVERVIEW OF PUBLIC HEALTH CATEGORY

OUTLINE OF SECTIONS

COVID-19 Mitigation

Medical expenses*

Behavioral health care*

Public health safety and staff

Health and public health programs

Disparities in public health outcomes

OVERVIEW OF PUBLIC HEALTH CATEGORY

COVID-19 MITIGATION

- Vaccination/testing programs
- Monitoring, contact tracing and public health surveillance
- Public health data systems
- Public health order enforcement and communication
- COVID-19 prevention and treatment
- Support for isolation and quarantine
- Transportation to reach vaccination or testing sites, or other prevention and mitigation services for vulnerable populations
- Support for prevention, mitigation or other services in congregate living facilities, public facilities, schools, small businesses, nonprofits and impacted industries
- Capital investments in public facilities to meet pandemic operational needs

OVERVIEW OF PUBLIC HEALTH CATEGORY

MEDICAL EXPENSES

Recovery Funds may be used for expenses to households, medical providers, or other incurred medical costs due to the pandemic, including:

- Unreimbursed expenses for medical care for COVID-19 testing or treatment (I.e. uncompensated care costs)
- Paid family and medical leave for public employees
- Emergency medical response expenses
- Treatment of long-term symptoms or effects of COVID-19

OVERVIEW OF PUBLIC HEALTH CATEGORY

BEHAVIORAL HEALTH CARE

Treasury clarifies this eligible use category covers an expansive array of services for prevention, treatment, recovery, and harm reduction for behavioral and mental health services, including:

- Behavioral health facilities and equipment
- Prevention, outpatient treatment, inpatient treatment, crisis care, diversion programs
- Enhanced behavioral health services in schools
- Services for pregnant women or infants born with neonatal abstinence syndrome
- Support for equitable access to reduce disparities in access to high-quality treatment
- Peer support groups, costs for residence in supportive housing or recovery housing, the 988 National Suicide Prevention Lifeline
- Expansion of access to evidence-based services for opioid use disorder prevention, treatment, harm reduction and recovery

OVERVIEW OF PUBLIC HEALTH CATEGORY

BEHAVIORAL HEALTH CARE- VIOLENCE PREVENTION

- Evidence-based practices like focused deterrence, street outreach, violence interrupters, and hospital-based violence intervention models
- Wraparound services such as behavioral therapy, trauma recovery, job training, education, housing and relocation services, and financial assistance
- Capacity-building efforts at community violence intervention programs
- Strategies to reduce gun violence

“Given the increased rate of violence during the pandemic, Treasury has determined that this enumerated eligible use is responsive to the impacts of the pandemic in all communities..”

OVERVIEW OF PUBLIC HEALTH CATEGORY

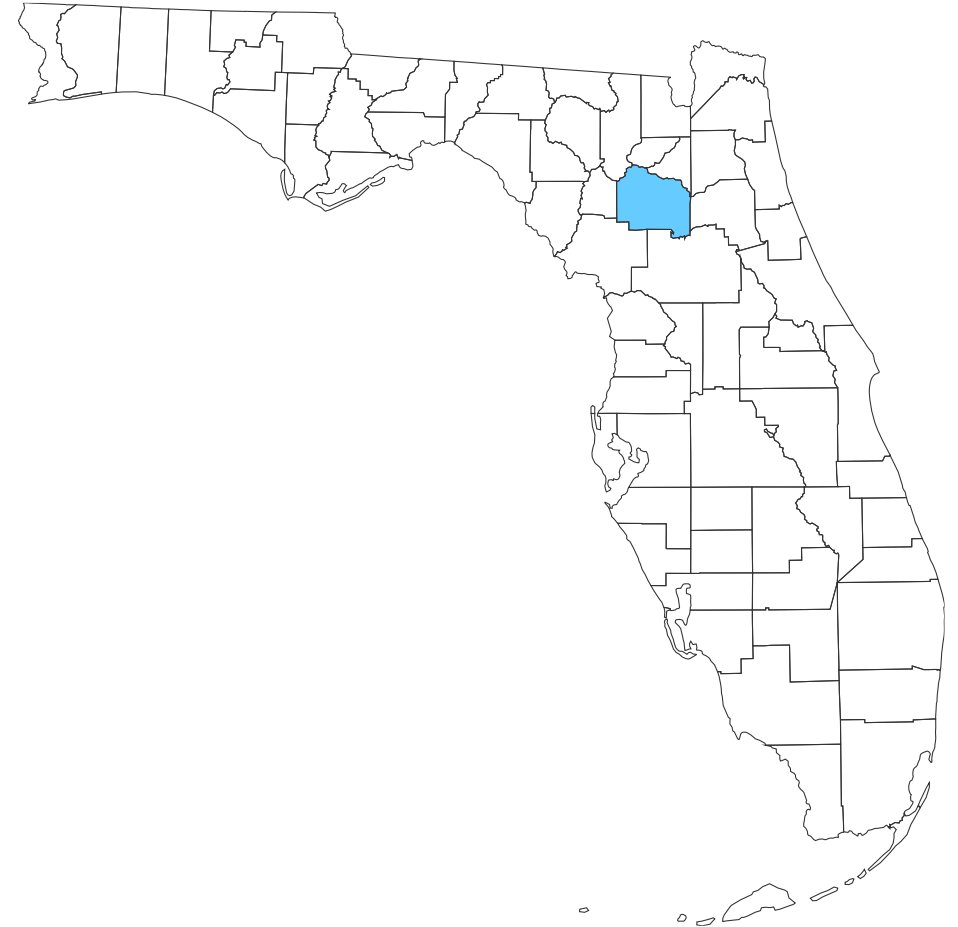
CAPITAL EXPENDITURES

Treasury clarifies the following are examples of capital expenditure projects for the public health response:

- Improvements or construction of:
 - COVID-19 testing sites and laboratories & equipment purchase
 - COVID-19 vaccination sites
 - Medical facilities for COVID-19 treatment and mitigation
 - Emergency operation centers/ equipment purchase
 - Adaptations to congregate living facilities
 - Mitigation measures in small businesses, nonprofits & impacted industries

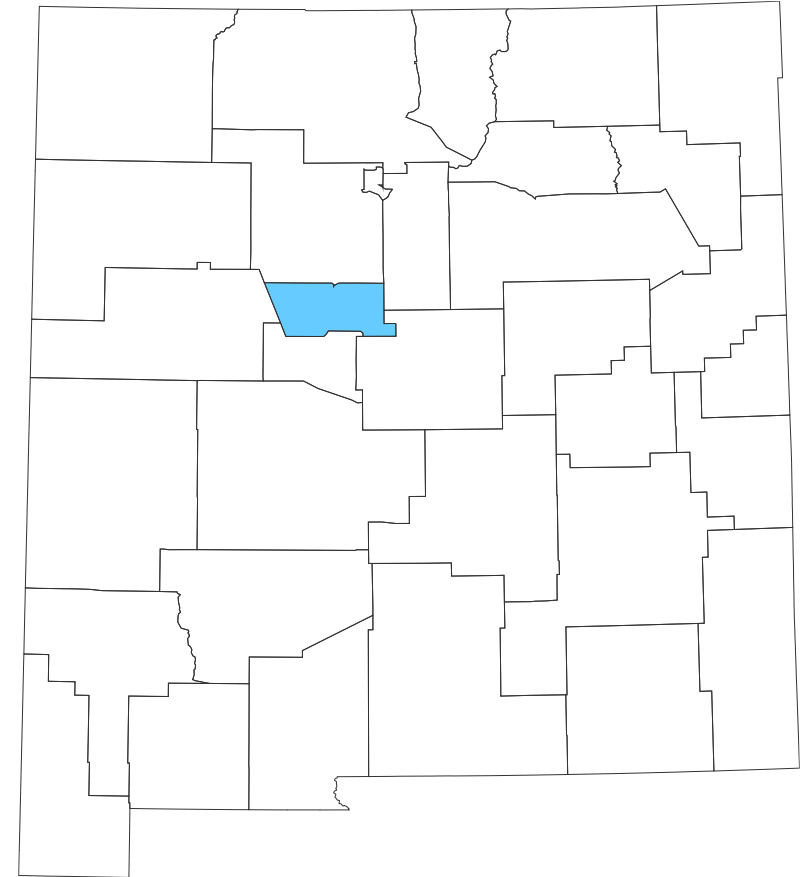
ALACHUA COUNTY, FLA.

- \$1.5 million for behavioral health care
- \$2 million for urgent care support
- \$1.5 million to cover medical equipment modernization needs for first responders
- \$1 million for food security



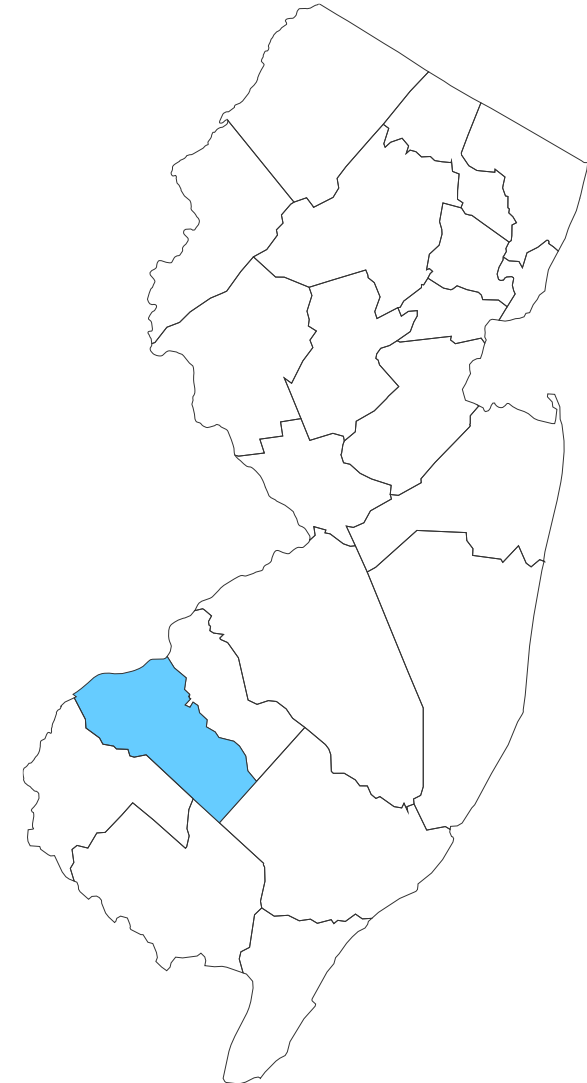
BERNALILLO COUNTY, N.M.

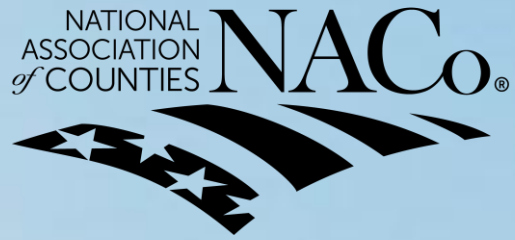
- \$2.25 million to the Young Adult Inpatient Substance Abuse Program
- \$2.25 million to the Outpatient Clinic
- \$1 million to expand wraparound services for families with young children
- \$9.5 million for services to disproportionately impacted communities including housing support



GLOUCESTER COUNTY, N.J.

- \$27 million for public health
- \$3.25 million for negative economic impacts
- \$7.26 million for services to disproportionately impacted communities
- notable projects within these allocations include emerging industry training, a transition to work program for students with disabilities, innovation hubs for small businesses, community peer recovery programs, substance use disorder outreach and crisis intervention training for law enforcement.





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