

NACo INFORMATION SESSION: FISCAL RECOVERY FUND

**ELIGIBLE USES FOR WATER AND
SEWER INFRASTRUCTURE**

JUNE 16, 2021



KEY HIGHLIGHTS OF THE GUIDANCE

1. The Fiscal Recovery fund was established to **help turn the tide on the pandemic, address its economic fallout and lay the foundation for a strong and equitable recovery.**
2. Funds may cover costs from **March 3, 2021 through December 31, 2024.**
3. There is **no deadline for counties to certify** for the Recovery Funds.
4. Broad flexibility to help those **disproportionately impacted by the COVID-19 pandemic.**
5. Recovery Funds can be distributed into **interest-bearing accounts.**
6. Understand the important differences between **CARES Act Coronavirus Relief Fund (CRF) and ARP Fiscal Recovery Fund**, especially for county employee payroll support.
7. Use of recouped **“lost revenue” is more flexible** than other Recovery Fund eligibility.
8. Recovery Funds **may not be used as non-federal match**, unless specifically authorized.
9. Re-hiring **local government staff** to pre-pandemic levels.
10. Counties may use Recovery Funds for **routine pension costs of employees.**
11. Counties may use Recovery Funds to invest in **certain critical infrastructure projects.**

UPDATED FAQ DOCUMENT

Treasury released an updated FAQ document Tuesday, June 8

1. Recovery Funds can be used to **cover costs of consultants to assist with managing and administering the funds**
2. Recovery Funds can be used to **establish public jobs programs** (i.e. subsidized employment, combined education and on-the-job training, job training to accelerate rehiring or address negative economic impacts)
3. Clarification on revenue loss language (audited financial data, county data versus Census Bureau data)
4. Flexibility for costs incurred by March 3, 2021, for public health response/negative economic impacts, premium pay, revenue loss and water, sewer and broadband projects
5. New CFDA number – **21.027** – Counties should update systems and reporting to reflect final CFDA number for Recovery Fund
6. Counties **do not need approval from Treasury** to determine whether an investment in water, sewer or broadband project is eligible under the Recovery Fund IFR

KEY DATES RELATED TO THE RECOVERY FUND

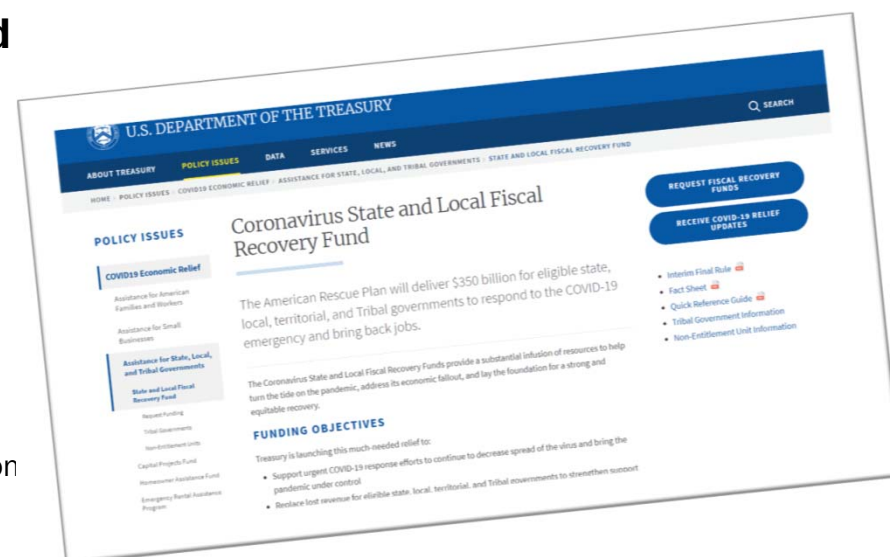
- **January 27, 2020:** Declaration of the public health crisis
- **March 3, 2021:** Beginning of the Recovery Fund “covered period”
- **July 16, 2021:** Deadline to comment on U.S. Treasury’s *Interim Final Rule* on Recovery Fund
- **August 31, 2021:** Deadline to submit first Interim Report to U.S. Treasury
- **August 31, 2021:** Deadline to submit first *Recovery Plan Performance Report* to U.S. Treasury
- **Applies to COUNTIES ABOVE 250,000 POPULATION ONLY**
- **October 31, 2021:** Deadline to submit first *Quarterly Project and Expenditure Report*
- **Applies to ALL COUNTIES**
- **December 31, 2024:** Recovery Funds must be obligated (**NOT incurred**)
- **December 31, 2026:** Recovery Funds must be spent & all work/performance must be completed

HOW TO CERTIFY FOR RECOVERY FUNDS

U.S. Treasury released [certification guidance](#) and [opened the portal](#) for counties to request Recovery Funds

Prior to requesting Recovery Funds, **counties should complete the following steps immediately:**

1. Ensure your county has a [DUNS number](#)
2. Ensure your county has an [active SAM registration](#)
3. Gather payment information:
 - Entity Identification Number (EIN), name and contact information
 - Name and title of an authorized representative of the county (i.e. chief elected official)
 - Financial institution information (e.g., routing and account number, financial institution name and contact information)



DECODING *THE LANGUAGE OF THE GUIDANCE*

Throughout the Interim Final Rule, along with FAQs and fact sheets, U.S. Treasury uses various **key words** that are important to understand in determining the eligible use of funds..

INTERIM FINAL RULE VS. FAQs

- **Shall** = Mandatory reporting, use and compliance
- **May** = Allows local/county discretion
- **Encourage / Should** = Treasury preference only
(**NOT REQUIRED**)
- **Proportional & Consistent**

DEFINITIONS (PG. 130)

- Covered benefits
- Covered period
- Eligible workers
- General revenue
- Pension fund

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



Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



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



Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

REPLACE LOST REVENUE

Recovery Funds may be used to provide **government services** to the **extent of reduction in revenue** experienced due to COVID-19:

- **Definition of general revenue:** Based on Census Bureau's definition and includes revenue from taxes, current charges, miscellaneous general revenue, intergovernmental transfers between state and local governments
 - **Excludes** refunds and other correction transactions proceeds from issuance of debt or the sale of investments, agency or private trust transactions and revenue generated by utilities, **intergovernmental transfers from the federal government (federal transfers made to a state/locality)**
- Recipients should calculate revenue on an **entity-wide basis, rather than source-by-source basis**
- Recipients **cannot** use pre-pandemic projections as a basis to estimate the reduction in revenue
- **Definition of base year revenue:** Recipient's general revenue for the most recent full fiscal year prior to the COVID-19 public health emergency
- Recipients should calculate the extent of the reduction in revenue as of four points in time: **December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.**

REPLACE LOST REVENUE

U.S. Treasury's guidance **establishes new methodology to calculate lost revenue.**

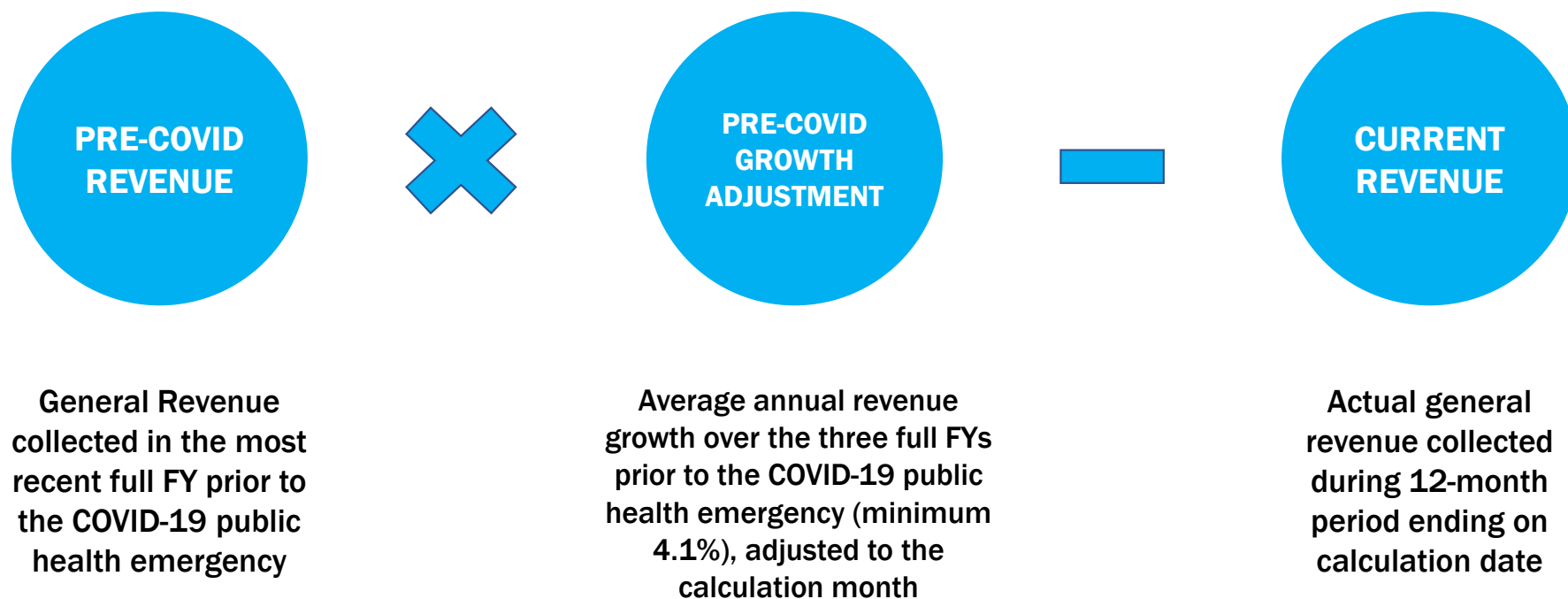
Recipients have two options to calculate lost revenue:

- Recipients will compute the extent of reduction in revenue by comparing **actual revenue** to a **counterfactual trend** representing what could have plausibly been expected to occur in the absence of the COVID-19 pandemic
- For purposes of measuring revenue growth in the counterfactual trend, recipients may use a **growth adjustment of either:**
 1. 4.1% per year (based on the national average of state and local revenue growth 2015-18); **OR**
 2. The recipients average annual revenue growth over the last three full fiscal years prior to the COVID-19 pandemic

Recipients should **choose the higher of the two options** when determining their **growth adjustment figure.**

REPLACE LOST REVENUE

The below calculation specifies how counties can calculate lost revenue, with a minimum of \$0:



PREMIUM PAY FOR ESSENTIAL EMPLOYEES

Fiscal Recovery Funds payments may be used by recipients to provide premium pay (\$13/per hour) to **eligible workers** performing **essential work** during the COVID-19 public health emergency or to provide grants to third-party employers with eligible workers performing essential work.

Essential employees are defined as:

- **Any work performed by an employee of the state, local or tribal government**
- Staff at nursing homes, hospitals, and home care settings
- Workers at farms, food production facilities, grocery stores, and restaurants
- Janitors and sanitation workers
- Truck drivers, transit staff, and warehouse workers
- Public health and safety staff
- Childcare workers, educators, and other school staff
- Social service and human services staff

Essential work is defined as:

- Work involving regular in-person interactions or regular physical handling of items that were also handled by others
- A worker would **NOT** be engaged in essential work and, accordingly may not receive premium pay, for telework performed from a residence

Other provisions related to premium pay:

- Premium pay **can be retroactive**
- Recipients have discretion to designate additional sectors
- Additional reporting requirements in certain cases (*grants to third-party employers*)

WATER & SEWER INFRASTRUCTURE

To assist in meeting the critical need for investments and improvements to existing infrastructure in water and sewer, counties can invest Fiscal Recovery Funds into these sectors:

- Broad flexibility to identify investments in water and sewer infrastructure that are the highest priority for the county and its residents – includes privately-owned infrastructure
- Eligible expenses include improvements to infrastructure, such as building or upgrading facilities and transmission, distribution and storage systems (*additional guidance to be released at later date*)
- Eligible uses aligned to Environmental Protection Agency (EPA) project categories in the:
 - Clean Water State Revolving Fund (CWSRF)
 - Drinking Water State Revolving Fund (DWSRF)

WATER & SEWER INFRASTRUCTURE

CLEAN WATER STATE REVOLVING FUND (CWSRF)

CATEGORIES OF ELIGIBLE PROJECTS UNDER CWSRF	
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

WATER & SEWER INFRASTRUCTURE

DRINKING WATER STATE REVOLVING FUND (DWSRF)

CATEGORIES OF ELIGIBLE PROJECTS UNDER DWSRF

- | | |
|---|--|
| <ul style="list-style-type: none"> • Treatment (I.e. new facilities or portions of new facilities, upgrades, desalinations plants, raw water storage, etc.) • Transmission and distribution (I.e. installation, replacement or rehabilitation of infrastructure, lead service line replacements, new water main extensions, etc.) • Storage or replacement/rehabilitation of existing structure to continue to maintain compliance and protect public health | <ul style="list-style-type: none"> • Source rehabilitation (I.e. development of new resources, raw water intakes, interconnections, ground water wells, aquifer storage and recovery, riverbank filtration wells, etc.) • Consolidation of projects (i.e. purchase of water system, interconnection of systems, etc.) • Creation of new systems |
|---|--|

WATER & SEWER INFRASTRUCTURE

EIGIBLE PROJECTS BEYOND CWSRF & DWSRF

- Cybersecurity needs to protect water or sewer infrastructure, including **developing effective cybersecurity practices and measures** at drinking water systems and publicly owned treatment works
- Address **climate change by taking steps to address potential sources of pollutions** and other projects that may reduce energy required to treat drinking water
- **Green infrastructure investments**, such as rain gardens
- Stormwater runoff
- Water pollution
- Flood control projects
- Projects to mitigate and **respond to natural disasters** (i.e. interconnecting water systems or rehabilitating wells)

TREASURY FAQs: WATER & SEWER INFRASTRUCTURE

- **May construction on eligible water and sewer infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?**

Yes. Recipients are only required to have obligated the funds by Dec. 31, 2024. Counties must spend funds by Dec. 31, 2026.

- **May recipients use funds as a non-federal match for CWSRF or DWSRF?**

Counties may not use funds as a state match for the CWSRF/DWSRF due to prohibitions in utilizing federal funds as a state match in the authorizing statutes and regulations of the CWSRF and DWSRF.

- **How does a county know if a water or sewer project is an eligible use of funds? Does a county need pre-approval?**

Recipients DO NOT need approval from Treasury to determine whether an investment in a water or sewer project is eligible. Each recipient is responsible for reviewing the IFR in order to make its own assessment of whether its intended project meets the eligibility criteria. Local governments do not need state approval to determine that a project is eligible. Counties should refer to CWSRF/DWSRF for eligibility.

SUSSEX COUNTY, DEL.

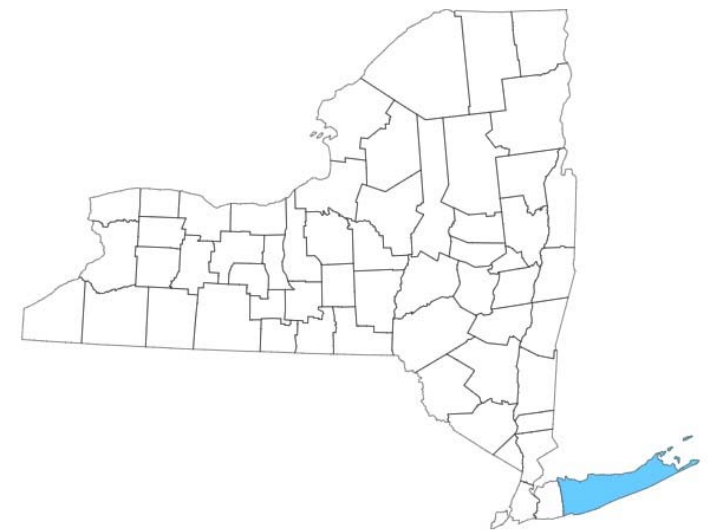
- The county unveiled a \$278 million budget proposal, which includes \$45 million from the ARP. The budget proposal invests \$72.3 million for wastewater infrastructure, including:
 - New sewer mains
 - Increased treatment capacity
 - Other upgrades to county's utility systems



COUNTY SNAPSHOT

SUFFOLK COUNTY, N.Y.

- The county allocated \$100 million in funding to eliminate outdated cesspools and septic systems that caused environmental harms.
- The county combined Fiscal Recovery Fund dollars with its Septic Improvement Program (SIP)
 - Provides grants of up to \$30,000 in state and county funding to homeowners who choose to replace their existing non-performing cesspool or septic system

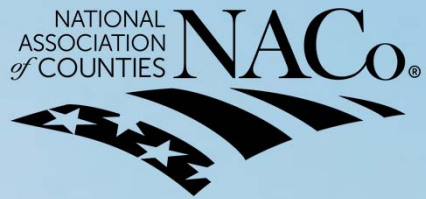


COUNTY SNAPSHOT

COLUMBIANA COUNTY, OHIO

- Columbiana County allocated \$9 million to support water and sewer projects:
 - \$500,000 to complete Hanoverton sewer project
 - \$600,000 for Calcutta sewage pump station project
 - \$725,000 for the pump replacement for water and sewer plan in Elkton
 - \$125,000 for backup generators





NACo INFORMATION SESSION: FISCAL RECOVERY FUND

**ELIGIBLE USES FOR WATER AND
SEWER INFRASTRUCTURE**

JUNE 16, 2021

