

Massachusetts Municipal Association ARPA Funding Overview

A Presentation for Association of Town Finance Committees MMA Senior Legislative Analyst, Jackie Lavender Bird, April 30, 2022



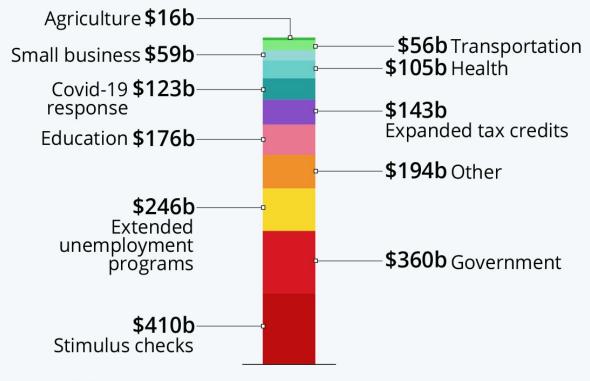
Today's Presentation

- Overview of ARPA
- ARPA's Final Rule
- Closer Look at Eligible Expenses
- Questions



What's In The \$1.9 Trillion Stimulus Package?

Composition of the American Rescue Plan Act (in billion U.S. dollars)



Source: The Wall Street Journal











The American Rescue Plan Act (ARPA)

- \$1.9 trillion federal law signed by President Biden on March 11, 2021
- Provides \$65.1 billion in direct funding to every city, town & village in America
- \$45.6 billion to "Metropolitan Cities" and \$19.5 billion to "Non-Entitlement Units of Local Government" (NEUs)
- \$65.1 billion to all counties (with a provision to send county ARPA money to municipal governments in areas without a functioning county)
- \$195.3 billion to state governments
- In general, these funds are referred to as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)



The Basics:

- Cities and towns receive the funds in 2 distributions
- The funds can only be used for 4 broad purposes
 - Addressing the public health emergency and/or the negative economic impacts
 - Premium pay for private or public essential workers (with caps)
 - Revenue loss due to the pandemic (most flexible use for government services)
 - Investment in water, sewer, or broadband infrastructure
- The funds cannot be used to restore stabilization funds, or for pension funds, debt service, or as a match for federal grants
- Almost all uses must be forward-looking, beginning on March 3, 2021
- Funds must be obligated by Dec. 31, 2024 and spent by Dec. 31, 2026



Official Guidance and Expanded Definitions

- Treasury issued Final Rule in early January 2022 https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf
- Treasury also created an overview document of the Final Rule https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf
- Takes effect on April 1, 2022, but the Final Rule explicitly states that Treasury will not enforce the Interim Final Rule, regardless of when funds were used



Interim Final Rule outlined four main categories for eligible uses

- Addressing the public health emergency and/or the negative economic impacts
- 2. Premium pay for private or public essential workers (with some exceptions)
- 3. Revenue loss due to the pandemic (flexible use for government services)
- 4. Investment in water, sewer, or broadband infrastructure



Treasury's Final Rule, issued January 2022

- Expands definitions and adds clarifying language for each of the four categories
- Creates a major change around the revenue loss category
- Takes effect on April 1, 2022, but Treasury will not enforce the *Interim* Final Rule, so flexibility can start now



Final Rule: Revenue Loss

- Creates an option for a "standard allowance" of up to \$10M for revenue loss
- Does not increase/decrease the grant amount
- For smaller communities, this may mean the entire grant can be used for "general government services"
- Choosing the "standard allowance" is for the duration of the program (March 3, 2021- Dec 31, 2024)



Final Rule: Revenue Loss for General Government Services

- Amount claimed under "revenue loss" can be used for "general government services"
- Provides significant flexibility for municipalities
- Includes any service traditionally provided by a government, other than the few noted exceptions from Treasury
- Final Rule common examples: construction of schools, road building, infrastructure maintenance, general government administration, public safety support including vehicles



Final Rule: Revenue Loss without "Standard Allowance"

- If town can calculate more than \$10M in revenue loss, may choose to use the Treasury formula rather than the "standard allowance"
- The amount of revenue loss would then determine the amount that can be used for "general government services"
- If your grant is much larger, any ARPA funds beyond the revenue loss amount would be subject to the remaining 3 expense categories



Final Rule: Responding to Public Health and Economic Impacts of COVID-19

- Final rule breaks this broad category into six areas:
 - Public Health
 - Assistance to Households
 - Assistance to Small Businesses
 - Assistance to Nonprofits
 - Aid to Impacted Industries, and
 - Public Sector Capacity
- In each case, recipients should (1) Identify the negative impact and (2) design a program that addresses the impact



Public Sector Capacity

- Payroll and covered benefits for public safety, public health, health care, human services and similar employees of a recipient government, for the portion of the employee's time spent responding to COVID-19.
- Public sector workforce support, including: additional funds for employees who experienced pay cuts or were furloughed, avoiding layoffs, providing worker retention incentives
- Paying for administrative costs related to hiring, support, and retention



Premium Pay

- Pay can be up to \$13/hour in multiple payments or lump sums; cannot exceed \$25k per worker
- Can include both public and private sector employees
- Work must have included either in-person interactions or physical handling of items
- Eligible workers must be at or below 150% of their state or county's average or are not exempt from Fair Labor Standards Act overtime rules



Water, Sewer & Broadband Infrastructure

- EPA's <u>Clean Water State Revolving Fund</u> and <u>Drinking Water State Revolving</u>
 <u>Fund</u> project types
- Final Rule adds:
- ✓ Culvert repairs and additional types of stormwater infrastructure
- ✓ Testing and treatment of residential wells
- ✓ Certain dam and reservoir rehabilitation projects
- ✓ Broad set of lead remediation projects
- Broadband infrastructure- final rule adds cybersecurity upgrades for hardware and software to eligible expense list



State's ARPA Funds:

State passed a \$4B Covid Recovery Bill in December, partially funded by ARPA and partially funded with FY21 Surplus

- \$200M Local & Regional Boards of Public Health
- \$100M Water & Sewer Infrastructure
- \$100M Environmental Infrastructure, MVP



State's ARPA Funds:

- \$100M HVAC for Schools hardest hit by pandemic
- \$50M Broadband Access
- \$15M for Cybersecurity
- \$600M Housing Initiatives



Governor's Proposal for Remaining ARPA Funds

- FORWARD bill (An Act Investing in Future Opportunities for Resiliency, Workforce, and Revitalized Downtowns)
- \$3.5 Billion Combo bond bill & remaining state ARPA funds
- https://www.mma.org/administrations-3-5b-economic-development-bill-includes-local-investments/
- Unclear how/when Legislature will act



Treasury Reporting and Compliance Webinar for NEU's

- NEU first reporting deadline to submit Project & Expenditure Report is April 30, 2022 (covered period from March 3, 2021-March 31, 2022)
- Recording of recent webinar on reporting/compliance is on <u>Treasury's website</u>
- Treasury responds to technical issues with reporting portal



Simplified Audit for NEU's (Attestation, not Single Audit)

- April 8th, Office of Management & Budget announced simplified audit process for NEU's
- Goal: make it easier for municipalities who would not be required to undergo a federal audit if not for the SLFRF
- Two criteria- (1) recipient's total SLFRF award is at or below \$10M and (2) other federal award funds (not including SLFRF) are less than \$750k during fiscal year

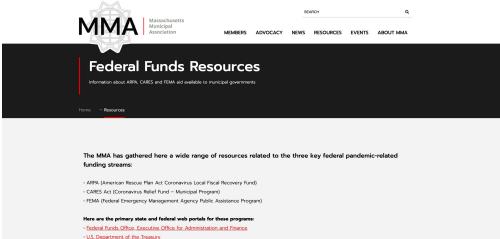


The MMA website is PACKED with information

www.mma.org



mma.org/resources/federal-funds-resources/





Questions

Thank you so much for your time today!

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