CITY OF GOLETA

Agenda Item A.1
WORKSHOP
Meeting Date: January 5, 2022

TO: Mayor and Councilmembers

FROM: Michelle Greene, City Manager

CONTACT: Luke Rioux, Finance Director

SUBJECT: American Rescue Plan Act (ARPA) Update and Proposed ARPA Spending Plan

RECOMMENDATION:

A. Accept the deposit of the entirety of American Rescue Plan Act dollars as lost revenue replacement.

B. Receive an American Rescue Plan Act Update and Provide Direction on a Proposed ARPA Spending Plan.

C. Authorize the City Manager to submit a letter of acknowledgement and support for the Housing Authority of the County of Santa Barbara's application for the State of California Homekey Program.

BACKGROUND:

In March 2020, due to the rampant spread of the COVID-19 (Pandemic), a state of emergency was declared at the local, state, and federal levels and stay-at-home orders were issued, which had an enormous impact on the local, State and national economy as well as the City's finances.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA), a $1.9 trillion stimulus package, to counteract the economic impacts of the pandemic. The bill contains a $350 billion allocation for state and local government aid. Of that amount, the local portion of the funding is approximately $130 billion, equally divided between cities and counties. This funding allocation is known as the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) for local governments. In California, both large cities (entitlement cities; generally populations over 50,000) and small cities and towns (non-entitlement units of local government; generally populations under 50,000) have received ARPA funding allocations. The US Department of the Treasury (Treasury) has deemed Goleta an entitlement city, despite its smaller population size of approximately 31,000, due to the City's status with the federal Community Development Block Grant (CDBG) Program as a designated principal city. As a result, the City is subject to additional and more frequent reporting requirements and must report directly to the Treasury. Non-entitlement cities in

California report directly to the State of California Department of Finance and are subject to the established reporting requirements.

The ARPA funds through the SLFRF are intended to provide support to state, local, and tribal governments in responding to the impacts of the COVID-19 pandemic and their efforts to contain the negative impacts of the pandemic on their communities, residents and business. The SLFRF is meant to build on and expand the support provided to governments over the last year, including through the Coronavirus Relief Funds (CRF).

DISCUSSION:

During the budget workshops held on May 25 and June 1, 2021, staff provided preliminary information on ARPA's state and local fiscal recovery funding amount and the Interim Final Rule (IFR) that was issued by the Treasury on May 10, 2021.

The ARPA allocation of $5,933,990 to the City is being made available in two tranches. The first half was received in mid-July of 2021, and the second half will be provided following 12 months. Funds need to be either expended or encumbered by December 31, 2024, with all funds to be expended by December 31, 2026.

ARPA requires that payments from the SLFRF be used only to cover eligible costs and expenditures, or obligations incurred by the local government by December 31, 2024. ARPA recipients must return any funds that are not obligated by December 31, 2024, and any funds not expected to cover these obligations by December 31, 2026.

<u>Use of Funds</u>

The provisions of this program are subject to the Interim Final Rule (IFR) published by the Treasury, which took effect on May 17, 2021, and was open for public comment until July 16, 2021. At the time of this report, the Treasury had not adopted the final rule. The Treasury has stated for all recipients to rely on the IFR to determine whether uses of funds are eligible under the program. No specific timeline has been given for adoption of the final rule.

The IFR gives recipients substantial flexibility for each government to meet local needs, including government services, support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the COVID-19 crisis. These funds can also be used to make investments in water, sewer, and broadband infrastructure.

The stated goals of the funds are:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses

- Address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic

Funding Categories and Ineligible Uses

The IFR outlines funding categories consistent with the ARPA legislation as well as ineligible uses. The funding categories and ineligible uses are summarized below. Please refer to Attachment 1 for additional details.

Funding Categories:

Support Public Health Response
Support public health expenditures by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare and certain public health and safety staff. Payroll and covered benefits for public health, human services, and public safety staff may be support to the extent they work on the COVID-19 response.

Address Negative Economic Impacts
Support expenditures to address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small business, impacted industries, and the public sector. This includes assistance to workers and families including support for unemployed workers, aids to households and survivor benefits for families of COVID-19 victims. Support small business with loans, grants, in-kind assistance and counseling programs. Assist the speed of recovery of impacted industries, including the tourism, travel, and hospitality sectors. Rebuild public sector capacity by rehiring staff, replenishing state unemployment insurance funds, and implement economic relief programs.

Replace Public Sector Revenue Loss
This category provides funding in the amount of lost revenue for various governmental services. Lost revenue calculations are defined in the IFR and allow recipients to calculate the extent of the reduction in revenue over the course of four years. This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues. The IFR states that funds made available for the provision of governmental services (to the extent of reduction in revenue) are intended to support direct provision of services to citizens.

Contributions to rainy day funds are not considered provision of government services since such expenses do not directly relate to the provision of government services.

Premium Pay for Essential Workers
Funds can be used to provide premium pay to essential workers. Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others. The IFR emphasizes the need for recipients to prioritize premium pay for lower income workers. Key sectors include healthcare, grocery and food services, education, childcare, sanitation and transit and must be fully additive to a worker's wage.

Water, Sewer, and Broadband Infrastructure

Eligible uses align with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). Types of eligible projects include storage, treatment, transmission, and distribution of water systems, publicly owned sewer system infrastructure, water reuse projects, efforts to address climate change and to meet cybersecurity needs. Eligible broadband projects have to reliably deliver certain minimum speeds and serve unserved or underserved households and businesses. Minimum speeds for broadband are 100 Mbps download/ 100 Mbps upload speeds unless impracticable.

Ineligible Uses

To ensure that these funds are used for their intended purposes, the American Rescue Plan Act also specifies two ineligible uses of funds:

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue due to a change in law from March 3, 2021, through the last day of the fiscal year in which the funds provided have been spent.** The American Rescue Plan ensures that funds needed to provide vital services and support public employees, small businesses, and families struggling to make it through the pandemic are not used to fund reductions in net tax revenue. Treasury's Interim Final Rule implements this requirement. If a state or territory cuts taxes, they must demonstrate how they paid for the tax cuts from sources other than Coronavirus State Fiscal Recovery Funds—by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be paid back to the Treasury.

- **No recipient may use this funding to make a deposit to a pension fund.** Treasury's Interim Final Rule defines a "deposit" as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds.

Treasury's Interim Final Rule identifies several other ineligible uses including funding debt service, legal settlements or judgments, and deposits to rainy day funds or financial reserves. Further, general infrastructure spending is not covered as an eligible use outside of water, sewer, and broadband investments or above the amount allocated under the revenue loss provision. While the program offers broad flexibility to recipients to address local conditions, these restrictions will help ensure that funds are used to augment existing activities and address pressing needs. Additional information on the ARPA funds can be found in Attachments 1 through 4, which have been provided by the Treasury.

Staff Recommended Category

In order to further understand the ARPA fund uses, City staff have attended several webinars hosted by the League of California Cities (NLC), the Treasury Department, California Department of Finance (DOF), the Government Finance Officers Association (GFOA), and the California Society of Municipal Finance Officers (CSMFO). Staff also reviewed the guidance documents and FAQs issued from the Treasury. The webinars hosted by the organizations listed above provided useful interpretation of the guidance as well as a set of fiscal considerations for spending the one-time ARPA funds.

Upon review and discussion, staff recommends that the City should first make the determination that the ARPA funds be claimed against the funding category of "replace public sector revenue loss." This provision helps ensure that governments can continue to provide needed services and avoid cuts, layoffs or ongoing deferral of critical maintenance and capital improvement projects. The City's revenue loss is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency (i.e., FY 18/19). The extent of a revenue reduction or loss in the City's general revenue during the COVID-19 pandemic is calculated by a four-step process and formula provided by the Treasury. After making the claim, staff then recommends the City adopt a spending plan that outlines the use of the ARPA funds after the revenue loss claim.

Replace Public Sector Revenue Loss Analysis and Summary

Use of the revenue loss category gives the City broad latitude and flexibility on using these funds to provide government services with few restrictions. Government services include providing services or aid to citizens, but are not limited to the following:

- Maintenance and pay-go funded building of infrastructure, including roads.
    - This could apply to most city infrastructure or deferred maintenance needs
    - Unfunded capital improvement program projects
    - Pay-go infrastructure funding refers to the practice of funding capital projects with cash on hand from taxes, fees, grants or other sources rather than with borrowed money. Therefore, the City can utilize funds for unfunded capital projects or start a capital project with these funds and finish it with future economic revenues or bonds.
- Cybersecurity (including hardware, software, and protection of critical infrastructure)
- Health services
- Environmental remediation
- School or educational services
- Police, fire and public safety services

Restrictions under government services include the following:

- Paying principal or interest on debt
- Paying judgements
- Replenishing financial reserves
- Restriction on pension deposits, and using funds for non-federal match where barred by regulation or statute

Use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.

Grants to businesses and other economic development investments can be made, though recipients must demonstrate that funding uses directly address negative economic impact of the pandemic, including funds used for economic or workforce development. Assistance to small business and non-profits includes, but is not limited to:

- Loans or grants to mitigate financial hardship such as declines in revenues or impacts of business closure, for example, supporting payroll and benefit costs, costs to retain employees, mortgage, rent, or utilities cost, and other operating costs;
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers, or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and technical assistance, counseling, or other services to assist with business planning needs.

Among other benefits of utilizing the revenue loss category, it would reduce the reporting requirements to the Treasury.

Revenue Loss Calculation

To calculate the loss of revenue, the City computed the extent of the reduction in revenues using the Treasury's calculation and four-step process to compare actual revenue to a counterfactual revenue trend. The four-step process includes the following:

Step 1: Identify general revenues collected in most recent full fiscal year prior to the pandemic, called the Base Year Revenue (i.e., FY 2018/19).

Step 2: Estimate "Counterfactual Revenue", which is *base year revenue * [(1 + growth adjustment) ^ (n/12)],* where n is the number of months elapsed since the end of the base year measurement date, and the growth adjustment is the greater of 4.1% or the recipient's average annual revenue growth in the three full fiscal years prior to the pandemic (i.e., FY 16/17, FY 17/18 and FY 18/19).

Step 3: Identify actual revenue, which equals revenue collected over the past twelve months (January to December) as of the measurement date.

Step 4: The extent of the reduction in revenue is equal to counterfactual revenue less actual revenue. If actual revenues exceed counterfactual revenue, the extent of the reduction in revenue is set to zero for that measurement date.

The resulting lost revenue figure can be used to provide government services to the extent of reduction in revenue.

The counterfactual revenue trend represents the general revenues the City could have been expected to generate in the absence of the pandemic. The actual revenue is then compared against the counterfactual revenue, which is reported on a 12-month calendar year basis (January to December) rather than the City's fiscal year basis (July to June). Recipients can re-calculate revenue loss at four points in time throughout the program: December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023. This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues.

It should be noted that the term "general revenues" does not mean general fund revenues but is inclusive of all operating revenues, including the City's gas tax special revenue funds, special taxes and assessments, and development impact fees. The term general revenue is to be used as identified by the US Census Bureau and refers to the general nature of the "source" of the revenue and not the "purpose." That is, general revenues include revenues regardless of the level of discretion over the use of funds, including all fees, charges, special taxes, assessments, etc., and regardless of whether the funds are accounted for in the general fund or not. In the City's case, all government funds were accounted for except for any trust, fiduciary, federal or internal service funds. Staff and many other cities had shared concerns about using this type of methodology, since it included one-time revenues received in prior years as part of revenue loss, but as it stands it must be included.

As mentioned above in the four-step process, the counterfactual revenue trend starts with the last full fiscal year prior to the pandemic, which was FY 18/19, and then assumes growth at a constant rate in the subsequent four measurement periods. For purposes of measuring growth in the counterfactual revenue trend, ARPA recipients may use a growth factor of either 4.1% per year or the recipient's average annual revenue growth over the prior three full fiscal years (FY 16/17, FY 17/18 and FY 18/19), whichever is higher.

Following the Department of Treasury's process , it was determined the City's average annual growth rate in the three years prior to the pandemic was 3.2%, which is less than the minimum base growth rate of the 4.1% allowed. As a side note, if only General Fund revenues were considered, average growth rate would have been at 6.9%. Due to the calculated growth rate versus the minimum base growth rate allowable in the IFR, staff utilized the 4.1% growth rate adjustment for its counterfactual revenue calculation for four measurement periods.

After confirming the FY 18/19 base year revenue and growth rate of 4.1%, the counterfactual revenue formula was applied to each of the four measurement periods.

Actual revenues are then compared against the counterfactual revenue for each measurement period. The actual revenues represent revenues collected over the past twelve months (January to December) as of the calculation date. The actual revenues for the first reporting period (January 1, 2020 – December 30, 2020) has been stated so far and compared against the counterfactual revenue. The table below summarizes the City's preliminary calculations of revenue loss:

Revenue Loss Summary				
Base Year Revenue	$ 42,349,806	*FY 18/19 revenues*		
Growth Adjustment	4.1%	*IFR allowable rate*		
Reporting Period (Measurement Period)	**Months Elapsed**	**Counterfactual Revenue**	**Actual Revenue**	**Revenue Loss**
January 1, 2020 - December 31, 2020	18	$ 44,980,836	$36,851,331	-$8,129,505
January 1, 2021 - December 31, 2021	30	$ 46,825,050	*$38,362,235*	*-$8,462,815*
January 1, 2022 - December 31, 2022	42	$ 48,744,877	*$39,935,087*	*-$8,809,790*
January 1, 2023 - December 31, 2023	54	$ 50,743,417	*$41,572,426*	*-$9,170,992*
			Total	*-$34,573,102*
			Total Revenue Loss January 1 2020 - December 31, 2020	**-$8,129,505**

Actual Revenue and Revenue Loss numbers reporting for the periods ending December 31, 2021, through December 31, 2023, are estimates utilizing the same 4.1% growth factor that is applied to the counterfactual revenue for presentation purposes. The actual revenues for those periods will be updated when information is known. It should be noted, that should actual revenue exceed the counterfactual revenue for the reporting period, revenue loss is not reported as a gain, but at zero. The City has already demonstrated the full revenue loss in the first period to make the entire claim in this category.

In summary, the City's base year revenue for FY 18/19 was calculated at $42,349,806. When applying the growth factor of 4.1% and adjusting to calendar year basis, counterfactual revenues earned for the first reporting period of January 1, 2020, through December 31, 2020, should have been $44,980,836. When compared against actual revenues in that same period of $36,851,331, the City reported a revenue loss of $8,129,505. The calculated revenue loss in the first period exceeds the ARPA allocation of $5,933,990 by $2,195,515, allowing the City to make a full claim for the revenue loss expenditure category. Staff will continue to report and calculate the revenue loss during the required future reporting periods.

Because the City's calculated revenue loss exceeds the ARPA allocation, it is recommended that the entirety of the City's ARPA disbursement be recognized as revenue loss replacement to ensure the City can continue to provide the needed government services and maintain flexibility in use of funds.

Proposed ARPA Spending Plan

After claiming the replacement of public sector revenue loss category for full use of the ARPA funds, staff recommends a spending plan that considers the following guiding principles established by the GFOA:

GFOA American Rescue Plan Act Guiding Principles

Temporary Nature of ARPA Funds. ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.

- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
- Investment in critical infrastructure is a particularly well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.

ARPA Scanning and Partnering Efforts. State and local jurisdictions should be aware of plans for ARPA funding throughout their communities.

- Local jurisdictions should be cognizant of state-level ARPA efforts, especially regarding infrastructure, potential enhancements of state funding resources, and existing or new state law requirements.
- Consider regional initiatives, including partnering with other ARPA recipients. It is possible there are many beneficiaries of ARPA funding within your community, such as schools, transportation agencies and local economic development authorities. Be sure to understand what they are planning and augment their efforts; alternatively, creating cooperative spending plans to enhance the structural financial condition of your community.

Take Time and Careful Consideration. ARPA funds will be issued in two tranches to local governments. Throughout the years of outlays, and until the end of calendar year 2024, consider how the funds may be used to address rescue efforts and lead to recovery.

- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
- Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

Based on the Treasury guidelines and GFOA's guiding principles staff recommends that the majority of the ARPA funds be allocated to the City's unfunded priority capital improvement program projects that were identified during the recent budget adoption process and set aside funding for future requests from non-profits and other similar organizations needing assistance.

Staff Recommendation on Proposed ARPA Spending Plan (as discussed with Finance Committee on September 28, 2021 – *Staff has since received updated information from other government agencies and has included an updated recommendation described further below*)

Staff recommends a set aside of $4.93 million of these one-time funds for active priority capital improvement projects in need of funding and a set aside of $1 million for one-time grant funding. It is further recommended that the one-time grant funding be considered through a process similar to the City Grants Program. The following table summarizes the recommended use of the ARPA funds after the revenue loss claim is made:

ARPA Funding Recommendations			
ARPA Category	**FY 21/22**	**FY 22/23**	**Total**
Revenue Loss	$ 5,933,990		**$ 5,933,990**
Recommended Uses after Revenue Loss			
Priority Capital Improvement Projects	$ 4,933,990		$ 4,933,990
Other Organization/Non-Profit Grant Support	$ 500,000	$ 500,000	$ 1,000,000
Total	**$ 5,433,990**	**$ 500,000**	**$ 5,933,990**

ARPA Funds for Priority Unfunded CIP Projects - $4.9 million

The City has numerous unfunded capital projects. During the CIP Budget Workshop held on June 8, 2021, staff provided a list of active unfunded priority projects and a possible funding scenario to close the funding gaps to complete the projects. These projects were considered highest priority due to being actively worked on, nearing construction phase, or grant deadlines. The unfunded amounts were estimates made at the time and will need to be further refined when more information is known, such as when the project goes out to bid. Due to the evolving nature and possible changes in the actual cost, it is recommended that $4.9 million of the ARPA funds be set aside for the CIP program and be formally appropriated to the specific project at later date. The use of the $4.9 million will be recommended when no other funding source, such as grants or development impact fees, can be identified. Utilizing ARPA funds towards the unfunded CIP projects is an excellent use of the ARPA funds as these are onetime expenditures and go towards a long-term asset that provides a benefit over many years.

For presentation purposes, staff has included the possible funding scenario of the active unfunded priority projects that was presented at the CIP budget workshop in the table below. The numbers shown in the ARPA column, and the project names associated with the amount are hypothetical and will change when additional information is known.

Public Works and NSPS Active Projects **Hypothetical Gap Funding Source:**

Project Number	Project Name	Unfunded Costs	GF Unassigned Fund Balance	DIF or Other Funds	GF Facilities Reserve	Debt	ARPA	Total
9002 (R1)	Ekwill Street & Fowler Road Extensions	*2,178,423*					2,178,423	2,178,423
9025	Fire Station 10	*14,821,994*				14,821,994		14,821,994
9101	City Hall Purchase and Improvements - Elevator	*435,500*		435,500				435,500
9067	Goleta Community Center Improvements	*3,596,312*	3,596,312					3,596,312
TBD-9115	Public Works Corporation Yard Repairs and Improvements	*500,000*			500,000			500,000
9053	Cathedral Oaks Crib Wall Repair	*7,550,000*	2,100,000			3,450,000	2,000,000	7,550,000
9006	San Jose Creek Bike Path - Northern & Southern Segments	*3,705,000*	2,805,000	900,000				3,705,000
9063	Evergreen Park Improvements	*1,000,000*	700,000		300,000			1,000,000
9027 (R5)	Goleta US 101 Overcrossing	38,000,000				38,000,000		38,000,000
	CIP Project Funding						755,567	
	Total	**71,787,229**	**9,201,312**	**1,335,500**	**800,000**	**56,271,994**	**4,933,990**	**71,787,229**
	GF Unassigned Fund Balance		***9,456,339***			***ARPA Balance:***	***5,933,990***	
	Adjusted Balance:		***255,027***			***Adjusted Balance:***	***1,000,000***	

It should be noted that even with the ARPA funding of $4.9 million, additional General Fund or some type of debt financing will need to be pursued to complete all the active unfunded CIP projects. Staff is currently working with the City's consultants in completing the draft CIP and Capital Maintenance Funding Plan, which will help guide priority spending and the funding mechanisms needed to complete and maintain the City's infrastructure. Staff anticipates bringing the plan to the Finance Committee first in February 2022, and then discussing it with the City Council at a later workshop.

<u>ARPA Funds for One-Time Grant Funds - $1 million (Original Estimated Allocation)</u>

Staff recommends setting aside $1 million to be made available for one-time grants for those organizations and agencies impacted by the pandemic and spread that across two fiscal years. Staff recommends that $500,000 be made available in FY 21/22 and the other $500,000 in FY 22/23. Staff recommends having a public process similar to the City Grants Program to assist Council in selecting funding recipients. This would include publishing a Notice of Funding Availability, utilizing ZoomGrants for application/proposal submittal, and then having the City Council's Grant Funding Review Standing Committee review and evaluate grant applications. The Committee would then provide a recommendation to the whole Council on which applicants to fund.

Should this grant process be considered, staff recommends the following timeline be initially observed for FY 21/22 funding:

Date	Description
January 5	City Council Workshop – ARPA Spending Plan
February 1	Notice of Funding Availability
March 31	Grant Application Submittal Deadline
April TBD	Grant Funding Review and Recommendations
May TBD	City Council Award
June TBD	Grant Funds Released (contingent upon award agreements)

In addition, staff is seeking direction from Council if they want to identify certain funding priorities and establish specific criteria for eligible use of grant funds. Priorities can include certain categories like addressing homelessness, assistance to small business and non-profit organizations impacted by the pandemic or certain industries impacted by the pandemic like tourism and travel. The criteria on use of funds can then be specific to fund one-time programs or organizations that can demonstrate financial impacts directly related to the pandemic. This could be due to an increase in services provided, inability to hold fundraising events, loss of revenues due to government-mandated shutdowns, increased ongoing costs for complying with reopening requirements, or costs of new programming designed to assist those disparately impacted by the pandemic and its economic effects.

Additionally, other criteria can be specified such as a minimum of $10,000 and a maximum of $200,000 available per organization.

At the time of preparing this report, staff has received various requests for ARPA funds or requests for information on use of ARPA funds from the following list of agencies:

Entity	Description
Fairview Gardens	Farmhouse renovation - supplemental funding needed for pre-construction phase
SB Emergency Childcare Initiative	Joint funding for childcare recovery and emergency preparedness.
Foodbank of Santa Barbara County	Capital campaign request
SBCAG and other agencies	Regional approach to developing broadband
United Food and Commercial Workers (UFCW)	Essential grocery and drug retail workers “hero” pay
Santa Barbara Foundation	To be determined. Reached out to get information or how could be of assistance.
County of Santa Barbara	Supportive services for Emergency Housing Vouchers
Goleta Sanitary District	Biosolids to Energy Strategic Plan
Housing Authority of the County of Santa Barbara	Contribution to the cost to acquire a site in Goleta for permanent supportive housing for homeless individuals

The entities listed in this table are for presentation and informational purposes only.

Updated Proposed ARPA Spending Plan as of December 21, 2021

Subsequent to the Finance Committee discussion on the proposed ARPA Spending Plan, staff has learned additional information from other government agencies in regard to funding support needed for regional projects and issues. This includes contributing to the regional broadband study and strategic plan with SBCAG and contributing to the cost to The Housing Authority of Santa Barbara County to acquire a site in Goleta for permanent supporting housing for homeless individuals. Given that these are regional issues and initiatives being supported by other local government agencies and ARPA recipients, these types of expenditures are determined to be a good use of the one-time funds. Staff has updated its recommendation for the draft ARPA Spending Plan to now include a separate funding category called Support to Other Government Agencies for Regional Projects and to allocate $700,000 from the $1 million set aside for one-time grants for this funding category. The $700,000 is an estimate of costs associated with other government agencies which include (SBCAG, the County of Santa Barbara and the Housing Authority of the County of Santa Barbara). This would leave $300,000 still available for one-time grants to non-profits and other agencies, which would be recommended that $150,000 be made available in FY 21/22 and the other $150,000 in FY 22/23.

The following table summarizes staffs updated recommendation to the proposed ARPA Spending Plan:

ARPA Funding Recommendations (as of December 21, 2021)			
ARPA Category	**FY 21/22**	**FY 22/23**	**Total**
Revenue Loss	$ 5,933,990		**$ 5,933,990**
Recommended Uses after Revenue Loss			
Priority Capital Improvement Projects	$ 4,933,990		$ 4,933,990
Other Organization/Non-Profit Grant Support	$ 150,000	$ 150,000	$ 300,000
Support to Other Government Agencies for Regional Projects	$ 700,000		$ 700,000
Total	**$ 5,433,990**	**$ 500,000**	**$ 5,933,990**

Should Council be supportive of staff's updated ARPA Funding Recommendation, staff recommends that $600,000 from the $700,000 earmarked for Support to Other Government Agencies for Regional Projects be committed to the Housing Authority to acquire a site in Goleta for permanent supportive housing for homeless individuals. The $600,000 is the funding gap contribution that has been identified as part of the County's Homekey 2.0 application submittal. Due to the timing of other agency actions and the deadline to apply for the grant funds, staff is recommending the City Council authorize the City Manager to submit a letter of acknowledgement and support for the Housing Authority's application for the State of California Homekey 2.0 grant program. The County has asked if we could use the executed letter from last year for the Homekey Program to include with their Board Letter, which has been attached for reference as Attachment 6.

Reporting Requirements

Financial records and supporting documents related to the ARPA funds award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. Depending on the type of category supported by ARPA Funds, recipients will be required to submit an interim report and an updated quarterly project and expenditure report if applicable. Those communities with population over 250,000 will be required to prepare and submit an annual recovery plan performance report regarding their use of the funds. All entitlement cities receiving funding were required to submit an interim report of their expenditures from date of award through July 31 by August 31, 2021, with the first quarterly report due by January 31, 2022. Additional detailed guidance and updated instructions on the reporting requirements was recently issued on November 15, 2021.

Reporting requirements for each recipient and funding categories are different. The revenue replacement (revenue loss) category will provide the most streamlined reporting process for City staff if claiming the full amount of $5.9 million. Staff will be required to report the revenue loss experienced at four discrete points during the program: December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023. Revenue loss calculated as of December 31, 2020, has since been reported in the Interim Report (August 31, 2021). For future revenue calculation dates, revenue loss will be reported in the Quarter 4 reports due January 31, 2022, January 31, 2023, and January 31, 2024. Reporting on revenue loss will include:

- General revenue collected over the past 12 months as of the most recent calculation date, as outlined in the Interim Final Rule (for example, for the January 31, 2022 report, City staff will provide the 12 month general revenue as of December 31, 2021).
- Calculated revenue loss due to the Covid-19 public health emergency; and
- An explanation of how the revenue replacement funds were allocated to government services

Consistent with the broad latitude provided to recipients to use funds for government services to the extent of reduction in revenue, recipients will be required to submit a description of services provided. This description may be in narrative or in another form, and recipients are encouraged to report based on their existing budget processes and to minimize administrative burden. For example, a recipient with $100 in revenue replacement funds available could indicate that $50 were used for law enforcement operating expenses and $50 were used for pay-go building of sidewalk infrastructure. As discussed in the Interim Final Rule, these services can include a broad range of services but may not be used directly for pension deposits or debt service.

Reporting requirements will not require tracking the indirect effects of ARPA funds, apart from the restrictions on use of ARPA Funds to offset a reduction in net tax revenue. In addition, recipients must indicate that ARPA Funds were not used to make a deposit in a pension fund.

The following table below summarizes the reporting requirements by recipient type. The City falls in Tier 5.

<table>
<tr><th>Tier</th><th>Recipient</th><th>Interim Report</th><th>Project and Expenditure Report</th><th>Recovery Plan Performance Report</th></tr>
<tr><td>1</td><td>States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents</td><td rowspan="5">By August 31, 2021 or 60 days after receiving funding if funding was received by October 15, with expenditures by category</td><td rowspan="3">By January 31, 2022, and then 30 days after the end of each quarter thereafter[9]</td><td>By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31[10]</td></tr>
<tr><td>2</td><td>Metropolitan cities and counties with a population below 250,000 residents which received more than $10 million in SLFRF funding</td><td rowspan="5">Not required</td></tr>
<tr><td>3</td><td>Tribal Governments which received more than $30 million in SLFRF funding</td></tr>
<tr><td>4</td><td>Tribal Governments which received less than $30 million in SLFRF funding</td><td rowspan="3">By April 30, 2022, and then annually thereafter[11]</td></tr>
<tr><td>5</td><td>Metropolitan cities and counties with a population below 250,000 residents which received less than $10 million in SLFRF funding</td></tr>
<tr><td>6</td><td>NEUs</td><td>Not required</td></tr>
</table>

<u>Next Steps</u>

Based on Council direction, staff will either bring back a final spending plan at the next City Council meeting or if Council supports staff updated recommendation, staff will do the following:

1) Begin the Notice of Funding Availability for ARPA grant funding, targeting February 1st, 2022, with $150,000 programmed in FY 21/22 and $150,000 in FY 22/23
2) Finalize the specific amounts set aside for Support to Other Government Agencies for Regional Projects
3) Identify and finalize specific unfunded CIP projects that can utilize the $4.9 million and include these amounts in the CIP and Capital Maintenance Funding Plan. This plan is anticipated to be first reviewed by the Finance Committee in February and presented to Council thereafter for direction. The actual appropriation will come when actual costs are known.

4) Since the adopted FY 21/22 budget does not include the use of any ARPA funds, if Council supports staff's recommendation, the budget appropriations will be brought forward for Council approval at future Quarterly Financial Review or when applicable.

Finance Committee Review

The Finance Committee met to review the initial draft ARPA spending plan on September 28, 2021.

FISCAL IMPACTS:

The ARPA allocation to the City is in the amount of $5,933,990. The first allocation of $2,966,995 was received in July 2021 and the second allocation of $2,966,995 is scheduled to be received in July of FY 22/23. The ARPA funds will be accounted for in a separate fund, Fund 423. The official name of the fund is the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to match and reconcile with the federal funding program name. The final Catalog of Federal Domestic Assistance (CFDA) number for the program is 21.027. Use of funds will be subject to the provisions of the Uniform Guidance (2 CFR Part 200), including the Cost Principles and Single Audit Act requirements. Any interest earnings on this fund will be retained by the General Fund and be considered to offset internal administrative expense as clarified by the Treasury.

Staff's analysis finds that claiming the revenue loss expenditure category for the entire $5.9 million gives the City the greatest flexibility in use of funds and helps reduce ongoing staffing impact on reporting requirements.

Due to the significant unfunded amount of active CIP projects totaling $33.8 million (not including the $38 million related to the Goleta US 101 Overcrossing), it is recommended that the majority of funds be programmed towards eligible one-time CIP projects of $4.9 million, $700,000 set aside for support to other government agencies for regional projects and $300,000 to be set aside for one-time grant awards through a public process.

Should the funds that were set aside for support to other government agencies for regional projects and one-time grants not be fully claimed within the period or made available, staff recommends that the ARPA funding then be reprogrammed to unfunded CIP and maintenance projects. Additional information will first be brought to Council for approval before re-programming.

Staff will recommend budget appropriations to Council consistent with Council direction regarding the ARPA Spending Plan during the Second Quarter Financial Review for FY 21/22 in February 2022 or when applicable.

ALTERNATIVES:

Council may choose to claim a different expenditure category other than the revenue loss category for use of the ARPA funds. Those other categories include support public health expenditures, address negative economic impacts cause by the public health emergency, provide premium pay for essential workers, invest in water, sewer, and broadband infrastructure. If utilizing another category, it may limit the flexibility of using the funds when it comes to funding types of infrastructure or programs and will require additional reporting requirements.

If Council moves forward with the revenue loss category, Council may also choose to change the recommended funding allocation of $4.9 million for the active unfunded CIP projects, $700,000 for support to other government agencies for regional projects and $300,000 for one-time grants in different variations or other governmental services. For example, Council could choose to designate all funds for future unfunded pavement projects or designate all funds for one-time grants. Doing so, will result in continued funding gaps for the active CIP projects, and the City will have to rely on General Fund or debt issuance. Staff's current recommendation prioritizes the active unfunded CIP projects that need funding for project completion and supplements the additional General Fund contributions that may be recommended in the future.

Council may also choose to delay the ARPA Spending Plan and use of ARPA funds and direct staff and/or a Committee as appropriate on other options. Additionally, Council may direct staff to only allocate the first half of the funds and consider the second half of the funds that the City will be receiving (July 2022) at a later date.

Reviewed By:	**Approved By:**
Kristine Schmidt Assistant City Manager	Michelle Greene City Manager

ATTACHMENTS:
1. ARPA CSLFRF Quick Reference Guide
2. ARPA CSLFRF Fact Sheet
3. ARPA CSLFRF Expenditure Categories
4. ARPA CSLFRF Frequently Asked Questions as of November 15, 2021
5. PowerPoint Presentation
6. Draft letter of acknowledgement and support for the Housing Authority of the County of Santa Barbara's application for the State of California Homekey Program

ATTACHMENT 1:

Coronavirus State and Local Fiscal Recovery Funds – Quick Reference Guide

U.S. DEPARTMENT OF THE TREASURY

Coronavirus State and Local Fiscal Recovery Funds

The American Rescue Plan will deliver $350 billion for state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs.

The Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery.

Funding Objectives

- **Support urgent COVID-19 response efforts** to continue to decrease spread of the virus and bring the pandemic under control
- **Replace lost public sector revenue** to strengthen support for vital public services and help retain jobs
- **Support immediate economic stabilization** for households and businesses
- **Address systemic public health and economic challenges** that have contributed to the inequal impact of the pandemic

Eligible Jurisdictions & Allocations

Direct Recipients

- States and District of Columbia ($195.3 billion)
- Counties ($65.1 billion)
- Metropolitan cities ($45.6 billion)
- Tribal governments ($20.0 billion)
- Territories ($4.5 billion)

Indirect Recipients

- Non-entitlement units ($19.5 billion)

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

For More Information: Please visit www.treasury.gov/SLFRP
For Media Inquiries: Please contact the U.S. Treasury Press Office at (202) 622-2960
For General Inquiries: Please email SLFRP@treasury.gov for additional information

Example Uses of Funds

Support Public Health Response

- **Services to contain and mitigate the spread of COVID-19,** including vaccination, medical expenses, testing, contact tracing, quarantine costs, capacity enhancements, and many related activities
- **Behavioral healthcare services**, including mental health or substance misuse treatment, crisis intervention, and related services
- **Payroll and covered benefits** for public health, healthcare, human services, and public safety staff to the extent that they work on the COVID-19 response

Address Negative Economic Impacts

- **Deliver assistance to workers and families**, including support for unemployed workers, aid to households, and survivor's benefits for families of COVID-19 victims
- **Support small businesses** with loans, grants, in-kind assistance, and counseling programs
- **Speed the recovery of impacted industries**, including the tourism, travel, and hospitality sectors
- **Rebuild public sector capacity** by rehiring staff, replenishing state unemployment insurance funds, and implementing economic relief programs

Replace Public Sector Revenue Loss

- **Ensure continuity of vital government services** by filling budget shortfalls
- **Revenue loss is calculated** relative to the expected trend, beginning with the last full fiscal year pre-pandemic and adjusted annually for growth
- **Recipients may re-calculate revenue loss** at multiple points during the program, supporting those entities that experience revenue loss with a lag

Premium Pay for Essential Workers

- **Provide premium pay to essential workers**, both directly and through grants to third-party employers
- **Prioritize low- and moderate-income workers**, who face the greatest mismatch between employment-related health risks and compensation
- **Key sectors include** healthcare, grocery and food services, education, childcare, sanitation, and transit
- **Must be fully additive** to a worker's wages

Water & Sewer Infrastructure

- **Includes improvements to infrastructure**, such as building or upgrading facilities and transmission, distribution, and storage systems
- **Eligible uses aligned to Environmental Protection Agency project categories** for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund

Broadband Infrastructure

- **Focus on households and businesses** without access to broadband and those with connections that do not provide minimally acceptable speeds
- **Fund projects that deliver reliable service** with minimum 100 Mbps download / 100 Mbps upload speeds unless impracticable
- **Complement broadband investments** made through the Capital Projects Fund

Equity-Focused Services

- **Additional flexibility for the hardest-hit communities and families** to address health disparities, invest in housing, address educational disparities, and promote healthy childhood environments
- **Broadly applicable** to Qualified Census Tracts, other disproportionately impacted areas, and when provided by Tribal governments

Ineligible Uses

- **Changes that reduce net tax revenue** must not be offset with American Rescue Plan funds
- **Extraordinary payments into a pension fund** are a prohibited use of this funding
- **Other restrictions apply** to eligible uses

The examples listed in this document are non-exhaustive, do not describe all terms and conditions associated with the use of this funding, and do not describe all the restrictions on use that may apply. The U.S. Department of the Treasury provides this document, the State and Local contact channels, and other resources for informational purposes. Although efforts have been made to ensure the accuracy of the information provided, the information is subject to change or correction. Any Coronavirus State and Local Fiscal Recovery Funds received will be subject to the terms and conditions of the agreement entered into by Treasury and the respective jurisdiction, which shall incorporate the provisions of the Interim Final Rule and/or Final Rule that implements this program.

ATTACHMENT 2:

Coronavirus State and Local Fiscal Recovery Funds – Fact Sheet

FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver $350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs

May 10, 2021

Aid to state, local, territorial, and Tribal governments will help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery

Today, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021, to provide $350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. Treasury also released details on how these funds can be used to respond to acute pandemic response needs, fill revenue shortfalls among these governments, and support the communities and populations hardest-hit by the COVID-19 crisis. With the launch of the Coronavirus State and Local Fiscal Recovery Funds, eligible jurisdictions will be able to access this funding in the coming days to address these needs.

State, local, territorial, and Tribal governments have been on the frontlines of responding to the immense public health and economic needs created by this crisis – from standing up vaccination sites to supporting small businesses – even as these governments confronted revenue shortfalls during the downturn. As a result, these governments have endured unprecedented strains, forcing many to make untenable choices between laying off educators, firefighters, and other frontline workers or failing to provide other services that communities rely on. Faced with these challenges, state and local governments have cut over 1 million jobs since the beginning of the crisis. The experience of prior economic downturns has shown that budget pressures like these often result in prolonged fiscal austerity that can slow an economic recovery.

To support the immediate pandemic response, bring back jobs, and lay the groundwork for a strong and equitable recovery, the American Rescue Plan Act of 2021 established the Coronavirus State and Local Fiscal Recovery Funds, designed to deliver $350 billion to state, local, territorial, and Tribal governments to bolster their response to the COVID-19 emergency and its economic impacts. Today, Treasury is launching this much-needed relief to:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control;
- Replace lost public sector revenue to strengthen support for vital public services and help retain jobs;
- Support immediate economic stabilization for households and businesses; and,
- Address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic on certain populations.

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each jurisdiction to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest-hit by the crisis. These funds also deliver resources that recipients can invest in building, maintaining, or upgrading their water, sewer, and broadband infrastructure.

Starting today, eligible state, territorial, metropolitan city, county, and Tribal governments may request Coronavirus State and Local Fiscal Recovery Funds through the Treasury Submission Portal. Concurrent with this program launch, Treasury has published an Interim Final Rule that implements the provisions of this program.

FUNDING AMOUNTS

The American Rescue Plan provides a total of $350 billion in Coronavirus State and Local Fiscal Recovery Funds to help eligible state, local, territorial, and Tribal governments meet their present needs and build the foundation for a strong recovery. Congress has allocated this funding to tens of thousands of jurisdictions. These allocations include:

Type	Amount ($ billions)
States & District of Columbia	$195.3
Counties	$65.1
Metropolitan Cites	$45.6
Tribal Governments	$20.0
Territories	$4.5
Non-Entitlement Units of Local Government	$19.5

Treasury expects to distribute these funds directly to each state, territorial, metropolitan city, county, and Tribal government. Local governments that are classified as non-entitlement units will receive this funding through their applicable state government. Treasury expects to provide further guidance on distributions to non-entitlement units next week.

Local governments should expect to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered 12 months later. States that have experienced a net increase in the unemployment rate of more than 2 percentage points from February 2020 to the latest available data as of the date of certification will receive their full allocation of funds in a single payment; other states will receive funds in two equal tranches. Governments of U.S. territories will receive a single payment. Tribal governments will receive two payments, with the first payment available in May and the second payment, based on employment data, to be delivered in June 2021.

USES OF FUNDING

Coronavirus State and Local Fiscal Recovery Funds provide eligible state, local, territorial, and Tribal governments with a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. Within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to:

- **Support public health expenditures,** by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- **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 public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- **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,
- **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.

Within these overall categories, Treasury's Interim Final Rule provides guidelines and principles for determining the types of programs and services that this funding can support, together with examples of allowable uses that recipients may consider. As described below, Treasury has also designed these provisions to take into consideration the disproportionate impacts of the COVID-19 public health emergency on those hardest-hit by the pandemic.

1. **Supporting the public health response**

Mitigating the impact of COVID-19 continues to require an unprecedented public health response from state, local, territorial, and Tribal governments. Coronavirus State and Local Fiscal Recovery Funds provide resources to meet these needs through the provision of care for those impacted by the virus and through services that address disparities in public health that have been exacerbated by the pandemic. Recipients may use this funding to address a broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral healthcare, and public health resources. Among other services, these funds can help support:

- **Services and programs to contain and mitigate the spread of COVID-19, including:**
  - ✓ Vaccination programs
  - ✓ Medical expenses
  - ✓ Testing
  - ✓ Contact tracing
  - ✓ Isolation or quarantine
  - ✓ PPE purchases
  - ✓ Support for vulnerable populations to access medical or public health services
  - ✓ Public health surveillance (e.g., monitoring for variants)
  - ✓ Enforcement of public health orders
  - ✓ Public communication efforts
  - ✓ Enhancement of healthcare capacity, including alternative care facilities
  - ✓ Support for prevention, mitigation, or other services in congregate living facilities and schools
  - ✓ Enhancement of public health data systems
  - ✓ Capital investments in public facilities to meet pandemic operational needs
  - ✓ Ventilation improvements in key settings like healthcare facilities

- **Services to address behavioral healthcare needs exacerbated by the pandemic, including:**
  - ✓ Mental health treatment
  - ✓ Substance misuse treatment
  - ✓ Other behavioral health services
  - ✓ Hotlines or warmlines
  - ✓ Crisis intervention
  - ✓ Services or outreach to promote access to health and social services

- **Payroll and covered benefits expenses** for public health, healthcare, human services, public safety and similar employees, to the extent that they work on the COVID-19 response. For public health and safety workers, recipients can use these funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response.

2. **Addressing the negative economic impacts caused by the public health emergency**

The COVID-19 public health emergency resulted in significant economic hardship for many Americans. As businesses closed, consumers stayed home, schools shifted to remote education, and travel declined precipitously, over 20 million jobs were lost between February and April 2020. Although many have since returned to work, as of April 2021, the economy remains more than 8 million jobs below its pre-pandemic peak, and more than 3 million workers have dropped out of the labor market altogether since February 2020.

To help alleviate the economic hardships caused by the pandemic, Coronavirus State and Local Fiscal Recovery Funds enable eligible state, local, territorial, and Tribal governments to provide a wide range of assistance to individuals and households, small businesses, and impacted industries, in addition to enabling governments to rehire public sector staff and rebuild capacity. Among these uses include:

- **Delivering assistance to workers and families**, including aid to unemployed workers and job training, as well as aid to households facing food, housing, or other financial insecurity. In addition, these funds can support survivor's benefits for family members of COVID-19 victims.

- **Supporting small businesses,** helping them to address financial challenges caused by the pandemic and to make investments in COVID-19 prevention and mitigation tactics, as well as to provide technical assistance. To achieve these goals, recipients may employ this funding to execute a broad array of loan, grant, in-kind assistance, and counseling programs to enable small businesses to rebound from the downturn.

- **Speeding the recovery of the tourism, travel, and hospitality sectors**, supporting industries that were particularly hard-hit by the COVID-19 emergency and are just now beginning to mend. Similarly impacted sectors within a local area are also eligible for support.

- **Rebuilding public sector capacity,** by rehiring public sector staff and replenishing unemployment insurance (UI) trust funds, in each case up to pre-pandemic levels. Recipients may also use this funding to build their internal capacity to successfully implement economic relief programs, with investments in data analysis, targeted outreach, technology infrastructure, and impact evaluations.

3. **Serving the hardest-hit communities and families**

While the pandemic has affected communities across the country, it has disproportionately impacted low-income families and communities of color and has exacerbated systemic health and economic inequities. Low-income and socially vulnerable communities have experienced the most severe health impacts. For example, counties with high poverty rates also have the highest rates of infections and deaths, with 223 deaths per 100,000 compared to the U.S. average of 175 deaths per 100,000.

Coronavirus State and Local Fiscal Recovery Funds allow for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. Eligible services include:

- **Addressing health disparities and the social determinants of health,** through funding for community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs;
- **Investments in housing and neighborhoods**, such as services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity;
- **Addressing educational disparities** through new or expanded early learning services, providing additional resources to high-poverty school districts, and offering educational services like tutoring or afterschool programs as well as services to address social, emotional, and mental health needs; and,
- **Promoting healthy childhood environments,** including new or expanded high quality childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

Governments may use Coronavirus State and Local Fiscal Recovery Funds to support these additional services if they are provided:

- within a Qualified Census Tract (a low-income area as designated by the Department of Housing and Urban Development);
- to families living in Qualified Census Tracts;
- by a Tribal government; or,
- to other populations, households, or geographic areas disproportionately impacted by the pandemic.

4. **Replacing lost public sector revenue**

State, local, territorial, and Tribal governments that are facing budget shortfalls may use Coronavirus State and Local Fiscal Recovery Funds to avoid cuts to government services. With these additional resources, recipients can continue to provide valuable public services and ensure that fiscal austerity measures do not hamper the broader economic recovery.

Many state, local, territorial, and Tribal governments have experienced significant budget shortfalls, which can yield a devastating impact on their respective communities. Faced with budget shortfalls and pandemic-related uncertainty, state and local governments cut staff in all 50 states. These budget shortfalls and staff cuts are particularly problematic at present, as these entities are on the front lines of battling the COVID-19 pandemic and helping citizens weather the economic downturn.

Recipients may use these funds to replace lost revenue. Treasury's Interim Final Rule establishes a methodology that each recipient can use to calculate its reduction in revenue. Specifically, recipients will compute the extent of their reduction in revenue by comparing their actual revenue to an alternative representing what could have been expected to occur in the absence of the pandemic. Analysis of this expected trend begins with the last full fiscal year prior to the public health emergency and projects forward at either (a) the recipient's average annual revenue growth over the three full fiscal years prior to the public health emergency or (b) 4.1%, the national average state and local revenue growth rate from 2015-18 (the latest available data).

For administrative convenience, Treasury's Interim Final Rule allows recipients to presume that any diminution in actual revenue relative to the expected trend is due to the COVID-19 public health emergency. Upon receiving Coronavirus State and Local Fiscal Recovery Funds, recipients may immediately calculate the reduction in revenue that occurred in 2020 and deploy funds to address any shortfall. Recipients will have the opportunity to re-calculate revenue loss at several points through the program, supporting those entities that experience a lagged impact of the crisis on revenues.

Importantly, once a shortfall in revenue is identified, recipients will have broad latitude to use this funding to support government services, up to this amount of lost revenue.

5. **Providing premium pay for essential workers**

Coronavirus State and Local Fiscal Recovery Funds provide resources for eligible state, local, territorial, and Tribal governments to recognize the heroic contributions of essential workers. Since the start of the public health emergency, essential workers have put their physical well-being at risk to meet the daily needs of their communities and to provide care for others.

Many of these essential workers have not received compensation for the heightened risks they have faced and continue to face. Recipients may use this funding to provide premium pay directly, or through grants to private employers, to a broad range of essential workers who must be physically present at their jobs including, among others:

- ✓ Staff at nursing homes, hospitals, and home-care settings
- ✓ Workers at farms, food production facilities, grocery stores, and restaurants
- ✓ Janitors and sanitation workers
- ✓ Public health and safety staff
- ✓ Truck drivers, transit staff, and warehouse workers
- ✓ Childcare workers, educators, and school staff
- ✓ Social service and human services staff

Treasury's Interim Final Rule 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.

In addition, employers are both permitted and encouraged to use Coronavirus State and Local Fiscal Recovery Funds to offer retrospective premium pay, recognizing that many essential workers have not yet received additional compensation for work performed. Staff working for third-party contractors in eligible sectors are also eligible for premium pay.

6. **Investing in water and sewer infrastructure**

Recipients may use Coronavirus State and Local Fiscal Recovery Funds to invest in necessary improvements to their water and sewer infrastructures, including projects that address the impacts of climate change.

Recipients may use this funding to invest in an array of drinking water infrastructure projects, such as building or upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines.

Recipients may also use this funding to invest in wastewater infrastructure projects, including constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works.

To help jurisdictions expedite their execution of these essential investments, Treasury's Interim Final Rule aligns types of eligible projects with the wide range of projects that can be supported by the Environmental Protection Agency's Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities.

Treasury's Interim Final Rule also encourages recipients to ensure that water, sewer, and broadband projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions.

7. **Investing in broadband infrastructure**

The pandemic has underscored the importance of access to universal, high-speed, reliable, and affordable broadband coverage. Over the past year, millions of Americans relied on the internet to participate in remote school, healthcare, and work.

Yet, by at least one measure, 30 million Americans live in areas where there is no broadband service or where existing services do not deliver minimally acceptable speeds. For millions of other Americans, the high cost of broadband access may place it out of reach. The American Rescue Plan aims to help remedy these shortfalls, providing recipients with flexibility to use Coronavirus State and Local Fiscal Recovery Funds to invest in broadband infrastructure.

Recognizing the acute need in certain communities, Treasury's Interim Final Rule provides that investments in broadband be made in areas that are currently unserved or underserved—in other words, lacking a wireline connection that reliably delivers minimum speeds of 25 Mbps download and 3 Mbps upload. Recipients are also encouraged to prioritize projects that achieve last-mile connections to households and businesses.

Using these funds, recipients generally should build broadband infrastructure with modern technologies in mind, specifically those projects that deliver services offering reliable 100 Mbps download and 100

Mbps upload speeds, unless impracticable due to topography, geography, or financial cost. In addition, recipients are encouraged to pursue fiber optic investments.

In view of the wide disparities in broadband access, assistance to households to support internet access or digital literacy is an eligible use to respond to the public health and negative economic impacts of the pandemic, as detailed above.

8. **Ineligible Uses**

Coronavirus State and Local Fiscal Recovery Funds provide substantial resources to help eligible state, local, territorial, and Tribal governments manage the public health and economic consequences of COVID-19. Recipients have considerable flexibility to use these funds to address the diverse needs of their communities.

To ensure that these funds are used for their intended purposes, the American Rescue Plan Act also specifies two ineligible uses of funds:

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue due to a change in law from March 3, 2021 through the last day of the fiscal year in which the funds provided have been spent.** The American Rescue Plan ensures that funds needed to provide vital services and support public employees, small businesses, and families struggling to make it through the pandemic are not used to fund reductions in net tax revenue. Treasury's Interim Final Rule implements this requirement. If a state or territory cuts taxes, they must demonstrate how they paid for the tax cuts from sources other than Coronavirus State Fiscal Recovery Funds—by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be paid back to the Treasury.
- **No recipient may use this funding to make a deposit to a pension fund.** Treasury's Interim Final Rule defines a "deposit" as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds.

Treasury's Interim Final Rule identifies several other ineligible uses, including funding debt service, legal settlements or judgments, and deposits to rainy day funds or financial reserves. Further, general infrastructure spending is not covered as an eligible use outside of water, sewer, and broadband investments or above the amount allocated under the revenue loss provision. While the program offers broad flexibility to recipients to address local conditions, these restrictions will help ensure that funds are used to augment existing activities and address pressing needs.

ATTACHMENT 3:

Coronavirus State and Local Fiscal Recovery Funds – Expenditure Categories

Appendix 1: Expenditure Categories

The Expenditure Categories (EC) listed below must be used to categorize each project as noted in Part 2 above. The term "Expenditure Category" refers to the detailed level (e.g., 1.1 COVID-10 Vaccination). When referred to as a category (e.g., EC 1) it includes all Expenditure Categories within that level.

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
2: Negative Economic Impacts	
2.1	Household Assistance: Food Programs* ^
2.2	Household Assistance: Rent, Mortgage, and Utility Aid* ^
2.3	Household Assistance: Cash Transfers* ^
2.4	Household Assistance: Internet Access Programs* ^
2.5	Household Assistance: Eviction Prevention* ^
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers*
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)* ^
2.8	Contributions to UI Trust Funds
2.9	Small Business Economic Assistance (General)* ^
2.10	Aid to Nonprofit Organizations*
2.11	Aid to Tourism, Travel, or Hospitality
2.12	Aid to Other Impacted Industries
2.13	Other Economic Support* ^
2.14	Rehiring Public Sector Staff
3: Services to Disproportionately Impacted Communities	
3.1	Education Assistance: Early Learning* ^
3.2	Education Assistance: Aid to High-Poverty Districts ^
3.3	Education Assistance: Academic Services* ^
3.4	Education Assistance: Social, Emotional, and Mental Health Services* ^
3.5	Education Assistance: Other* ^
3.6	Healthy Childhood Environments: Child Care* ^
3.7	Healthy Childhood Environments: Home Visiting* ^
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System* ^

3.9	Healthy Childhood Environments: Other* ^
3.10	Housing Support: Affordable Housing* ^
3.11	Housing Support: Services for Unhoused Persons* ^
3.12	Housing Support: Other Housing Assistance* ^
3.13	Social Determinants of Health: Other* ^
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators* ^
3.15	Social Determinants of Health: Lead Remediation ^
3.16	Social Determinants of Health: Community Violence Interventions* ^
4: Premium Pay	
4.1	Public Sector Employees
4.2	Private Sector: Grants to Other Employers
5: Infrastructure[24]	
5.1	Clean Water: Centralized Wastewater Treatment
5.2	Clean Water: Centralized Wastewater Collection and Conveyance
5.3	Clean Water: Decentralized Wastewater
5.4	Clean Water: Combined Sewer Overflows
5.5	Clean Water: Other Sewer Infrastructure
5.6	Clean Water: Stormwater
5.7	Clean Water: Energy Conservation
5.8	Clean Water: Water Conservation
5.9	Clean Water: Nonpoint Source
5.10	Drinking water: Treatment
5.11	Drinking water: Transmission & Distribution
5.12	Drinking water: Transmission & Distribution: Lead Remediation
5.13	Drinking water: Source
5.14	Drinking water: Storage
5.15	Drinking water: Other water infrastructure
5.16	Broadband: “Last Mile” projects
5.17	Broadband: Other projects
6: Revenue Replacement	
6.1	Provision of Government Services
7: Administrative	
7.1	Administrative Expenses
7.2	Evaluation and Data Analysis
7.3	Transfers to Other Units of Government
7.4	Transfers to Non-entitlement Units (States and territories only)

*Denotes areas where recipients must identify the amount of the total funds that are allocated to evidence-based interventions (see Use of Evidence section above for details)

^Denotes areas where recipients must report on whether projects are primarily serving disadvantaged communities (see Project Demographic Distribution section above for details)

[24] Definitions for water and sewer Expenditure Categories can be found in the EPA’s handbooks. For “clean water” expenditure category definitions, please see: https://www.epa.gov/sites/production/files/2018-03/documents/cwdefinitions.pdf. For “drinking water” expenditure category definitions, please see: https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-national-information-management-system-reports.

ATTACHMENT 4:

Coronavirus State and Local Fiscal Recovery Funds – Frequently Asked Questions

As of November 15, 2021

Coronavirus State and Local Fiscal Recovery Funds

Frequently Asked Questions

AS OF NOVEMBER 15, 2021

This document contains answers to frequently asked questions regarding the Coronavirus State and Local Fiscal Recovery Funds (CSFRF / CLFRF, or Fiscal Recovery Funds). Treasury will be updating this document periodically in response to questions received from stakeholders. Recipients and stakeholders should consult the Interim Final Rule for additional information.

- For overall information about the program, including information on requesting funding, please see https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments

- For general questions about CSFRF / CLFRF, please email SLFRP@treasury.gov

Questions added 5/27/21: 1.5, 1.6, 2.13, 2.14, 2.15, 3.9, 4.5, 4.6, 10.3, 10.4 (noted with "[5/27]")

Questions added 6/8/21: 2.16, 3.10, 3.11, 3.12, 4.7, 6.7, 8.2, 9.4, 9.5, 10.5 (noted with "[6/8]")

Questions added 6/17/21: 6.8, 6.9, 6.10, 6.11 (noted with "[6/17]")

Questions added 6/23/21: 1.7, 2.17, 2.18, 2.19, 2.20, 3.1 (appendix), 3.13, 4.8, 6.12 (noted with "[6/23]")

Question added 6/24/21: 2.21 (noted with "[6/24]")

Questions added 7/14/21: 1.8, 3.14, 3.15, 4.9, 4.10, 4.11, 4.12, 6.13, 6.14, 6.15, 6.16, 6.17, 10.3 updated (noted with "[7/14]")

Question added 11/15/21: 12.1; Questions updated 11/15/21: 9.2

Answers to frequently asked questions on distribution of funds to non-entitlement units of local government (NEUs) can be found in this FAQ supplement, which is regularly updated.

1. Eligibility and Allocations

1.1. Which governments are eligible for funds?

The following governments are eligible:

- States and the District of Columbia
- Territories
- Tribal governments
- Counties
- Metropolitan cities
- Non-entitlement units, or smaller local governments

1.2. Which governments receive funds directly from Treasury?

Treasury will distribute funds directly to each eligible state, territory, metropolitan city, county, or Tribal government. Smaller local governments that are classified as non-entitlement units will receive funds through their applicable state government.

1.3. Are special-purpose units of government eligible to receive funds?

Special-purpose units of local government will not receive funding allocations; however, a state, territory, local, or Tribal government may transfer funds to a special-purpose unit of government. Special-purpose districts perform specific functions in the community, such as fire, water, sewer or mosquito abatement districts.

1.4. How are funds being allocated to Tribal governments, and how will Tribal governments find out their allocation amounts?[1]

$20 billion of Fiscal Recovery Funds was reserved for Tribal governments. The American Rescue Plan Act specifies that $1 billion will be allocated evenly to all eligible Tribal governments. The remaining $19 billion will be distributed using an allocation methodology based on enrollment and employment.

There will be two payments to Tribal governments. Each Tribal government's first payment will include (i) an amount in respect of the $1 billion allocation that is to be divided equally among eligible Tribal governments and (ii) each Tribal government's pro rata share of the Enrollment Allocation. Tribal governments will be notified of their allocation amount and delivery of payment 4-5 days after completing request for funds in the Treasury Submission Portal. The deadline to make the initial request for funds was June 21, 2021.

The second payment will include a Tribal government's pro rata share of the Employment Allocation. There is a $1,000,000 minimum employment allocation for Tribal governments. In late-June, Tribal governments will receive an email notification to re-enter the Treasury Submission Portal to confirm or amend their 2019 employment numbers that were submitted to the Department of the Treasury for the CARES Act's Coronavirus Relief Fund. To receive an Employment Allocation, including the minimum employment allocation, Tribal governments must confirm employment numbers by July 23, 2021. Treasury will calculate employment allocations for those Tribal governments that confirmed or submitted amended employment numbers by the deadline. In August, Treasury will communicate to Tribal governments the amount of their portion of the Employment Allocation and the anticipated date for the second payment.

[1] The answer to this question was updated on July 19, 2021.

1.5. My county is a unit of general local government with population under 50,000. Will my county receive funds directly from Treasury? [5/27]

Yes. All counties that are units of general local government will receive funds directly from Treasury and should apply via the online portal. The list of county allocations is available here.

1.6. My local government expected to be classified as a non-entitlement unit. Instead, it was classified as a metropolitan city. Why? [5/27]

The American Rescue Plan Act defines, for purposes of the Coronavirus Local Fiscal Recovery Fund (CLFRF), metropolitan cities to include those that are currently metropolitan cities under the Community Development Block Grant (CDBG) program but also those cities that relinquish or defer their status as a metropolitan city for purposes of the CDBG program. This would include, by way of example, cities that are principal cities of their metropolitan statistical area, even if their population is less than 50,000. In other words, a city that is eligible to be a metropolitan city under the CDBG program is eligible as a metropolitan city under the CLFRF, regardless of how that city has elected to participate in the CDBG program.

Unofficial allocation estimates produced by other organizations may have classified certain local governments as non-entitlement units of local government. However, based on the statutory definitions, some of these local governments should have been classified as metropolitan cities.

1.7. In order to receive and use Fiscal Recovery Funds, must a recipient government maintain a declaration of emergency relating to COVID-19? [6/23]

No. Neither the statute establishing the CSFRF/CLFRF nor the Interim Final Rule requires recipients to maintain a local declaration of emergency relating to COVID-19.

1.8. Can non-profit or private organizations receive funds? If so, how? [7/14]

Yes. Under section 602(c)(3) of the Social Security Act, a State, territory, or Tribal government may transfer funds to a "private nonprofit organization . . . , a Tribal organization . . . , a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of State or local government." Similarly, section 603(c)(3) authorizes a local government to transfer funds to the same entities (other than Tribal organizations). The Interim Final Rule clarifies that the lists of transferees in sections 602(c)(3) and 603(c)(3) are not exclusive, and recipients may transfer funds to constituent units of government or private entities beyond those specified in the statute. A transferee receiving a transfer from a recipient under sections 602(c)(3) and 603(c)(3) will be considered to be a subrecipient and will be expected to comply with all subrecipient reporting requirements.

The ARPA does not authorize Treasury to provide CSFRF/CLFRF funds directly to non-profit or private organizations. Thus, non-profit or private organizations should seek funds from CSFRF/CLFRF recipient(s) in their jurisdiction (e.g., a State, local, territorial, or Tribal government).

2. Eligible Uses – Responding to the Public Health Emergency / Negative Economic Impacts

2.1. What types of COVID-19 response, mitigation, and prevention activities are eligible?

A broad range of services are needed to contain COVID-19 and are eligible uses, including vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses. Capital investments in public facilities to meet pandemic operational needs are also eligible, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.

2.2. If a use of funds was allowable under the Coronavirus Relief Fund (CRF) to respond to the public health emergency, may recipients presume it is also allowable under CSFRF/CLFRF?

Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 will continue to be eligible under CSFRF/CLFRF, with the following two exceptions: (1) the standard for eligibility of public health and safety payrolls has been updated; and (2) expenses related to the issuance of tax-anticipation notes are not an eligible funding use.

2.3. If a use of funds is not explicitly permitted in the Interim Final Rule as a response to the public health emergency and its negative economic impacts, does that mean it is prohibited?

The Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. The Interim Final Rule also provides flexibility for recipients to use Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but which meet the objectives of section

602(c)(1)(A) or 603(c)(1)(A) by responding to the COVID-19 public health emergency with respect to COVID-19 or its negative economic impacts.

2.4. May recipients use funds to respond to the public health emergency and its negative economic impacts by replenishing state unemployment funds?

Consistent with the approach taken in the CRF, recipients may make deposits into the state account of the Unemployment Trust Fund up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020 and the date when the Interim Final Rule is published in the Federal Register.

2.5. What types of services are eligible as responses to the negative economic impacts of the pandemic?

Eligible uses in this category include assistance to households; small businesses and non-profits; and aid to impacted industries.

Assistance to households includes, but is not limited to: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training.

Assistance to small business and non-profits includes, but is not limited to:

- loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
- Technical assistance, counseling, or other services to assist with business planning needs

2.6. May recipients use funds to respond to the public health emergency and its negative economic impacts by providing direct cash transfers to households?

Yes, provided the recipient considers whether, and the extent to which, the household has experienced a negative economic impact from the pandemic. Additionally, cash transfers must be reasonably proportional to the negative economic impact they are intended to address. Cash transfers grossly in excess of the amount needed to address the negative economic impact identified by the recipient would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when considering appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, state, local, territorial, and Tribal governments may consider and take guidance from the per person amounts previously provided by the federal government in response to the COVID crisis.

2.7. May funds be used to reimburse recipients for costs incurred by state and local governments in responding to the public health emergency and its negative economic impacts prior to passage of the American Rescue Plan?

Use of Fiscal Recovery Funds is generally forward looking. The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021.

2.8. May recipients use funds for general economic development or workforce development?

Generally, not. Recipients must demonstrate that funding uses directly address a negative economic impact of the COVID-19 public health emergency, including funds used for economic or workforce development. For example, job training for unemployed workers may be used to address negative economic impacts of the public health emergency and be eligible.

2.9. How can recipients use funds to assist the travel, tourism, and hospitality industries?

Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic. For example, a recipient may provide aid to support safe reopening of businesses in the tourism, travel and hospitality industries and to districts that were closed during the COVID-19 public health emergency, as well as aid a planned expansion or upgrade of tourism, travel and hospitality facilities delayed due to the pandemic.

Tribal development districts are considered the commercial centers for tribal hospitality, gaming, tourism and entertainment industries.

2.10. May recipients use funds to assist impacted industries other than travel, tourism, and hospitality?

Yes, provided that recipients consider the extent of the impact in such industries as compared to tourism, travel, and hospitality, the industries enumerated in the statute. For example, nationwide the leisure and hospitality industry has experienced an approximately 17 percent decline in employment and 24 percent decline in revenue, on net, due to the COVID-19 public health emergency. Recipients should also consider whether impacts were due to the COVID-19 pandemic, as opposed to longer-term economic or industrial trends unrelated to the pandemic.

Recipients should maintain records to support their assessment of how businesses or business districts receiving assistance were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts.

2.11. How does the Interim Final Rule help address the disparate impact of COVID-19 on certain populations and geographies?

In recognition of the disproportionate impacts of the COVID-19 virus on health and economic outcomes in low-income and Native American communities, the Interim Final Rule identifies a broader range of services and programs that are considered to be in response to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments.

Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately-impacted communities, recipients should be able to support their determination for how the pandemic disproportionately impacted the populations, households, or geographic areas to be served.

Eligible services include:

- Addressing health disparities and the social determinants of health, including: community health workers, public benefits navigators, remediation of lead paint or other lead hazards, and community violence intervention programs;

- Building stronger neighborhoods and communities, including: supportive housing and other services for individuals experiencing homelessness, development of affordable housing, and housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity;

- Addressing educational disparities exacerbated by COVID-19, including: early learning services, increasing resources for high-poverty school districts, educational services like tutoring or afterschool programs, and supports for students' social, emotional, and mental health needs; and

- Promoting healthy childhood environments, including: child care, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

2.12. May recipients use funds to pay for vaccine incentive programs (e.g., cash or in-kind transfers, lottery programs, or other incentives for individuals who get vaccinated)?

Yes. Under the Interim Final Rule, recipients may use Coronavirus State and Local Fiscal Recovery Funds to respond to the COVID-19 public health emergency, including expenses related to COVID-19 vaccination programs. See 31 CFR 35.6(b)(1)(i). Programs that provide incentives reasonably expected to increase the number of people who choose to get vaccinated, or that motivate people to get vaccinated sooner than they otherwise would have, are an allowable use of funds so long as such costs are reasonably proportional to the expected public health benefit.

2.13. May recipients use funds to pay “back to work incentives” (e.g., cash payments for newly employed workers after a certain period of time on the job)? [5/27]

Yes. Under the Interim Final Rule, recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to unemployed workers. See 31 CFR 35.6(b)(4). This assistance can include job training or other efforts to accelerate rehiring and thus reduce unemployment, such as childcare assistance, assistance with transportation to and from a jobsite or interview, and incentives for newly employed workers.

2.14. The Coronavirus Relief Fund (CRF) included as an eligible use: "Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What has changed in CSFRF/CLFRF, and what type of documentation is required under CSFRF/CLFRF? [5/27]

Many of the expenses authorized under the Coronavirus Relief Fund are also eligible uses under the CSFRF/CLFRF. However, in the case of payroll expenses for public safety, public health, health care, human services, and similar employees (hereafter, public health and safety staff), the CSFRF/CLFRF does differ from the CRF. This change reflects the differences between the ARPA and CARES Act and recognizes that the response to the COVID-19 public health emergency has changed and will continue to change over time. In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee’s time that is dedicated to responding to the COVID-19 public health emergency.

For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee’s time is dedicated) to responding to the COVID-19 public health emergency.

Recipients may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to COVID-19 response. The recipient should maintain records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours. Recipients should periodically reassess their determinations.

2.15. What staff are included in "public safety, public health, health care, human services, and similar employees"? Would this include, for example, 911 operators, morgue staff, medical examiner staff, or EMS staff? [5/27]

As discussed in the Interim Final Rule, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, for the portion of the employee's time that is dedicated to responding to the COVID-19 public health emergency.

Public safety employees would include police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel. Public health employees would include employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians, medical examiner or morgue staff) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel. Human services staff include employees providing or administering social services; public benefits; child welfare services; and child, elder, or family care, as well as others.

2.16. May recipients use funds to establish a public jobs program? [6/8]

Yes. The Interim Final Rule permits a broad range of services to unemployed or underemployed workers and other individuals that suffered negative economic impacts from the pandemic. That can include public jobs programs, subsidized employment, combined education and on-the-job training programs, or job training to accelerate rehiring or address negative economic or public health impacts experienced due to a worker's occupation or level of training. The broad range of permitted services can also include other employment supports, such as childcare assistance or assistance with transportation to and from a jobsite or interview.

The Interim Final Rule includes as an eligible use re-hiring public sector staff up to the government's level of pre-pandemic employment. "Public sector staff" would not include individuals participating in a job training or subsidized employment program administered by the recipient.

2.17. The Interim Final Rule states that "assistance or aid to individuals or businesses that did not experience a negative economic impact from the public health emergency would not be an eligible use under this category." Are recipients required to demonstrate that each individual or business experienced a negative economic impact for that individual or business to receive assistance? [6/23]

Not necessarily. The Interim Final Rule allows recipients to demonstrate a negative economic impact on a population or group and to provide assistance to households or businesses that fall within that population or group. In such cases, the recipient need only demonstrate that the household or business is within the population or group that experienced a negative economic impact.

For assistance to households, the Interim Final Rule states, "In assessing whether a household or population experienced economic harm as a result of the pandemic, a recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low- or moderate-income experienced negative economic impacts resulting from the pandemic." This would allow, for example, an internet access assistance program for all low- or moderate-income households, but would not require the recipient to demonstrate or document that each individual low- or -moderate income household experienced a negative economic impact from the COVID-19 public health emergency apart from being low- or -moderate income.

For assistance to small businesses, the Interim Final Rule states that assistance may be provided to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, to respond to the negative economic impacts of the COVID-19 public health emergency. In providing assistance to small businesses, recipients must design a program that responds to the negative economic impacts of the COVID-19 public health emergency, including by identifying how the program addresses the identified need or impact faced by small businesses. This can include assistance to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency.

As part of program design and to ensure that the program responds to the identified need, recipients may consider additional criteria to target assistance to businesses in need, including to small businesses. Assistance may be targeted to businesses facing financial insecurity, with substantial declines in gross receipts (e.g., comparable to measures used to assess eligibility for the Paycheck Protection Program), or facing other economic harm due to the pandemic, as well as businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving disadvantaged communities. For example, a recipient could find based on local data or research that the smallest businesses faced sharply increased risk of bankruptcy and develop a program to respond; such a program would only need to document a population or group-level negative economic impact, and eligibility criteria to limit access to the program to that population or group (in this case, the smallest businesses).

In addition, recognizing the disproportionate impact of the pandemic on disadvantaged communities, the Interim Final Rule also identifies a set of services that are presumptively eligible when provided in a Qualified Census Tract (QCT); to families and individuals living in QCTs; to other populations, households, or geographic areas identified by the recipient as disproportionately impacted by the pandemic; or when these services are provided by Tribal governments. For more information on the set of presumptively eligible services, see the Interim Final Rule section on *Building Stronger Communities through Investments in Housing and Neighborhoods* and FAQ 2.11.

2.18. Would investments in improving outdoor spaces (e.g. parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts? [6/23]

There are multiple ways that investments in improving outdoor spaces could qualify as eligible uses; several are highlighted below, though there may be other ways that a specific investment in outdoor spaces would meet eligible use criteria.

First, in recognition of the disproportionate negative economic impacts on certain communities and populations, the Interim Final Rule identifies certain types of services that are eligible uses when provided in a Qualified Census Tract (QCT), to families and individuals living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic.

These programs and services include services designed to build stronger neighborhoods and communities and to address health disparities and the social determinants of health. The Interim Final Rule provides a non-exhaustive list of eligible services to respond to the needs of communities disproportionately impacted by the pandemic, and recipients may identify other uses of funds that do so, consistent with the Rule's framework. For example, investments in parks, public plazas, and other public outdoor recreation spaces may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19.

Second, recipients may provide assistance to small businesses in all communities. Assistance to small businesses could include support to enhance outdoor spaces for COVID-19 mitigation (e.g., restaurant patios) or to improve the built environment of the neighborhood (e.g., façade improvements).

Third, many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs. The Interim Final Rule recognizes that "decrease[s to] a state or local government's ability to effectively administer services" can constitute a negative economic impact of the pandemic.

2.19. Would expenses to address a COVID-related backlog in court cases be an eligible use of funds as a response to the public health emergency? [6/23]

The Interim Final Rule recognizes that "decrease[s to] a state or local government's ability to effectively administer services," such as cuts to public sector staffing levels, can constitute a negative economic impact of the pandemic. During the COVID-19 public health emergency, many courts were unable to operate safely during the pandemic and, as a result, now face significant backlogs. Court backlogs resulting from inability of courts to safely operate during the COVID-19 pandemic decreased the government's ability to administer services. Therefore, steps to reduce these backlogs, such as implementing COVID-19 safety measures to facilitate court operations, hiring additional court staff or attorneys to increase speed of case resolution, and other expenses to expedite case resolution are eligible uses.

2.20. Can funds be used to assist small business startups as a response to the negative economic impact of COVID-19? [6/23]

As discussed in the Interim Final Rule, recipients may provide assistance to small businesses that responds to the negative economic impacts of COVID-19. The Interim Final Rule provides a non-exclusive list of potential assistance mechanisms, as well as considerations for ensuring that such assistance is responsive to the negative economic impacts of COVID-19.

Treasury acknowledges a range of potential circumstances in which assisting small business startups could be responsive to the negative economic impacts of COVID-19, including for small businesses and individuals seeking to start small businesses after the start of the COVID-19 public health emergency. For example:

- A recipient could assist small business startups with additional costs associated with COVID-19 mitigation tactics (e.g., barriers or partitions; enhanced cleaning; or physical plant changes to enable greater use of outdoor space).
- A recipient could identify and respond to a negative economic impact of COVID-19 on new small business startups; for example, if it could be shown that small business startups in a locality were facing greater difficult accessing credit than prior to the pandemic, faced increased costs to starting the business due to the pandemic, or that the small business had lost expected startup capital due to the pandemic.
- The Interim Final Rule also discusses eligible uses that provide support for individuals who have experienced a negative economic impact from the COVID-19 public health emergency, including uses that provide job training for unemployed individuals. These initiatives also may support small business startups and individuals seeking to start small businesses.

2.21. Can funds be used for eviction prevention efforts or housing stability services? [6/24]

Yes. Responses to the negative economic impacts of the pandemic include "rent, mortgage, or utility assistance [and] counseling and legal aid to prevent eviction or homelessness." This includes housing stability services that enable eligible households to maintain or obtain housing, such as housing counseling, fair housing counseling, case management related to housing stability, outreach to households at risk of eviction or promotion of housing support programs, housing related services for survivors of domestic abuse or human trafficking, and specialized services for individuals with disabilities or seniors that supports their ability to access or maintain housing.

This also includes legal aid such as legal services or attorney's fees related to eviction proceedings and maintaining housing stability, court-based eviction prevention or eviction diversion programs, and other legal services that help households maintain or obtain housing.

Recipients may transfer funds to, or execute grants or contracts with, court systems, non-profits, and a wide range of other organizations to implement these strategies.

3. Eligible Uses – Revenue Loss

3.1. How is revenue defined for the purpose of this provision? [appendix added 6/23]

The Interim Final Rule adopts a definition of "General Revenue" that is based on, but not identical, to the Census Bureau's concept of "General Revenue from Own Sources" in the Annual Survey of State and Local Government Finances.

General Revenue includes revenue from taxes, current charges, and miscellaneous general revenue. It excludes refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and revenue generated by utilities and insurance trusts. General revenue also includes intergovernmental transfers between state and local governments, but excludes intergovernmental transfers from the Federal government, including Federal transfers made via a state to a locality pursuant to the CRF or the Fiscal Recovery Funds.

Tribal governments may include all revenue from Tribal enterprises and gaming operations in the definition of General Revenue.

Please see the appendix for a diagram of the Interim Final Rule's definition of General Revenue within the Census Bureau's revenue classification structure.

3.2. Will revenue be calculated on an entity-wide basis or on a source-by-source basis (e.g. property tax, income tax, sales tax, etc.)?

Recipients should calculate revenue on an entity-wide basis. This approach minimizes the administrative burden for recipients, provides for greater consistency across recipients, and presents a more accurate representation of the net impact of the COVID- 19 public health emergency on a recipient's revenue, rather than relying on financial reporting prepared by each recipient, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.

3.3. Does the definition of revenue include outside concessions that contract with a state or local government?

Recipients should classify revenue sources as they would if responding to the U.S. Census Bureau's Annual Survey of State and Local Government Finances. According to the Census Bureau's Government Finance and Employment Classification manual, the following is an example of current charges that would be included in a state or local government's general revenue from own sources: "Gross revenue of facilities operated by a government (swimming pools, recreational marinas and piers, golf courses, skating rinks, museums, zoos, etc.); auxiliary facilities in public recreation areas (camping areas, refreshment stands, gift shops, etc.); lease or use fees from stadiums, auditoriums, and community and convention centers; and rentals from concessions at such facilities."

3.4. What is the time period for estimating revenue loss? Will revenue losses experienced prior to the passage of the Act be considered?

Recipients are permitted to calculate the extent of reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023. This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues.

Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

3.5. What is the formula for calculating the reduction in revenue?

A reduction in a recipient's General Revenue equals:

$$\text{Max}\ \{[\text{Base Year Revenue* }(1+\text{Growth Adjustment})^{\left(\frac{n_t}{12}\right)}] - \text{Actual General Revenue}_t\ ;\ 0\}$$

Where:

Base Year Revenue is General Revenue collected in the most recent full fiscal year prior to the COVD-19 public health emergency.

Growth Adjustment is equal to the greater of 4.1 percent (or 0.041) and the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency.

n equals the number of months elapsed from the end of the base year to the calculation date.

Actual General Revenue is a recipient's actual general revenue collected during 12-month period ending on each calculation date.

Subscript *t* denotes the calculation date.

3.6. Are recipients expected to demonstrate that reduction in revenue is due to the COVID-19 public health emergency?

In the Interim Final Rule, any diminution in actual revenue calculated using the formula above would be presumed to have been "due to" the COVID-19 public health emergency. This presumption is made for administrative ease and in recognition of the broad-based economic damage that the pandemic has wrought.

3.7. May recipients use pre-pandemic projections as a basis to estimate the reduction in revenue?

No. Treasury is disallowing the use of projections to ensure consistency and comparability across recipients and to streamline verification. However, in estimating the revenue shortfall using the formula above, recipients may incorporate their average annual revenue growth rate in the three full fiscal years prior to the public health emergency.

3.8. Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction?

The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.

However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens. This restriction on paying interest or principal on any outstanding debt instrument, includes, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt. In addition, the overarching restrictions on all program funds (e.g., restriction on pension deposits, restriction on using funds for non-federal match where barred by regulation or statute) would apply.

3.9. How do I know if a certain type of revenue should be counted for the purpose of computing revenue loss? [5/27]

As discussed in FAQ #3.1, the Interim Final Rule adopts a definition of "General Revenue" that is based on, but not identical, to the Census Bureau's concept of "General Revenue from Own Sources" in the Annual Survey of State and Local Government Finances.

Recipients should refer to the definition of "General Revenue" included in the Interim Final Rule. See 31 CFR 35.3. If a recipient is unsure whether a particular revenue source is included in the Interim Final Rule's definition of "General Revenue," the recipient may consider the classification and instructions used to complete the Census Bureau's Annual Survey.

For example, parking fees would be classified as a Current Charge for the purpose of the Census Bureau's Annual Survey, and the Interim Final Rule's concept of "General

Revenue" includes all Current Charges. Therefore, parking fees would be included in the Interim Final Rule's concept of "General Revenue."

The Census Bureau's Government Finance and Employment Classification manual is available here.

3.10. In calculating revenue loss, are recipients required to use audited financials? [6/8]

Where audited data is not available, recipients are not required to obtain audited data. Treasury expects all information submitted to be complete and accurate. See 31 CFR 35.4(c).

3.11. In calculating revenue loss, should recipients use their own data, or Census data? [6/8]

Recipients should use their own data sources to calculate general revenue, and do not need to rely on published revenue data from the Census Bureau. Treasury acknowledges that due to differences in timing, data sources, and definitions, recipients' self-reported general revenue figures may differ somewhat from those published by the Census Bureau.

3.12. Should recipients calculate revenue loss on a cash basis or an accrual basis? [6/8]

Recipients may provide data on a cash, accrual, or modified accrual basis, provided that recipients are consistent in their choice of methodology throughout the covered period and until reporting is no longer required.

3.13. In identifying intergovernmental revenue for the purpose of calculating General Revenue, should recipients exclude all federal funding, or just federal funding related to the COVID-19 response? How should local governments treat federal funds that are passed through states or other entities, or federal funds that are intermingled with other funds? [6/23]

In calculating General Revenue, recipients should exclude all intergovernmental transfers from the federal government. This includes, but is not limited to, federal transfers made via a state to a locality pursuant to the Coronavirus Relief Fund or Fiscal Recovery Funds. To the extent federal funds are passed through states or other entities or intermingled with other funds, recipients should attempt to identify and exclude the federal portion of those funds from the calculation of General Revenue on a best-efforts basis.

3.14. What entities constitute a government for the purpose of calculating revenue loss? [7/14]

In determining whether a particular entity is part of a recipient's government for purposes of measuring a recipient's government revenue, recipients should identify all the entities included in their government and the general revenue attributable to these entities on a best-efforts basis. Recipients are encouraged to consider how their administrative structure is organized under state and local statutes. In cases in which the autonomy of certain authorities, commissions, boards, districts, or other entities is not readily distinguishable from the recipient's government, recipients may adopt the Census Bureau's criteria for judging whether an entity is independent from, or a constituent of, a given government. For an entity to be independent, it generally meets all four of the following conditions:

- The entity is an organized entity and possesses corporate powers, such as perpetual succession, the right to sue and be sued, having a name, the ability to make contracts, and the ability to acquire and dispose of property.
- The entity has governmental character, meaning that it provides public services, or wields authority through a popularly elected governing body or officers appointed by public officials. A high degree of responsibility to the public, demonstrated by public reporting requirements or by accessibility of records for public inspection, also evidences governmental character.
- The entity has substantial fiscal independence, meaning it can determine its budget without review and modification by other governments. For instance, the entity can determine its own taxes, charges, and debt issuance without another government's supervision.
- The entity has substantial administrative independence, meaning it has a popularly elected governing body, or has a governing body representing two or more governments, or, in the event its governing body is appointed by another government, the entity performs functions that are essentially different from those of, and are not subject to specification by, its creating government.

If an entity does not meet all four of these conditions, a recipient may classify the entity as part of the recipient's government and assign the portion of General Revenue that corresponds to the entity.

To further assist recipients in applying the forgoing criteria, recipients may refer to the Census Bureau's *Individual State Descriptions: 2017 Census of Governments* publication, which lists specific entities and classes of entities classified as either independent (defined by Census as "special purpose governments") or constituent (defined by Census as "dependent agencies") on a state-by-state basis. Recipients should note that the Census Bureau's lists are not exhaustive and that Census classifications are based on an analysis of state and local statutes as of 2017 and subject to the Census Bureau's judgement. Though not included in the Census Bureau's publication, state colleges and universities are generally classified as dependent agencies of state governments by the Census Bureau.

If an entity is determined to be part of the recipient's government, the recipient must also determine whether the entity's revenue is covered by the Interim Final Rule's definition of "general revenue." For example, some cash flows may be outside the definition of "general revenue." In addition, note that the definition of general revenue includes Tribal enterprises in the case of Tribal governments. Refer to FAQ 3.1 (and the Appendix) for the components included in General Revenue.

3.15. The Interim Final Rule's definition of General Revenue excludes revenue generated by utilities. Can you please clarify the definition of utility revenue? [7/14]

As noted in FAQs 3.1 and 3.9, the Interim Final Rule adopts a definition of "general revenue" that is based on, but not identical to, the Census Bureau's concept of "General Revenue from Own Sources" in the Annual Survey of State and Local Government Finances. Recipients should refer to the definition of "general revenue" included in the Interim Final Rule. See 31 CFR 35.3. If a recipient is unsure whether a particular revenue source is included in the Interim Final Rule's definition of "general revenue," the recipient may consider the classification and instructions used to complete the Census Bureau's Annual Survey.

According to the Census Bureau's Government Finance and Employment Classification manual, utility revenue is defined as "[g]ross receipts from sale of utility commodities or services to the public or other governments by publicly-owned and controlled utilities." This includes revenue from operations of publicly-owned and controlled water supply systems, electric power systems, gas supply systems, and public mass transit systems (see pages 4-45 and 4-46 of the manual for more detail).

Except for these four types of utilities, revenues from all commercial-type activities of a recipient's government (e.g., airports, educational institutions, lotteries, public hospitals, public housing, parking facilities, port facilities, sewer or solid waste systems, and toll roads and bridges) are covered by the Interim Final Rule's definition of "general revenue." If a recipient is unsure whether a particular entity performing one of these commercial-type activities can be considered part of the recipient's government, please see FAQ 3.14.

4. Eligible Uses – General

4.1. May recipients use funds to replenish a budget stabilization fund, rainy day fund, or similar reserve account?

No. Funds made available to respond to the public health emergency and its negative economic impacts are intended to help meet pandemic response needs and provide immediate stabilization for households and businesses. Contributions to rainy day funds and similar reserves funds would not address these needs or respond to the COVID-19 public health emergency, but would rather be savings for future spending needs. Similarly, funds made available for the provision of governmental services (to the extent of reduction in revenue) are intended to support direct provision of services to citizens. Contributions to rainy day funds are not considered provision of government services, since such expenses do not directly relate to the provision of government services.

4.2. May recipients use funds to invest in infrastructure other than water, sewer, and broadband projects (e.g. roads, public facilities)?

Under 602(c)(1)(C) or 603(c)(1)(C), recipients may use funds for maintenance of infrastructure or pay-go spending for building of new infrastructure as part of the general provision of government services, to the extent of the estimated reduction in revenue due to the public health emergency.

Under 602(c)(1)(A) or 603(c)(1)(A), a general infrastructure project typically would not be considered a response to the public health emergency and its negative economic impacts unless the project responds to a specific pandemic-related public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact of the pandemic (e.g., affordable housing in a Qualified Census Tract).

4.3. May recipients use funds to pay interest or principal on outstanding debt?

No. Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts. Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens.

This applies to paying interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt.

4.4. May recipients use funds to satisfy nonfederal matching requirements under the Stafford Act? May recipients use funds to satisfy nonfederal matching requirements generally?

Fiscal Recovery Funds are subject to pre-existing limitations in other federal statutes and regulations and may not be used as non-federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet matching requirements. For example, expenses for the state share of Medicaid are not an eligible use. For information on FEMA programs, please see here.

4.5. Are governments required to submit proposed expenditures to Treasury for approval? [5/27]

No. Recipients are not required to submit planned expenditures for prior approval by Treasury. Recipients are subject to the requirements and guidelines for eligible uses contained in the Interim Final Rule.

4.6. How do I know if a specific use is eligible? [5/27]

Fiscal Recovery Funds must be used in one of the four eligible use categories specified in the American Rescue Plan Act and implemented in the Interim Final Rule:

a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;

c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and

d) To make necessary investments in water, sewer, or broadband infrastructure.

Recipients should consult Section II of the Interim Final Rule for additional information on eligible uses. For recipients evaluating potential uses under (a), the Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. See Section II of the Interim Final Rule for additional discussion.

For recipients evaluating potential uses under (c), the Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. See FAQ #3.8 for additional discussion.

For recipients evaluating potential uses under (b) and (d), see Sections 5 and 6.

4.7. Do restrictions on using Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred beginning on March 3, 2021 apply to costs incurred by the recipient (e.g., a State, local, territorial, or Tribal government) or to costs incurred by households, businesses, and individuals benefiting from assistance provided using Coronavirus State and Local Fiscal Recovery Funds? [6/8]

The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021. This limitation applies to costs incurred by the recipient (i.e., the state, local, territorial, or Tribal government receiving funds). However, recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households, businesses, and individuals within the eligible use categories described in the Interim Final Rule for economic harms experienced by those households, businesses, and individuals prior to March 3, 2021. For example,

- Public Health/Negative Economic Impacts – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households – such as rent, mortgage, or utility assistance – for economic harms experienced or costs incurred by the household prior to March 3, 2021 (e.g., rental arrears from preceding months), provided that the cost of providing assistance to the household was not incurred by the recipient prior to March 3, 2021.

- Premium Pay – Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be "in addition to" wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- Revenue Loss – The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. The calculation of lost revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020. However, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.
- Investments in Water, Sewer, and Broadband – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to make necessary investments in water, sewer, and broadband. See FAQ Section 6. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the Coronavirus State and Local Fiscal Recovery Funds were incurred after March 3, 2021.

4.8. How can I use CSFRF/CLFRF funds to prevent and respond to crime, and support public safety in my community? [6/23]

Under Treasury's Interim Final Rule, there are many ways in which the State and Local Fiscal Recovery Funds ("Funds") under the American Rescue Plan Act can support communities working to reduce and respond to increased violence due to the pandemic. Among the eligible uses of the Funds are restoring of public sector staff to their pre-pandemic levels and responses to the public health crisis and negative economic impacts resulting from the pandemic. The Interim Final Rule provides several ways for recipients to "respond to" this pandemic-related gun violence, ranging from community violence intervention programs to mental health services to hiring of public safety personnel.

Below are some examples of how Fiscal Recovery Funds can be used to address public safety:

- In all communities, recipients may use resources to rehire police officers and other public servants to restore law enforcement and courts to their pre-pandemic levels. Additionally, Funds can be used for expenses to address COVID-related court backlogs, including hiring above pre-pandemic levels, as a response to the public health emergency. See FAQ 2.19.

- In communities where an increase in violence or increased difficulty in accessing or providing services to respond to or mitigate the effects of violence, is a result of the pandemic they may use funds to address that harm. This spending may include:

  - Hiring law enforcement officials – even above pre-pandemic levels – or paying overtime where the funds are directly focused on advancing community policing strategies in those communities experiencing an increase in gun violence associated with the pandemic
  - Community Violence Intervention (CVI) programs, including capacity building efforts at CVI programs like funding and training additional intervention workers
  - Additional enforcement efforts to reduce gun violence exacerbated by the pandemic, including prosecuting gun traffickers, dealers, and other parties contributing to the supply of crime guns, as well as collaborative federal, state, and local efforts to identify and address gun trafficking channels
  - Investing in technology and equipment to allow law enforcement to more efficiently and effectively respond to the rise in gun violence resulting from the pandemic

  As discussed in the Interim Final Rule, uses of CSFRF/CLFRF funds that respond to an identified harm must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses.

- Recipients may also use funds up to the level of revenue loss for government services, including those outlined above.

Recognizing that the pandemic exacerbated mental health and substance use disorder needs in many communities, eligible public health services include mental health and other behavioral health services, which are a critical component of a holistic public safety approach. This could include:

- Mental health services and substance use disorder services, including for individuals experiencing trauma exacerbated by the pandemic, such as:
  - Community-based mental health and substance use disorder programs that deliver evidence-based psychotherapy, crisis support services, medications for opioid use disorder, and/or recovery support
  - School-based social-emotional support and other mental health services
- Referrals to trauma recovery services for crime victims.

Recipients also may use Funds to respond to the negative economic impacts of the public health emergency, including:

- Assistance programs to households or populations facing negative economic impacts of the public health emergency, including:
  - Assistance to support economic security, including for the victims of crime;
  - Housing assistance, including rent, utilities, and relocation assistance;
  - Assistance with food, including Summer EBT and nutrition programs; and
  - Employment or job training services to address negative economic or public health impacts experienced due to a worker's occupation or level of training.

- Assistance to unemployed workers, including:
  - Subsidized jobs, including for young people. Summer youth employment programs directly address the negative economic impacts of the pandemic on young people and their families and communities;
  - Programs that provide paid training and/or work experience targeted primarily to (1) formerly incarcerated individuals, and/or (2) communities experiencing high levels of violence exacerbated by the pandemic;
  - Programs that provide workforce readiness training, apprenticeship or pre-apprenticeship opportunities, skills development, placement services, and/or coaching and mentoring; and
  - Associated wraparound services, including for housing, health care, and food.

Recognizing the disproportionate impact of the pandemic on certain communities, a broader range of services are eligible in those communities than would otherwise be available in communities not experiencing a pandemic-related increase in crime or gun violence. These eligible uses aim to address the pandemic's exacerbation of public health and economic disparities and include services to address health and educational disparities, support neighborhoods and affordable housing, and promote healthy childhood environments. The Interim Final Rule provides a non-exhaustive list of eligible services in these categories.

These services automatically qualify as eligible uses when provided in Qualified Census Tracts (QCTs), low-income areas designated by HUD; to families in QCTs; or by Tribal governments. Outside of these areas, recipient governments can also identify and serve households, populations, and geographic areas disproportionately impacted by the pandemic.

Services under this category could include:

- Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on education, childhood health and welfare, including:
  - Summer education and enrichment programs in these communities, which include many communities currently struggling with high levels of violence;
  - Programs that address learning loss and keep students productively engaged;
  - Enhanced services for foster youths and home visiting programs; and
  - Summer camps and recreation.

- Programs or services that provide or facilitate access to health and social services and address health disparities exacerbated by the pandemic. This includes Community Violence Intervention (CVI) programs, such as:
  - Evidence-based practices like focused deterrence, street outreach, violence interrupters, and hospital-based violence intervention models, complete with wraparound services such as behavioral therapy, trauma recovery, job training, education, housing and relocation services, and financial assistance; and,
  - Capacity-building efforts at CVI programs like funding more intervention workers; increasing their pay; providing training and professional development for intervention workers; and hiring and training workers to administer the programs.

Please refer to Treasury's Interim Final Rule for additional information.

4.9. May recipients pool funds for regional projects? [7/14]

Yes, provided that the project is itself an eligible use of funds and that recipients can track the use of funds in line with the reporting and compliance requirements of the CSFRF/CLFRF. In general, when pooling funds for regional projects, recipients may expend funds directly on the project or transfer funds to another government that is undertaking the project on behalf of multiple recipients. To the extent recipients undertake regional projects via transfer to another government, recipients would need to comply with the rules on transfers specified in the Interim Final Rule, Section V. A recipient may transfer funds to a government outside its boundaries (e.g., county transfers to a neighboring county), provided that the recipient can document that its jurisdiction receives a benefit proportionate to the amount contributed.

4.10. May recipients fund a project with both ARP funds and other sources of funding (e.g., blending, braiding, or other pairing funding sources), including in conjunction with financing provided through a debt issuance? [7/14]

Cost sharing or matching funds are not required under CSFRF/CLFRF. Funds may be used in conjunction with other funding sources, provided that the costs are eligible costs under each source program and are compliant with all other related statutory and regulatory requirements and policies. The recipient must comply with applicable reporting requirements for all sources of funds supporting the CSFRF/CLFRF projects, and with any requirements and restrictions on the use of funds from the supplemental funding sources and the CSFRF/CLFRF program. Specifically,

- All funds provided under the CSFRF/CLFRF program must be used for projects, investments, or services that are eligible under the CSFRF/CLFRF statute, Treasury's Interim Final Rule, and guidance. See 31 CFR 35.6-8; FAQ 4.6. CSFRF/CLFRF funds may not be used to fund an activity that is not, in its entirety, an eligible use under the CSFRF/CLFRF statute, Treasury's Interim Final Rule, and guidance. For example,
    - CSFRF/CLFRF funds may be used in conjunction with other sources of funds to make an investment in water infrastructure, which is eligible under the CSLFRF statute, and Treasury's Interim Final Rule.
    - CSFRF/CLFRF funds could not be used to fund the entirety of a water infrastructure project that was partially, although not entirely, an eligible use under Treasury's Interim Final Rule. However, the recipient could use CSFRF/CLFRF funds only for a smaller component project that does constitute an eligible use, while using other funds for the remaining portions of the larger planned water infrastructure project that do not constitute an eligible use. In this case, the "project" under this program would be only the eligible use component of the larger project.

- In addition, because CSFRF/CLFRF funds must be obligated by December 31, 2024, and expended by December 31, 2026, recipients must be able to, at a minimum, determine and report to Treasury on the amount of CSFRF/CLFRF funds obligated and expended and when such funds were obligated and expended.

4.11. May Coronavirus State and Local Fiscal Recovery Funds be used to make loans or other extensions of credit ("loans"), including loans to small businesses and loans to finance necessary investments in water, sewer, and broadband infrastructure? [7/14]

Yes. Coronavirus State and Local Fiscal Recovery Funds ("Funds") may be used to make loans, provided that the loan is an eligible use and the cost of the loan is tracked and reported in accordance with the points below. See 31 CFR 35.6. For example, a recipient may use Coronavirus State and Local Fiscal Recovery Funds to make loans to small businesses. See 31 CFR 35.6(b)(6). In addition, a recipient may use Funds to finance a necessary investment in water, sewer or broadband, as described in the Interim Final Rule. See 31 CFR 35.6(e).

Funds must be used to cover "costs incurred" by the recipient between March 3, 2021, and December 31, 2024, and Funds must be expended by December 31, 2026. See Section III.D of the Interim Final Rule; 31 CFR 35.5. Accordingly, recipients must be able to determine the amount of Funds used to make a loan.

- <u>For loans that mature or are forgiven on or before December 31, 2026</u>, the recipient must account for the use of funds on a cash flow basis, consistent with the approach to loans taken in the Coronavirus Relief Fund.
  - Recipients may use Fiscal Recovery Funds to fund the principal of the loan and in that case must track repayment of principal and interest (i.e., "program income," as defined under 2 CFR 200).
  - When the loan is made, recipients must report the principal of the loan as an expense.
  - Repayment of principal may be re-used only for eligible uses, and subject to restrictions on timing of use of funds. Interest payments received prior to the end of the period of performance will be considered an addition to the total award and may be used for any purpose that is an eligible use of funds under the statute and IFR. Recipients are not subject to restrictions under 2 CFR 200.307(e)(1) with respect to such payments.

- <u>For loans with maturities longer than December 31, 2026</u>, the recipient may use Fiscal Recovery Funds for only the projected cost of the loan. Recipients may estimate the subsidy cost of the loan, which equals the expected cash flows associated with the loan discounted at the recipient's cost of funding. A recipient's cost of funding can be determined based on the interest rates of securities with a similar maturity to the cash flow being discounted that were either (i) recently issued by the recipient or (ii) recently issued by a unit of state, local, or Tribal government similar to the recipient. Recipients that have adopted the Current Expected Credit Loss

(CECL) standard may also treat the cost of the loan as equal to the CECL-based expected credit losses over the life of the loan. Recipients may measure projected losses either once, at the time the loan is extended, or annually over the covered period.

Under either approach for measuring the amount of funds used to make loans with maturities longer than December 31, 2026, recipients would not be subject to restrictions under 2 CFR 200.307(e)(1) and need not separately track repayment of principal or interest.

Any contribution of Fiscal Recovery Funds to a revolving loan fund must follow the approach described above for loans with maturities longer than December 31, 2026. In other words, a recipient could contribute Fiscal Recovery Funds to a revolving loan fund, provided that the revolving loan fund makes loans that are eligible uses and the Fiscal Recovery Funds contributed represent the projected cost of loans made over the life of the revolving loan fund.

4.12. May funds be used for outreach to increase uptake of federal assistance like the Child Tax Credit or federal programs like SNAP? [7/14]

Yes. Eligible uses to address negative economic impacts include work "to improve efficacy of programs addressing negative economic impacts, including through use of data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations." See 31 CFR 35.6(b)(10). Of note, per the CSFRF/CLFRF Reporting Guidance, allowable use of funds for evaluations may also include other types of program evaluations focused on program improvement and evidence building. In addition, recipients may use funds to facilitate access to health and social services in populations and communities disproportionately impacted by the COVID-19 pandemic, including benefits navigators or marketing efforts to increase consumer uptake of federal tax credits, benefits, or assistance programs that respond to negative economic impacts of the pandemic. See 31 CFR 35.6(b)(12).

5. Eligible Uses – Premium Pay

5.1. What criteria should recipients use in identifying essential workers to receive premium pay?

Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others.

Critical infrastructure sectors include healthcare, education and childcare, transportation, sanitation, grocery and food production, and public health and safety, among others, as provided in the Interim Final Rule. Governments receiving Fiscal Recovery Funds have the discretion to add additional sectors to this list, so long as the sectors are considered critical to protect the health and well-being of residents.

The Interim Final Rule 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.

5.2. What criteria should recipients use in identifying third-party employers to receive grants for the purpose of providing premium pay to essential workers?

Any third-party employers of essential workers are eligible. Third-party contractors who employ essential workers in eligible sectors are also eligible for grants to provide premium pay. Selection of third-party employers and contractors who receive grants is at the discretion of recipients.

To ensure any grants respond to the needs of essential workers and are made in a fair and transparent manner, the rule imposes some additional reporting requirements for grants to third-party employers, including the public disclosure of grants provided.

5.3. May recipients provide premium pay retroactively for work already performed?

Yes. Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic.

6. Eligible Uses – Water, Sewer, and Broadband Infrastructure

6.1. What types of water and sewer projects are eligible uses of funds?

The Interim Final Rule generally aligns eligible uses of the Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).

Under the DWSRF, categories of eligible projects include: treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.

Under the CWSRF, categories of eligible 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.

As mentioned in the Interim Final Rule, eligible projects under the DWSRF and CWSRF support efforts to address climate change, as well as to meet cybersecurity needs to protect water and sewer infrastructure. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury also encourages recipients to consider projects to replace lead service lines.

6.2. May construction on eligible water, sewer, or broadband infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?

Yes. Treasury is interpreting the requirement that costs be incurred by December 31, 2024 to only require that recipients have obligated the funds by such date. The period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with Fiscal Recovery Funds.

6.3. May recipients use funds as a non-federal match for the Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF)?

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

6.4. Does the National Environmental Policy Act (NEPA) apply to eligible infrastructure projects?

NEPA does not apply to Treasury's administration of the Funds. Projects supported with payments from the Funds may still be subject to NEPA review if they are also funded by other federal financial assistance programs.

6.5. What types of broadband projects are eligible?

The Interim Final Rule requires eligible projects to reliably deliver minimum speeds of 100 Mbps download and 100 Mbps upload. In cases where it is impracticable due to geography, topography, or financial cost to meet those standards, projects must reliably deliver at least 100 Mbps download speed, at least 20 Mbps upload speed, and be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

Projects must also be designed to serve unserved or underserved households and businesses, defined as those that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

6.6. For broadband investments, may recipients use funds for related programs such as cybersecurity or digital literacy training?

Yes. Recipients may use funds to provide assistance to households facing negative economic impacts due to Covid-19, including digital literacy training and other programs that promote access to the Internet. Recipients may also use funds for modernization of cybersecurity, including hardware, software, and protection of critical infrastructure, as part of provision of government services up to the amount of revenue lost due to the public health emergency.

6.7. How do I know if a water, sewer, or broadband project is an eligible use of funds? Do I need pre-approval? [6/8]

Recipients do not need approval from Treasury to determine whether an investment in a water, sewer, or broadband project is eligible under CSFRF/CLFRF. Each recipient should review the Interim Final Rule (IFR), along with the preamble to the Interim Final Rule, in order to make its own assessment of whether its intended project meets the eligibility criteria in the IFR. A recipient that makes its own determination that a project meets the eligibility criteria as outlined in the IFR may pursue the project as a CSFRF/CLFRF project without pre-approval from Treasury. Local government recipients similarly do not need state approval to determine that a project is eligible under CSFRF/CLFRF. However, recipients should be cognizant of other federal or state laws or regulations that may apply to construction projects independent of CSFRF/CLFRF funding conditions and that may require pre-approval.

For water and sewer projects, the IFR refers to the EPA Drinking Water and Clean Water State Revolving Funds (SRFs) for the categories of projects and activities that are eligible for funding. Recipients should look at the relevant federal statutes, regulations, and guidance issued by the EPA to determine whether a water or sewer project is eligible. Of note, the IFR does not incorporate any other requirements contained in the federal statutes governing the SRFs or any conditions or requirements that individual states may place on their use of SRFs.

6.8. For broadband infrastructure investments, what does the requirement that infrastructure "be designed to" provide service to unserved or underserved households and businesses mean? [6/17]

Designing infrastructure investments to provide service to unserved or underserved households or businesses means prioritizing deployment of infrastructure that will bring service to households or businesses that are not currently serviced by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed. To meet this requirement, states and localities should use funds to deploy broadband infrastructure projects whose objective is to provide service to unserved or underserved households or businesses. These unserved or underserved households or businesses do not need to be the only ones in the service area funded by the project.

6.9. For broadband infrastructure to provide service to "unserved or underserved households or businesses," must every house or business in the service area be unserved or underserved? [6/17]

No. It suffices that an objective of the project is to provide service to unserved or underserved households or businesses. Doing so may involve a holistic approach that provides service to a wider area in order, for example, to make the ongoing service of unserved or underserved households or businesses within the service area economical. Unserved or underserved households or businesses need not be the *only* households or businesses in the service area receiving funds.

6.10. May recipients use payments from the Funds for "middle mile" broadband projects? [6/17]

Yes. Under the Interim Final Rule, recipients may use payments from the Funds for "middle-mile projects," but Treasury encourages recipients to focus on projects that will achieve last-mile connections—whether by focusing on funding last-mile projects or by ensuring that funded middle-mile projects have potential or partnered last-mile networks that could or would leverage the middle-mile network.

6.11. For broadband infrastructure investments, what does the requirement to "reliably" meet or exceed a broadband speed threshold mean? [6/17]

In the Interim Final Rule, the term "reliably" is used in two places: to identify areas that are eligible to be the subject of broadband infrastructure investments and to identify expectations for acceptable service levels for broadband investments funded by the Coronavirus State and Local Fiscal Recovery Funds. In particular:

- The IFR defines "unserved or underserved households or businesses" to mean one or more households or businesses that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speeds and 3 Mbps of upload speeds.

- The IFR provides that a recipient may use Coronavirus State and Local Fiscal Recovery Funds to make investments in broadband infrastructure that are designed to provide service to unserved or underserved households or businesses and that are designed to, upon completion: (i) reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds; or (ii) in limited cases, reliably meet or exceed 100 Mbps download speed and between 20 Mbps and 100 Mbps upload speed and be scalable to a minimum of 100 Mbps download and upload speeds.

The use of "reliably" in the IFR provides recipients with significant discretion to assess whether the households and businesses in the area to be served by a project have access to wireline broadband service that can actually and consistently meet the specified thresholds of at least 25Mbps/3Mbps—i.e., to consider the actual experience of current wireline broadband customers that subscribe to services at or above the 25 Mbps/3 Mbps threshold. Whether there is a provider serving the area that advertises or otherwise claims to offer speeds that meet the 25 Mbps download and 3 Mbps upload speed thresholds is not dispositive.

When making these assessments, recipients may choose to consider any available data, including but not limited to documentation of existing service performance, federal and/or state-collected broadband data, user speed test results, interviews with residents and business owners, and any other information they deem relevant. In evaluating such data, recipients may take into account a variety of factors, including whether users actually receive service at or above the speed thresholds at all hours of the day, whether factors other than speed such as latency or jitter, or deterioration of the existing connections make the user experience unreliable, and whether the existing service is being delivered by legacy technologies, such as copper telephone lines (typically using Digital Subscriber Line technology) or early versions of cable system technology (DOCSIS 2.0 or earlier).

The IFR also provides recipients with significant discretion as to how they will assess whether the project itself has been designed to provide households and businesses with broadband services that meet, or even exceed, the speed thresholds provided in the rule.

6.12. May recipients use Funds for pre-project development for eligible water, sewer, and broadband projects? [6/23]

Yes. To determine whether Funds can be used on pre-project development for an eligible water or sewer project, recipients should consult whether the pre-project development use or cost is eligible under the Drinking Water and Clean Water State Revolving Funds (CWSRF and DWSRF, respectively). Generally, the CWSRF and DWSRF often allow for pre-project development costs that are tied to an eligible project, as well as those that are reasonably expected to lead to a project. For example, the DWSRF allows for planning and evaluations uses, as well as numerous pre-project development costs, including costs associated with obtaining project authorization, planning and design, and project start-up like training and warranty for equipment. Likewise, the CWSRF allows for broad pre-project development, including planning and assessment activities, such as cost and effectiveness analyses, water/energy audits and conservation plans, and capital improvement plans.

Similarly, pre-project development uses and costs for broadband projects should be tied to an eligible broadband project or reasonably expected to lead to such a project. For example, pre-project costs associated with planning and engineering for an eligible broadband infrastructure build-out is considered an eligible use of funds, as well as technical assistance and evaluations that would reasonably be expected to lead to commencement of an eligible project (e.g., broadband mapping for the purposes of finding an eligible area for investment).

All funds must be obligated within the statutory period between March 3, 2021 and December 31, 2024, and expended to cover such obligations by December 31, 2026.

6.13. May State and Local Fiscal Recovery Funds be used to support energy or electrification infrastructure that would be used to power new water treatment plants and wastewater systems? [7/14]

The EPA's Overview of Clean Water State Revolving Fund Eligibilities describes eligible energy-related projects. This includes a "[p]ro rata share of capital costs of offsite clean energy facilities that provide power to a treatment works." Thus, State and Local Fiscal Recovery Funds may be used to finance the generation and delivery of clean power to a wastewater system or a water treatment plant on a pro-rata basis. If the wastewater system or water treatment plant is the sole user of the clean energy, the full cost would be considered an eligible use of funds. If the clean energy provider provides power to other entities, only the proportionate share used by the water treatment plant or wastewater system would be an eligible use of State and Local Fiscal Recovery Funds.

6.14. How should states and local governments assess whether a stormwater management project, such as a culvert replacement, is an eligible project for State and Local Fiscal Recovery Funds? [7/14]

FAQ 6.7 describes the overall approach that recipients may take to evaluate the eligibility of water or sewer projects. For stormwater management projects specifically, as noted in the EPA's Overview of Clean Water State Revolving Fund Eligibilities, "Stormwater projects must have a water quality benefit." Thus, to be eligible under CSFRF/CLFRF, stormwater management projects should be designed to incorporate water quality benefits consistent with the goals of the Clean Water Act. Summary of the Clean Water Act.

6.15. May recipients use Funds for road repairs and upgrades that occur in connection with an eligible water or sewer project? [7/14]

Yes, recipients may use State and Local Fiscal Recovery Funds for road repairs and upgrades directly related to an eligible water or sewer project. For example, a recipient could use Funds to repair or re-pave a road following eligible sewer repair work beneath it. However, use of Funds for general infrastructure projects is subject to the limitations described in FAQ 4.2. Water and sewer infrastructure projects are often a single component of a broader transportation infrastructure project, for example, the implementation of stormwater infrastructure to meet Clean Water Act established water quality standards. In this example, the components of the infrastructure project that interact directly with the stormwater infrastructure project may be funded by Fiscal Recovery Funds.

6.16. May Funds be used to build or upgrade broadband connections to schools or libraries? [7/14]

As outlined in the IFR, recipients may use Fiscal Recovery Funds to invest in broadband infrastructure that, wherever it is practicable to do so, is designed to deliver service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps to households or businesses that are not currently serviced by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed. Treasury interprets "businesses" in this context broadly to include non-residential users of broadband, including private businesses and institutions that serve the public, such as schools, libraries, healthcare facilities, and public safety organizations.

6.17. Are eligible infrastructure projects subject to the Davis-Bacon Act? [7/14]

The Davis-Bacon Act requirements (prevailing wage rates) do not apply to projects funded solely with award funds from the CSFRF/CLFRF program, except for CSFRF/CLFRF-funded construction projects undertaken by the District of Columbia. The Davis-Bacon Act specifically applies to the District of Columbia when it uses federal funds (CSFRF/CLFRF funds or otherwise) to enter into contracts over $2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Recipients may be otherwise subject to the requirements of the Davis-Bacon Act, when CSFRF/CLFRF award funds are used on a construction project in conjunction with funds from another federal program that requires enforcement of the Davis-Bacon Act. Additionally, corollary state prevailing-wage-in-construction laws (commonly known as "baby Davis-Bacon Acts") may apply to projects. Please refer to FAQ 4.10 concerning projects funded with both CSFRF/CLFRF funds and other sources of funding.

Treasury has indicated in its Interim Final Rule that it is important that necessary investments in water, sewer, or broadband infrastructure be carried out in ways that produce high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. Treasury encourages recipients to ensure that water, sewer, and broadband projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions, not only to promote effective and efficient delivery of high-quality infrastructure projects, but also to support the economic recovery through strong employment opportunities for workers. Using these practices in construction projects may help to ensure a reliable supply of skilled labor that would minimize disruptions, such as those associated with labor disputes or workplace injuries.
Treasury has also indicated in its reporting guidance that recipients will need to provide documentation of wages and labor standards for infrastructure projects over $10 million, and that that these requirements can be met with certifications that the project is in compliance with the Davis-Bacon Act (or related state laws, commonly known as "baby Davis-Bacon Acts") and subject to a project labor agreement. Please refer to the Reporting and Compliance Guidance, page 21, for more detailed information on the reporting requirement.

7. Non-Entitlement Units (NEUs)

Answers to frequently asked questions on distribution of funds to NEUs can be found in this FAQ supplement, which is regularly updated.

8. Ineligible Uses

8.1. What is meant by a pension "deposit"? Can governments use funds for routine pension contributions for employees whose payroll and covered benefits are eligible expenses?

Treasury interprets "deposit" in this context to refer to an extraordinary payment into a pension fund for the purpose of reducing an accrued, unfunded liability. More specifically, the interim final rule does not permit this assistance to be used to make a payment into a pension fund if both: (1) the payment reduces a liability incurred prior to the start of the COVID-19 public health emergency, and (2) the payment occurs outside the recipient's regular timing for making such payments.

Under this interpretation, a "deposit" is distinct from a "payroll contribution," which occurs when employers make payments into pension funds on regular intervals, with contribution amounts based on a pre-determined percentage of employees' wages and salaries. In general, if an employee's wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee's covered benefits as an eligible use of Fiscal Recovery Funds.

8.2. May recipients use Fiscal Recovery Funds to fund Other Post-Employment Benefits (OPEB)? [6/8]

OPEB refers to benefits other than pensions (see, e.g., Governmental Accounting Standards Board, "Other Post-Employment Benefits"). Treasury has determined that Sections 602(c)(2)(B) and 603(c)(2), which refer only to pensions, do not prohibit CSFRF/CLFRF recipients from funding OPEB. Recipients of either the CSFRF/CLFRF may use funds for eligible uses, and a recipient seeking to use CSFRF/CLFRF funds for OPEB contributions would need to justify those contributions under one of the four eligible use categories.

9. Reporting

On November 5, 2021, Treasury released updated Guidance on Recipient Compliance and Reporting Responsibilities for the Coronavirus State and Local Fiscal Recovery Funds. Recipients should consult this guidance for additional detail and clarification on recipients' compliance and reporting responsibilities. A user guide will be provided with additional information associated with the submission of reports. .

9.1. What records must be kept by governments receiving funds?

Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. This includes those which demonstrate the award funds were used for eligible purposes in accordance with the ARPA, Treasury's regulations implementing those sections, and Treasury's guidance on eligible uses of funds.

9.2. What reporting will be required, and when will the first report be due?[2]

Recipients will be required to submit an interim report, project and expenditure reports, and annual Recovery Plan Performance Reports as specified below, regarding their utilization of Coronavirus State and Local Fiscal Recovery Funds.

<u>Interim reports</u>: States (defined to include the District of Columbia), territories, metropolitan cities, counties, and Tribal governments will be required to submit one interim report. The interim report will include a recipient's expenditures by category at the summary level and for states, information related to distributions to non-entitlement units of local government must also be included in the interim report. The interim report covered activity from the date of award to July 31, 2021 and were due to Treasury by August 31, 2021 or 60 days after receiving funding if funding was received by October 15, 2021. Non-entitlement units of local government were not required to submit an interim report.

<u>Project and Expenditure reports</u>: State (defined to include the District of Columbia), territorial, metropolitan city, county, and Tribal governments will be required to submit project and expenditure reports. This report will include financial data, information on contracts and subawards over $50,000, types of projects funded, and other information regarding a recipient's utilization of award funds.

Reports will be required quarterly for the following recipients:

- States and territories
- Metropolitan cities and counties with population over 250,000
- Metropolitan cities and counties with population less than 250,000 that received an award of more than $10 million
- Tribal governments that received an award of more than $30 million.

The initial project and expenditure report for quarterly recipients will be due January 31, 2022 and will cover the period of March 3, 2021 to December 31, 2021. The subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

Reports will be required annually for the following recipients:

- Metropolitan cities and counties with population less than 250,000 that received an award less than $10 million,
- Tribal governments that received an award less than $30 million
- Non-entitlement units of government

[2] This question was updated on November 15, 2021

The initial project and expenditure report for annual filers will be due April 30, 2022 and will cover the period of March 3, 2021 to March 31, 2022. The subsequent annual reports must be submitted to Treasury by April 30 each year.

The reports will include the same general data as those submitted by recipients of the Coronavirus Relief Fund, with some modifications to expenditure categories and the addition of data elements related to specific eligible uses.

Recovery Plan Performance Reports: States (defined to include the District of Columbia), territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance Report to Treasury. This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program. The initial Recovery Plan Performance Report will cover activity from date of award to July 31, 2021 was due to Treasury by August 31, 2021 or 60 days after receiving funding. Thereafter, the Recovery Plan Performance Reports will cover a 12-month period and recipients will be required to submit the report to Treasury within 30 days after the end of the 12-month period. The second Recovery Plan Performance Report will cover the period from July 1, 2021 to June 30, 2022 and must be submitted to Treasury by July 31, 2022. Each annual Recovery Plan Performance Report must be posted on the public-facing website of the recipient. Local governments with fewer than 250,000 residents, Tribal governments, and non-entitlement units of local government are not required to develop a Recovery Plan Performance Report.

Please see the Guidance on Recipient Compliance and Reporting Responsibilities for more information.

9.3. What provisions of the Uniform Guidance for grants apply to these funds? Will the Single Audit requirements apply?

Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including the Cost Principles and Single Audit Act requirements. Recipients should refer to the Assistance Listing for detail on the specific provisions of the Uniform Guidance that do not apply to this program. The Assistance Listing will be available on beta.SAM.gov.

9.4. Once a recipient has identified a reduction in revenue, how will Treasury track use of funds for the provision of government services? [6/8]

The ARPA establishes four categories of eligible uses and further restrictions on the use of funds to ensure that Fiscal Recovery Funds are used within the four eligible use categories. The Interim Final Rule implements these restrictions, including the scope of the eligible use categories and further restrictions on tax cuts and deposits into pensions. Reporting requirements will align with this structure.

Consistent with the broad latitude provided to recipients to use funds for government services to the extent of the reduction in revenue, recipients will be required to submit a description of services provided. As discussed in IFR, these services can include a broad range of services but may not be used directly for pension deposits, contributions to reserve funds, or debt service. Recipients may use sources of funding other than Fiscal Recovery Funds to make deposits to pension funds, contribute to reserve funds, and pay debt service, including during the period of performance for the Fiscal Recovery Fund award.

For recipients using Fiscal Recovery Funds to provide government services to the extent of reduction in revenue, the description of government services reported to Treasury may be narrative or in another form, and recipients are encouraged to report based on their existing budget processes and to minimize administrative burden. For example, a recipient with $100 in revenue replacement funds available could indicate that $50 were used for personnel costs and $50 were used for pay-go building of sidewalk infrastructure.

In addition to describing the government services provided to the extent of reduction in revenue, all recipients will also be required to indicate that Fiscal Recovery Funds are not used directly to make a deposit in a pension fund. Further, recipients subject to the tax offset provision will be required to provide information necessary to implement the Interim Final Rule, as described in the Interim Final Rule. Treasury does not anticipate requiring other types of reporting or recordkeeping on spending in pensions, debt service, or contributions to reserve funds.

These requirements are further detailed in the guidance on reporting requirements for the Fiscal Recovery Funds available here.

9.5. What is the Assistance Listing and Catalog of Federal Domestic Assistance (CFDA) number for the program? [6/8]

The Assistance Listing for the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) was published May 28, 2021 on SAM.gov. This includes the final CFDA Number for the program, 21.027.

The assistance listing includes helpful information including program purpose, statutory authority, eligibility requirements, and compliance requirements for recipients. The CFDA number is the unique 5-digit code for each type of federal assistance, and can be used to search for program information, including funding opportunities, spending on usaspending.gov, or audit results through the Federal Audit Clearinghouse.

To expedite payments and meet statutory timelines, Treasury issued initial payments under an existing CFDA number. If you have already received funds or captured the initial CFDA number in your records, please update your systems and reporting to reflect the final CFDA number 21.027. **Recipients must use the final CFDA number for all**

financial accounting, audits, subawards, and associated program reporting requirements.

To ensure public trust, Treasury expects all recipients to serve as strong stewards of these funds. This includes ensuring funds are used for intended purposes and recipients have in place effective financial management, internal controls, and reporting for transparency and accountability.

Please see Treasury's Interim Final Rule and the Guidance on Recipient Compliance and Reporting Responsibilities for more information.

10. Miscellaneous

10.1. May governments retain assets purchased with Fiscal Recovery Funds? If so, what rules apply to the proceeds of disposition or sale of such assets?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds. If such assets are disposed of prior to December 31, 2024, the proceeds would be subject to the restrictions on the eligible use of payments.

10.2. Can recipients use funds for administrative purposes?

Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID–19 public health emergency and its negative economic impacts. This includes, but is not limited to, costs related to disbursing payments of Fiscal Recovery Funds and managing new grant programs established using Fiscal Recovery Funds.

10.3. Are recipients required to remit interest earned on CSFRF/CLFRF payments made by Treasury? [5/27, updated 7/14]

No. CSFRF/CLFRF payments made by Treasury to states, territories, and the District of Columbia are not subject to the requirement of the Cash Management Improvement Act and Treasury's implementing regulations at 31 CFR part 205 to remit interest to Treasury. CSFRF/CLFRF payments made by Treasury to local governments and Tribes are not subject to the requirement of 2 CFR 200.305(b)(8)–(9) to maintain balances in an interest-bearing account and remit payments to Treasury. Moreover, interest earned on CSFRF/CLFRF payments is not subject to program restrictions. Finally, States may retain interest on payments made by Treasury to the State for distribution to NEUs that is earned before funds are distributed to NEUs, provided that the State adheres to the statutory requirements and Treasury's guidance regarding the distribution of funds to NEUs. Such interest is also not subject to program restrictions.

Among other things, States and other recipients may use earned income to defray the administrative expenses of the program, including with respect to NEUs.

10.4. Is there a deadline to apply for funds? [5/27]

The Interim Final Rule requires that costs be incurred by December 31, 2024. Direct recipients are encouraged to apply as soon as possible. For direct recipients other than Tribal governments, there is not a specific application deadline.

Tribal governments do have deadlines to complete the application process and should visit www.treasury.gov/SLFRPTribal for guidance on applicable deadlines.

Non-entitlement units of local government should contact their state government for information on applicable deadlines.

10.5. May recipients use funds to cover the costs of consultants to assist with managing and administering the funds? [6/8]

Yes. Recipients may use funds for administering the CSFRF/CLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements.

11. Operations

11.1. How do I know if my entity is eligible?

The Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act of 2021 set forth the jurisdictions eligible to receive funds under the program, which are:

- States and the District of Columbia
- Territories
- Tribal governments
- Counties
- Metropolitan cities (typically, but not always, those with populations over 50,000)
- Non-entitlement units of local government, or smaller local governments (typically, but not always, those with populations under 50,000)

11.2. How does an eligible entity request payment?

Eligible entities (other than non-entitlement units) must submit their information to the Treasury Submission Portal. Please visit the **Coronavirus State and Local Fiscal Recovery Fund website** for more information on the submission process.

11.3. I cannot log into the Treasury Submission Portal or am having trouble navigating it. Who can help me?

If you have questions about the Treasury Submission Portal or for technical support, please email covidreliefitsupport@treasury.gov.

11.4. What do I need to do to receive my payment?

All eligible payees are required to have a DUNS Number previously issued by Dun & Bradstreet (https://www.dnb.com/).

All eligible payees are also required to have an active registration with the System for Award Management (SAM) (https://www.sam.gov).

And eligible payees must have a bank account enabled for Automated Clearing House (ACH) direct deposit. Payees with a Wire account are encouraged to provide that information as well.

More information on these and all program pre-submission requirements can be found on the **Coronavirus State and Local Fiscal Recovery Fund website**.

11.5. Why is Treasury employing id.me for the Treasury Submission Portal?

ID.me is a trusted technology partner to multiple government agencies and healthcare providers. It provides secure digital identity verification to those government agencies and healthcare providers to make sure you're you – and not someone pretending to be you – when you request access to online services. All personally identifiable information provided to ID.me is encrypted and disclosed only with the express consent of the user. Please refer to ID.me Contact Support for assistance with your ID.me account. Their support website is https://help.id.me.

11.6. Why is an entity not on the list of eligible entities in Treasury Submission Portal?

The ARPA statute lays out which governments are eligible for payments. The list of entities within the Treasury Submission Portal includes entities eligible to receive a direct payment of funds from Treasury, which include states (defined to include the District of Columbia), territories, Tribal governments, counties, and metropolitan cities.

Eligible non-entitlement units of local government will receive a distribution of funds from their respective state government and should not submit information to the Treasury Submission Portal.

If you believe an entity has been mistakenly left off the eligible entity list, please email SLFRP@treasury.gov.

11.7. What is an Authorized Representative?

An Authorized Representative is an individual with legal authority to bind the government entity (e.g., the Chief Executive Officer of the government entity). An Authorized Representative must sign the Acceptance of Award terms for it to be valid.

11.8. How does a Tribal government determine their allocation?

Tribal governments will receive information about their allocation when the submission to the Treasury Submission Portal is confirmed to be complete and accurate.

11.9. How do I know the status of my request for funds (submission)?

Entities can check the status of their submission at any time by logging into Treasury Submission Portal.

11.10. My Treasury Submission Portal submission requires additional information/correction. What is the process for that?

If your Authorized Representative has not yet signed the award terms, you can edit your submission with in the into Treasury Submission Portal. If your Authorized Representative has signed the award terms, please email SLFRP@treasury.gov to request assistance with updating your information.

11.11. My request for funds was denied. How do I find out why it was denied or appeal the decision?

Please check to ensure that no one else from your entity has applied, causing a duplicate submission. Please also review the list of all eligible entities on the **Coronavirus State and Local Fiscal Recovery Fund website**.

If you still have questions regarding your submission, please email SLFRP@treasury.gov.

11.12. When will entities get their money?

Before Treasury is able to execute a payment, a representative of an eligible government must submit the government's information for verification through the Treasury Submission Portal. The verification process takes approximately four business days. If any errors are identified, the designated point of contact for the government will be contacted via email to correct the information before the payment can proceed. Once verification is complete, the designated point of contact of the eligible government will receive an email notifying them that their submission has been verified. Payments are generally scheduled for the next business day after this verification email, though funds may not be available immediately due to processing time of their financial institution.

11.13. How does a local government entity provide Treasury with a notice of transfer of funds to its State?

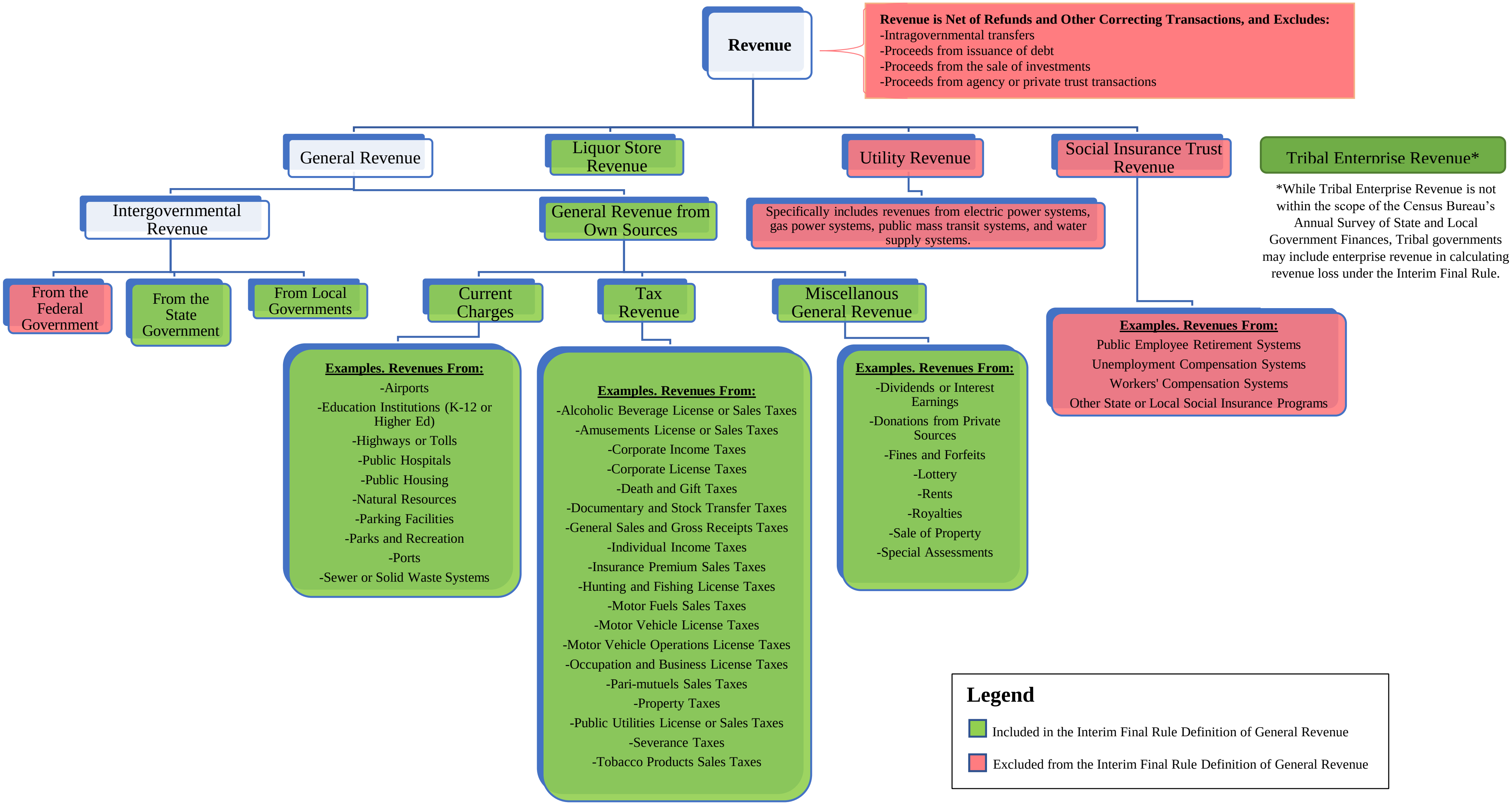
For more information on how to provide Treasury with notice of transfer to a state, please email SLRedirectFunds@treasury.gov.

12. Tribal Governments

12.1. Do Treasury's pandemic recovery program awards terms and conditions impose civil rights laws on Tribes?

The award terms and conditions for Treasury's pandemic recovery programs, including the CSFRF, do not impose antidiscrimination requirements on Tribal governments beyond what would otherwise apply under federal law. Treasury is amending its reporting requirements with respect to the CSFRF, Treasury's Emergency Rental Assistance Program, and Homeowner Assistance Fund to reflect this clarification.

Appendix: Interim Final Rule Definition of General Revenue Within the Census Bureau Classification Structure of Revenue



Source: [U.S. Bureau of the Census Government Finance and Employment Classification Manual, 2006]; [Annual Survey of State and Local Government Finances]

ATTACHMENT 5:

PowerPoint Presentation

American Rescue Plan Update (ARPA) and Proposed ARPA Spending Plan (Draft)

City of Goleta
City Council Workshop
January 5, 2022

CITY OF GOLETA

ARPA Overview

- Signed into law March 11, 2021
- $1.9 trillion aid package that provides relief funding
- $350 billion allocation for State and Local governments (Coronavirus State and Local Fiscal Recovery Fund)
  - $195 billion State government
  - $130 billion allocated to cities and counties
  - $20 billion tribal governments
  - $10 billion Capital Project Fund
- Local government cities classified as either:
  - Entitlement cities (generally populations over 50,000) or;
  - Non-entitlement cities (generally populations under 50,000)
    - Goleta classified as an entitlement city due to its status with the CDBG Program as a designated principal city.
  - Entitlement cities are subject to additional reporting requirements and report directly Treasury
  - Non-entitlement cities report directly to the State of California Department of Finance.

ARPA Overview - Funding Objectives

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic

ARPA Overview - Local Allocation

Name	Amount Allocated	
County of Santa Barbara	$	86,727,196
Cities:		
City of Santa Maria	$	37,190,243
City of Santa Barbara	$	21,837,523
City of Lompoc	$	12,908,901
City of Goleta	$	5,933,990
City of Carpinteria	$	3,201,977
City of Guadalupe	$	1,861,859
City of Solvang	$	1,396,574
City of Buellton	$	1,220,507
Total Cities:	**$**	**85,551,574**
Total County and Cities	**$**	**172,278,770**

- Total County allocation: $86.7 million
- Total Cities allocation: $85.6 million
- Allocation methodology follows CDBG formula

ARPA Overview - Goleta’s Allocation

- Goleta allocated $5,933,900 in direct one-time Treasury funding
  - Funding disbursement made in two tranches of $2,966,995 each
    - Goleta’s first payment received in July 2021. Second disbursement should be received one year later, July 2022.
  - Funds must be obligated by December 31, 2024 and spent by December 31, 2026; unexpended funds must be returned to Treasury
  - Initial guidance issued May 10, known as the Interim Final Rule (IFR) – Not yet final, continue into fall
  - Presented preliminary information during budget workshops held May 25 and June 1, 2021
  - Met with Finance Committee on September 28, 2021 for feedback
  - Updated Proposed Spending Plan as of December 21, 2022
  - Detailed periodic reporting regarding use of funds is required

Use of Funds – Interim Final Rule Guidance

Eligible Uses:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- **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 public sector revenue,** using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- **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,
- **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.

Use of Funds – Interim Final Rule Guidance

Ineligible Uses:

- Paying interest or principal on outstanding debt.
- Replenishing rainy day or other reserve funds.
- Paying settlements or judgments.
- Offsetting tax reductions or delaying a tax or a tax increase.
- Pension deposits.
- Non-federal funding match if barred by regulation or statute.

Use of Funds – Staff Recommendation

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

- Revenue loss – measured relative to the revenue collected in the most recent full fiscal year prior to the emergency (FY 2018/19)
- Revenues include all “general revenues”, which includes all General Fund and Special Revenue Funds, with exclusions related to any trust, fiduciary, federal or internal service funds
- Revenue can be used to enable governments to continue to provide services
- Counterfactual trend assumes a 4.1% growth rate (or average of three prior year’s annual growth) and represents what could have been expected in absence of the pandemic.
- Reduction calculated on December 31, 2020, 2021, 2022, and 2023

Use of Funds – Staff Recommendation

Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction?

- The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue.
- Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.
- Makes ARPA funds more discretionary

Use of Funds – Staff Recommendation

Revenue Loss Table - Workshop				
Revenue Loss Summary				
Base Year Revenue	$ 42,349,806	*FY 18/19 revenues*		
Growth Adjustment	4.1%	*IFR allowable rate*		
Reporting Period (Measurement Period)	**Months Elapsed**	**Counterfactual Revenue**	**Actual Revenue**	**Revenue Loss**
January 1, 2020 - December 31, 2020	18	$ 44,980,836	$36,851,331	-$8,129,505
January 1, 2021 - December 31, 2021	30	$ 46,825,050	*$38,362,235*	*-$8,462,815*
January 1, 2022 - December 31, 2022	42	$ 48,744,877	*$39,935,087*	*-$8,809,790*
January 1, 2023 - December 31, 2023	54	$ 50,743,417	*$41,572,426*	*-$9,170,992*
			Total	*-$34,573,102*
			Total Revenue Loss January 1 2020 - December 31, 2020	**-$8,129,505**

- **City reported a revenue loss of $8,129,505**.
- The calculated revenue loss exceeds the ARPA allocation of $5,933,990 by $2,195,515, allowing the City to make a full claim for the revenue loss expenditure category.
- Staff recommends that the entirety of the City's ARPA disbursement be recognized as revenue loss to ensure the City can continue to provide the needed services and maintain flexibility in use of funds.

Proposed Draft ARPA Spending Plan

GFOA Guiding Principles (Summarized):

- ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.
- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment. Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve and maintain structural balance in future budgets.
- Investment in critical infrastructure is particularly well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.
- Local jurisdictions should be aware of plans for ARPA funding throughout their communities.
- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.

Proposed Draft ARPA Spending Plan

Recommended use of the ARPA funds after revenue loss claim is made:

ARPA Funding Recommendations (as of September 28, 2021)			
ARPA Category	**FY 21/22**	**FY 22/23**	**Total**
Revenue Loss	$ 5,933,990		**$ 5,933,990**
Recommended Uses after Revenue Loss			
Priority Capital Improvement Projects	$ 4,933,990		$ 4,933,990
Other Organization/Non-Profit Grant Support	$ 500,000	$ 500,000	$ 1,000,000
Total	**$ 5,433,990**	**$ 500,000**	**$ 5,933,990**

- Staff recommends the use of $4.93 million of these one-time funds for active priority capital improvement projects in need of funding and a set aside of $1 million for one-time grant funding.
- It is further recommended that the one-time grant funding of $1 million to be considered through a process similar to the City Grants Program

Updated Proposed Draft ARPA Spending Plan

Recommended use of the ARPA funds after revenue loss claim is made:

ARPA Funding Recommendations (as of December 21, 2021)			
ARPA Category	**FY 21/22**	**FY 22/23**	**Total**
Revenue Loss	$ 5,933,990		**$ 5,933,990**
Recommended Uses after Revenue Loss			
Priority Capital Improvement Projects	$ 4,933,990		$ 4,933,990
Other Organization/Non-Profit Grant Support	$ 150,000	$ 150,000	$ 300,000
Support to Other Government Agencies for Regional Projects	$ 700,000		$ 700,000
Total	**$ 5,433,990**	**$ 500,000**	**$ 5,933,990**

- Staff recommends the use of $4.93 million of these one-time funds for active priority capital improvement projects in need of funding, $700,000 for support to other government agencies for regional projects and a set aside of $300,000 for one-time grant funding.
- It is further recommended that the one-time grant funding of $300,000 to be considered through a process similar to the City Grants Program

Updated Proposed Draft ARPA Spending Plan

Staff recommends setting aside $4.9 million active unfunded priority CIP Projects

The following table is a hypothetical scenario for presentation purposes. Actual numbers will depend on timing of projects and amount needed to complete.

Public Works and NSPS Active Projects **Hypothetical Gap Funding Source:**

Project Number	Project Name	Unfunded Costs	GF Unassigned Fund Balance	DIF or Other Funds	GF Facilities Reserve	Debt	ARPA	Total
9002 (R1)	Ekwill Street & Fowler Road Extensions	*2,178,423*					2,178,423	2,178,423
9025	Fire Station 10	*14,821,994*				14,821,994		14,821,994
9101	City Hall Purchase and Improvements - Elevator	*435,500*		435,500				435,500
9067	Goleta Community Center Improvements	*3,596,312*	3,596,312					3,596,312
TBD-9115	Public Works Corporation Yard Repairs and Improvements	*500,000*			500,000			500,000
9053	Cathedral Oaks Crib Wall Repair	*7,550,000*	2,100,000			3,450,000	2,000,000	7,550,000
9006	San Jose Creek Bike Path - Northern & Southern Segments	*3,705,000*	2,805,000	900,000				3,705,000
9063	Evergreen Park Improvements	*1,000,000*	700,000		300,000			1,000,000
9027 (R5)	Goleta US 101 Overcrossing	38,000,000				38,000,000		38,000,000
	CIP Project Funding						755,567	
	Total	**71,787,229**	**9,201,312**	**1,335,500**	**800,000**	**56,271,994**	**4,933,990**	**71,787,229**
		GF Unassigned Fund Balance	***9,456,339***			***ARPA Balance:***	***5,933,990***	
		Adjusted Balance:	***255,027***			***Adjusted Balance:***	***1,000,000***	

Updated Proposed Draft ARPA Spending Plan

Staff recommends setting aside $1 million for one-time grants, with funding spread across two fiscal years ($500,000 in FY 21/22 and $500,000 in FY 22/23).

- Staff recommends having a public process similar to the City Grants Program to assist Council in selecting funding recipients.
- Process includes publishing a Notice of Funding Availability, utilizing ZoomGrants, review and evaluation from Grant Funding Review Standing Committee. The Committee then would provide a recommendation to the whole Council on which applicants to fund.
- In addition, staff is seeking direction from Council if they want to identify certain funding priorities.
- The following table summarizes a hypothetical timeline and description of the process:

Date	Description
January 5	City Council Workshop – ARPA Spending Plan
February 1	Notice of Funding Availability
March 31	Grant Application Submittal Deadline
April TBD	Grant Funding Review and Recommendations
May TBD	City Council Award
June TBD	Grant Funds Released (contingent upon award agreements)

Updated Proposed Draft ARPA Spending Plan

ARPA Funds for Other Government Agencies and One-Time Grant Funds

- At the time of preparing this report/presentation, staff has received various request for ARPA funds or request for information on use of ARPA funds from the following list of agencies:

UPDATED TABLE AS OF 12/21/2021

Entity	Description
Fairview Gardens	Farmhouse renovation - supplemental funding needed for pre-construction phase
SB Emergency Childcare Initiative	Joint funding for child care recovery and emergency preparedness.
Foodbank of Santa Barbara County	Capital campaign request
SBCAG and other agencies	Regional approach to developing broadband
United Food and Commercial Workers (UFCW)	Essential grocery and drug retail workers "hero" pay
Santa Barbara Foundation	To be determined. Reached out to get information or how could be of assistance.
County of Santa Barbara	Supportive services for Emergency Housing Vouchers
Goleta Sanitary District	Biosolids to Energy Strategic Plan
Housing Authority of the County of Santa Barbara	Homelessness services, capital acquisition

The entities listed in this table are for presentation and informational purposes only.

Summary of Fiscal Impacts and Other Information

ARPA allocation of $5,933,990:

- Accounted for in a separate Fund 423, official fund name is the Coronavirus State and Local Fiscal Recovery Funds.
- Final Assistance Listing Number (formerly Catalog of Federal Domestic Assistance) number for the program is 20.027.
- Use of funds are subject to the provisions of the Uniform Guidance (2 CFR Part 200), including the Cost Principles and Single Audit Act requirements.
- Any interest earnings of this fund will be retained by the General Fund and is considered to offset internal administrative expenses as clarified by the U.S. Department of Treasury.
- Claiming revenue loss expenditure category gives the City greatest flexibility on use of funds and helps reduce staffing impacts on reporting requirements.
- Current active unfunded projects were estimated at $33.8 million (not including $38 million for Goleta US 101 Overcrossing), the ARPA allocation will be used to supplement the General Fund or debt issuance

Summary of Recommendations

Staff Recommendations:

- Staff recommends to accept the deposit of the entirety of American Rescue Plan Act dollars as lost revenue replacement.
- Staff recommends a preliminary ARPA Spending Plan that prioritizes the use of $4.93 million of these one-time funds for active priority capital improvement projects in need of funding, $700,000 to support other government agencies for regional projects and a set aside of $300,000 for one-time grant funding
  - Staff recommends utilizing a process like the City Grants Program
  - Staff is seeking direction from Council if they want to identify certain funding priorities for the one-time grants
  - Staff recommends City Council authorize City Manager to submit letter of acknowledge and support for the Housing Authority

Alternatives:

- Council could choose to claim a different expenditure category other than the revenue loss category, which will limit flexibility on use of funds and additional reporting requirements.
- Council could choose to change the amounts recommended for funding allocation
- Council could choose to delay the ARPA Spending Plan and use of ARPA funds until the Final Rule is issued in the fall, or choose to only allocate the first half of funds and consider the second half of the funds at a later date.

Next Steps

Based on Council direction, staff will either bring back a final spending plan at the next City Council meeting or if Council supports staff recommendation, staff will do the following:

1) Begin the Notice of Funding Availability for ARPA grant funding, targeting February 1st, 2022, with $150,000 programmed in FY 21/22 and $150,000 in FY 22/23 for a grand total of $300,000.
2) Finalize amounts of the $700,000 set aside for support to other government agencies for regional projects.
3) Identify and finalize specific unfunded CIP projects that can utilize the $4.9 million and include these amounts in the CIP and Capital Maintenance Funding Plan. (*This plan is anticipated to be first reviewed by the Finance Committee in February and presented to Council thereafter for direction. The actual appropriation will come when actual costs are known.)*
4) If Council supports staff's recommendation, the budget appropriations will be brought forward for Council approval at future Quarterly Financial Review or when applicable.

Looking Ahead

Date	Description
January 5, 2022	**Workshop – Draft ARPA Spending Plan**
January TBD	**Finance Committee Meeting** FY 20/21 Audit, Annual Comprehensive Financial Report and OPEB Actuary Report
February 1, 2022	**FY 20/21 Annual Comprehensive Financial Report**
February 15, 2022	**FY 21/22 Second Quarter (Mid-Year) Financial Review**
February TBD	**Finance Committee Meeting** CIP Funding and Capital Maintenance Plan
February TBD	**Finance Committee Meeting** Revenue Generation Options Update
January – June 2022	**FY 22/23 Mid-Cycle Budget Update**

General Fund - Fund Balance and Reserves

Classification	FY 20/21 Ending Fund Balance	Increase	Decrease	FY 21/22 Est. Ending Fund Balance	Reserve Adjustments	FY 21/22 Revised Est. Ending Fund Balance
Prepaids and Deposit	25,674			25,674	-	25,674
City Hall Solar Removal	-	94,500		94,500		94,500
Public Facilities	830,108			830,108		830,108
Capital Equipment	658,579			658,579		658,579
Compensated Leave	404,111			404,111		404,111
Building Maintenance	-			-		-
Risk Management	200,000			200,000		200,000
Litigation Defense Fund	300,000			300,000		300,000
Contingency	8,342,714	1,787,000		10,129,713	-	10,129,713
Street Maintenance	-			-		-
Sustainability	264,893		(264,893)	-		-
OPEB UAL	333,500			333,500		333,500
CalPERS Pension UAL	170,000			170,000		170,000
CIP Project - GCC FEMA Matcl	-			1,296,312		1,296,312
CIP Project Funding	762,774			762,774		762,774
Encumbrances	1,172,308			1,172,308		1,172,308
FMV Adjustment	78,720			78,720		78,720
Unassigned Fund Balance	19,249,277		(6,729,676)	11,223,289	(160,831)	11,062,458
Total	**32,792,658**	**$ 1,881,500**	**$ (6,994,569)**	**$ 27,679,588**	**$ (160,831)**	**$ 27,518,757**

- *Total fund balance estimated at $27.5 million as of June 30, 2022.*
- *Unassigned fund balance estimated at $11.1 million*
- *Additional category added: City Hall Solar Removal , classified as restricted fund balance.*

ATTACHMENT 6:

Draft letter of acknowledgement and support for the Housing Authority of the County of Santa Barbara's application for the State of California Homekey Program

CITY OF GOLETA

August 4, 2020

California Department of
Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

RE: <u>HOUSING AUTHORITY OF THE COUNTY OF SANTA BARBARA HOMEKEY PROGRAM APPLICATION FOR PROPERTY ACQUISITION LETTER OF ACKNOWLEDGMENT</u>

To Whom It May Concern:

The City of Goleta (City) has a history of regional partnership with the County of Santa Barbara and the Housing Authority of the County of Santa Barbara. The City also recognizes the regional impacts of homelessness and has worked over the past several years to address homelessness within Goleta and the surrounding region. Because of this, the City is participating in a working group to successfully acquire and convert local motel/hotel space into transitional and permanent supportive housing through the State of California's Homekey Program.

The City understands that the most appropriate project to serve the needs of people experiencing homelessness in Santa Barbara County is the conversion of the Super 8 Motel located in the city of Goleta. This property fulfills many critical requirements of the Homekey Program, including but not limited to excellent access to public transportation and elevator access.

Important to the City is the fact that this conversion would support a navigation center and access to wrap-around support services such as mental health appointments, minor healthcare, and counseling sessions. The City has completed a draft of its first Homelessness Strategic Plan, which identifies the need for services for people experiencing homelessness in and around Goleta. This Plan also establishes a goal for a navigation center and permanent supportive housing in Goleta. This project would help fulfill those goals.

The property is located in an area that has been zoned as suitable for an emergency shelter with only a minor conditional use permit.

130 Cremona Drive, Suite B, Goleta, CA 93117 **P** 805.961.7500 **F** 805.685.2635 www.cityofgoleta.org

However, prior to recent State of California legislation in order to convert the property into single residence occupancy housing it would typically require a General Plan Amendment, rezoning, and a conditional use permit. However, the City understands that acquisitions and conversions undertaken as part of Homekey will be subject to new legislation that the Governor signed on June 29, 2020, providing a CEQA exemption and automatic zoning compliance to new homeless housing utilizing newly available state and federal funding. City of Goleta Planning and Environmental Review Department and Neighborhood Services and Public Safety Department staff are working to ensure all requirements are met in order for zoning conformity to occur. The included enclosures describe this process in detail.

While there are fiscal impacts to the City's General Fund budget, the additional services for the region's homeless population exceed the financial costs to the City and, as such, the City of Goleta would support this project moving forward and is prepared to partner with the regional applicants and service providers.

Sincerely,

Michelle Greene
City Manager

Enclosures

Verification of Zoning
Approvals Necessary to Begin Construction