

CARES ACT AND AMERICAN RESCUE PLAN FUNDING



May 18, 2021

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Sources of Available Funding for COVID Response and Recovery

- **CARES Act** – Reimbursement of expenses already received by City
- **American Rescue Plan Overview**
 - State and Local Fiscal Recovery Funds - \$362 Billion
 - City will receive direct payment of \$19.47 million
 - Available funding to the City from the State's ARPA allocations in **House Bill 632**
 - Direct Financial Assistance – \$656.18 Billion
 - Assistance to Individuals & Families - \$56.27 Billion
 - Education & Childcare - \$211.57 Billion
 - Health - \$86.24 Billion
 - Transportation - \$40.16 Billion
 - Other Programs - \$61.32 Billion

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Opportunity for Use of Funds

- Address unexpected expenditures due to COVID and lingering economic consequences to the City and community
- Address revenue losses to City departments
- Recognize impact on community
- Position City to better respond to future emergency management needs
- As appropriate, leverage funding to address broad community goals
- Address urgent capital needs now or needs on the horizon
- Leverage partnerships with other organizations that share Commission's broad community goals

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Suggested Guiding Principles for Use of Funds

- Funds are non-recurring so use should be applied primarily to non-recurring expenditures
- Pay direct expenses related to COVID response
- Funding use recognizes the impact to residents, families, and businesses
- Helps meet future requirements
- Special or unique opportunities
- Meets Commission priorities
- Prepares for future pandemic response and public safety

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Suggested Guiding Principles for Use of Funds (continued)

- Consider all other funding sources before using City's direct ARPA allocation
- Leverage community partners with existing programs to execute new programs – technical assistance
- Process will be public and transparent
- ARPA Projects must be obligated by December 31, 2024 and funds expended by December 31, 2026

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CARES Act

- Pass through from the State for reimbursement of COVID related expenses
- Majority reimbursed for personnel expenses for Police, Fire, and Dispatch
- Per City's auditor, once the condition of eligibility is met, the funds received are considered unrestricted and can be used for any purpose

| | |
|---------------|---|
| \$ 10,308,322 | Total Received in General Fund |
| \$ (167,786) | Direct reimbursement for COVID related expenses |
| \$ 10,140,536 | Available amount unrestricted in General Fund |
| \$ 936,029 | Available amount unrestricted in Dispatch Fund |

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Use of CARES Act Funds

- CARES Act and American Rescue Plan funds have different eligible uses because CARES Act funds are unrestricted
 - Use of funds will be strategically pulled from each source accordingly
- City staff continues to review and prioritize possible uses of unrestricted CARES Act funds and will update Commission at a later date
 - City departments have submitted their requests
 - Unfunded amount in most recent CIP is approximately \$19 million

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American Rescue Plan

- Direct allocation from Department of the Treasury
- Final allocation amount is \$19,472,737
- 50% received 5/2021 = \$9,736,369 – applied for, have not received
- 50% received 5/2022 = \$9,736,369
- Official guidance released by Treasury on 5/10/2021
 - Called the *Interim* Final Rule, guidance is still evolving
- For applicable costs incurred after March 3, 2021
- Obligated by December 31, 2024
- Expended by December 31, 2026

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Use of American Rescue Plan Funds

- Four eligible uses identified in ARPA
 1. To respond to the public health emergency and its negative economic impacts
 2. To provide premium pay to essential workers
 3. To provide government services to the extent of government's revenue losses
 4. To make necessary water, sewer, and broadband infrastructure investments

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1. Responding to the public health emergency and its negative economic impacts

- Eligible uses include, but not limited to:
 - COVID response and prevention
 - Public health and safety staff to the extent time is spent mitigating or responding to the health emergency
 - Hiring government staff to the level employed on January 27, 2020
 - Assistance to unemployed workers, small businesses, non-profits, households, and impacted industries
 - Building stronger communities through investments in housing and neighborhoods
 - Expenses to improve the design and execution of public health programs
 - Emphasis placed on mental health, substance abuse, behavioral issues, crime intervention practices

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1. (continued) Responding to the public health emergency and its negative economic impacts

- Definition of a negative economic impact: **an economic harm resulting from or exacerbated by the public health emergency**
- Framework for assessing eligibility from National League of Cities (NLC):
 1. Identify the harmful effect from COVID
 2. Assess the causal or compounding connection to COVID
 3. Assess for a disproportionate impact
 4. Determine how to prove the outcome was achieved
- Encouraged to focus on low income and those disproportionately impacted by COVID

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2. To provide premium pay to essential workers

- Definition of essential work: **not performed while working from home and involves regular in-person interactions with patients, the public, or coworkers or regular handling of items handled by patients, the public, or coworkers**
- Including, but not limited to:
 - Nursing homes, hospitals, home-care, food production, grocery stores, restaurants, sanitation, truck drivers, childcare, educators, social services
- Encouraged to prioritize lower income workers

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3. To provide government services to the extent of government's revenue losses

- Total city-wide general revenue
 - Not on a fund-by-fund basis
 - Utility revenue not included
- According to formula in the guidance, the City did not have any revenue loss through December 31, 2020
 - Revenue loss can be recalculated annually until December 31, 2023
 - NLC is advocating for utility revenue to be included
- Revenue replacement becomes available for general infrastructure including roads, cybersecurity, health services, education, public safety, environmental remediation, etc.
- Cannot be used to pay off debt

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4. To make necessary water, sewer, and broadband infrastructure improvements

- Water and sewer projects align with EPA's Clean Water State Revolving Fund and Drinking Water State Revolving Fund
 - Storm water is included
 - Same projects would be eligible under HB 632
- Broadband infrastructure to supply to underserved areas and low income with symmetrical 100 Mbps download and upload

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Explicitly Ineligible Uses of ARPA Funds

- States may not use ARPA funding to offset a reduction in net tax revenue
 - Law does not explicitly grant eligibility to local governments
- No recipient may make a deposit to a pension fund
- Cannot be used to payoff debt
- Cannot be used to pay legal settlements
- Cannot be used as federal match dollars for other grants

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House Bill 632 Summary

- Administered by multiple state agencies
- Economic transformation and stabilization and workforce - \$150 million
- Housing programs - \$214 million
- Small business credit initiative - \$65 million
- Department of Public Health and Human Services - \$366 million
- Office of Public Instruction - \$391 million
- Nonpublic schools – \$12.1 million
- State Library and Montana Art Council - \$2.3 million

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House Bill 632 – Applicability to Local Governments

- State and local water and sewer infrastructure grants
 - Department of Natural Resources & Conservation
 - \$462 million total
 - Competitive grant program applications due July 15, 2021
 - Pending additional guidance, \$150 million available directly for minimum allocation grants to local governments using same proportion as State gas tax formula
 - Requires 1:1 matching funds by local government
 - Deadlines and process not yet noted

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House Bill 632 – Applicability to Local Governments

- Communication projects
 - Department of Commerce
 - \$275 million total
 - Defined as - "Broadband infrastructure, including cell towers, or public safety, if eligible"
 - Pending additional guidance for applicability to local governments
 - Preference given to projects that provide broadband access to "frontier, unserved, and underserved areas"
 - Must provide matching funds
 - Deadlines and process not yet noted

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CDBG and HOME Grants

- Increased allocations for coronavirus response
- CDBG-CV Round 1 - \$475,515 – allocation already received
- CDBG-CV Round 3 - \$236,375 – requires an amendment this summer to Annual Action Plan
- HOME-ARP - \$1,026,477 – no guidance released yet, requires an amendment this fall to Annual Action Plan
 - Able to spend funds through September 2030

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Next Steps

- Commission discussion on initial guidance
- Follow-up meeting

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