

Introduction to American Rescue Plan Act of 2021:

Welcome to Coronavirus State & Local Fiscal Recovery Fund



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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What's in a Name?

American Rescue Plan Act

Coronavirus State & Local
Fiscal Recovery Funds

ARP

CSLFRF

CLFRF

FRF



American Rescue Plan Act of 2021

- 1 **\$350B: Coronavirus State & Local Fiscal Recovery Fund**
- 2 **\$10B: Coronavirus Capital Projects**
- 3 **\$656.18B: Direct Financial Assistance** (Stimulus Checks, Unemployment, Tax Credits, EIDL, PPP, etc.)
- 4 **\$56.27B Assistance to Individuals & Families** (SNAP, EBT, WIC, Nutrition Assistance, IDEA, Veterans Affairs, Family Violence Prevention, Pandemic Emergency Assistance, OAA, Elder Justice Act, Rental Assistance, Homelessness Assistance, Homeowner Assistance, Rural Housing, etc.)
- 5 **\$211.57B: Education & Childcare** (CCDBG, Education Stabilization, Child Care Entitlements, LIHEAP, LIHWAP, Head Start)
- 6 **\$86.24B: Health** (Emergency Rural Development Grants, Behavioral Health Clinic Expansion, Various Mental Health and Substance Abuse Programs, Testing & Vaccine Grants, etc.)
- 7 **\$40.16B: Transportation** (Transit Infrastructure Grants, Relief for Airports, Amtrak)
- 8 **\$61.32B: Other Programs** (Disaster Relief Fund, Emergency Food and Shelter Programs, Assistance to Firefighter and Emergency Response Grants, Emergency Management Performance Grants, Economic Development Assistance Programs, Environmental Justice Grants, etc.)

How familiar are you with ARP/CLFRF?

- A. Never heard of it
- B. Know that money is involved but not much else
- C. Understand the basics, but don't know what's allowable
- D. Know the expenditure categories, but don't know how state law applies
- E. Ok on allowable expenditures, but need to know more about compliance
- F. Live, eat, breathe, sleep it



The Basics

Counties &
Metropolitan Cities
(over 50K population)

Distribution directly from
US Treasury, based on
population

Nonentitlement Units of
Local Government
(all other municipalities)

Distribution from NCRPO, based
on population but with budget cap

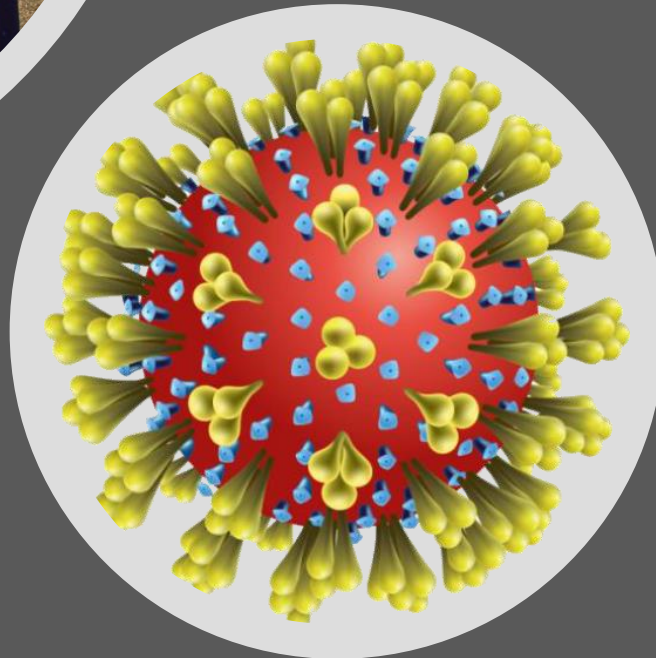
Must spend proceeds
for grant eligible
projects that are
authorized by state
law

½ allocation
May(ish) 2021

½ allocation
May(ish) 2022

Obligate funds between
May 3, 2021 and
December 31, 2024, and fully
expend by December 31, 2026

There are LOTS of
compliance strings
attached



Goals of ARP/CLFRF

1. Address Pandemic Public Health Issues
2. Address Negative Economic Impacts of Pandemic
3. Compensate for Lost Local Government Revenue Growth
4. Aid for Low Income Areas & Populations
5. Longer-Term Investments in Critical Infrastructure (Water, Wastewater, Stormwater, Broadband)



Roadmap for the Course

Day 1: START HERE

An Introduction to the Basics of ARP/CLFRF

- Expenditure categories and State law authority
- US Treasury highlights
- Where to find help

Basics of Budgeting, Accounting, Cash Management and Tracking

- Grant project ordinances
- Special revenue fund accounting
- Financial management



Day 2: FOLLOW THE GUIDEMAP

Tailored Breakouts (small & mid-large units)

- Auditing and Internal Controls
- Working with other governments, nonprofits, and private entities (subawards)
- Proper Monitoring

Projects and Expenditure Reports

- Basic Requirements
- Special Requirements
- Introduction to Tracking Template



Day 3: AVOID POTHOLES

Tailored Breakouts (small and mid-large units)

- Procurement & Conflicts
- Regionalizing contracting methods
- Other Uniform Guidance requirements



A green road sign with a white arrow pointing left and the text "Right D Wrong Dec". The sign is tilted and set against a background of a cloudy sky. The text "Right D" is partially cut off on the right side of the sign.

Day 4: WHICH WAY TO GO?

Eligible Uses Under ARP/CLFRF and State Law

- Negative Economic Impacts
- Premium Pay
- Aid to Businesses & Nonprofits
- Qualified Census Tracts
- Water, Wastewater, Stormwater Infrastructure
- General Government Expenditures
- Revenue Replacement Formula



Day 5: TALK TO THE LOCALS

Best Practices:
Community Engagement



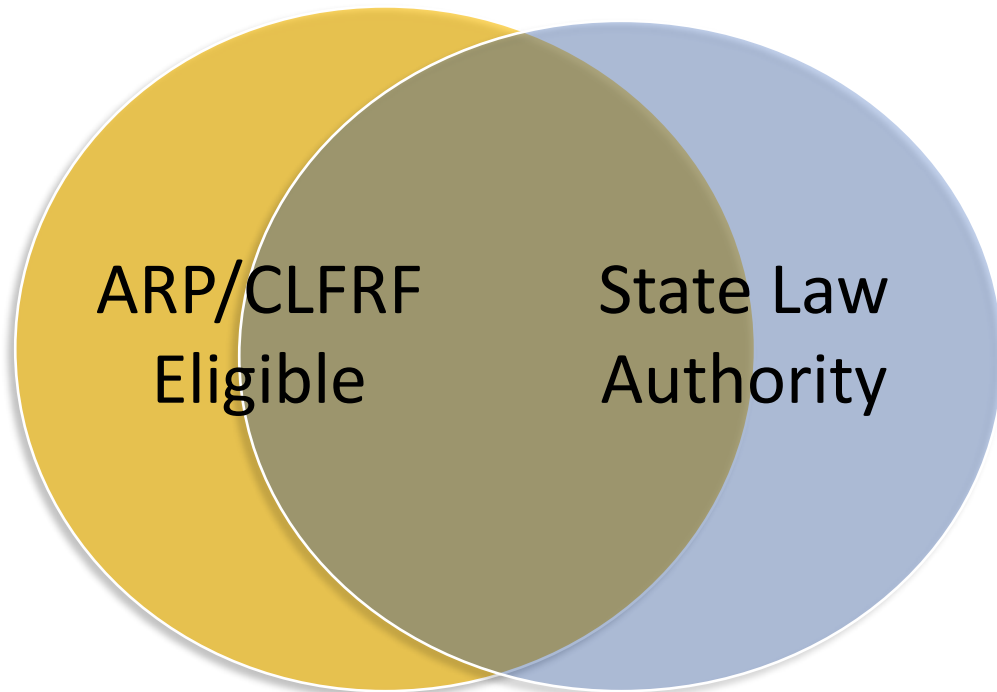
Day 6: DID WE MAKE
GOOD DECISIONS?

 Setting	Setting Goals
 Measuring	Measuring Success
 Analyzing	Analyzing Outcomes

ARP/CLFRF are Public Funds!

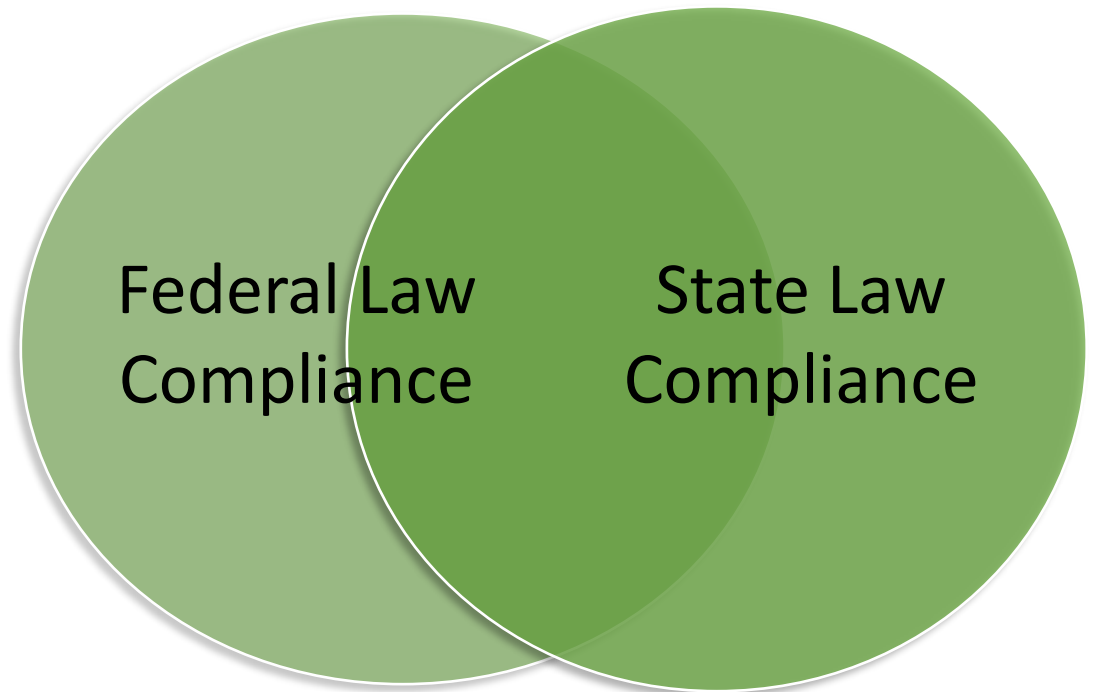
1

A project must be ARP-CLFRF eligible AND authorized by state law



2

A local government must follow BOTH federal and state compliance requirements



Can We Fund It With ARP/CLFRF?

Police radios?



Employee bonuses?



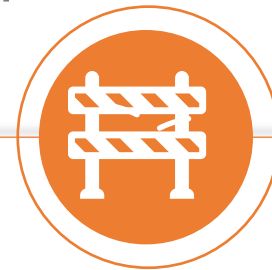
Vehicles?



HVAC System?



Park Improvements?



Business Grants?



Broadband?

Water Expansion?

Library Roof Repair?

Vaccine Incentives?

Crime Prevention?

Meter Replacement?

Greenway?

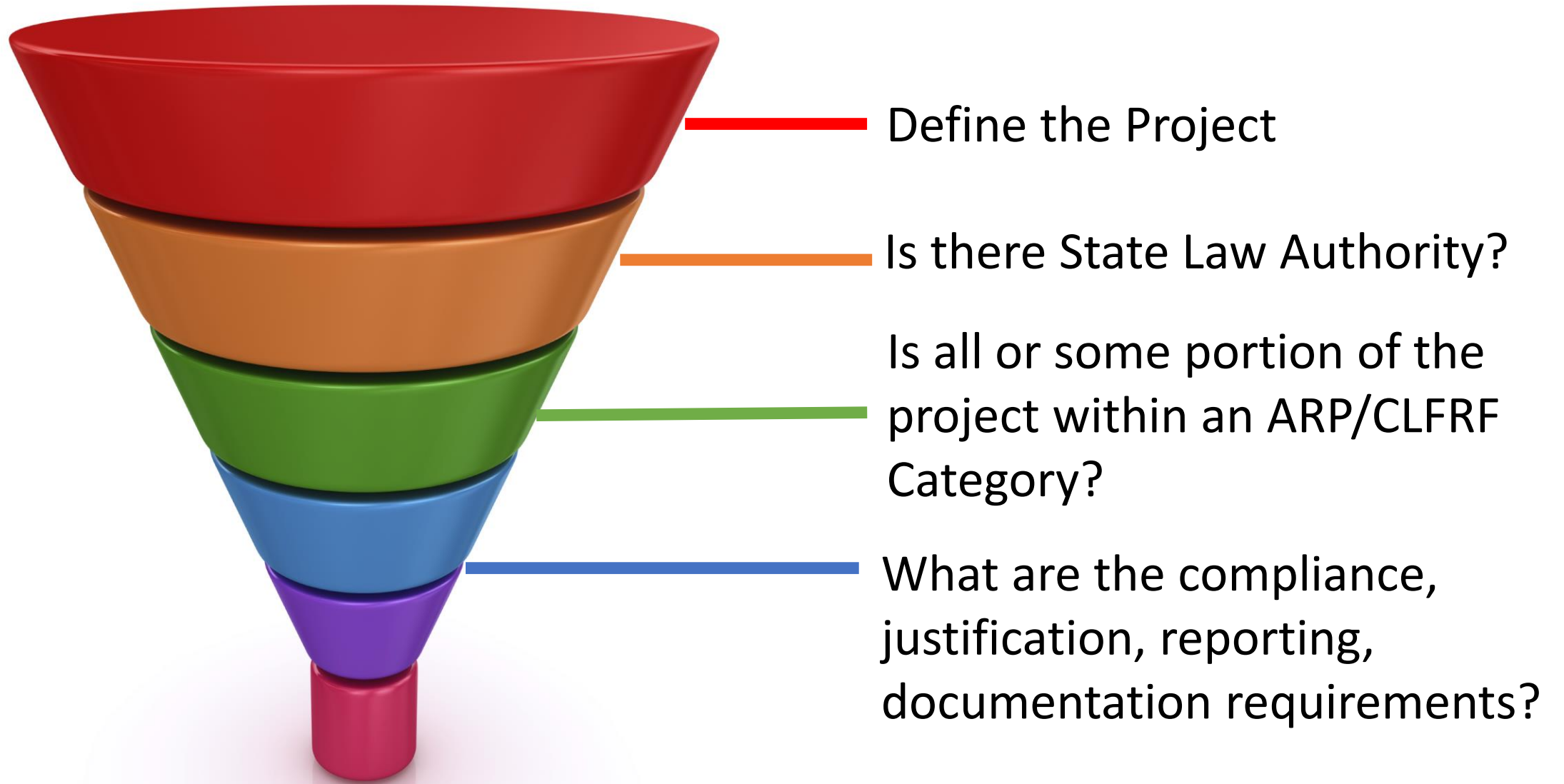
Road Improvements?

Economic Development?

Utility Subsidies?

Childcare grants?

Fire department equipment?



Eligible Project

Define the Project



Clearly
Describe



Identify
Objectives



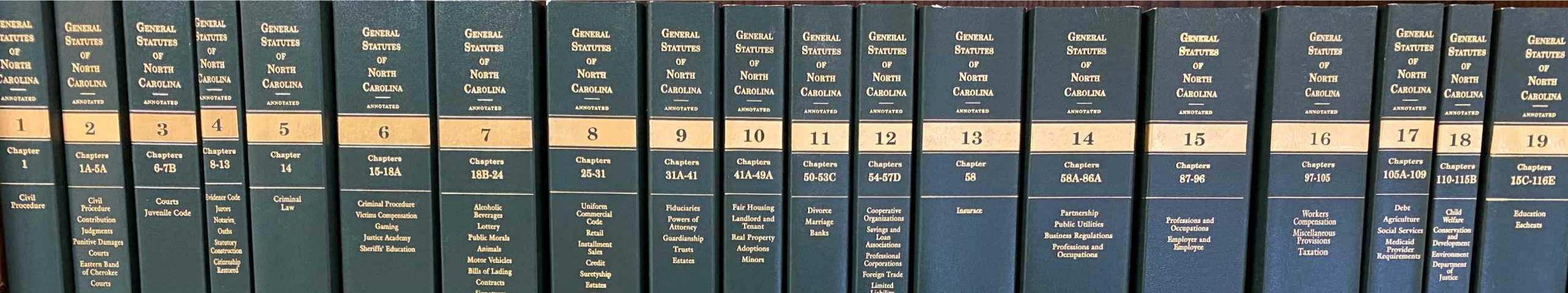
Define
Scope



Estimate
Costs



Ascertain
Partners



Is there State Law Authority?

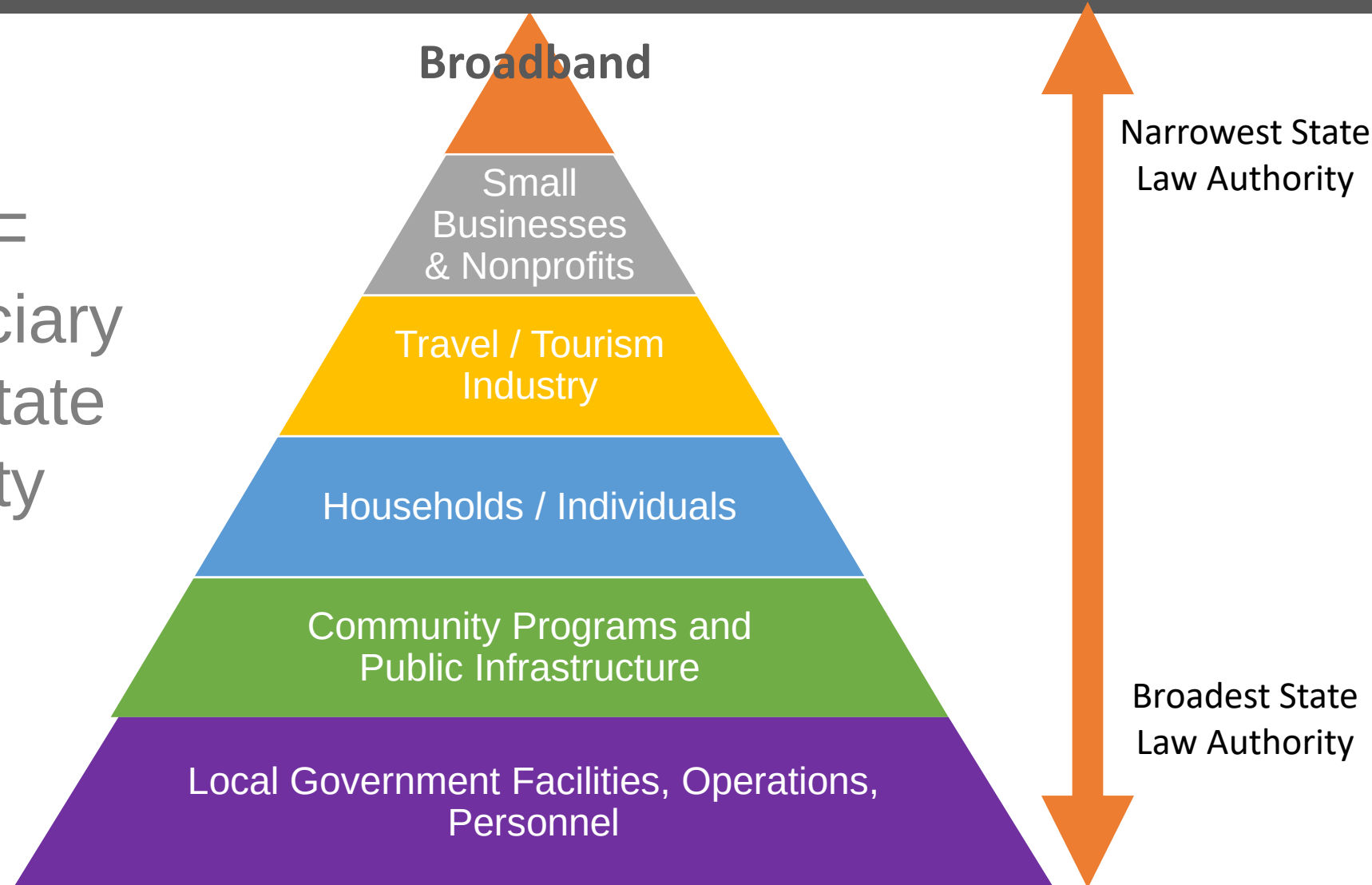
- What is the specific statute(s), charter provision(s), or local act(s) that authorizes the project?
- What are limitations on express state law authority?
- What are state law process requirements?



Could you do it without ARP/CLFRF monies?

Project Beneficiaries

ARP/CLFRF
Project Beneficiary
Groups and State
Law Authority



ARP/CLFRF Allowable Expenditures

Address COVID Public Health

Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;

Address COVID Economic Impact

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 Revenue

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;

Premium Pay

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,

Infrastructure Investments

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.

ARP/CLFRF Allowable Expenditures

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Infrastructure

You can rely on IFR as official guidance until final rule comes out.

IFR & FAQs provide non-exclusive lists of allowable projects (safe-harbors)

US Treasury Interim Final Rule (IFR)

US Treasury FAQs

US Treasury Compliance & Reporting Guidance

Can We Repave a Town-Owned Walking Trail?

Address COVID Public Health

Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;

Address COVID Economic Impact

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 Revenue

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;

Premium Pay

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,

Infrastructure Investments

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.

Is the walking trail in a Qualified Census Tract?

Would repaving project primarily benefit low-income citizens or others disproportionately impacted by the pandemic?

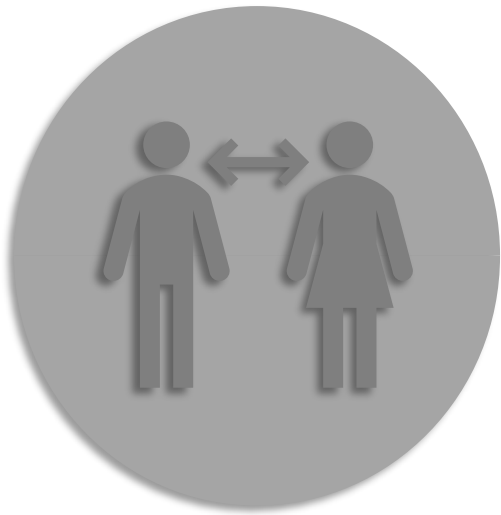
Is repaving necessitated by significant increased use during pandemic?

Does the local government have any calculated “lost revenue” according to US Treasury formula?

Are there other ARP/CLFRF eligible expenses that the local government could supplant to free up general fund monies for this project?

Address COVID Public Health Issue

1. What is the COVID-19 related public health issue?
2. How does project specifically address issue?



COVID-19
MITIGATION

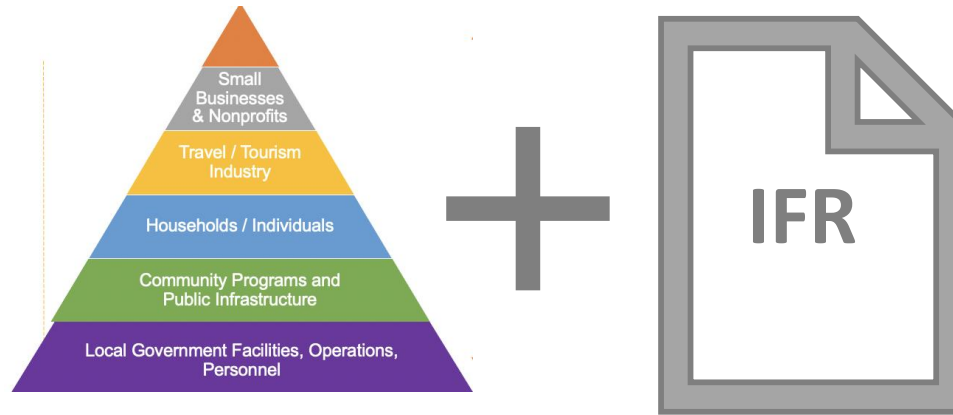


COVID-19
PUBLIC HEALTH



COVID-19
MEDICAL CARE

Address COVID Public Health Issue



**Construction or Lease
of New Facilities or
Changes to Existing LG
Facilities for COVID-19
Services or Mitigation**

**County Public Health
Programs Addressing
COVID-19**

**COVID-19 related health
programs and services
for low- and moderate-
income citizens or
senior citizens**

**COVID-19 mitigation
efforts in public
spaces to facilitate
community events**

Address COVID-19 Negative Economic Impact

1. What is the specific negative economic impact due to the pandemic?
2. Does project address the negative economic impact?



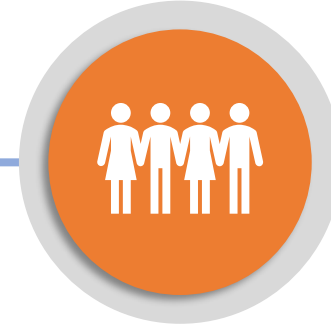
IS IT IN A QUALIFIED
CENSUS TRACT (QCT)
OR BENEFITING
INDIVIDUALS IN A QCT?



DOES IT ADDRESS A
DISPROPORTIONATELY
NEGATIVELY IMPACTED
GROUP, AREA,
OR HOUSEHOLD?



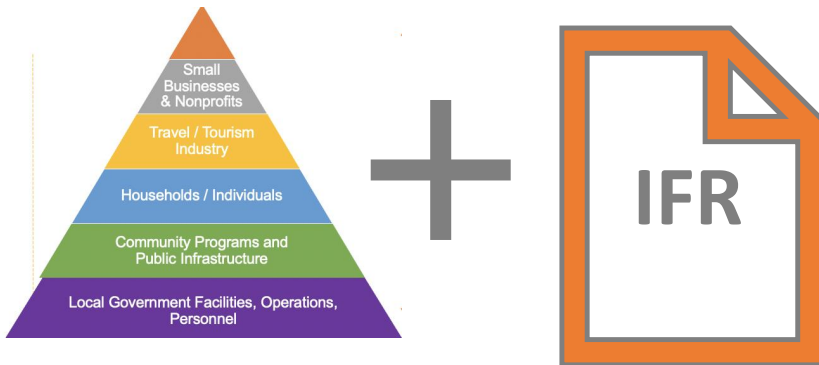
DOES IT ADDRESS A
NEGATIVE ECONOMIC
IMPACT ON THE LG?
(NOT LOST REVENUES)



DOES IT ADDRESS A
NEGATIVE ECONOMIC
IMPACT IN THE
COMMUNITY?



In a QCT or Benefiting Low- or Moderate-Income Citizens?



- Programs to address health disparities
- Food assistance, or programs addressing food deserts
- Rent, mortgage assistance, utility bill subsidies
- Counseling and legal aid to prevent eviction or homelessness
- Emergency assistance for burials
- Home repairs, weatherization, remediation of lead paint, or other needs
- Internet access or digital literacy assistance
- Job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training
- Other assistance for unemployed workers
- Affordable housing
- Programs to support educational disparities
- Community intervention programs
- Behavioral and mental health programs
- Investments in parks, greenways, and other public facilities
- Programs promoting health childhood environments



Pandemic Negative Economic Impacts on LG



Replenish LG Workforce
to Pre-pandemic Levels



Additional Maintenance or
Repair Costs to LG
Facilities/Assets Due to
Pandemic



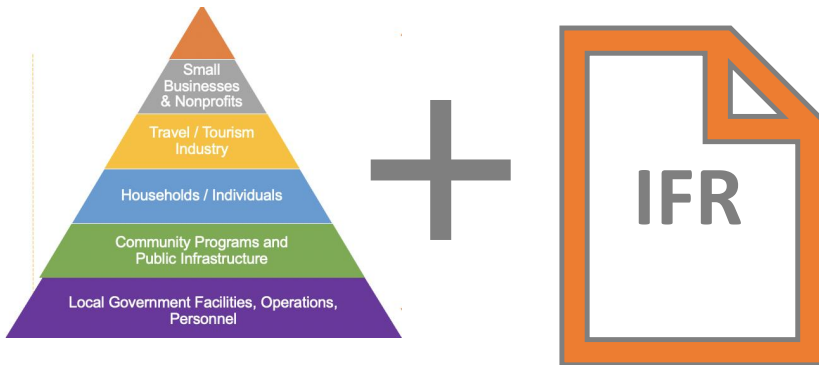
Salaries and Benefits of
Public Health, Public
Safety, and Social Services
Employees Dedicated to
COVID-19



Premium Pay for Employees
Performing Essential Work
(this is a separate ARP/CLFRF category)



Pandemic Negative Economic Impacts on Community



Businesses & Nonprofits

- May be able to provide loans and technical assistance.
- Grant authority very limited.

Travel & Tourism

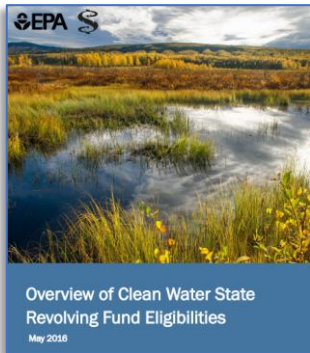
- Public programs or infrastructure improvements that benefit travel and tourism industry
- Technical assistance to specific businesses

Community Members (Other than Low- and Moderate-Income)

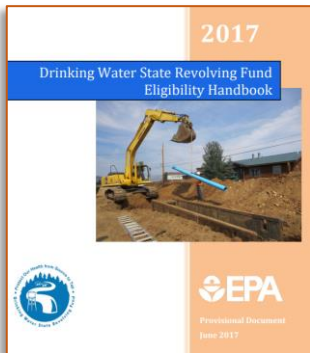
- Assistance programs for senior citizens
- Improvements in efficacy of existing programs addressing negative economic impacts, including through use of data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations

Necessary Water, Wastewater Infrastructure Investments

Aligns eligible uses with the types of categories of projects that would be eligible to receive financial assistance through the EPA's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).



CWSRF: 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.



DWSRF: Projects include treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.

General Local Government Expenditures

01



Investment Earnings

A LG may keep its investment earnings and they are unrestricted

02



Revenue Replacement

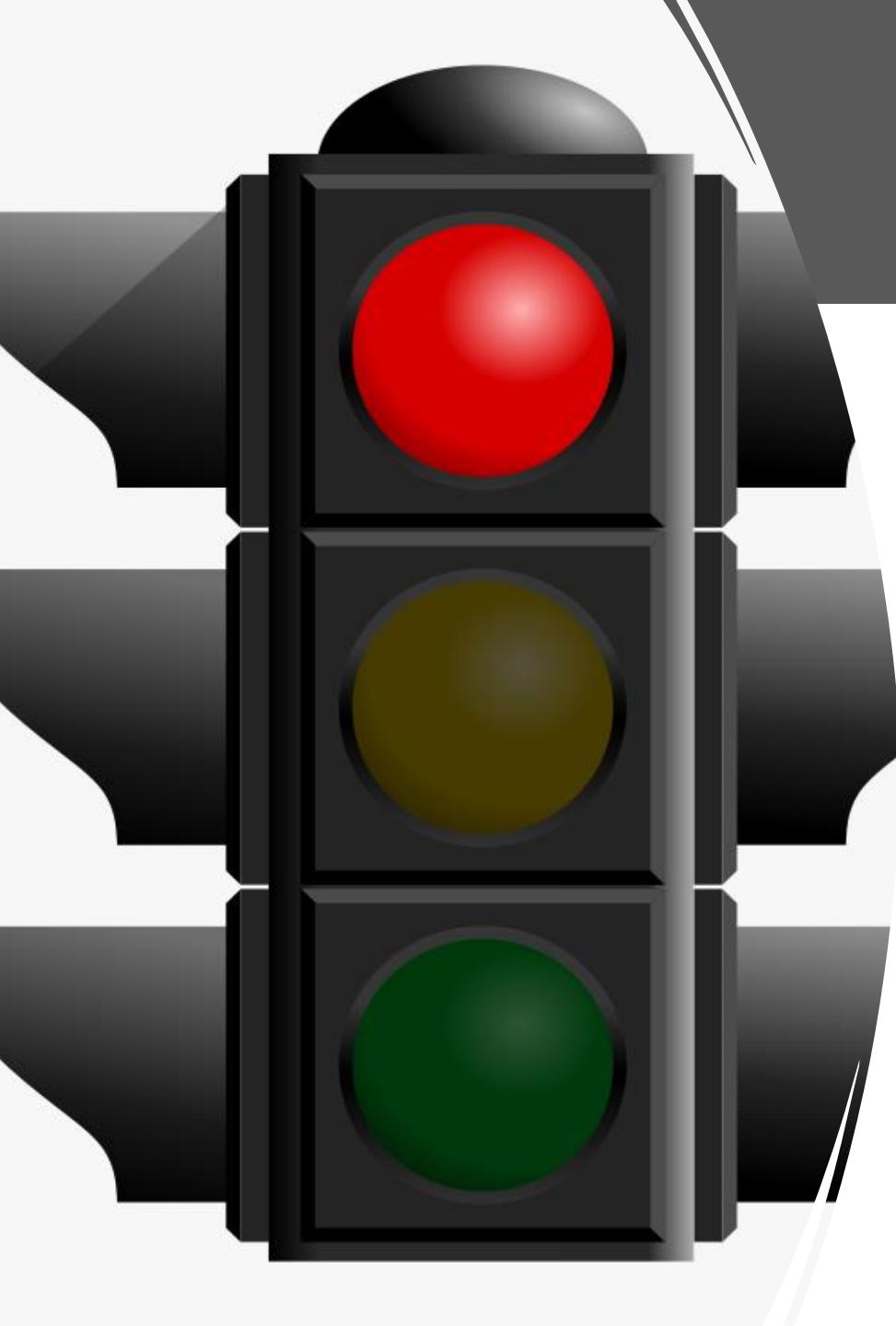
A LG may use ARP/CLFRF monies to fund (most) government services, to the extent that the LG experiences a reduction in general revenue during the pandemic.

03



Supplant Other LG Funds

A LG may use ARP/CLFRF monies for eligible purposes, freeing up general fund monies



Ineligible Expenses

- Borrowing money, loan repayments
- Rainy day fund contributions or financial reserves
- Litigation costs
- As a non-Federal match for most other federal funds, included State Revolving Fund grants
- General growth or economic development purposes
- Pension contributions

ARP/CLFRF Timing

WINTER
2020:
PANDEMIC
BEGINS

MARCH 3, 2021:
ARPA/CLFRF EFFECTIVE DATE

- **Premium Pay:** May be applied retroactively to beginning of pandemic
- **Assistance Programs:** May address negative impacts from beginning of pandemic
- **Revenue Loss:** Will be calculated from beginning of pandemic
- **Water/Wastewater/Broadband:** May be used for projects that started before March 3, 2021, but only for expenses after that date

SUMMER 2022:
SECOND ½ DISTRIBUTION

SUMMER 2021:
FIRST ½ DISTRIBUTION

DECEMBER 31, 2024:
ALL FUNDS OBLIGATED

DECEMBER 31, 2026:
ALL FUNDS FULLY EXPENDED

Compliance

Award Terms	Uniform Guidance 2 CFR 200		State Law
SAM.gov registration	Internal Controls	Eligibility Allowable Costs	Local Government Budget & Fiscal Control Act
Civil Rights Compliance	Subawards	Reporting	State Procurement Laws
Period of Performance	Procurement	Audit	State Contracting Requirements
Records Retention	Property Management	Program Income	Process Requirements for Certain Projects

Standards

Guideline

Law

Regulations

POLICIES & PROCEDURES

Conduct

Constraint

Plan

Solution



Navigating U.S. Treasury Guidance



Keep In Mind...

Treasury guidance is non-exclusive

Still an Interim Final Rule

- Unknown when Final Rule will come

Must have state authority for any expenditure

What Guidance is Available?

Interim Final Rule: 39
pages

FAQs: 101 questions over
42 pages

Compliance & Reporting
Guidance: 36 pages



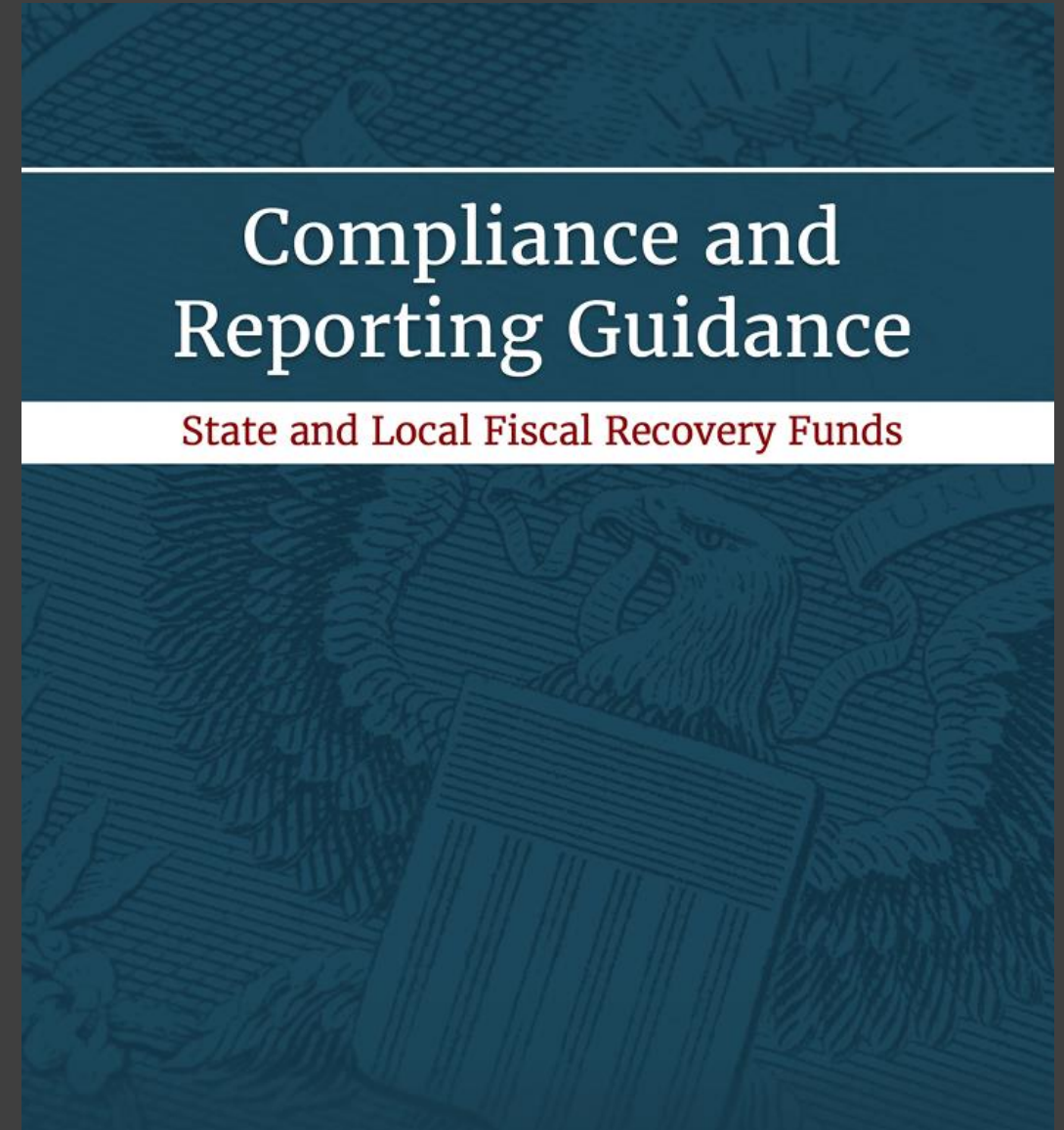
Where to Start?



Suggestion:
Work Backwards

Compliance and Reporting Guidance

Appendix 1 contains information on categories local governments are currently expected to report expenditure in



Appendix 1



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	Infrastructure²⁷
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)

²⁷ 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/cwdefnitions.pdf>. For "drinking water" expenditure category definitions, please see: <https://www.epa.gov/dwsl/drinking-water-state-revolving-fund-national-information-management-system-reports>.



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-19 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* ^

Interim Final Rule (IFR)

- Spending guidance ultimately flows from this document
- Specifically “non-exclusive”
 - Provides some examples of eligible and ineligible projects, but clearly intended not to cover all questions and all cases
- Governments won’t be held liable for IFR-based decisions if the Final Rule differs in any way

Interim Final Rule (IFR)

- Response to impact of pandemic (both health and economic)
- Premium pay
- Revenue loss
- Water, sewer, and broadband infrastructure

Interim Final Rule (IFR)

- Remember high-level principles before getting in the weeds
- Eligible expenditures will identify a negative impact of the pandemic, and be able to show how the expenditure addresses that impact
- Focus on aiding disparately impacted communities
- Collect data and document justification for decisions early and often

FAQs

- Answer questions about spending guidance in sometimes more straightforward language than IFR
- Provide additional examples for areas like parks and public safety
- All information is still tied back to IFR

Water & Sewer

- Eligibility of these projects tied to eligibility for federal Clean Water and Drinking Water State Revolving Funds
- Additional eligibility handbooks available for both programs
- Also local expertise available from DWI, EFC, etc.

Additional Notes

- U.S. Treasury will not pre-approve projects
- Always good practice to consult with your attorney
- Don't forget to take state law considerations into account too



How to navigate U.S. Treasury guidance



Step 1: Check if other
existing programs
(state or federal) can
help meet your needs



Step 2: Ensure the
project isn't explicitly
prohibited



Step 3: Ensure you
have authority under
state law to fund the
project



Step 4: Determine the appropriate “eligible use” category for your project as outlined in U.S. Treasury guidance



Step 5: Decide
appropriate role for
potential partners



Step 6: Implement a plan to gather and retain data and documentation and assign staffing to comply with state and federal requirements and reporting measures





ARP Zoom Office Hours

Bring Your Coffee/Lunch & Your Questions

- **Thursday, October 14, at 12:00pm**
- **Thursday, October 21, at 8:30am**
- **Wednesday, October 27, at 12:00pm**
- **Monday, November 1, at 8:30am**
- **Wednesday, November 10, at 12:00pm**
- **Tuesday, November 16, at 8:30am**
- **Monday, November 22, at 12:00pm**
- **Friday, December 3, at 8:30am**
- **Tuesday, December 7, at 12:00pm**
- **Thursday, December 16, at 8:30am**