

Introduction to American Rescue Plan Act of 2021:

ARP/CLFRF For General Government Expenditures



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



Can We Fund It With ARP/CLFRF?

Police radios?



Employee bonuses?



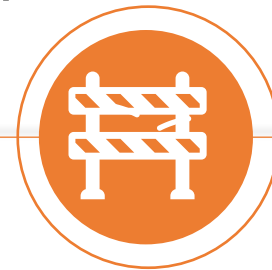
Vehicles?



HVAC System?



Park Improvements?



Business Grants?



Broadband?

Water Expansion?

Library Roof Repair?

Vaccine Incentives?

Crime Prevention?

Meter Replacement?

Greenway?

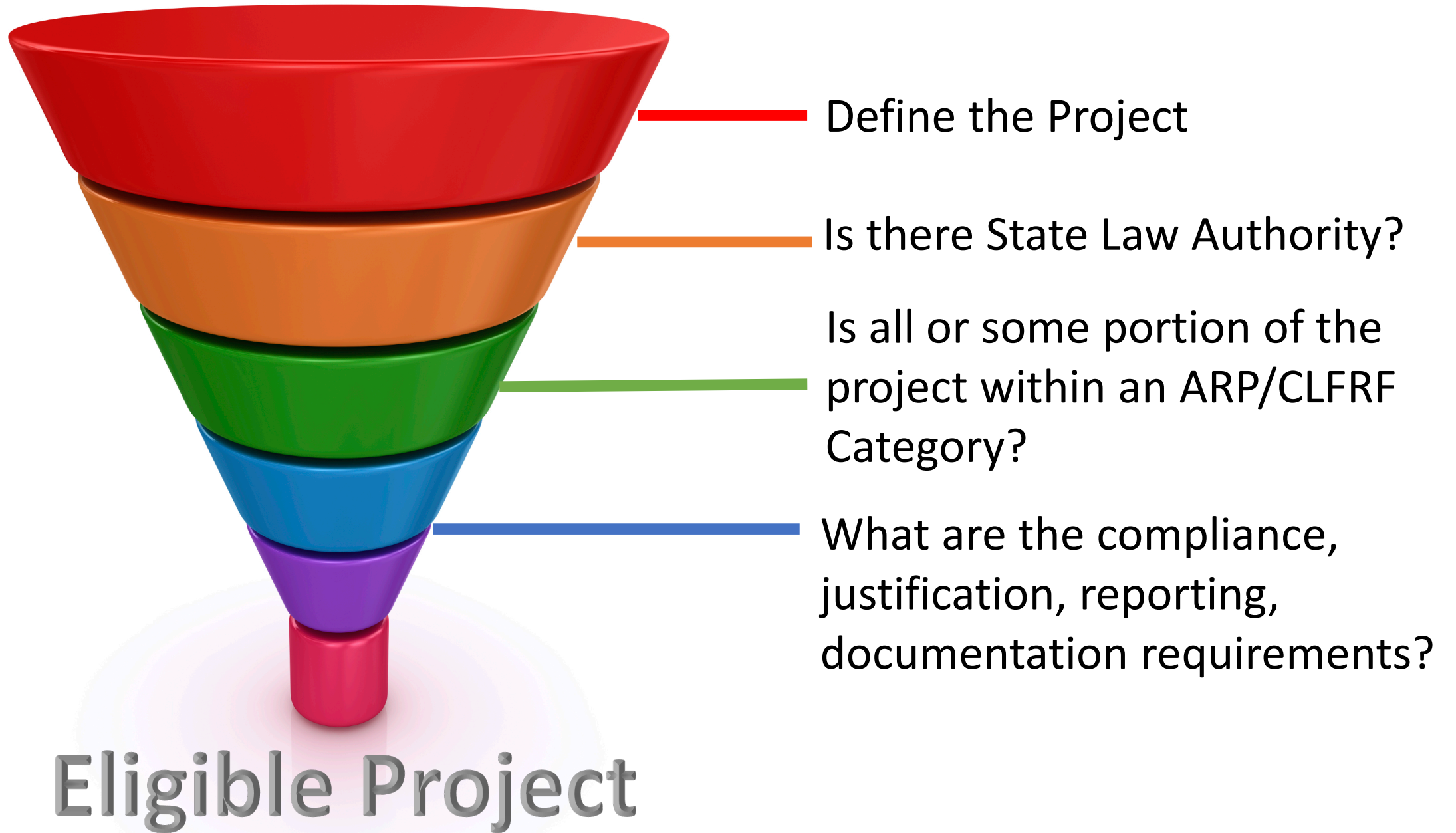
Road Improvements?

Economic Development?

Utility Subsidies?

Childcare grants?

Fire department equipment?



ARP/CLFRF Allowable Expenditures

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;

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

Investing ARP/CLFRF Funds

MAY Co-mingle with other local government funds for investment purposes.

MAY INVEST ONLY in accordance with G.S. 159-30.

MUST PROPORTIONATELY ALLOCATE investment proceeds by fund.

Do NOT have to remit proceeds to US Treasury.

MAY USE investment proceeds from ARP/CLFRF funds for any public purpose authorized by state



Supplant

Identify any LG projects, programs, undertakings that are ARP/CLFRF eligible to free up (non-grant) LG funds for other purposes

Be sure to budget and track ARP/CLFRF expenditures to clearly show used for eligible purpose



Lost Revenue Growth

A LG may expend ARP/CLFRF monies for “the provision of government services to the extent of a reduction in the recipient's general revenue”

BASE REVENUE

Determine the base year general revenue based on IFR definition of general revenue

ACTUAL REVENUE

Determine actual general revenue at 4 designated points in time

INFLATIONARY FACTOR

Apply an inflationary factor to the base year general revenue at each point in time (default 4.1% or average 3 full fiscal years' pre-pandemic growth)

COMPARE

Compare actual general revenue to the inflated base general revenue to determine lost revenue

The lost revenue formula measures a local government's reduction in general revenue, as defined by the IFR, relative to the revenue collected in the most recent full fiscal year prior to the pandemic. It provides an inflationary formula to approximate what the local government's expected general revenue would have been had the pandemic not occurred.

Calculating
General
Revenue

INCLUDED NC REVENUES

Local Government Taxes

- Property taxes
- Service district taxes (special taxing districts)
- Local sales and use taxes
- Transportation sales and use taxes
- Motor vehicle licensing taxes
- Beer and wine licensing taxes
- Rental gross receipts taxes
- Animal taxes
- Local real estate transfer taxes

General government fees, charges, payments in lieu

- Recreation fees
- Cultural and arts fees
- Public health fees
- Cemetery fees
- Ambulance fees
- Parking fees
- Franchise fees
- Library fees
- Public record fees
- Port or marina fees
- Hospital revenues
- Register of Deeds fees
- Museum, auditorium, coliseum, convention center, stadium revenues

Other fees for general government programs and services

Licensing, inspection, permit, and other regulatory fees

Intergovernmental transfers between the state and local government (except pass-through funds from the federal government)

- Powell Bill funds
- Beer and wine taxes
- Video programming services taxes
- Solid waste tipping tax
- 911 charge
- Electric tax
- Telecommunications tax
- Piped natural gas tax
- Disposal taxes
- State real estate transfer tax
- Public School Building Capital Fund Distributions
- Social services funding
- Public health funding
- State agency grants to local governments (including only state funds, not federal funds)
- State direct appropriations for general government purposes

Judicial system fees

Some public enterprise revenues

- Wastewater revenues
- Airport revenues
- Off-street parking revenues
- Solid waste revenues
- Stormwater revenues
- Cable television/broadband revenues

Special assessments and critical infrastructure assessments

Property rental and sale proceeds

Donations

Interest income

ABC revenue transfers to local government

Calculating General Revenue

EXCLUDED FROM GENERAL REVENUES

Refunds and other correcting transactions

Proceeds from the issuance of debt, loans, or the sale of investments

Agency funds or private trust transactions

Some public enterprise revenue

Water fees, penalties, and other charges, including availability fees, system development fees, tap/connection fees, contractual charges, and bulk sale revenue

Electric fees, penalties, and other charges

Natural gas fees, penalties, and other charges

Transit or bus system fees, penalties, and other charges

Intergovernmental transfers from the federal government, including federal transfers made via a state to a local government pursuant to a federal grant (including the CARES ACT/CRF and ARP funds)

Lost Revenue Growth Formula

[Base Year General Revenue from FY2018-19 * (1+Growth Adjustment)(n/12)] – Actual General Revenue as of 12-month period before calculation date

n = number of months that have elapsed between the end of the base year and the calculation date.

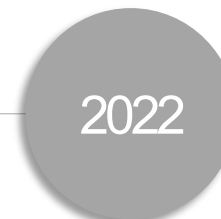
As of
December 31,
2020



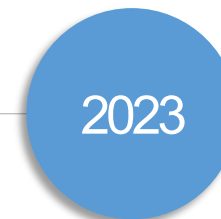
As of
December 31,
2021



As of
December 31,
2022



As of
December 31,
2023



Lost Revenue Growth Example

LG MAY assume that all lost revenue is due to the pandemic.

LG MAY NOT factor in (adjust for) actions taken by the local government, such as a change in the property tax rate or other tax or fee amounts, change in the revenue mix, or revaluation adjustments.

Base year total general revenue for FY2018-19:
\$1,000,000

Actual general revenue for January 1, 2020 to
December 31, 2020: \$1,020,000

Default growth factor of 4.1 percent (0.041)

\$1,062,126.13 is the growth inflated revenue for
December 31, 2020 ($\$1,000,000 \times (1.041)^{18/12}$)

$\$1,062,126.13 - \$1,020,000 =$ **\$42,126.13**

Lost revenue amount

XLS GFOA Rev Calculator Final_NACo.xlsx Download

Excel G... - View-only Search (Option + Q) ShareFile Share User

File Home Insert Draw Page Layout Formulas Data Review

Undo Paste Font Alignment Number Tables Cells Editing

N7

ARPA Revenue Replacement Calculator

Background Information

1) Fiscal Year End June Notes:

Base Year Revenue Period 6/30/2019 FY used for base year calculation

2) Calculation Date 12/31/2020

Number of Months 18 Months between Base Year and Calculation Date

Estimate Revenue

3) Base Year Revenue \$ 1 Use Worksheet to Calculate

4) Growth Rate 4.1% Use Worksheet to Calculate

Counterfactual Revenue \$ 1 Estimated Revenue Without Pandemic

5) Actual Revenue \$ 1 Use Worksheet to Calculate

SUMMARY BASE YEAR REVENUE GROWTH RATE

Workbook Statistics Give Feedback to Microsoft 100%

This form is only required if annual revenue growth prior to the pandemic exceeds 4.1%. If not, 4.1% rate of growth will be used.

Revenue Source	FY Ended	FY Ended	FY Ended	FY Ended
(Y/N)	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Taxes Amount of tax collections for all taxes imposed by the government.				
Property Tax				
Property Tax	Y	\$ 1	\$ 1	\$ 1
Sales and Gross Receipts Tax				
General Sales and Use Tax	Y			\$ -
Selective Sales Tax				
Alcoholic Beverage	Y			\$ -
Amusements Sales Tax	Y			\$ -
Motor Fuels Sales Tax	Y			\$ -
Parimutuels Tax	Y			\$ -
Public Utilities Sales Tax	Y			\$ -
Tobacco Products Tax	Y			\$ -
Other Sales Tax	Y			\$ -
Licensing and Permit Taxes				
Alcoholic Beverage Licensing and Permits	Y			\$ -
Building/Construction Permits	Y			\$ -
Amusements Licensing and Permits	Y			\$ -
Motor Vehicles Licensing and Permits	Y			\$ -
Public Utilities Licensing and Permits	Y			\$ -
Occupation and Business Licensing and Permits	Y			\$ -
Other Licensing and Permits	Y			\$ -
Income Tax				
Individual Income Tax	Y			\$ -
Corporate Income Tax	Y			\$ -
License and Permit Tax				
Alcoholic Beverage	Y			\$ -
Amusements	Y			\$ -
Motor Vehicles	Y			\$ -
Public Utilities	Y			\$ -
Occupational and Business Licenses	Y			\$ -
Other Selective Sales	Y			\$ -
Other Taxes				
Death and Gift Tax	Y			\$ -
Documentary and Stock Transfer Tax	Y			\$ -
Severance Tax	Y			\$ -
Other	Y			\$ -
Intergovernmental Revenue Amount of revenue in form of grants, share of taxes imposed by others, PILOTs, or reimbursement for services				
Intergovernmental Revenue				
From Other Local Governments	Y			\$ -
From the State	Y			\$ -
From the Federal Government	N			\$ -
From the State and Financed from Federal Grants	N			\$ -
Other Revenue Amount of other revenue excluding any refunds or transfers between funds				
Utility Sales Revenue				
Water Supply System	N			\$ -
Electric Power System	N			\$ -
Gas Supply System	N			\$ -
Transit or Bus System	N			\$ -
User Charges and Fees				
Sewerage Charges	Y			\$ -
Refuse Collection, Disposal, and Recycling Charges	Y			\$ -
Parks and Recreation Charges	Y			\$ -
Airports	Y			\$ -
Hospital Charges	Y			\$ -
Parking Facilities	Y			\$ -
Housing Project Rentals	Y			\$ -
Highways and Other Roads	Y			\$ -
Sea and Inland Port Facilities	Y			\$ -
Miscellaneous Commercial Activities Operated	Y			\$ -
Other	Y			\$ -
Other Revenue				

<https://naco.sharefile.com/share/view/s41a8f7bd327b462fb84de7c386c36071>

Lost Revenue Growth Authorized Expenditures

Government Services

“Government services can include, but are not limited to, maintenance or pay-go funded building of 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.”



A LG must track how you spend the money for reporting purposes.
Lost revenue growth expenditures still subject to UG provisions.
Ineligible expenditures still apply.

A 3D illustration of a traffic light with a red light illuminated. The traffic light is black with three circular lenses. The top lens is red and glowing, the middle lens is yellow and dim, and the bottom lens is green and dim. The background is a dark gray gradient.

Ineligible Expenses

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

There's More to Come!

US Treasury Final Rule may expand eligible uses and ease at least some compliance requirements.

State budget may provide additional opportunities to leverage ARP/CLFRF monies.

There are lots of other federal programs that may benefit your communities.

Breaking News

US Senate passed S. 3011 this week which would, among other things,

Allow LG to allocate up to \$10 million (or 30 percent) of ARP/CLFRF for the provision of government services without being required to calculate revenue loss.

Allow LG to allocate up to \$10 million (or 30 percent) of ARP/CLFRF for infrastructure-related activities authorized under existing federal surface transportation laws or a Community Development Block Grant project.

Allow ARP/CLFRF to provide emergency relief from natural disasters and their negative economic impacts, including temporary emergency housing, food assistance, financial assistance for lost wages, or other immediate needs.

<https://www.congress.gov/bill/117th-congress/senate-bill/3011/text>

117TH CONGRESS
1ST SESSION

S. 3011

To amend title VI of the Social Security Act to allow States and local governments to use coronavirus relief funds provided under the American Rescue Plan Act for infrastructure projects, improve the Local Assistance and Tribal Consistency Fund, provide Tribal governments with more time to use Coronavirus Relief Fund payments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 19, 2021

Mr. CORNYN (for himself, Mr. PADILLA, Mr. WYDEN, Ms. MURKOWSKI, Mrs. MURRAY, Mr. KELLY, Mr. KENNEDY, and Mrs. SHAHEEN) introduced the following bill; which was read twice, considered, read the third time, and passed

A BILL

To amend title VI of the Social Security Act to allow States and local governments to use coronavirus relief funds provided under the American Rescue Plan Act for infrastructure projects, improve the Local Assistance and Tribal Consistency Fund, provide Tribal governments with more time to use Coronavirus Relief Fund payments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act”.

SEC. 2. AUTHORITY TO USE CORONAVIRUS RELIEF FUNDS FOR INFRASTRUCTURE PROJECTS.

(a) IN GENERAL.—Title VI of the Social Security Act (42 U.S.C. 801 et seq.), as amended by section 40909 of the Infrastructure Investment and Jobs Act, is amended—

(1) in section 602—

(A) in subsection (a)(1), by inserting “(except as provided in subsection (c)(5))” after “December 31, 2024”; and

(B) in subsection (c)—



ARP/CLFRF Zoom Office Hours

- **Wednesday, October 27, at 4:00pm**
- **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**

<https://unc.zoom.us/j/94011361206?pwd=MjlzWnlzOWxtNGtoUINjaEV3ZWNPdz09>

Meeting ID: 940 1136 1206
Passcode: 522329

Ask questions, learn about other local government's proposed projects, identify opportunities for collaboration, share compliance practices, and more.