AMERICAN RESCUE PLAN Strategies and tools to navigate the Fiscal Recovery Funds guidance

To: Indiana Association of County Commissioners

June 10, 2021



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Agenda

- American Rescue Plan (ARP) and the Fiscal Recovery Funds (FRF)
- Eligible uses
- Funding guidance
- FRF strategies
- Lessons learned





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ARP for the public sector

Fiscal Recovery Funds

\$350 billion

of non-competitive funding for states, counties, cities, Tribes and territories. Of this funding:

\$195.3 billion to states and Washington, D.C.

> \$130.2 billion to local governments

\$20 billion to Tribal governments

Other provisions

Other provisions of the bill include:

Recovery \$10 billion Coronavirus Capital Projects Fund	Schools nearly \$170 billion	Housing \$25 billion in emergency rental assistance
Small business \$22 billion in EIDL and PPP	Transportation and infrastructure \$58.2 billion	Energy and water \$4.5 billion in household assistance
Restaurants and bars \$25 billion	Emergency Connectivity Fund \$7.6 billion for internet access for distance learning	Public health \$72 billion for COVID-19 testing, contact tracing and vaccine distribution



ELIGIBLE EXPENDITURES

Eligible expenditure areas and recipients



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Fiscal Recovery Funds (FRF) introduction



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ARP and FRF timeline





Tranching of funds

- <u>Coronavirus State and Local</u>
 <u>Fiscal Recovery Funds | U.S.</u>
 <u>Department of the Treasury</u>
- Eligible recipients must request their allocations through the Treasury Submission Portal
 - Requests are expected to take four to five business days to review and process
- Allocations for states and local governments have been calculated – available on the Treasury website

Tranching of funds (continued)

Allocation to NEUs (released May 24, 2021)

Definition: Local governments under population of 50,000

Do not request funding through the Treasury portal

States are responsible for distributing funds to the NEUs

States will receive funds to be allocated to NEUs at the same time as their own allocation

8 states have minor civil divisions – IL, IN, KS, MO, NE, ND, OH, SD – and distributions will be dependent on legal/operational capacity to administer ARP programs



Tranching of funds (continued)

Payment logistics

- Local governments
 - 50% of allocation in May 2021 and 50% in a year
- States
 - Generally same schedule as local governments unless unemployment rates are high (those states will receive 100% in May 2021)





Public health and economic impacts

Responding to COVID-19:

- Typical operating response: medical care, testing, vaccinations, PPE, communications and more
- Behavioral healthcare, including mental health and substance misuse treatment
- Capital investments to medical facilities that mitigate COVID-19





Public health and economic impacts (continued)

Responding to COVID-19

- Generally costs that were allowed under CRF continue to be eligible under FRF with the following exceptions:
 - Public health and public safety payroll employees or units must be primarily dedicated to COVID-19 response (no more convenience waiver available for all employees in public health/safety roles)
 - Issuance expenses related to tax anticipation notes
- List provided in FRF guidance is not all-inclusive
 - Identification of a need or negative impact from COVID-19
 - Identification of a program or service that addressed the need or impact



Public health and economic impacts (continued)

Responding to negative economic impacts

Assistance to households, small businesses and not-for-profit organizations

Households: food, housing, utility, cash, burials, job training and more

 Cash transfers are allowed provided the recipient considers the extent to which the household has experienced a negative economic impact from the pandemic; recipients should take guidance from the per person amounts previously provided by the federal government in response to the pandemic in determining the amount of the transfer

Businesses and not-for-profits: loans or grants for revenue declines, employee retainage, operating costs, COVID-19 mitigation tactics and business planning needs

• Includes services such as job training to accelerate rehiring of unemployed workers



Public health and economic impacts (continued)

Responding to negative economic impacts

- Emphasis on providing relief to low income and Native American communities
 - FRF emphasizes serving the hardest hit communities (i.e., those within a Qualified Census Tract, those in a tribal government) by encouraging use of funds to:
 - Address health disparities and the social determinants of health
 - Investments in housing and neighborhoods (e.g., to address individuals experiencing homelessness)
 - Address educational disparities
 - Promote healthy childhood environments
- Recipients may not generally use funds for general development or workforce development



ARP USAGE OF FUNDS Premium pay

- Essential workers: healthcare, retail, public health, warehouse, drivers, janitors, child care, educators, social/human services and more
- Regular, in-person interactions or handling of items handled by others
 - Employees who telework are explicitly excluded from receiving premium pay





Premium pay (continued)



Limitations: \$13/hour, \$25,000 per worker, prioritization of lower income workers, 150% of average wage in worker's state / occupation

- If base pay + premium pay is greater than 150% of the average wage, then written justification as to how the premium pay is responsive/essential regarding the COVID-19 pandemic must be made publicly available
- Premium pay must be entirely additive to a worker's regular rate of wages and may not be used to reduce or substitute for a worker's normal earnings



Premium pay (continued)

- May be provided retrospectively for work performed any time since the start of the pandemic
 - Premium pay may only be provided retrospectively in instances where an essential worker has not yet been compensated adequately for work previously performed
- Third-party employers and contractors of essential workers are eligible to receive grants for essential work (e.g., healthcare, food production/grocery, sanitation, transit, education, social services)
 - Public disclosure of grants is required



Revenue loss

- General revenues: taxes, changes, miscellaneous intergovernmental transfers from state and local governments
- Excludes refunds, correcting transactions, federal government transfers (CRF and FRF), utility revenues
- 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.
- Calculated on entity-wide basis
- Recipients are not required to obtain audited data





Revenue loss (continued)

- Converts year-ends to Dec. 31
- Provides a default growth adjustment of 4.1%, which can be increased if actual growth average over last three years was higher for the entity
- Compare to actual revenue earned during the 12-month periods ending Dec. 31, 2020 through Dec. 31, 2023
- 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
- Assumes that revenue reductions are related to COVID-19



Revenue loss (continued)

- Allowed:
 - Usage of funds received via revenue reduction must be used to provide government services, such as maintaining or building new infrastructure, cybersecurity, health, public safety and other upgrades
 - Payments can also be used to avoid cutting government services, including government employees, to help prevent broader economic downturns
- Not Allowed:
 - Debt service, replenishing reserves/rainy day funds or paying settlements are not allowed as well as other restrictions that apply (discussed later)

ARP USAGE OF FUNDS Investments in infrastructure

Water and sewer infrastructure

- Projects that would generally be eligible under the Clean Water and Safe Drinking Water Funds:
 - Treatment
 - Transmission and distribution
 - Source
 - Consolidation or creation of new systems
 - Stormwater
 - Energy efficiency
 - Security
 - And more
- Recipients may not use funds as a state match for CWSRF and DWSRF





Investments in infrastructure

Broadband infrastructure

- Improvements must reliably deliver minimum speed of 100 Mbps
- Exceptions where it is impractical due to geography, topography, or cost – minimum is 100 Mbps download speed, and at least 20 Mbps upload speed
- Should be designed to benefit unserved or underserved households
 - May included internet access or digital literacy assistance to households facing negative economic impacts due to COVID-19



 Modernization of cybersecurity, including hardware, software and protection of critical infrastructure, as part of the provision of government services up to the amount of the revenue lost due to the pandemic, is also an eligible expenditure



ARP USAGE OF FUNDS Administrative and consulting costs



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.



FISCAL RECOVERY FUNDS

- Pension deposits: extra payment outside of normal payment timing that reduces an unfunded liability
- May not offset reduction in net tax revenue that results from a change in law, regulation or administrative interpretation – applies to states and territories
- Cannot be used as a match to federal programs
- Subject to provisions in the Uniform Guidance





fiscal recovery funds Timeline

- Costs must be incurred beginning on or after March 3, 2021 (with the exception of premium pay, noted in this presentation)
- Costs must be incurred or obligated by Dec. 31, 2024
- Obligated per Uniform Guidance: orders placed for property and services, contracts and subawards made, and similar transactions that require payment
- End of performance period is Dec. 31, 2026 (allows for projects obligated at Dec. 31, 2024 to be completed)



SET THE STAGE FOR SUCCESS Where to start in the FRF process

- 1. Find out the amount of your allocation
- 2. Determine who needs to be involved in the spending decisions
- 3. Form a committee with the appropriate personnel (management, elected officials, citizens)
- 4. Determine the needs within the community
- 5. Prepare a budget or wish list of spending categories
- 6. Determine if costs are eligible under the guidance
- 7. Develop program administrative rules
- 8. Review policies and procedures surrounding spending to ensure they are up-to-date and compliant with federal guidelines (timekeeping, procurement, subrecipient monitoring)
- 9. Consider other federal funding to determine if a single audit will be needed



FISCAL RECOVERY FUNDS

Reporting

Report Type and Information Needed	Timing	Who's Required to Report
Interim Report – recipients report expenditures by category at a summary level from the date of the award to July 31, 2021; states and territories are to provide additional information on distributions to NEUs	Report due August 31, 2021	States, territories, metropolitan cities, counties, and tribal governments
Quarterly Reports – 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 the award funds. The initial quarterly report will cover two quarters from the date of award to September 30, 2021 and subsequent reports will only cover one quarter.	First quarterly report due October 31, 2021 Subsequent quarterly reports due within 30 days after the calendar quarter end	States, territories, metropolitan cities, counties, and tribal governments 26



FISCAL RECOVERY FUNDS

Reporting (continued)

Report Type and Information Needed	Timing	Who's Required to Report
Annual Project and Expenditure Reports - The initial report will cover activity from the date of award to September 30, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year.	First annual report due October 31, 2021 Subsequent report due October 31 each year following	NEUs
Annual Recovery Plan Performance Reports – descriptions of the projects funded and information on the performance indicators and objectives of the award.	First performance report due August 31, 2021 Subsequent reports dues within 30 days after the end of 12-month period (e.g. by July 31, 2022)	States, territories, metropolitan cities, and counties with populations over 250,000



Reporting (continued)



Treasury will provide additional guidance and instructions on the all the reporting requirements outlined above for the Fiscal Recovery Funds program at a later date.



FISCAL RECOVERY FUNDS

Reporting (continued)

 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.



21.027 Coronavirus State and Local Fiscal Recovery Funds

- 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.



SBoA Resources

Directive 2021-1

- County commissioners must establish an ordinance
- The fund name and number for each ARP grant fund must be assigned as follows: Counties: ARP [Name of Grant]; Fund Number Range 8950-8975
- The ordinance must specify the uses of the fund in accordance with the purposes outlined in Section 603(c).
- The ordinance should reference a plan that will provide the details for the use of these funds.
- All moneys received from the Local Fiscal Recovery Fund must be receipted into the separate ARP grant fund.

https://www.in.gov/sboa/files/Directive-2021-1-Accounting-for-ARP-and-Specific-Processes-for-Subtitle-M.pdf



Reminder before spending... *there is time!*

- Local governments and Tribes have until Dec. 31, 2024 to obligate ARP FRF
- Consider community collaborations to tackle regional and/or local issues
- Maximize available funding opportunities from other ARP provisions (in addition to direct funding allocations)

Take the time now to think **broadly and strategically** about community needs



Strategy considerations

STRATEGIC NEEDS ASSESSMENT & SPENDING PLAN

• Develop understanding of revenue loss, programmatic and department needs and strategy for deployment of allocation

TREASURY RULE MONITORING

• Ongoing review related to Treasury guidelines and state-determined expenditure eligibility

PROGRAM DEVELOPMENT

• Establish procedures, mechanisms and administration for fund distribution to businesses, not-for-profit organizations and individuals

COMPETITIVE FUNDING PURSUIT

• Develop competitive grant opportunities with assistance around strategy, eligibility, applications and grant implementation

COMPLIANCE

• Compliance documentation and reporting for funds allocated by Treasury, state and grant programs



A look back and lessons learned from the past year with CARES Act

Spending strategy

Time constraints, unclear processes, and lack of comprehensive plans lead to challenges in effective spend Infrastructure

- Unclear eligibility guidance and insufficient resources made infrastructure projects difficult to successfully execute
 Original timolino
- Original timeline established by CRF made it difficult to execute projects to completion

nternal capacity

Resource constraints and skill set gaps put a strain on divisions responsible for fund administration



A look back and lessons learned from the past year with CARES Act



Understanding guidance

Lack of detailed guidance coupled with frequent updates increased concerns of recapturing of funds related to inappropriate or unallowable expenditures

General assistance

 Explicit disallowability of per capita payments increased administrative burden for individual and small business assistance programs

Enterprise assistance

 Challenges with interpreting and executing agreements with government enterprises (e.g., gaming) had significant impact on required compliance

ARP resources

Baker Tilly's American Rescue Plan Resource Center

https://www.bakertilly.com/insights/america n-rescue-plan-resources-for-public-sector

- Infographic
- ARP Readiness checklist
- EDA grant readiness checklist
- Video updates
- Webinar recordings
- Articles

Coming soon!

- Funding Priorities Application
- Other ARP provisions article





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