

MEMORANDUM
Office of Policy and Management

To: Members of the MARB and MFAC
From: Julian Freund, OPM
Subject: Overview of ARPA Funding
Date: August 16, 2021

Background

The American Rescue Plan Act (ARPA) of 2021 provides a total of about \$130 billion for local governments across the U.S., including \$1.56 billion for local governments in Connecticut. Of the total amount allocated for local governments in Connecticut, approximately \$692.5 million was allocated for county governments. Since Connecticut does not have functioning county government, the funding allocated for counties has been distributed among cities and towns. The table below shows the ARPA funds allocated for each of the municipalities designated for MARB or MFAC oversight including the additional allocations resulting from the distribution of the county funding.

Municipality	Distribution of		Total ARPA Funds
	Municipality's Allocation	County Allocation	
Hartford	88,500,760	23,717,465	112,218,225
Sprague	290,795	555,327	846,122
West Haven	18,399,281	10,609,295	29,008,576
Brooklyn	841,364	1,606,739	2,448,103
Derby	1,255,028	2,396,706	3,651,734
Ellington	1,674,897	3,198,522	4,873,419
Hamden	12,378,044	11,762,293	24,140,337
Plymouth	1,179,659	2,252,776	3,432,435

The U.S. Treasury has provided guidance regarding eligible uses, reporting requirements and other aspects of the funding through an Interim Final Rule issued on May 10, supplemented by several FAQ documents and related materials since then. The comment period for the Interim Rule closed July 16. The date that the Final Rule will be issued has not yet been determined.

Distribution

The distribution of funds is being made in two tranches: 50% of the funds were made available in May 2021; the remaining 50% will be distributed around May 2022.

For non-entitlement communities, both the municipal allocation and the municipal share of the county allocation are being distributed by the State of Connecticut. For entitlement communities, the municipal allocation is being distributed by the U.S. Treasury, while the municipal share of the county allocation is being distributed by the State of Connecticut.

Eligible Uses

The Act identified four categories of eligible uses for the recovery funds provided to state and local governments, which are further explained in the Interim Final Rule. The four categories of eligible uses are:

1. **Response to Public Health and Economic Impacts:**
 - a. **Public Health Impacts:** Measures to control the spread of the disease and to care for the sick fall within this sub-category. Adaptations to public facilities to meet pandemic operational needs are considered part of the response to the public health impacts as well. This category also extends to measure to address mental health impacts, substance abuse, domestic violence, the deferral of preventive health measures, and inequities resulting from the disparate health impact on certain demographic groups and low-income communities.
 - i. Examples of eligible uses include COVID-19 mitigation and prevention, medical expenses, behavioral health care, public health and safety staff (payroll and benefits), and improvements to public health programs
 - b. **Economic Impacts:** This sub-category covers measures that respond to the negative economic impacts on both households and individuals as well as businesses. As is the case with public health impacts, funds in this sub-category may address the disparate economic impact on certain demographic groups and low-income communities. Uses must be designed to address the economic harm resulting from, or made worse by, the pandemic. Responses to the economic impacts must be related to and reasonably proportional to the extent and type of harm experienced.
 - i. Examples of eligible uses include assistance to unemployed workers, assistance to households (rent, food, utilities, eviction and homelessness prevention), loans or grants to small businesses and non-profits, aid to impacted industries, investments in housing and neighborhoods, addressing educational disparities, and promoting healthy childhood environments
2. **Premium Pay to Essential Workers:** Premium pay for essential workers is an eligible use of ARPA funds. Essential workers are workers who “maintain the continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities.” This category allows for premium pay of up to an additional \$13/hour (capped at \$25,000 per person). Retroactive payments are allowed.
3. **To Provide Government Services to the Extent of the Reduction in Revenue:** This category is intended to help restore, and avoid further cuts to, government services resulting from revenue losses during the pandemic. In the Interim Final Rule, government services are interpreted broadly and encompass pay-as-you-go capital expenditures. However, the amount that a recipient may spend under this category is capped to the level of revenue loss calculated.
 - a. **Revenue loss calculation:** The methodology for calculating the revenue loss considers revenues entity-wide and involves three steps:
 - i. Establishing the municipality’s baseline revenues (FY 2019 for municipalities with 6/30 fiscal year end).

- ii. A growth adjustment is applied to the baseline revenues to estimate what the municipality's revenues would have been in non-pandemic circumstances (referred to as the "counterfactual revenue" in the Interim Rule).
 - iii. Then, the municipality's actual revenues are compared to the counterfactual revenue to determine the revenue loss. The amount of lost revenue calculated is the cap on expenditures a municipality may make within this category.
 - b. Lost revenue is to be calculated at four points in time. The first calculation is for revenues lost during the 12-month period ending 12/31/20. Subsequent calculations will be made 12/31/21, 12/31/22, 12/31/23.
 - c. Examples of eligible expenses in this category include maintenance or pay-as-you-go infrastructure, modernization of cybersecurity, health services, environmental remediation, school or educational services, public safety services
4. Investments in Water, Sewer and Broadband Infrastructure:
- a. Water and Sewer Infrastructure: Eligible uses in this category align with the types and categories of projects that would be eligible for assistance through the Clean Water State Revolving Fund (CWSRF) or the Drinking Water State Revolving Fund (DWSRF).
 - i. Examples of eligible drinking water system improvements include construction or upgrades of facilities and transmission, distribution and storage systems, and the replacement of lead service lines
 - ii. Examples of eligible wastewater infrastructure improvements include construction of wastewater treatment infrastructure, management and treatment of stormwater, and infrastructure for water re-use
 - b. Broadband Infrastructure: The Act's funding for broadband infrastructure is designed to extend services meeting adequate speeds to unserved and underserved households and businesses. Recipients have flexibility in identifying specific locations to be served and in designing projects.

Restrictions on Use of Funds

The Act specifies several prohibited uses of the recovery funds:

- To offset a reduction in net tax revenue resulting from a change in tax rate, rebate, deduction, credit, or otherwise
- To deposit into any pension fund
- Replenishing fund balance or reserve accounts
- Payments for legal settlements
- Outstanding debt
- To use as non-Federal match for other Federal programs

Timeline for Use of Funds

Funds may be used to cover eligible costs incurred between March 3, 2021 and December 31, 2024. Funds that have been obligated prior to December 31, 2024 may be expended after that date provided that obligated funds are fully expended by December 31, 2026. For the purposes of the ARPA funds, an obligation refers to the execution of a contract, the placement of an order, or similar transaction.

Reporting Requirements

Entitlement Communities
(Hartford, West Haven, Hamden):

- Interim Report – due August 31, 2021
- Quarterly Reports – Beginning October 31, 2021

Non-Entitlement Communities
(Sprague, Brooklyn, Derby, Ellington, Plymouth)

- No Interim Report required
- Annual Report – due annually by October 31

A third reporting type, the Recovery Plan Performance Report, is required only of jurisdictions with a population over 250,000, and is therefore not required of any Connecticut municipalities.

Select Resources

Coronavirus State and Local Fiscal Recovery Funds | U.S. Department of the Treasury:

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>

Includes links to the Interim Final Rule, the continuously updated FAQ document regarding the Rule, and the portal for requesting funds.

Compliance and Reporting Guide | U.S. Department of the Treasury:

<https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>

Detailed guidance on eligible expenses, including Administrative costs, reporting requirements, list of expenditure categories to be used in reporting

User Guide for Reporting Portal | U.S. Department of the Treasury:

https://home.treasury.gov/system/files/136/SLFRF_Treasury-Portal-Recipient-Reporting-User-Guide.pdf

Detailed description of reporting portal, with screen shots, covers logging in, navigation, uploads, recap of reporting requirements for different report types, glossary of terms

American Rescue Plan Information and Toolkit | CT Conference of Municipalities:

https://www.ccm-ct.org/Portals/CCM/PDF/ARP/ARP_Toolkit_2021.pdf?ver=hJt7Hxg7dU2xejl4g-Atag%3d%3d

Advisory Committee Members contact list, overview of ARPA, considerations for local officials in use and leveraging of funds

Government Finance and Employment Classification Manual | U.S. Census Bureau:

https://www2.census.gov/govs/pubs/classification/2006_classification_manual.pdf

Chapter 4 covers Census definition of revenue; relevant to calculation of revenue loss

Coronavirus Response Resource Center | Government Finance Officers Association:

<https://www.gfoa.org/coronavirus>

GFOA's landing page for multiple resources including ARPA funding, revenue loss calculator, links to other sources

COVID-19 Forum | Government Finance Officers Association:

<https://community.gfoa.org/communities/community-home?CommunityKey=c683643a-9627-4066-a2cb-c279b84516c0>

For GFOA members. Community discussion board on any topic related to ARPA funding

American Rescue Plan Resources | ICMA:

<https://icma.org/american-rescue-plan-resources>

ICMA's landing page for ARPA resources, recordings of webinars, FAQ section