



## REPORT TO CITY COUNCIL

**Approved by:**

Arnaldo Rodriguez, City Manager

**Council Meeting of:** April 21, 2021

**Agenda Number:**           E-2          

**SUBJECT:**

Informational Report on the American Rescue Plan Act of 2021

**RECOMMENDATION:**

This report is submitted for informational purposes and action is not being requested from the City Council at this time

**SUMMARY:**

The American Rescue Plan Act of 2021 (ARP) was signed into law by President Biden on March 11, 2021. The ARP, the latest COVID-19 stimulus package, is a \$1.9 trillion economic stimulus bill. Within the ARP, the Coronavirus Local Fiscal Recovery Fund provides \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties.

Highlights of the ARP include:

- \$350 billion to state and local governments.
- \$1,400 stimulus check to most Americans earning under \$75,000.
- Extends unemployment benefits through September at an amount of \$300 per week.
- \$30 billion to help renters and landlords' weather economic losses.
- \$50 billion for small-business assistance.
- \$160 billion for vaccine development & distribution.

The \$350 billion in funding to state and local governments under the Coronavirus Local Fiscal Recovery Fund is broken down as follows:

- State Governments: \$195.3 billion
- Tribal Governments: \$20 billion to federally recognized tribal governments
- U.S. Territories: \$4.5 billion
- Local Governments: \$130.2 billion split evenly into

- \$65.1 billion for 19,000+ municipal governments; and
- \$65.1 billion for 3,000+ county governments

It is noted that States will also receive \$10 billion under a new Critical Infrastructure Projects program that will help states, territories and tribal governments carry out capital projects like broadband, that directly enable work, education, and health.

The ARP includes unprecedented aid to local governments. For the first time, all 19,000 municipal governments are entitled to a direct, non-competitive federal formula grant from the U.S. Treasury Department.

Now that the legislation has been cleared by Congress, all matters of execution, including allocations of funding, regulations prescribing eligible uses of payments, and resolving matters of statutory ambiguity, will be determined by the guidance and regulations set forth by the U.S. Department of the Treasury.

#### **DISCUSSION:**

There has been some guidance released for the Coronavirus Local Fiscal Recovery Fund regarding this unprecedented aid to local governments to guide local governments in the preparation and planning process of receiving these funds. The guidance thus far states that the direct funding to local governments means:

- All cities, towns, and villages are entitled to a federal grant from the new Coronavirus Local Fiscal Recovery Fund.
- Aid obligated to municipalities is not in any way mingled with aid obligated to state or county governments.
- Aid for municipalities is protected from state or county interference by iron-clad statutes compelling states to comply, including penalties for states that fail to carry out their responsibilities to small cities and towns.

The Coronavirus Local Fiscal Recovery Fund grants are formula grants and under the formula every municipal government is entitled to receive a calculated share of the \$65.1 billion for cities, towns, and villages. These are not competitive grants and local governments will not have to submit an application or justify their needs in advance. Cities may have to exchange banking, budget, or other account information with the Treasury Department (for municipalities with populations over 50,000) or their states (for municipalities with population under 50,000) to facilitate receipt of funds.

Although final guidance from the Department of Treasury is pending, the following have been identified as separate allowable use of the funds:

- To respond to the pandemic or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

- For premium pay to eligible workers performing essential work (as determined by each recipient government) during the pandemic, providing up to \$13 per hour above regular wages;
- For the provision of government services to the extent of the reduction in revenue due to the pandemic (relative to revenues collected in the most recent full fiscal year prior to the emergency);
- To make necessary investments in water, sewer, or broadband infrastructure.

The language explicitly prohibits funds from being deposited into a pension fund.

In addition, a recipient may transfer its allocation to a private nonprofit organization, Tribal organization, public benefit corporation involved in the transportation of passengers or cargo, or special-purpose unit of State or local government, if the recipient government so chooses. The recipient entity would need to use the funds consistent with the purposes listed above.

Cities will need to make “periodic” reports to the U.S. Department of Treasury, according to the statute. Cities should plan to report how these funds are spent. Audits are expected to continue well beyond 2024, thus it will be imperative that the City maintain sound records.

Funding will be released to state and local governments by Treasury in two tranches. Half the funding each city is entitled to will be released under the first tranche by May 10, 2021; and the second half of funds will be released under the second tranche one year after the disbursement of the first tranche.

Department of Treasury and the White House are still working on final guidance.

**FINANCIAL IMPACT:**

The U.S. Department of Treasury is in the process of refining the estimates for allocations from the Coronavirus State and Local Fiscal Relief Funds. Upon receipt of additional information, staff will update Council.

**CONSISTENCY WITH THE VISION MADERA 2025 PLAN:**

The information contained herein is not addressed by the Vision Madera 2025 plan, nor is the information in conflict with the plan.

**ALTERNATIVES:**

This report is for informational purposes only.

**ATTACHMENTS:**

1. American Rescue Plan Local Relief Frequently Asked Questions

# American Rescue Plan Local Relief Frequently Asked Questions

Last Updated April 12, 2021

After the American Rescue Plan Act was signed into law by President Biden on March 11, 2021, it guaranteed direct relief to all 19,000 cities, towns and villages in the United States (Sec. 9901: Coronavirus State and Local Fiscal Recovery Funds). The U.S. Department of the Treasury is responsible for distributing this unprecedented program, and they are currently developing methods and guidance for the allocation and oversight process.

National League of Cities (NLC) has identified frequently asked questions about Coronavirus Local Fiscal Recovery Fund grants, and provided answers based on available information to help prepare while we all wait for official guidance. These answers will be updated when additional information becomes available.

## **When can we expect more guidance?**

The American Rescue Plan Act gives the U.S. Department of Treasury 60 days from enactment on March 11, 2021, to make their allocations to state and local governments. Considering the complexity of distributing these funds to 19,000 cities, towns and village, the Treasury may take close to 60 days to develop guidance.

## **What should my city do while we wait for more guidance?**

Assess government operations AND community needs to develop a plan for recovery. Gather your team and include internal and external stakeholders. Include resident voices. Get to know the community's needs at all levels: individuals, families, organizations and businesses, and each level of government. Think about building connections across systems and levels. Solicit input from valuable staff and stakeholders to help create a comprehensive needs assessment. Make racial equity a part of your plan and ensure that you have set targets to support those who are often excluded.

The federal government has prioritized the timely distribution of funds, so do not wait to get started. The sooner that you develop a recovery plan, the faster you can get people back to work, stabilize your operations, and support those most impacted by COVID-19. As you put your plan together, consider the benchmarks of success including key metrics that will help you tell the story of how the American Rescue Plan has helped your city, town, or village.

NLC has created principles to help guide your planning and use of the Coronavirus Local Fiscal Recovery Fund grants. [You can view those principles here.](#)

## **What does my city need to do to receive funds?**

The Coronavirus Local Fiscal Recovery Fund grants are formula grants and under the formula every municipal government is entitled to receive a calculated share of the \$65.1 billion for cities, towns, and villages. These are not competitive grants and local governments will not

have to submit an application or justify their needs in advance. Cities may have to exchange banking, budget, or other account information with the Treasury Department (for municipalities with populations over 50,000) or their states (for municipalities with population under 50,000) to facilitate receipt of funds. NLC is waiting on specific guidance from the Treasury about additional information requirements.

### **How will my city receive its funds?**

More than 19,000 municipalities will receive direct funding under the America Rescue Plan Act. Direct funding means:

All cities, towns, and villages are entitled to a federal grant from the new Coronavirus Local Fiscal Recovery Fund.

Aid obligated to municipalities is not in any way mingled with aid obligated to state or county governments.

Aid for municipalities is protected from state or county interference by iron-clad statutes compelling states to comply, including penalties for states that fail to carry out their responsibilities to small cities and towns.

The Act designates the approximately 1,000 cities with more than 50,000 residents as Metropolitan cities, and those cities will receive their funds directly from the U.S. Department of Treasury. The act designates the approximately 18,000 cities, towns and villages with less than 50,000 residents as non-metro, non-county units of local government and makes the states responsible for passing through all federal funds that non-metro localities are entitled to.

### **What will I need to report to the Treasury?**

Cities should prepare to report how they spent their funds. NLC is waiting on guidance from the U.S. Department of Treasury to know what details need to be included and in what format they will need to be reported.

### **When will I need to report to the Treasury?**

Cities will need to make “periodic” reports to the U.S. Department of Treasury, according to the statute. Cities should plan to report how these funds are spent. Audits might go on for years after 2024, the date by which the money will remain available. Therefore, it is important to maintain good records.

### **How much money will my city receive?**

Accurate grant calculations depend on a perfected list of eligible municipalities. The Treasury department is finalizing a list of all local governments to accurately calculate the share each municipality will receive from the \$65.1 billion municipal fund. Existing estimates provided by

Congress are not completely accurate or final. However, you can find those non-final estimates of your allocation on our Estimated Local Allocations in the American Rescue Plan webpage.

Of the \$65.1 billion total, \$45.57 billion, or 70% of funds, will be allocated to metro cities with more than 50,000 residents using a modified Community Development Block Grant formula calculation. The remaining \$19.53 billion, or 30% of funds, will be allocated non-metro cities with less than 50,000 residents using a simple per-capita calculation, with total grant size for non-metro cities capped at 75% of the locality's most recent budget as of January 27, 2020.

### **When will my municipality receive funds?**

Cities designated as "Metropolitan cities" will receive their money within 60 days of the laws signing (March 11, 2021). Cities, towns and villages considered non-metro units of local government will receive their money approximately 90 days after the signing of the law (March 11, 2021).

Funding will be released to state and local governments by Treasury in two tranches. Half the funding each city is entitled to will be released under the first tranche by May 10, 2021; and the second half of funds will be released under the second tranche one year after the disbursement of the first tranche.

### **Is there a deadline to use the funds?**

We are waiting for the U.S. Department of Treasury to weigh in on this. The bill states that funds for local governments will "remain available through December 31, 2024." Treasury will need to decide whether this means spent by or obligated by that date.

### **Can recovery funds be used for stormwater projects and expenses?**

At this point, it is unclear if stormwater or wastewater projects and expenses are eligible expenses under the statute. In a letter to Treasury, NLC made a push for a liberal interpretation of the statute to include stormwater and wastewater projects and expenses.

### **Can my city decrease taxes after receiving these funds?**

The rule that would prohibit tax decreases is a restriction only on States. The local government section of the bill contains no prohibition on lowering taxes.

If fiscal recovery funds are used for infrastructure projects, does my municipality need to comply with typical federal requirements like NEPA?

NLC raised this issue with the U.S. Department of Treasury during a call and the Department of Treasury said it is an issue it is looking in to.

### **What infrastructure projects can funds be used on?**

The statute states that the allowable infrastructure includes water, sewer, or broadband. It is unclear at this point if waste and stormwater are allowable uses. As for other infrastructure projects, we will have to wait for Treasury guidance to see what is considered a permissible use.

### **Can recovery funds be used for pensions?**

No, the statute states explicitly that cities receiving funds may not “use funds made available under this section for deposit into any pension fund.”

### **Can cities transfer their allotted funds to counties?**

The statute provides four categories in which a city can transfer funds.

- A private nonprofit organization
- A public benefit corporation involved in the transportation of passengers or cargo
- A special-purpose unit of State or local government
- A state government

The statute is silent on transferring funds to a county.

### **Can Governors or state legislatures interfere with the allocation or spending of Coronavirus Local Fiscal Recovery Funds?**

The Act does not give states authority to change the amount of, or attach additional requirements to, the payments allocated to local government recipients.