
AMERICAN RESCUE PLAN ACT (ARPA) UPDATE

FINANCE COMMITTEE

MAY 24, 2021



TREASURY INITIAL GUIDANCE – QUICK REVIEW

- Released on Monday May 10th
- \$47.2 million allocation to Madison – first tranche of \$23.6 million already received; second tranche in May 2022
- Public Health Response Costs and Negative Economic Impact
- Premium Pay for Essential Workers (those with direct contact with the public)
- Maintaining Government Services
- Infrastructure Investments – water, sewer, broadband (higher than 100 mbps)
- Costs incurred beginning March 3, 2021; expenditures through Dec. 31, 2024; reporting through Dec. 31, 2026. Quarterly expenditure reports; annual Recovery Plan Performance Reports

COVID-19 or NEGATIVE ECONOMIC IMPACTS

| Eligible Uses | Details (IFR p. 11-21) |
|--|--|
| <p data-bbox="224 391 1049 525">Containing/Mitigating Covid-19 (IFR p. 16)</p> | <ul data-bbox="1294 391 2474 601" style="list-style-type: none">• Vaccine programs, PPE, medical expenses• Enhancing public health data systems• Capital investments in public facilities to meet pandemic operational needs etc. |
| <p data-bbox="257 695 1016 829">Behavioral Healthcare Needs (IFR p. 17)</p> | <ul data-bbox="1294 695 2211 848" style="list-style-type: none">• Mental health/substance abuse treatment• Crisis intervention/hotlines• Services to promote access to social services |
| <p data-bbox="372 976 901 1336">Payroll/Benefits for: Public health/safety Human services Similar employees (IFR p. 18)</p> | <ul data-bbox="1294 976 2525 1410" style="list-style-type: none">• Eligible to the extent that the work completed was for COVID-19 response/mitigation.• For administrative convenience, public health/safety workers, recipients can use funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response.• Payroll and covered benefits can also be used for an employee's pension benefits as part of their payroll |

| Eligible Uses | Details (p. 21-38) |
|--|---|
| <p align="center">Impacted Industries (Tourism/Travel/Hospitality etc.) (IFR p. 32)</p> | <ul style="list-style-type: none"> Implement COVID-19 mitigation/prevention measures to enable safe resumption of tourism, travel, and hospitality services <ul style="list-style-type: none"> E.g. improvements to ventilation, physical barriers or partitions, signage to facilitate social distancing, provision of masks or personal protective equipment, or consultation with infection prevention professionals to develop safe reopening plans |
| <p align="center">Rebuilding Public Sector Capacity to Pre-Pandemic Levels (IFR p. 32)</p> | <ul style="list-style-type: none"> Payroll Benefits Rehiring public-sector staff Replenishing UI trust funds |
| <p align="center">Small Business support (IFR p. 30)</p> | <ul style="list-style-type: none"> Loans, grants, in-kind assistance for operation continuity, mitigation/prevention, and counseling programs to rebound from the downturn |
| <p align="center">Hardest-hit Communities (IFR p. 34)</p> | <ul style="list-style-type: none"> Investing in socioeconomic disparities, housing/communities Addressing disparities in education |



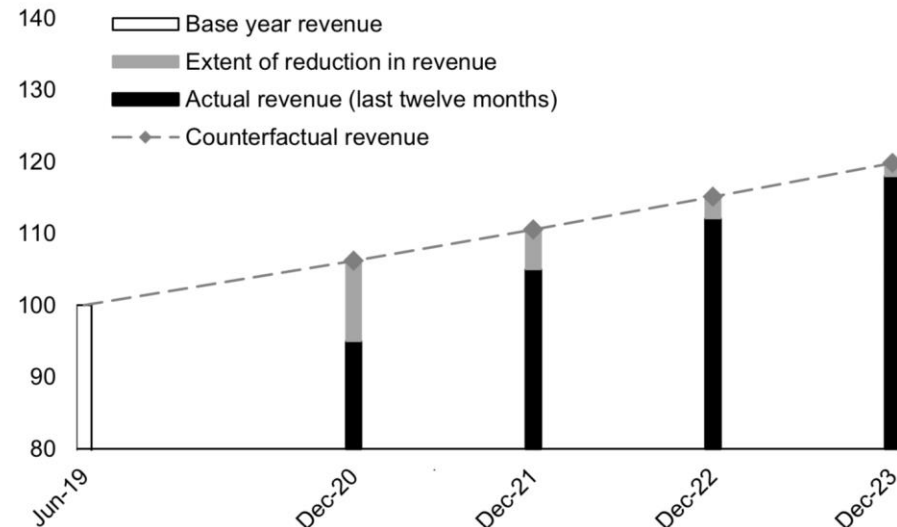
PREMIUM PAY

- Can be used **retroactively (IFR p. 45)**
- Employees of the jurisdiction designated by executive as essential (IFR p. 43)
- Can be provided directly, or through grants to private employers to public health/safety staff and essential workers outside the public sector:
 - Workers at food production facilities, grocery stores, and restaurants, janitors/sanitation workers, truck drivers, and warehouse workers etc.
 - Contract workers performing essential work also eligible.
 - *E.g. If a municipality contracts with a third party to perform sanitation work, the third-party contractor could be eligible to receive a grant to provide premium pay for these eligible workers.*

GOVERNMENT SERVICES REVENUE CALCULATION (IFR P. 53)

- Taxes, fees and other revenues to support public services
- Fees generated by the underlying economy
 - Component units and enterprise funds
 - civic center, zoo, parking, ports, sports stadiums etc. etc. etc.
- Not included – revenues from:
 - Water, electric, transit utilities
 - Federal aid
 - Debt proceeds
 - State-owned liquor stores

The overall methodology for calculating the reduction in revenue is illustrated in the figure below:



GOVERNMENT SERVICES ELIGIBLE COSTS AND ACTIVITIES

- “Government services” (IFR p. 53)
 - Directly provide services or aid to citizens
 - Maintenance pay go of building
 - Can use it on a capital project together with bond financed portion
 - You can start a project and you finish it with future revenues / bonds
 - Cybersecurity, Healthcare service, School or education services, Police, fire or public safety
- NOT ALLOWED: (IFR p. 54)
 - NOT ON principal or interest of debt service (or settlement agreement)
 - NOT ON reserves or rainy day funds

WATER AND SEWER INFRASTRUCTURE

- **Necessary investments** are designed to provide an adequate minimum level of service and are unlikely to be made using private sources of funds (IFR p. 55).
- Uses aligned with Environmental Protection Agency's **Clean Water Revolving Fund** and **Drinking Water State Revolving Fund** to expedite project identification (IFR, p. 56).
 - Building/upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines.
 - Invest in wastewater infrastructure projects
 - E.g. constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works
- ***Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities***



BROADBAND INFRASTRUCTURE (IFR P. 61)

- Build broadband infrastructure with modern technologies in mind, specifically projects that deliver services offering:
 - reliable 100 Mbps download and 100 Mbps upload speeds, unless impracticable due to topography, geography, or financial cost.
- Assisting households to support internet access or digital literacy is an eligible use.



REPORTING REQUIREMENTS

| Report Type | Due Date |
|---|--|
| Interim Report - recipient's expenditures by category at summary level from date of award to July 31, 2021. | Aug. 31, 2021 |
| Quarterly Report –financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds; first quarterly report will cover the two quarters from date of award to Sept. 30, 2021, subsequent reports will only cover one calendar quarter | First quarterly report due Oct. 31, 2021 Subsequent quarterly reports due within 30 days after calendar quarter end |
| Annual Recovery Plan Performance Report – First report will cover period from the date of award to July 31, 2021, subsequent reports will cover 12-mo period with the second report covering from July 1, 2021 – June 30, 2022 | First performance report due Aug. 31, 2021. Subsequent reports due within 30 days after the end of 12-mo. period, e.g. by July 31, 2022 |

GFOA ARPA GUIDING PRINCIPLES

- Temporary Nature of ARPA Funds
 - Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
 - Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
 - Investment in critical infrastructure is particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.

GFOA ARPA GUIDING PRINCIPLES

- ARPA Scanning and Partnering Efforts
 - Local jurisdictions should be cognizant of state-level ARPA efforts, especially regarding infrastructure, potential enhancements of state funding resources, and existing or new state law requirements.
 - Consider regional initiatives, including partnering with other ARPA recipients. It is possible there are many beneficiaries of ARPA funding within your community, such as schools, transportation agencies and local economic development authorities. Be sure to understand what they are planning and augment their efforts or create cooperative spending plans to enhance the structural financial condition of your community.

GFOA ARPA GUIDING PRINCIPLES

- Take Time and Careful Consideration
 - Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
 - Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
 - Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

MADISON CONSIDERATIONS

- Community investments to restart the economy and build back better
 - Small business recovery and development
 - Affordable housing and housing stability
 - Climate, sustainability, and resilience
 - Racial equity and social justice
 - Comprehensive transit services (separate ARPA funding)
- Maintaining essential government services so that local revenues can be retained to replenish reserves/rainy day funds



ARPA FUNDING CATEGORIES

STATUS BY FUNDING AND RECOVERY TEAM



| Recovery Team | Program | Federal Funding Authorized | Details | Status |
|-------------------|---|----------------------------|---|---|
| Economy & Culture | Economic Development Administration (EDA) for Economic Injury | \$3 billion | EDA funding is to support expenses for responding to economic injury. Of the total, 15 percent is for communities with job losses in travel, tourism, and recreation. (\$3 billion) | Waiting for rules |
| Economy & Culture | Community Navigator Pilot Program | \$100 million | Local government are eligible for funding to conduct outreach and increase small business awareness of SBA pandemic-related program (\$100 million) | Waiting for rules |
| Housing | Emergency Rental and Utility Assistance (ERAP) | Unknown | An additional \$19.05 billion in rent and utility assistance. | Rules have been written, preparing to receive funding |
| Housing | Emergency Rental Assistance Program (ERAP) | Unknown | Additional funding for eviction and foreclosure legal assistance | Rules have been written, preparing to receive funding |
| Housing | Homelessness Funding | Unknown | Additional funding for communities to provide shelter and supportive services - including the acquisition of buildings like hotels. Funding will be distributed through the HOME formula. (\$5 billion) | Rules have been written, preparing to receive funding |
| Housing | Emergency Housing Choice Vouchers | Unknown | Additional Housing Choice Vouchers for people at risk of homelessness, survivors of domestic violence, and human trafficking victims. (\$5 billion) | Waiting for rules |
| Housing | Homeowner Assistance Funding - Direct Assistance | Unknown | Funding to help homeowners pay mortgage payments, property taxes, property insurance, and utilities. (\$9.961 billion) | Waiting for rules |

| Recovery Team | Program | Federal Funding Authorized | Details | Status |
|---------------------------------|--|----------------------------|--|-------------------|
| Human Services | Additional Support for Older Adults under Older Americans Act (OAA) and Elder Justice Act | \$1.4 billion | Strengthen critical programs for older adults—including nutrition assistance, vaccination support, technology to reduce social isolation, and caregiver support —under OAA and the Elder Justice Act. | Waiting for rules |
| Human Services | Emergency Connectivity Fund | Unknown | Emergency Connectivity Fund for schools and libraries to provide laptops, internet service and hotspots to students and teachers for remote learning. There is a 100 percent reimbursement of eligible equipment and services. | Waiting for rules |
| Human Services | Increase to Annual Child Care Entitlement to States (CCES) | Unknown | Additional funding would primarily go to states. The required state match for new funding is waived. The amount of additional funding available is unclear. | Waiting for rules |
| Human Services | Child Care Stabilization (formerly Emergency Stabilization Fund for Child Care Providers) | \$24.0 billion | Funds are provided to childcare operators on the condition that they remain open during the grant period and follow CDC, state, and local guidelines. Funds may be used for personnel, rent, PPE, and mental health. | Waiting for rules |
| Transportation & Infrastructure | Public Transit Support - Enhanced Mobility of Seniors and People with Disabilities Program | Unknown | Funding for Section 5310 program for seniors and people with disabilities | Waiting for rules |
| Transportation & Infrastructure | Public Transit Support - Capital Investment Grant | \$1.25 billion | This program includes \$250 million for recipients in the Small Starts Project Development (SSPD) phase. | Waiting for rules |
| Transportation & Infrastructure | Public Transit Support - Direct Grants | \$2.2 billion | Direct grants to transit agencies that request additional assistance. | Waiting for rules |
| Transportation & Infrastructure | Public Transit Support - Urbanized Area Formula Grant | \$26.1 billion | Additional support for public transit systems to prevent layoffs and closures. Funding can be used for payroll, maintaining service, PPE, and administrative leave. Of the total, \$25 million is reserved for route planning. | Waiting for rules |

| Program | Federal Funding Authorized | Status |
|---|----------------------------|-------------------|
| Funding for Testing, Contact Tracing, and Mitigation | \$58.56 billion | Waiting for rules |
| Funding for COVID-19 Testing, Contract Tracing, and Mitigation in Congregate Settings | Unknown | |
| Community-Based Funding For Local Behavioral Health Needs | \$50,000 | |
| Funding for Behavioral Health Workforce Education and Training | Unknown | |
| Enhanced Medicaid Support for Community-Based Mobile Crisis Intervention Services | Unknown | |
| Additional Funding for Child Abuse Prevention and Treatment Act (CAPTA) | \$350 million | |
| Programs for Survivors | \$427.5 million | |
| Funding for Community-Based Funding For Local Substance Use Disorder Service | \$30.0 million | |
| Gender-Based Violence Funding | Unknown | |

FY 2022 FEDERAL BUDGET CONGRESSPERSON POCAN COMMUNITY PROJECT REQUESTS

| Project | Purpose | Request Amount |
|--------------------------------|--|-----------------|
| Blackhawk Pond Outlet Retrofit | To reconstruct and lower the outlet structure of Blackhawk Pond, construct an overflow for Blackhawk Pond, and reconstruct and lower the storm sewer under Swallowtail Road. | \$725,000 |
| Vision Zero | To support Madison's Vision Zero, a data driven and equity-centered strategy intended to eliminate traffic deaths and severe injuries on city streets by 2030 by improving pedestrian, bicycle, and motor vehicle safety for all users at high injury intersections. | \$2 million |
| Water Main Rehabilitation | To replace and rehabilitate approximately 5,750 feet of existing water mains along Nakoosa Trail, Ziegler Road, Redland Drive, Bewick Drive, and Pulley Drive in the City of Madison's Sycamore Plan District. | \$1.125 million |

FY 2022 FEDERAL BUDGET
SENATOR BALDWIN COMMUNITY PROJECT REQUESTS

| Project | Total Project Cost | Request Amount |
|---|---------------------------|-----------------------|
| University Ave Reconstruction and Bike Bridge | \$28,300,000 | \$6,000,000 |
| Autumn Ridge Bike Path | \$4,200,000 | \$3,360,000 |
| West Towne Stormwater Pond | \$3,700,000 | \$2,775,000 |
| Metro Satellite Facility Buildout | \$9,800,000 | \$7,840,000 |
| Public Market | \$13,000,000 | \$5,000,000 |

NEXT STEPS

- Further discussion -- ARPA Local Government Aid strategy; Funding and Recovery Team proposals; Treasury guidance on all categories of use of funding along with reporting requirements.
- Incorporate ARPA funding into budget planning
- 2021 allocations to Council through budget amendment resolutions
- 2022 allocations through executive and adopted budget processes