

American Rescue  
Plan:  
Local Fiscal  
Recovery Funds



# Overview

- Background
- Requirements
- Allocations
- Eligible Uses
- Ineligible Uses
- Reporting
- Outstanding Questions
- Key Dates



# Background



## Classification:

“Metropolitan cities” or “entitlement units of local government”

- » The nine Kentucky cities that qualify for Community Development Block Grant direct entitlement funding
- » Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Lexington, Louisville, and Owensboro
- » These cities will receive funding from and report to the U.S. Department of the Treasury

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“Non-entitlement units of local government”

- » All other Kentucky cities
- » These cities will receive funding from the Kentucky Department for Local Government (DLG) and report to Treasury

# Background

- The American Rescue Plan became law March 11, 2021
- Treasury had 60 days to release guidance and allocations
- On May 10, Treasury released a final rule, summary, and limited FAQs
- Entitlement cities may access their funds from Treasury now
- DLG has until June 9, 2021, to make funds available to non-entitlement cities
- At this point, we recommend you do not reach out to DLG about your allocation, the process, or your financial information

# Requirements



## DUNS number

- » If you do not have a valid DUNS number, visit <https://fedgov.dnb.com/webform/> or call 1-866-705-5711 to begin the registration process
- » The process may take **a few business days**

## SAM registration

- » If you do not have a current SAM registration, visit <https://sam.gov/SAM/> to get started
- » The process may take **up to three weeks**

## Bank account with automated clearing house (ACH) direct deposit

- » Entity Identification Number (EIN), name, and contact information
- » Name and title of an authorized representative of the entity
- » Financial institution name, contact information, and routing and account numbers

## Allocations

Cities will receive  
their allocations  
in two equal  
payments

### First Tranche

- Entitlement communities: First half of total allocation available through Treasury now
- Non-entitlement communities: First half of total allocation will be available through DLG by June 9, 2021

### Second Tranche

- Entitlement communities: Second half of total allocation available roughly May 10, 2022
- Non-entitlement communities: Second half of total allocation available roughly June 9, 2022

## Allocations

### Entitlement communities:

- Collectively will receive over \$607 million total
- Based on CDBG formula nationally
- Will access funding directly with Treasury

### Non-Entitlement communities:

- Collectively will receive about \$324 million total
- Based solely on population within the state
- Will access funding through the Department for Local Government (DLG) once available
- *DLG cannot impose additional restrictions on use of funds*

# Eligible Uses



01

Support public health response

02

Address the negative economic impacts of the public health emergency

03

Target low-income communities

04

Replace lost public sector revenue

05

Provide premium pay for essential workers

06

Invest in water, sewer, and broadband infrastructure

# Support Public Health Response



Recipients may use this funding to address a broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral health care, and public health resources.

 Payroll

 Medical and Behavioral Health

# Payroll



- Payroll and covered benefits for public health, health care, human services, public safety, and similar employees are eligible, to the extent these personnel work on COVID-19 response.
- Recipients can cover the full payroll and covered benefits costs for employees, operating units, or divisions primarily dedicated to the COVID-19 response.
- This standard is stricter than the Coronavirus Relief Fund (CRF) included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which assumed 100% of all public safety personnel were responding to the emergency.

# Payroll



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Staff hours do not need to be routinely tracked, but a city must periodically reassess whether designated employees work on the COVID-19 response.

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Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency and its negative economic impacts.

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This includes, but is not limited to, costs related to disbursing payments from the Local Fiscal Recovery Fund and managing new grant programs established through LFRF.

# Medical and Behavioral Health

- Medical expenditures can include, but are not limited to, the following services, programs, or purchases:
  - › Vaccination programs
  - › Contact tracing
  - › Isolation or quarantine
  - › Personal protective equipment (PPE) purchases
  - › Enforcement of public health orders
  - › Public communication efforts
  - › Capital investments in public facilities to meet pandemic operational needs
  - › Ventilation improvements



# Address the Negative Economic Impacts



## Cities can provide:

- Aid to unemployed workers and job training
- Assistance to households facing food, housing, or other financial insecurity
- Funding to small businesses through loans, grants, in-kind assistance, or counseling programs
- Aid to tourism, travel, hospitality, and similarly impacted sectors
- Rehire public sector staff to pre-pandemic levels or build internal capacity to implement economic relief programs.

# Household Assistance



- Household assistance includes but is not limited to:
- Food assistance
  - Rent, mortgage, or utility assistance
  - Counseling and legal aid
  - Cash assistance
  - Emergency assistance for burials, home repairs, weatherization, or other needs
  - Internet access or digital literacy assistance
  - Job training

➔ Direct cash transfers to households are allowed, but they must be proportional to the negative economic impact on the household.



# Small Business Assistance

Assistance to small businesses and nonprofits includes but is not limited to:

- Loans or grants to mitigate financial hardship
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics
- Technical assistance, counseling, or other services to assist with business planning needs.

**Cities generally cannot use funds for overall economic or workforce development unless the efforts address a negative economic impact from the public health emergency.**

# Target Low-Income Communities



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Recipients can fund the following within a Qualified Census Tract (a low-income area designated by the U.S. Department of Housing and Urban Development) or to other populations, households, or geographic areas disproportionately impacted by the pandemic:

- » Community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs
- » Services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling or housing navigation assistance
- » New or expanded early learning services; resources to high-poverty school districts; tutoring or afterschool programs; and services to address social, emotional, and mental health needs
- » New or expanded childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth

# Replace Lost Public Sector Revenue



- Recipients may use Local Fiscal Recovery funds to replace lost revenue by comparing their actual revenue to an alternative representing what could have been expected to occur in the absence of the pandemic.
- Analysis of this expected trend begins with the last full fiscal year prior to the public health emergency (FY 2019) and projects forward at either:
  - The recipient’s average annual revenue growth over the three full fiscal years prior to the public health emergency (FYs 2017, 2018, and 2019); or
  - 4.1%, which represents the national average growth of state and local revenue from 2015-2018.
- Treasury’s Interim Final Rule allows recipients to presume that any decrease in actual revenue relative to the expected trend is due to the COVID-19 public health emergency.



# Replace Lost Public Sector Revenue



- Cities should calculate their total general revenue across the entire entity instead of just looking at certain tax streams.
- For the purposes of the LFRF, “general revenue” includes revenue from taxes, current charges, and miscellaneous general revenue. This would include gross revenue from:
  - Facilities operated by a government (e.g., swimming pools, recreation centers, convention centers, golf courses, etc.)
  - Auxiliary facilities in public recreation areas (e.g., concession stands, gift shops, etc.)
  - Lease or use fees from stadiums, auditoriums, and convention centers
  - Rentals from concessions at such facilities

# Replace Lost Public Sector Revenue



- General revenue also includes intergovernmental revenue from the state or other local governmental entities; however, it excluded federal transfers, such as money received under the CARES Act.
- The rule also **excludes revenues from utilities**, debt issuance, or the sale of investments.

# Calculating Lost Revenue

Cities should use the following formula to calculate the reduction in revenue:

$$\frac{\{\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\frac{n_t}{12}}\} - \text{Actual General Revenue}_t}{\text{Base Year Revenue}}$$

- *Base Year Revenue* is general revenue collected in the most recent full fiscal year prior to the COVID-19 public health emergency (FY 2019).
- *Growth Adjustment* is equal to the greater of 4.1% (0.041) or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency.
- *n* equals the number of months elapsed from the end of the base year to the calculation date.
- *Actual general revenue* is the recipient's actual general revenue collected during the 12-month period ending on each calculation date.
- *t* denotes the calculation date.



# Reduction in Revenue

- Upon receiving Local Fiscal Recovery Fund money, a city can immediately calculate the reduction in revenue that occurred in FY 2020 and deploy funds to address any shortfall.
- Once a shortfall is identified, recipients will have broad latitude to use this funding to support government services, up to the amount of lost revenue.



# Qualifying Government Services

Government services can include but are not limited to:

- ✓ Maintenance of infrastructure spending including roads
- ✓ Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure
- ✓ Health services
- ✓ Environmental remediation
- ✓ School or educational services
- ✓ The provision of police, fire, and other public safety services.



# Premium Pay for Essential Workers



- Cities may use LFRF money to provide premium pay to their essential workers or award grants to private employers for their essential workers who must be physically present at their jobs. These include:
  - 🏠 Public health and safety staff
  - 🗑️ Janitors and sanitation workers
  - 🏥 Nursing home, hospital, and home-care staff
  - 🍏 Farm, food production facility, grocery store, and restaurant workers
  - 🚚 Truck drivers, transit staff, and warehouse workers
  - 🏫 Childcare workers, educators, and school personnel
  - 👤 Social service and human services staff

# Premium Pay for Essential Workers



- The American Rescue Plan defines premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives, not to exceed \$25,000 per eligible worker.
- Treasury states that recipients should prioritize premium pay for lower income workers, and cities must justify the need if the employee's total pay would exceed 150% of the greater of the state or county average annual wage.

# Premium Pay for Essential Workers



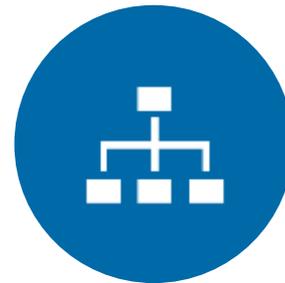
Employers are permitted and encouraged to offer premium pay retrospectively.



Staff working for third-party contractors in eligible sectors are also eligible for premium pay with additional reporting requirements.



Employees who teleworked from a residence would not qualify for premium pay for the time they worked from home.



The chief executive of each recipient has discretion to add additional sectors, so long as additional sectors are deemed critical to protect the health and well-being of residents.

# Invest in Water Infrastructure



- Water projects generally align with those eligible for the Drinking Water State Revolving Fund (DWSRF).
- These projects include:
  - ⇒ Treatment, transmission, and distribution (including lead service line replacement)
  - ⇒ Source rehabilitation and decontamination
  - ⇒ Storage
  - ⇒ Consolidation
  - ⇒ New systems development



# Invest in Sewer Infrastructure



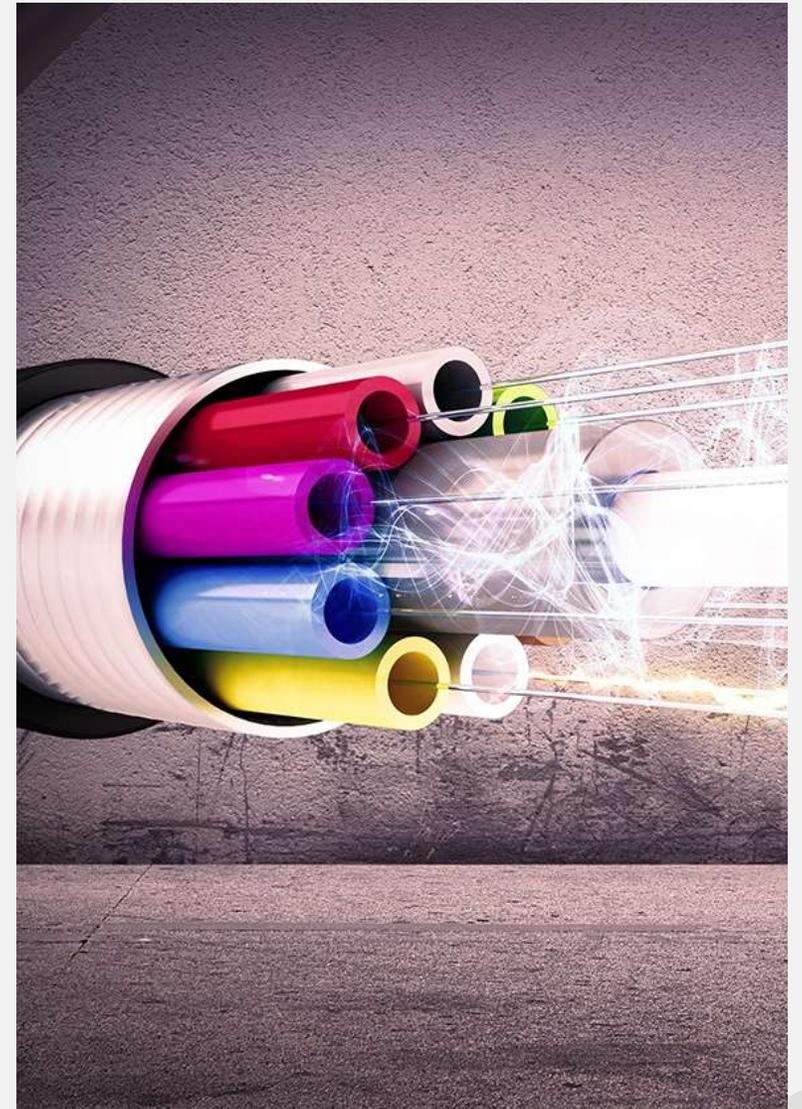
- Wastewater projects generally align with the Clean Water State Revolving Fund (CWSRF).
- These projects include:
  - Construction of publicly owned treatment works
  - Nonpoint source pollution management
  - National estuary program projects
  - Decentralized wastewater treatment systems
  - Stormwater systems
  - Water conservation, efficiency, and reuse measures
  - Watershed pilot projects
  - Energy efficiency measures for publicly owned treatment works
  - Water reuse projects
  - Security measures at publicly owned treatment works
  - Technical assistance to ensure compliance with the Clean Water Act



# Invest in Broadband Infrastructure



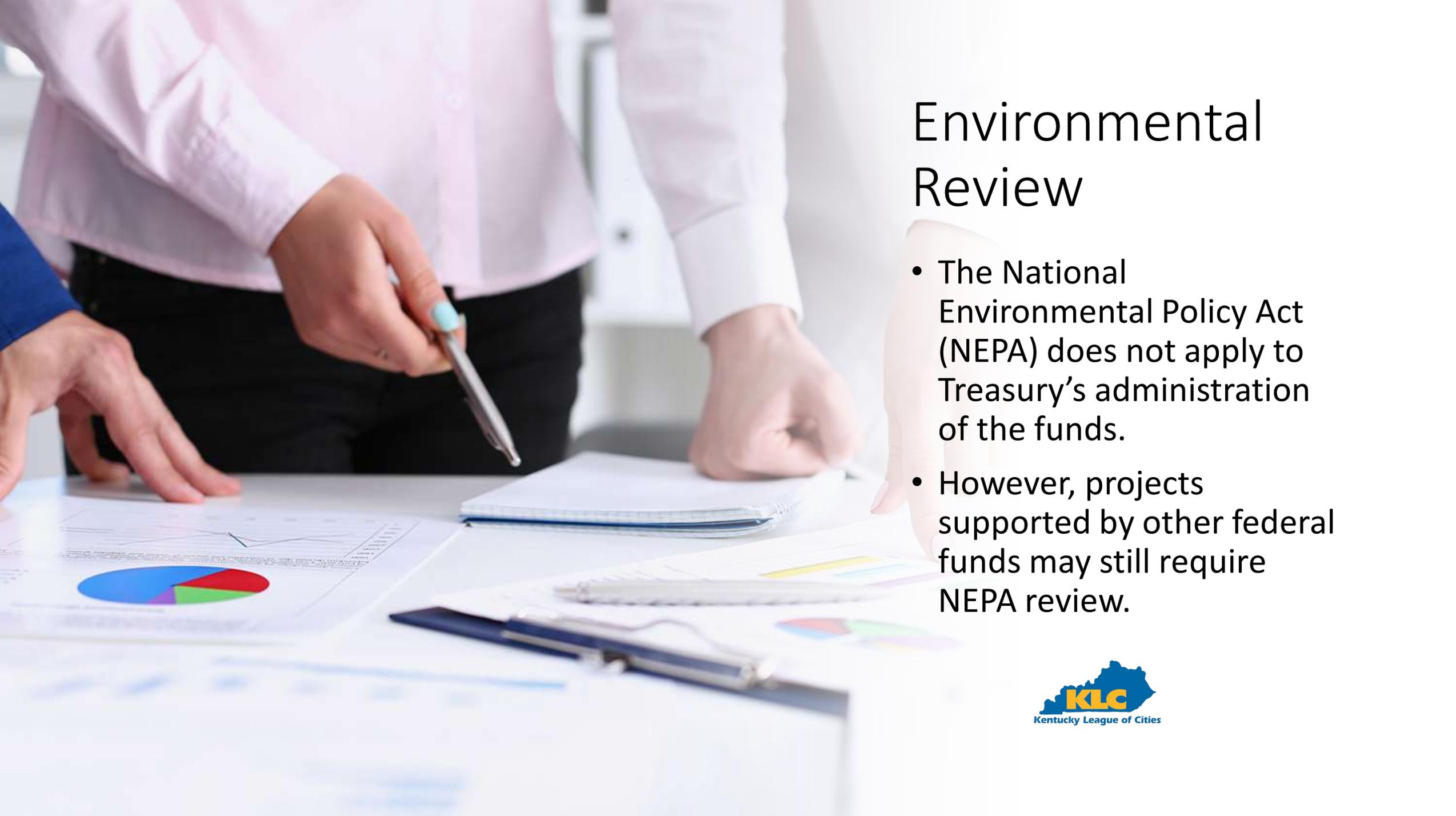
- Cities can also invest in broadband infrastructure in unserved or underserved areas.
- These areas must lack a wireline connection that reliably delivers minimum speeds of 25 Mbps download and 3 Mbps upload.
- Treasury also encourages recipients to prioritize projects that achieve last-mile connections to households and businesses.
- These projects should deliver reliable 100 Mbps download and 100 Mbps upload speeds, unless impractical due to topography, geography, or financial cost.



# Invest in Broadband Infrastructure



- Recipients should pursue fiber optic investments if possible.
- Cities can also aid households to support internet access or digital literacy in response to the public health and negative economic impacts of the pandemic.
- Recipients may use funds to modernize cybersecurity, including hardware, software, and protection of critical infrastructure, as part of provision of government services up to the amount of revenue lost due to the public health emergency.



# Environmental Review

- The National Environmental Policy Act (NEPA) does not apply to Treasury's administration of the funds.
- However, projects supported by other federal funds may still require NEPA review.

# Ineligible Uses



- ❌ Extraordinary contribution to a pension system to reduce accrued unfunded liability; however, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds.
- ❌ Outstanding debt service, legal settlements or judgments, financing expenses, or deposits into rainy day or other reserve funds.
- ❌ Cities also generally cannot use LFRF money to meet non-federal match requirements for most federal grant programs.

# Reporting



Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later.

This includes all documentation that demonstrates the award funds were used for eligible purposes.

All reporting, for both entitlement and non-entitlement communities, will go to the Department of the Treasury.

# Reporting: Entitlement Communities

Must submit an interim report by August 31, 2021, that covers all activity from the date of award to July 31, 2021.

Must also submit quarterly reports covering 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.

The initial quarterly project and expenditure report – due October 31, 2021 – will cover two calendar quarters from the date of award to September 30, 2021.

Subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

# Reporting: Louisville and Lexington



- Only Louisville and Lexington must prepare, publish, and post online recovery plan performance reports.
- This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping residents understand how their government is using the Local Fiscal Recovery Fund assistance.
  - The initial recovery plan performance report – due August 31, 2021 – will cover activity from the date of award to July 31, 2021.
  - Thereafter, the reports will cover a 12-month period synchronous with the city's fiscal year. Those are due 30 days after the close of each fiscal year.





# Reporting: Non-Entitlement Communities



- Must submit a project and expenditure report to Treasury only once a year, with a deadline of October 31 each year.
- The first report will cover activity from the date of the award to September 30, 2021. It is due October 31, 2021.
- Treasury will provide further guidance and instructions on the program's reporting requirements at a later date.

# Reporting: All Communities



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Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including the single audit requirements.

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Recipients that expend \$750,000 or more of federal funds in a year must conduct a single audit or program audit.

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70 cities will get \$750,000 or more in each of their tranches.

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This allocation would combine with other federal funds to reach the \$750,000 amount.



Special-purpose districts – including school districts, water districts, or fire districts – will not receive funding allocations; however, cities may transfer LFRF money to these districts to further goals of the act.

- Similarly, cities may transfer funds to county governments and vice versa.

Although costs must be incurred by December 31, 2024, Treasury is allowing a period of performance to run until December 31, 2026.

- This extension provides a reasonable amount of time to complete projects.

# Outstanding Questions



- Treasury has requested comments on 38 different questions within the interim final rule.
- City officials have posed some questions that are not fully addressed in the guidance or FAQs.
- DLG has not released the final allocation figures for non-entitlement communities or created their application and distribution system.

# Key Dates



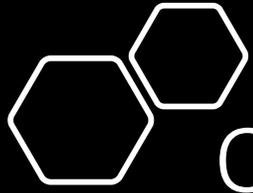
**10 May 2021**  
Treasury released initial guidance and FAQs; opened the application window for entitlement communities

**Mid-July 2021**  
Comments due to Treasury on the interim order

**31 Oct. 2021**  
All communities submit reports

**9 June 2021**  
DLG must release official allocations and open the application window for non-entitlement communities

**31 Aug. 2021**  
Entitlement communities must submit an interim report that covers all activity from the date of award to July 31, 2021; Louisville and Lexington must publish recovery plan performance reports



Questions?

## American Rescue Plan: Local Fiscal Recovery Funds

- Contact:
- J.D. Chaney, KLC executive director/CEO
- 800-876-4552



**Kentucky League of Cities**