



# American Rescue Plan Act Update

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*September 21, 2021*

*Senate Committee on Finance*

**RHODE  
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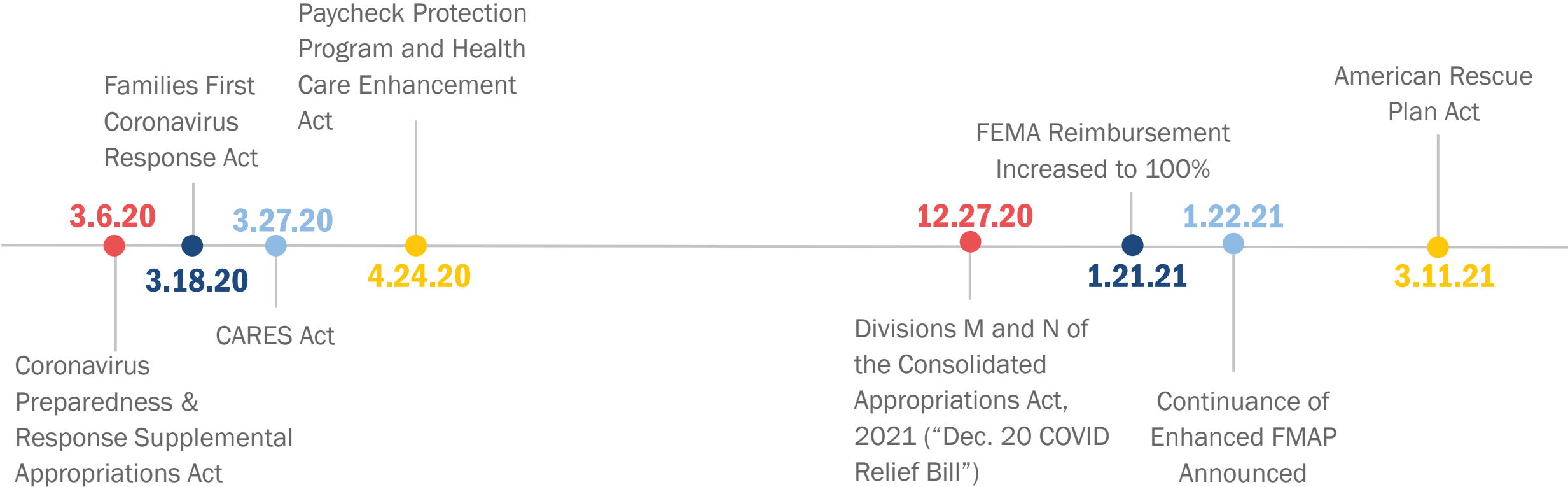
# Agenda

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- Overview of the American Rescue Plan Act (ARPA) Funds
- State Fiscal Recovery Fund (SFRF) Compliance Standards
- ARPA Capital Projects Fund
- Local Fiscal Recovery Fund
- Total ARPA Funds Committed
- Coronavirus Relief Fund
- Federal Infrastructure Bill

# COVID-19 Relief Legislation Timeline

Congress has passed laws making additional federal funds available to states to address the COVID-19 pandemic. These funds are in addition to the typical federal funds that states receive. They are also in addition to Stafford Act reimbursement for eligible disaster-related costs.



# Varying Degrees of State Control for Federal Awards

ARPA and other stimulus awards range from relatively flexible to highly structured

High State Control

Little/No State Control



Stimulus Awards

Direct Awards to State Agencies

Pass-through Funds

Awards to Non-State Entities

e.g. SFRF, CRF

CDC Grants to RIDOH

ESSER, Local Recovery Funds

Grants directly to quasis or community providers, no state involvement

# Overview of ARPA Funds

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# Total American Rescue Plan Act Funds

| ARPA Awards  | Award Amount      |
|--|-------------------|
| State Fiscal Recovery Fund                                   | \$1,131.1M        |
| Elementary and Secondary School Emergency Relief Fund (ARPA) | \$415.0M          |
| Local Fiscal Recovery Fund - County Allocation               | \$205.8M          |
| Emergency Rental Assistance (ARPA)                           | \$152.0M          |
| Capital Projects   | \$112.3M          |
| Higher Education Emergency Relief Fund (HEERF) III (ARPA)    | \$90.8M           |
| Local Fiscal Recovery Fund (Non-Entitlement City)            | \$58.1M           |
| Child Care Stabilization Grants                              | \$57.3M           |
| State Small Business Credit Initiative (ARPA)                | \$56.2M           |
| Homeowner Assistance Fund                                    | \$50.0M           |
| Other  | \$263.7M          |
| <b>Total</b>   | <b>\$2,592.3M</b> |

# Stimulus Awards

Outlined below are ARPA-created stimulus programs in direct response to the COVID-19 emergency which granted the state significant control

| Area of Investment | Major Direct Award Examples  | Award Amount      |
|--------------------|--|-------------------|
| Recovery           | State Fiscal Recovery Fund (SFRF)  | \$1,131.1M        |
| Capital            | ARPA Capital Projects Fund   | \$112.3M          |
| Housing            | Rental Assistance Program (\$152M) and Homeowner Assistance Fund (\$50M) | \$202.0M          |
| <b>Total</b>       |  | <b>\$1,445.4M</b> |

SFRF and the Capital Projects Fund will be discussed further in upcoming slides

# Direct Awards

ARPA appropriated \$390M in direct awards to state agencies

| Area of Investment | Major Direct Award Examples (Not Exhaustive)  | Award Amount    |
|--------------------|---|-----------------|
| Education          | ESSER SEA allocation (\$41.5M)  | \$41.5M         |
| Housing            | LIHEAP (\$30.8M) and LIHWAP (\$1.6M)  | \$32.4M         |
| Child Care         | Child Care Stabilization Funds (\$57M) and CCDBG (\$36M)  | \$94.4M         |
| Health             | Epidemiology and Laboratory Capacity for School Testing (\$31.9M), Vaccine Preparedness (\$32.6M), Health Disparities (\$19.7M), and Crisis Response Cooperative Agreement (\$7.2M) | \$94.7M         |
| Business           | Small Business Credit Initiative (\$56.2M)  | \$63.1M         |
| Transit            | Urbanized Area Formula (\$28.7M)  | \$29.7M         |
| Other              | Substance Abuse and Mental Health (\$12.4M), Domestic Violence (\$1.4M), Museums and Arts (\$3.0M), Veterans Home (\$2.0M), and other miscellaneous grants (\$15.1M)                | \$33.9M         |
| <b>Total</b>       |   | <b>\$389.7M</b> |



# Pass-Through Funds

The State serves as administrative agent, passing more than \$750M in additional ARPA funding to other institutions, without the authority to exert control over the use funds

| Area of Investment | Major Direct Award Examples (Not Exhaustive)  | Award Amount    |
|--------------------|---|-----------------|
| Recovery           | LFRF Non-Entitlement (\$58.1M) and County (\$205.8M) allocations                                      | \$263.9M        |
| Education          | ESSER LEA Distribution (\$373.5M), HEERF Public University Distribution (\$90.8M), and IDEA (\$11.7M) | \$476.0M        |
| Rental/Homeowner   | HOME Investment Partnerships Program Non-Entitlement distribution (\$13.5M)                           | \$13.5M         |
| <b>Total</b>       |   | <b>\$753.4M</b> |

# Non-state ARPA Awards - Examples (Not Exhaustive)

ARPA authorizes additional funding outside of the state government's control that will provide additional benefits to Rhode Islanders

| Area of Investment       | Major Direct Award Examples (Not Exhaustive)   | Award Amount |
|--------------------------|--|--------------|
| Recovery                 | LFRF Metropolitan City allocation  | \$272.9M     |
| Education                | HEERF allocation for private institutions of higher education (\$77.2M) and direct funding to Head Start programs (\$3.0M) | \$80.2M      |
| Housing                  | HOME Investment Partnership Programs Entitlement City Allocation   | \$9.6M       |
| Health                   | Direct funding for community health centers  | \$33.6M      |
| Economic Impact Payments | Direct stimulus checks to Rhode Islanders  | \$1,217.3M*  |
| Other                    | National Endowment for the Humanities  | \$0.7M       |

# SFRF Compliance Standards

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# State Fiscal Recovery Fund (SFRF)

ARPA provides \$1.13B to Rhode Island through the SFRF to address negative public health/economic impacts resulting from COVID-19 and to respond to economic harm resulting from or exacerbated by the public health emergency

## Ineligible/Concerns of Use

- Extraordinary pension contributions
- Rainy day fund contribution
- Satisfaction of any obligation resulting from a settlement agreement, judgement, consent decree,
- Offset of net tax revenue resulting in a change in law, regulation or administrative interpretation
- Broad personnel health and safety salaries and benefits

## Activities Eligible/Presumed Eligible

- Response to public health emergency
- Small business or impacted industries support in response to pandemic
- Premium pay for essential workers performing essential service
- Support government services to extent of revenue loss
- Infrastructure: water, sewer, broadband, low-income housing, lead paint or lead pipe removal
- UI Trust Fund contributions, employee retraining programs

## Other Information

- Costs must be obligated between March 3, 2021 and December 31, 2024
- Project complete and fully expensed on or before December 31, 2026
- Overlap with other specific funding streams in ARPA (i.e. housing and education)
- Some overlap with FEMA reimbursements through December 31, 2021

# Coronavirus Relief Fund (CRF) versus SFRF

ARPA builds on and expands support provided through the CRF. Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 are eligible under the SFRF

## Coronavirus Relief Funds (CRF)

- Presumption of health and safety workers' salaries and benefits
- Expenses related to issuance of tax anticipation notes (TANs).
- Addressing the effects of COVID-19 broadly defined
- Funding to municipalities was at the State's discretion
- Fiscal quarterly reporting
- Funds expended on or before December 31, 2021
- Period of performance ends December 31, 2021

## State Fiscal Recovery Funds (SFRF)

- No presumption for health and safety salaries and benefits
- No expenses related to TANs.
- Three-prong justification: identify harm, and effect of harm, and responding to the effect of harm.
- Some municipality funds flowing through State, but distribution is not within the State's discretion
- Fiscal **and performance** quarterly reporting
- Funds obligated on or before December 31, 2024
- Period of performance ends December 31, 2026

# Themes Included in SFRF

## ✓ Public Health – contain and mitigate the spread of COVID-19

- Vaccine distribution/administration
- Contact tracing
- Behavioral Health services

## ✓ Restore Economy – respond to negative economic impacts resulting from the pandemic

- Premium pay for essential workers performing essential work (must be physically present at job)
- Aid to impacted industries, non-profits
- Direct assistance to workers and families
- Tourism, Travel, Hospitality presumed eligible
- Focus on MBE/DBE
- System upgrades for economic relief programs

## ✓ Services to Disproportionately Impacted Communities – address systemic challenges that have contributed to the inequal impact of the pandemic on certain populations

- Disproportionately impacted communities – QCTs
- Expanded services allowable
- Must be a data driven policy
- Address learning loss and safety of school facilities
- Affordable housing and services for the unhoused
- Childcare, family home visiting, services for foster families, lead remediation, community violence interruption, etc.

## ✓ Premium Pay

- For essential workers, prioritizing low- and moderate-income

## ✓ Infrastructure

- Generally limited to clean water, sewer, and broadband lines or access
- Storm water and climate change is eligible

# SFRF Restrictions

## ARPA **prohibits** use of State Fiscal Recovery funds (directly or indirectly) for:

- Deposits into pension funds
  - A “deposit” is distinct from a “payroll contribution,” which occurs when employers make payments into pension funds on regular intervals, with contribution amounts based on a pre-determined percentage of employees’ wages and salaries.
- "Directly or indirectly offsetting a reduction in the net tax revenue...resulting from a change in law, regulation or administrative interpretation during the covered period”
- Deposit into a rainy-day fund, with the following exception:
  - The IFR allows SFRF recipients to fund Other Post Employee Benefits (OPEB). Recipients may use funds for eligible uses, and a recipient seeking to use SFRF funds for OPEB contributions would need to justify those contributions under one of the eligible use categories as defined in guidance.

# SFRF Restrictions (cont.)

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- Other ineligible uses:
  - General economic development
  - Payroll for personnel not responding to the public health emergency
  - Direct assistance to populations not directly impacted by the pandemic
  - Expenses related to financing, including servicing or redeeming notes, paying interest or principal on any outstanding debt instrument, or paying fees or issuance costs associated with the issuance of new debt
  - Any obligation arising under or pursuant to a settlement agreement, judgment, consent decree or judicially confirmed debt



# General Government Services/Revenue Loss Provisions

**ARPA allows states to use the SFRF for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency**

- Revenue loss is calculated as the difference between actual revenues and the “counterfactual” estimate of what revenues would have been in the absence of the pandemic – pursuant to a methodology defined in guidance.
- Treasury’s regulation requires the state’s revenue loss to be calculated at four specific cut points: 12/31/20, 12/31/21, 12/31/22 and 12/31/23. At each interval additional revenue loss may be added, but not clawed back.
- Current revenue loss calculations for the period ending 12/31/20 allow the state to dedicate as much as \$412M to the provision of general government services.

# ARPA Capital Projects Fund

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# Capital Projects Fund

New guidance released  
yesterday (9/20)

ARPA provides \$112.3M to Rhode Island through the Capital Projects Fund for “critical capital projects directly enabling work, education, and health monitoring, including remote options” in response to the pandemic

## Key Program Elements

### Presumptive categories:

- Broadband projects
- Digital connectivity technology projects
- Multi-purpose community facility projects (buildings)
- Health monitoring facilities

**Case-by-case review:** States can propose projects that are not presumptively eligible but must demonstrate such projects address a critical need that results from or was made apparent or exacerbated by the COVID-19 public health emergency.

**Applications for funding:** Due December 27, 2021

### Ineligible:

- General infrastructure projects, such as highways, bridges, transit systems and ports
- General construction and improvement of hospitals and traditional schools

### Prior approval required for ALL projects:

- These are not competitive grants, but states must submit project plans to Treasury approval.
- Funding is disbursed by Treasury throughout the life of the project.

# Local Fiscal Recovery Fund

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# Local Fiscal Recovery Fund (LFRF)

ARPA provides \$536.8M in pass-through and direct federal-to-local funds to address negative public health/economic impacts resulting from COVID-19 to municipalities for obligations through December 31, 2024

## Ineligible/Concerns

- No extraordinary pension contributions
- No rainy-day fund contributions
- State is not allowed to put additional restrictions or conditions on the distribution of funds

*Note: Local governments are allowed to offset net tax revenues as a result of a change in law, regulation or administrative interpretation*

## Activities Eligible/Presumed Eligible

- Support public health response
- Support government services to extent of revenue loss
- Equity-focused services
- Address negative economic impacts
- Premium pay for essential workers
- Investments in infrastructure, water, sewer, broadband, low-income housing

## Other Information

- Costs must be obligated between March 3, 2021, and December 31, 2024,
- Project complete on or before December 31, 2026,
- Amount to be received is based on Census population count
- State must distribute funds within 30 days of receipt

# LFRF Funding Streams

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City and town municipal operations receive LFRF funds through the following streams:

## 1. The Large City Entitlement Stream

The state's six largest cities are “metropolitan cities” that are entitled to direct disbursements from the U.S. Treasury Department. These six cities will receive a total of \$272.9M through the direct disbursement stream.

## 2. The Small Community Non-entitlement Stream

The State will disburse \$58.1M to “non-entitlement” cities and towns on a per capita basis.

## 3. The County Share Stream

The State will disburse \$205.8M (county distribution) to all cities and towns on per capita basis.

*ARPA specifically prohibits states from imposing any restrictions or requirements on the use of local or county funds.*

# LFRF Disbursements

|  | CY 2021<br>Disbursement | CY 2022<br>Disbursement | Cumulative      |
|--|-------------------------|-------------------------|-----------------|
| Large cities<br>(Metropolitan Cities)* | \$136.5M                | \$136.5M                | \$272.9M        |
| Small communities (NEUs)               | \$29.1M                 | \$29.1M                 | \$58.1M         |
| County-share                           | \$102.9M                | \$102.9M                | \$205.8M        |
| <b>Total</b>                           | <b>\$268.4M</b>         | <b>\$268.4M</b>         | <b>\$536.8M</b> |

\*Large city disbursements were directly from U.S. Treasury to the municipality, not administered by state

# Total ARPA Funds Committed

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# ARPA Committed Funds – \$601M

ARPA awarded approximately \$2.6B with varying degrees of state control

| Item             | Major Direct Award Examples (Not Exhaustive)  | Award Amount  | Committed      |
|------------------|---|---------------|----------------|
| Recovery         | State Fiscal Recovery Funds (\$1.13B)   | \$1.13B       | Planning Stage |
| Recovery         | LFRF Non-Entitlement (\$58.1M) and County (\$205.8M) allocations  | \$263.9M      | \$263.9M       |
| Capital          | ARPA Capital Projects Fund (\$112.3M)   | \$112.3M      | Planning Stage |
| Education        | ESSER (\$415.0M), HEERF (\$90.8M), IDEA (\$11.7M)   | \$526.5M      | \$112.2M       |
| Rental/Homeowner | Rental Assistance Program (\$152.0M), Homeowner Assistance Fund (\$50.0M), LIHEAP and LIHWAP (\$32.4M), and HOME Investment Partnerships Program (\$23.1M)                          | \$257.5M      | \$52.6M        |
| Child Care       | Child Care Stabilization Funds (\$57.3M) and CCDBG (\$35.7M)  | \$94.4M       | \$80.7M        |
| Health           | Epidemiology and Laboratory Capacity for School Testing (\$31.9M), Vaccine Preparedness (\$32.6M), Health Disparities (\$19.7M), and Crisis Response Cooperative Agreement (\$7.2M) | \$94.7M       | \$60.0M        |
| Business         | Small Business Credit Initiative (\$56.2M)  | \$63.1M       | Planning Stage |
| Transit          | Urbanized Area Formula (\$28.7M)  | \$29.7M       | Planning Stage |
| Other            | Substance Abuse and Mental Health (\$12.4M), Domestic Violence (\$1.4M), Museums and Arts (\$3.0M), Veterans Home (\$2.0M), and other miscellaneous grants (\$15.1M)                | \$33.9M       | \$31.6M        |
| <b>Total</b>     |   | <b>\$2.6B</b> | <b>\$601M</b>  |

# Coronavirus Relief Fund

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# CRF Summary: \$4.1M remaining

| Area of Spend                                     | Category   | Expenditures <sup>1</sup> | FY22 Planned Expenditure | Total Planned Expenditure |
|---|--|---------------------------|--------------------------|---------------------------|
| Public Health Response                            | 1. Supplies  | \$0.2M                    | \$0.2M                   | \$0.4M                    |
|   | 2. Surge   | \$11.7M                   | \$0.1M                   | \$11.8M                   |
|   | 3. Testing   | \$2.4M                    | \$0.0M                   | \$2.4M                    |
|   | 4. Case Investigation (CI) and Contact Tracing (CT)  | \$2.6M                    | \$0.0M                   | \$2.6M                    |
|   | 5. Individual Supports                               | \$5.4M                    | \$0.3M                   | \$5.7M                    |
|   | 6. Community Mitigation and High-Density Communities | \$3.0M                    | \$0.0M                   | \$3.0M                    |
|   | 7. Vaccine Campaign                                  | \$0.2M                    | \$0.0M                   | \$0.2M                    |
|   | 8. Public Health Emergency Response Supports         | \$5.4M                    | \$0.0M                   | \$5.4M                    |
| Hospital and Provider Relief                      | 9. Hospital Assistance Partnership Program (HAPP)    | \$220.5M                  | \$0.0M                   | \$220.5M                  |
|   | 10. Human Services Relief                            | \$73.6M                   | \$0.4M                   | \$74.0M                   |
| Housing   | 11. Housing  | \$15.6M                   | \$0.0M                   | \$15.6M                   |
| Business and Workforce Readiness                  | 12. Business & Workforce Readiness                   | \$152.0M                  | \$18.8M                  | \$170.8M                  |
| Education and Childcare                           | 13. Education  | \$110.6M                  | \$5.0M                   | \$115.6M                  |
|   | 14. Childcare  | \$3.4M                    | \$0.0M                   | \$3.4M                    |
| "Pause" Supports                                  | 15. "Pause" Supports                                 | \$103.7M                  | \$0.1M                   | \$103.8M                  |
| Municipal Support                                 | 16. Municipal Support                                | \$136.6M                  | \$0.0M                   | \$136.6M                  |
| Government Readiness and Other Personnel Expenses | 17. Government Readiness                             | \$22.4M                   | \$1.6M                   | \$24.0M                   |
|   | 18. State Personnel Expenses                         | \$345.4M                  | \$0.0M                   | \$345.4M                  |
|   | FEMA Uncertainty                                     |                           | \$4.7M                   | \$4.7M                    |
|   | <b>Total</b>   | <b>\$1,214.5M</b>         | <b>\$31.2M</b>           | <b>\$1,245.9M</b>         |

<sup>1</sup>Total Expenditures as of 6/30/21

# Federal Infrastructure Bill

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# Infrastructure Investment and Jobs Act

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H.R. 3684 is *not* analogous to the CARES Act or ARPA. *It is not an emergency spending bill.*

The pending legislation is an omnibus authorization bill that creates new initiatives and reauthorizes existing programs, including those contained in the Surface Transportation Reauthorization Act of 2021 ([S. 1931](#)), Surface Transportation Investment Act ([S. 2016](#)), Drinking Water and Wastewater Infrastructure Act ([S. 914](#)) and the Energy Infrastructure Act ([S. 2377](#)).

The bill provides \$550 billion in new spending and \$394 billion to support existing infrastructure programs.

Rhode Island is slated to receive **\$2.57 billion** in formula grant funding under the bill.

The Infrastructure Investment and Jobs Act authorizes the funding over a five-year period.

# Formula Grant Funding Breakdown

| Formula Grant Category    |                | Notes, Limitations, Concerns  |
|---------------------------|----------------|---|
| Highway                   | \$1.5B         | May be augmented by competitive highway grants (state match required) |
| Bridges                   | \$242M         | Additional competitive grants available for bridges                   |
| Public Transport          | \$272M         | Bus and intercity rail  |
| Water Supply and Sewer    | \$378M         | Financing for the state revolving funds (drinking and clean water)    |
| Airports                  | \$45M          | R.I. T.F. Green International and general aviation                    |
| Elective Vehicle Stations | \$23M          | Installation of charging stations                                     |
| Broadband Infrastructure  | \$100M         | Minimum allocation  |
| Other                     | \$2.9M         | Cybersecurity and climate projects                                    |
| <b>Total</b>              | <b>\$2.57B</b> |   |

Source: [https://www.whitehouse.gov/wp-content/uploads/2021/08/RHODE-ISLAND\\_Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf](https://www.whitehouse.gov/wp-content/uploads/2021/08/RHODE-ISLAND_Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf). Estimates are subject to change as the legislation is pending.

# Match Requirements

IIJA may require at least \$475.6M in match between FY23 – FY28

| Federal Formula Grant Category   | Non-federal Match requirements  | Potential Match Exposure   |
|----------------------------------|---|----------------------------|
| Highway                          | Typically, 20% with exceptions  | \$300M                     |
| Bridges                          | Typically, 20% with exceptions  | \$48.4M                    |
| Public Transport                 | Typically, 20% with exceptions  | \$54.4M                    |
| Water Supply and Sewer           | Mixed requirements. For Drinking Water State Revolving Fund: FY22 and FY23 funds require 10% state match, FY24 – FY26 require a 20% state match.  | \$37.8M                    |
| Airports                         | Varies between 10% and 25% for different programs   | Between \$4.5M and \$11.3M |
| Electric Vehicle Stations        | At least 20%  | \$4.6M+                    |
| Broadband Infrastructure         | 25%. No match for certain projects. The bill specifically provides that matching funds <i>may</i> come from the CARES Act, the Consolidated Appropriations Act of 2021, or the American Rescue Plan Act of 2021, <i>if the funds were for the purpose of deployment of broadband service.</i> | \$25M                      |
| Cybersecurity/Climate resiliency | 15% local match for electric grid security grants. At least 20% for climate. Other programs TBD.  | Between \$435K and \$580K  |