



State and Local Recovery Funds Guidance

OFFICE OF THE BUDGET DIRECTOR

COUNCIL OF THE DISTRICT OF COLUMBIA

MAY 21, 2021

Federal Aid Package	Grants	Flexible State Aid	Direct Aid to Residents and Businesses	Total
American Rescue Plan Act	1,310,990	2,312,384	663,331	4,286,705
CARES Act	1,421,645	495,138	6,633,139	8,549,922
Consolidated Appropriations Act	1,032,398	-	-	1,032,398
Coronavirus Preparedness and Response Act	9,150	-	-	9,150
Executive Action	146,000	-	-	146,000
Families First Coronavirus Response Act	89,142	-	-	89,142
Paycheck Protection Program and Health Care Enhancement Act	<u>88,200</u>	-	-	<u>88,200</u>
Grand Total	4,097,525	2,807,522	7,361,873	14,266,919

DIFFERENT TYPES OF FEDERAL STIMULUS

GRANTS

FLEXIBLE STATE AID

DIRECT AID TO RESIDENTS AND
BUSINESSES

State and Local Recovery Funds

The District will receive \$2.3 billion in “Recovery Funds,” most of which is immediately available. On May 10, 2021, the Treasury Department released guidance on the allowable uses for these relief dollars.

CARES	<ul style="list-style-type: none">• \$755M (remainder)
State Aid	<ul style="list-style-type: none">• \$1.047B
County Aid	<ul style="list-style-type: none">• \$68.5M - May 2021• \$68.5M - May 2022
Metro Aid	<ul style="list-style-type: none">• \$186.5M - May 2021• \$186.5M - May 2022

How can the Council allocate and spend Recovery Funds?

Broad flexibility within specific requirements

- Under the guidance, the allowable uses for these funds are both broad and flexible
- However, the specifics matter, and every use we put into the budget must be allowable under one of four categories and meet the associated reporting requirements

Two categories of prohibited uses

- Cannot be deposited into a pension fund
- Cannot be used to offset a new tax cut

Must be obligated by December 31, 2024

- Obligated does not mean spent. The performance and reporting period extends through December 31, 2026

One-time Funding

- Recovery funds are a one-time source that can be spread across multiple years in the Financial Plan

Four Categories of Allowable Uses

1

Responding to the
Public Health
Emergency or its
Negative Economic
Impacts

2

Assisting Workers
Performing Essential
Work During the
COVID-19 Public Health
Emergency

3

Providing Government
Services to the Extent
of Revenue Loss

4

Investing in Water,
Sewer, or Broadband
Infrastructure

Responding to the Public Health Emergency ...

The guidance provides a non-exhaustive list of allowable public health uses under this category including, but not limited to:

Vaccination programs

Medical care

Public communication

Testing & contact tracing

PPE purchases

Prevention and mitigation in congregate living facilities and schools

Public health data system enhancements

Mental health treatment

Substance misuse treatment

Behavioral health crisis intervention

Payroll for public health and other frontline employees working on COVID-19

... or its Negative Economic Impacts

Recovery Funds may also be used to assist residents and businesses in a variety of ways including, but not limited to:

Hiring government staff

Assisting unemployed workers

Contributions to Unemployment Insurance Trust Fund

Aid to small Businesses, including loans or grants

Aid to non-profits, including loans or grants

Aid to impacted households including food, rent, mortgage, utility, or cash assistance

Burial assistance

Survivor's benefits

Support for the tourism, travel, and hospitality industries

... or its Negative Economic Impacts

Recovery funds may also be used on a broader set of programs or services if they are provided in a Qualified Census Tract (QCT), to households living in a QCT, or to other households, businesses, or populations disproportionately impacted by the pandemic.

Facilitating access to health and social services

Lead paint remediation

Violence intervention programs

Housing vouchers

Affordable housing development

Early learning services

Addressing the academic, social, emotional and mental health needs of students

New or expanded childcare

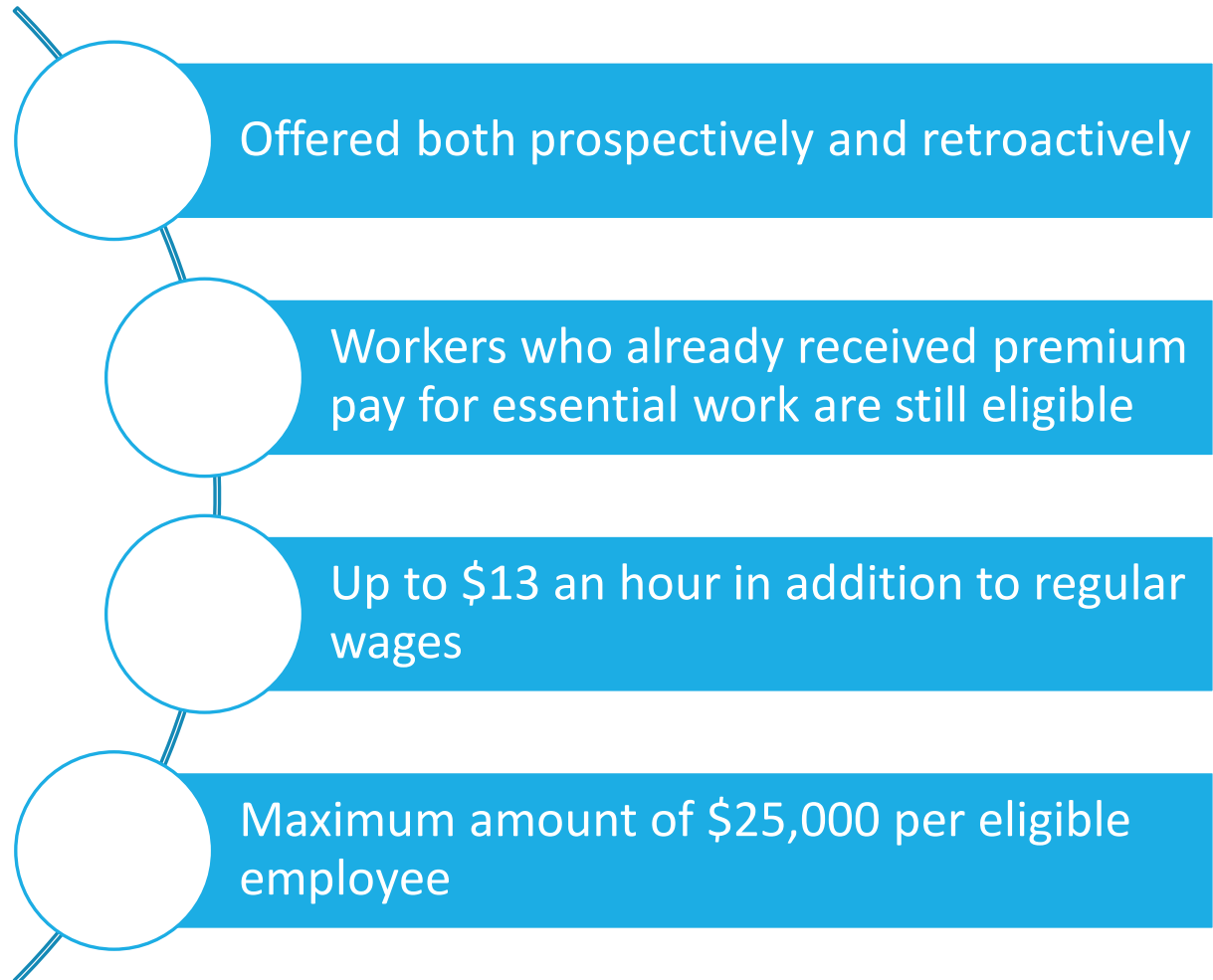
Home visitation

Assistance for child-welfare involved families and foster youth

The guidance allows for other eligible uses under this category, provided that the state or local government identifies a need or negative impact of the COVID-19 public health emergency and determines how the program, service, or other intervention addresses that need or impact. The program, service, or intervention must be in response to the disease itself or the harmful consequences of the resulting economic disruptions.

Assisting Workers Performing Essential Work

Recovery Funds may be used to provide premium pay to eligible workers who perform essential work or grants to eligible employers for the same purpose.



Providing Government Services to the Extent of Revenue Loss

Recovery funds may be used for the provision of government services up the amount of revenue lost due to the pandemic:

1. The calculation of revenue is done on an entity-wide basis and not for each individual revenue source
2. The guidance lays out a calculation that must be calculated at four different points of time in the coming years to determine the amount of funds that may be used under this category
3. Approximately \$900 M per year can be used under this category.

Providing Government Services to the Extent of Revenue Loss

Eligible services may include:

- Maintenance or pay-go funded infrastructure
- Modernization of cybersecurity
- Health services
- Environmental remediation
- School or education services
- Fire, police, or other public safety

Ineligible costs and services

- Payments for outstanding debts
- Costs to issue new debts
- Payments associated with settlement agreements, judgements, or consent decrees
- Replenishing financial reserves

Investments in Water, Sewer, or Broadband Infrastructure

Necessary investments made under this category must be:

1. Designed to provide an adequate minimum level of services and are unlikely to be made using private sources; and,
2. Required to maintain a level of services that meets applicable health-based standards, taking resilience to climate change into account or to improve broadband to unserved or underserved populations

Building or upgrading facilities

Replacement of lead service lines

Consolidation or establishment of drinking water systems

Green infrastructure projects

Relief in cases of natural disaster

Address climate change

Eligible uses under the Clean Water State Revolving Fund

Eligible used under the Drinking Water State Revolving Fund

Broadband infrastructure that meet or exceeds symmetrical speeds of 100Mbps

Internet access or digital literacy assistance

* The District will also receive approximately \$107M for infrastructure projects. Treasury is expected to release guidance on these funds at some point in the next few weeks.

Two Categories of Prohibited Uses

PENSION FUNDS

No Recovery Funds may be deposited into a pension fund.

TAX CUTS

These funds cannot be used to replace revenue lost as a result of a tax change.

The guidance lays out what each state must provide, on an annual basis, to show that these dollars did not replace revenue in this way.

This check will happen in each of the next several fiscal years and must be considered alongside any tax changes both in FY2022 and in each subsequent budget

What's the bottom line...

1. There is a lot of money available with broad flexibility on allowable uses.
2. Anything you want to fund with these dollars must be tied back to one of the four allowable use categories.
3. Each allowable use category has specific criteria that must be met. Therefore, as you consider possible uses for these funds, please come to us with as specific of information as possible.
4. This is not the only pot of money – as you consider programs or areas that you would like to fund remember to check ongoing federal grants, new ARPA federal grants, and existing local funds resources to determine how much you may want to fund using these dollars.
5. Recovery funds are a one-time source that can be spread across the financial plan