

# **Coronavirus State Fiscal Recovery Funds Update**

Joint Legislative Committee on ARPA State Funds

August 23, 2023






# Overview

- The American Rescue Plan Act of 2021 (**signed March 11, 2021**) established the **Coronavirus State and Local Fiscal Recovery Funds** designed to deliver \$350 billion in funding for state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and its economic impacts
- Allocated funding amounts:
  - States and the District of Columbia: **\$195.3 Billion**
  - Counties: **\$65.1 Billion**
  - Metropolitan Cities: **\$45.6 Billion**
  - Tribal Governments: **\$20.0 Billion**
  - Territories: **\$4.5 Billion**
  - Non-Entitlement Units of Local Government: **\$19.5 Billion**



# Program Implementation

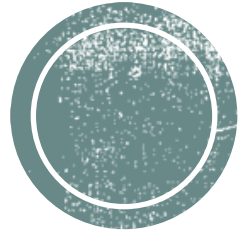
- In **May 2021**, Treasury published the Interim Final Rule (IFR) describing eligible and ineligible uses of funds (and other program provisions)
- The IFR was immediately effective, and states began allocating the funds
- In January 2022, Treasury issued its final rule, which took effect **April 1, 2022**
- The Final Rule made amendments to the Interim Final Rule and provided greater discretion in the use of funds
- Funds must be used for costs incurred **after March 3, 2021**
- **Costs must be obligated by December 31, 2024, and expended by December 31, 2026**



## Overview of Eligible Uses of Funds

- **Replace lost public sector revenue**, to provide government services up to the amount of lost revenue
- **Respond to public health and negative economic impacts of the pandemic**, to address the impact of COVID-19 and its impact on public health and economic harms to households, small businesses, etc.
- **Provide premium pay for essential workers**, offering additional help to employees in critical sectors
- **Invest in water, sewer, and broadband infrastructure**, to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand access to broadband






# Eligible Uses of Funds from Final Rule



**Replace  
Public  
Sector  
Revenue  
Loss**

- **The most flexible use of funds**
- The Final Rule offered a standard allowance for revenue loss of up to \$10 million, allowing recipients to choose between the standard amount or calculating the full revenue loss using Treasury's formula:
  - Defined revenues to be included in the calculation
  - Established a formula to determine lost revenue, comparing actual revenue to a counterfactual trend
  - Provided 4 calculation points: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023
- Alabama completed the full revenue loss calculation with the first tranche of funds under the provisions outlined by Treasury, resulting in a revenue loss amount of **\$536,796,346**
- **There were NO revenue loss funds available with the 2<sup>nd</sup> tranche**



## Responding to Public Health Emergency

- **Services to prevent and mitigate the spread of COVID-19**, including vaccination programs, testing programs, testing, contact tracing, quarantine costs, public health data systems, capacity enhancements, and many related activities
- **Medical expenses**, including unreimbursed expenses for medical care, such as uncompensated care costs
- **Behavioral healthcare services**, including mental health or substance misuse treatment, crisis intervention, and related services
- **Payroll and covered benefits** for public health, healthcare, human services, and public safety staff to the extent that they worked on the COVID-19 response



## Responding to Negative Economic Impacts


- **Deliver assistance to workers and families**, including support for unemployed workers, aid to households, and survivor's benefits for families of COVID-19 victims
- **Support small businesses and nonprofits** with loans, grants, in-kind assistance, and counseling programs
- **Speed the recovery of impacted industries**, including the tourism, travel, and hospitality sectors
- **Rebuild public sector capacity** by rehiring staff, replenishing state unemployment insurance funds, and implementing economic relief programs





## Equity- Focused Services

- **Additional flexibility for the hardest-hit communities and families** to address health disparities, invest in housing, address educational disparities, and promote healthy childhood environments
- **Broadly applicable** to Qualified Census Tracts, certain low-or-moderate income households and communities, other impacted and disproportionately impacted areas



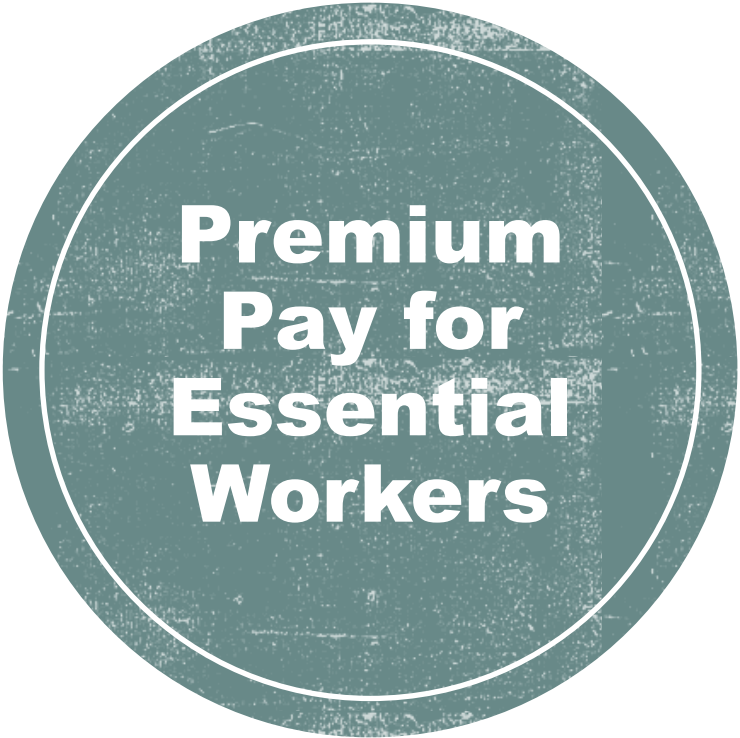
**Water and  
Sewer  
Infrastructure**

- **Includes improvements to infrastructure**, such as building or upgrading facilities and transmission, distribution, and storage systems
- **Eligible uses aligned to Environmental Protection Agency project categories** for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund
- **Additional eligible uses:** lead remediation activities, stormwater infrastructure, residential wells, and certain dam and reservoir rehabilitation



## Broadband Infrastructure

- **For essential investments in broadband infrastructure**
- **Encouraged to invest in locations without dependable internet of at least 100/20 Mbps** – can also invest in areas that need more service/speed
- **Recipients required to design projects** to reliably meet or exceed 100 Mbps download and upload speeds, unless not practical
- **Final Rule requires enrollment in a low-income subsidy program**
- **Providers of services to households must:** take part in the FCC's Affordable Connectivity Program or provide access to a similar low-income affordability program



## Premium Pay for Essential Workers

- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the government, or providing grants to employers that have eligible workers
- **Eligible workers** defined as “those needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors each government may designate...”




## Ineligible Uses

- **Offset a reduction in net tax revenue** - states may not use this funding to directly or indirectly offset a reduction in net tax revenue resulting from a change in law or regulation beginning on March 3, 2021, through the last day of the fiscal year in which the funds have been spent
  - If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than these funds
- **Extraordinary payments into a pension fund** are a prohibited use of this funding
- **Debt service or replenishing financial reserves**
- **Satisfaction of settlements or judgements**
- **Other restrictions**





# **Coronavirus State Fiscal Recovery Funds**



**Alabama's  
Allocation of  
State and  
Local Fiscal  
Recovery  
Funds**

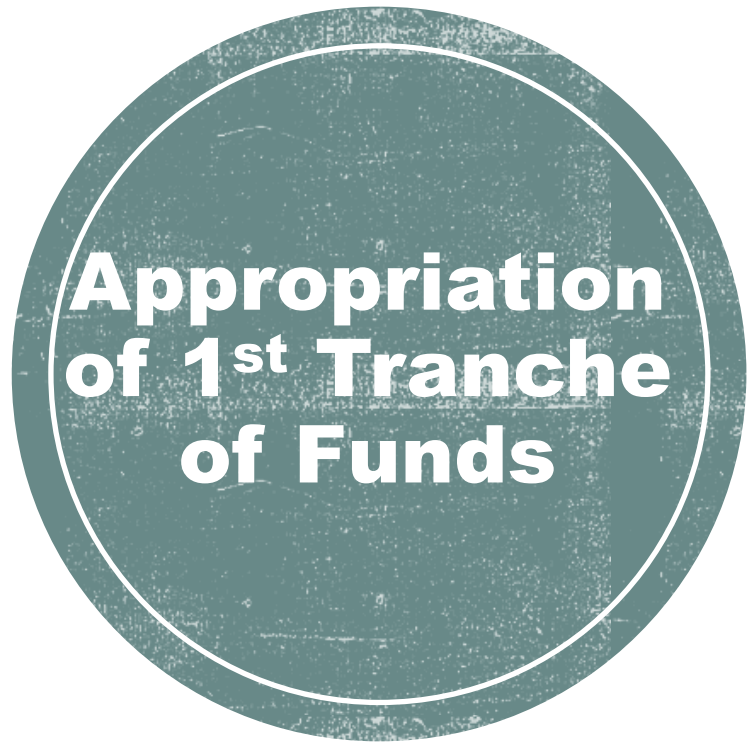
- **State - \$2,120,279,417**
- **Counties\* - \$952,386,209**
- **Metropolitan Cities\* - \$430,650,620**
- **Non-Entitlement Cities\* - \$356,382,822**

*\* The State, Counties, and Metropolitan Cities received their funds directly from Treasury. Non-entitlement cities received their funds through the state.*



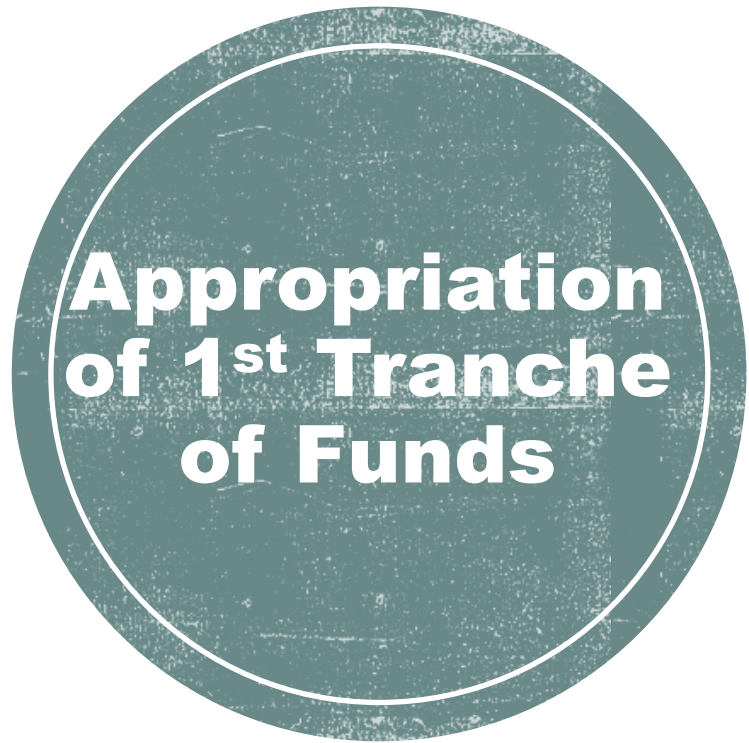
## Timing

- The State received funds in two tranches
- First tranche of funds = **\$1,060,139,708.50** (received in June 2021)
- Second tranche of funds = **\$1,060,139,708.50** (received in July 2022)



## Coronavirus State Fiscal Recovery – Revenue Replacement Fund - \$536,796,346, as follows:

| Amount        | Description   | Act No.  |
|---------------|---|----------|
| \$36,796,346  | Other Healthcare (Including Assisted Living Facilities)                   | 2022-1   |
| \$34,000,000  | Broadband Infrastructure  | 2022-1   |
| \$30,000,000  | Rural Hospital Grants   | 2022-1   |
| \$20,000,000  | Volunteer Fire Department/EMS Grants                                      | 2022-1   |
| \$11,000,000  | County Reimbursement of Inmate Care from March 2021 through December 2021 | 2022-1   |
| \$5,000,000   | Telemedicine  | 2022-1   |
| \$400,000,000 | Corrections - Capital Improvement Fund                                    | 2021-547 |



## Coronavirus State Fiscal Recovery Fund - \$523,343,362.50, as follows:


| Amount         | Description                                     | Act No.  |
|----------------|---|----------|
| \$120,000,000  | Water/Sewer High Need/Emergency Projects        | 2022-1   |
| \$100,000,000  | Water/Sewer Matching Grants                     | 2022-1   |
| \$80,000,000   | Hospitals and Nursing Homes                     | 2021-557 |
| \$80,000,000   | Hospitals and Nursing Homes (Additional Amount) | 2022-1   |
| \$79,500,000   | Unemployment Trust Fund                         | 2022-1   |
| \$51,000,000   | Broadband Infrastructure                        | 2022-1   |
| \$7,843,362.50 | Administrative Expenses (Miscellaneous)         | 2022-1   |
| \$5,000,000    | Wastewater System STEP Grants                   | 2022-1   |





## Coronavirus Capital Projects Fund - \$191,887,857, as follows:

| Amount        | Description              | Act No. |
|---------------|--------------------------|---------|
| \$191,887,857 | Broadband Infrastructure | 2022-1  |

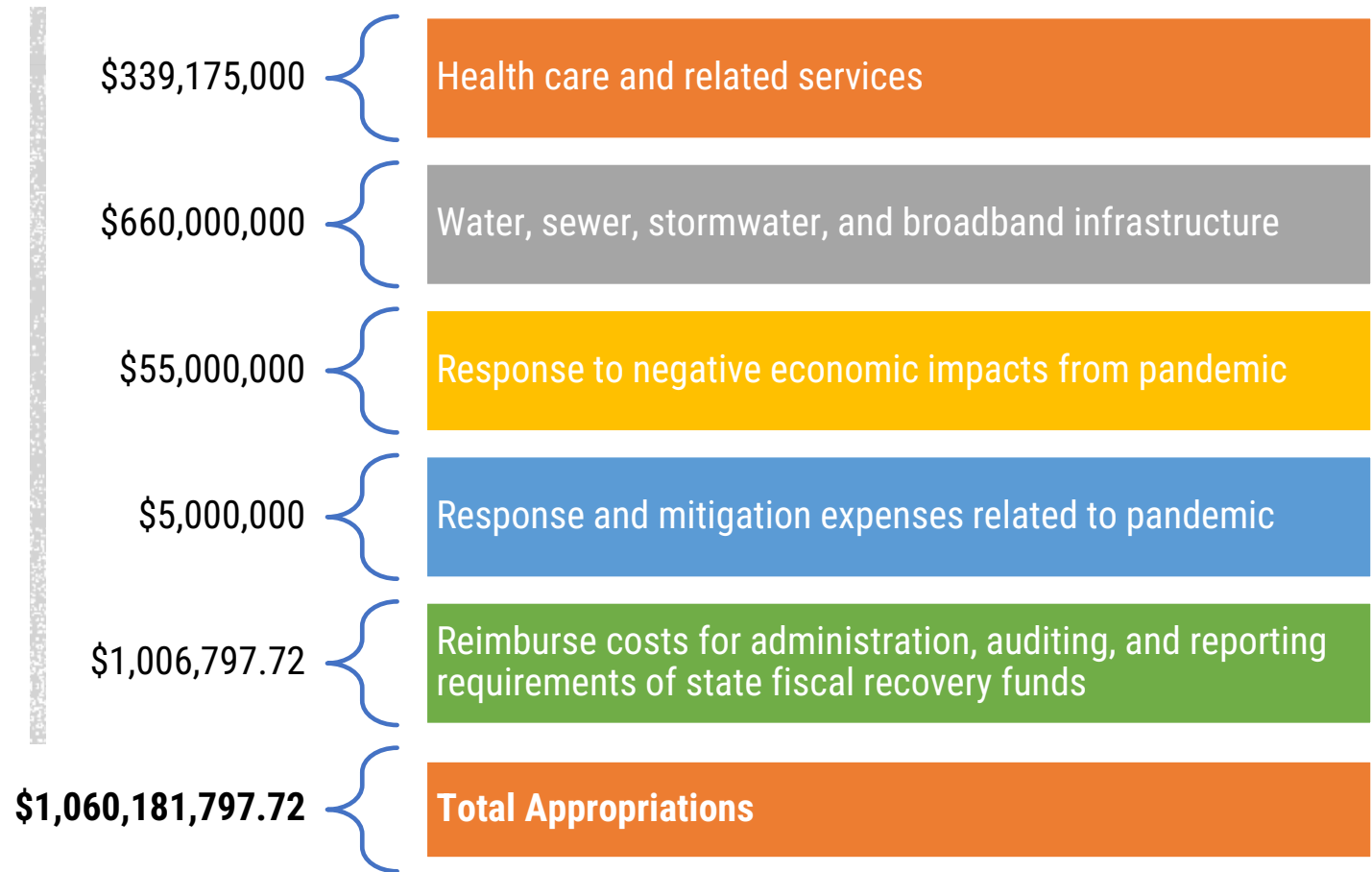


**Other  
Provisions  
of Act  
2022-1**

- **Joint Legislative Oversight Committee on ARPA State Funds created:**
  - 14 members total, with 7 members from the House and 7 members from the Senate
  - Chair of House Ways and Means – General Fund Committee and Senate Finance and Taxation-General Fund Committee are co-chairs of the committee
  - Committee to conduct hearings and receive testimony related to the implementation of programs funded with Coronavirus State Fiscal Recovery Funds of Capital Projects Funds
  - Co-chairs have the authority to request and receive reports from the Department of Finance or any other administering agency

# Coronavirus State Fiscal Recovery Fund

**Appropriation  
of 2nd Tranche  
of Funds  
(Act 2023-1)**



# HEALTH CARE AND RELATED SERVICES

- \$200,000,000 used to reimburse hospitals and nursing homes
  - \$100,000,000 allocated for hospitals
  - \$100,000,000 allocated for nursing homes
  - Funds delegated through Alabama Health Research and Education Foundation, Inc. and Alabama Nursing Home Association Education Foundation
- \$5,000,000 used to reimburse veterans' hospitals
  - Funds delegated through Department of Veterans' Affairs
- \$40,000,000 used to reimburse State Employees' Insurance Board
- \$40,000,000 used to reimburse Public Education Employees' Health Insurance Board

# HEALTH CARE AND RELATED SERVICES

- \$25,000,000 used to support mental health programs and services
  - Funds delegated through Department of Mental Health and Department of Veterans' Affairs
- \$9,000,000 used to facilitate expansion and use of telemedicine
  - Facilitation and expansion of healthcare specializations in rural and community hospitals
  - Utilization of telemedicine delivery systems in rural and educational settings
  - Funds delegated through Department of Public Health or any other health care provider
- \$20,000,000 used to assist with voluntary clinical trial and health care research program
  - To enable greater access to personalized medicine for Alabama citizens
- \$175,000 used to reimburse expenses related to coronavirus vaccine voucher program
  - For public university students



# WATER, SEWER, AND BROADBAND INFRASTRUCTURE INVESTMENTS

- \$260,000,000 used to support improvement and expansion of broadband network access, and for modernization of cybersecurity and new broadband infrastructure for existing state agencies/entities
  - Funds delegated through Alabama Department of Economic and Community Affairs' Alabama Digital Expansion Division and Office of Information Technology
  - Alabama Digital Expansion Authority shall submit bi-annual reports to Governor and Legislature
    - Describe status of projects undertaken with funds from division
    - First report due by June 30, 2023
    - Subsequent reports due by January 1 and July 1 of each year until projects completed
- \$400,000,000 used to improve access to clean water
  - Through investments in water and sewer infrastructure projects
  - \$395,000,000 allocated to Department of Environmental Management for various projects (explained on slides 9 through 11)
  - \$5,000,000 delegated through Department of Public Health to provide grants for wastewater improvements (explained on slide 12)

# WATER, SEWER, AND BROADBAND INFRASTRUCTURE INVESTMENTS – DEPARTMENT OF ENVIRONMENTAL MANAGEMENT PROGRAMS

- \$195,000,000 provided as grants to water and sewer systems for high-need projects
  - Available for Environmental Protection Agency's Clean Water State or Revolving Fund or Drinker Water State Revolving Fund
  - High-need projects selected from project requests submitted by public water and sewer systems
  - Priority given to projects located in counties that did not have projects approved for funding in 2022
  - Other projects awarded based on ranking system established by Department of Environmental Management

# WATER, SEWER, AND BROADBAND INFRASTRUCTURE INVESTMENTS – DEPARTMENT OF ENVIRONMENTAL MANAGEMENT PROGRAMS

- \$100,000,000 provided as matching grants for investments in water and sewer infrastructure projects
  - Projects allowable under 31 CFR 35.6 (e) (1) (i), (ii), (iii), and (v)
  - Projects awarded based on ranking system
    - Includes factor for water and sewer needs of growing communities
  - Department of Environmental Management may establish matching requirements for grant recipients
    - Consideration with ability to pay
  - Matching funds may be provided from Local Coronavirus Fiscal Recovery Funds, in kind contributions, or any other source of funds made available for this purpose

# WATER, SEWER, AND BROADBAND INFRASTRUCTURE INVESTMENTS – DEPARTMENT OF ENVIRONMENTAL MANAGEMENT PROGRAMS

- \$100,000,000 provided as state-wide matching grants for investments in water and sewer infrastructure projects
  - Projects allowable under 31 CFR 35.6 (e) (1) (i), (ii), (iii), and (v)
  - Projects awarded based on ranking system
    - Includes factor for water and sewer needs of growing communities
  - Department of Environmental Management shall require matching funds from grant participants
    - Thirty-five percent (35%) or more
  - Matching funds may be provided from Local Coronavirus Fiscal Recovery Funds or any other source of funds made available for this purpose

# WATER, SEWER, AND BROADBAND INFRASTRUCTURE INVESTMENTS – DEPARTMENT OF PUBLIC HEALTH

- \$5,000,000 delegated with Department of Public Health
  - Provide grants for wastewater improvements
  - Through engineered septic system program in Alabama Black Belt areas of:
    - Low population density
    - Rural poverty
    - Soils with poor perc characteristics
  - Areas are found to have discharge of raw sewage onto ground due to:
    - Utilization of straight pipes
    - Failing septic systems
    - Similar circumstances

# RESPONSE TO NEGATIVE ECONOMIC IMPACT

- Programs/services eligible for funding include:
  - Food assistance through food banks
  - Programs that provide services to child-welfare involved families
  - Programs that provide services to victims of domestic violence
  - Programs that provide services for senior citizens
  - Programs that provide services for mental health disorders and behavioral analysis
  - Programs that support long-term housing security
  - Programs that provide summer learning opportunities or athletic programs or services to school-aged children
- Funds delegated through memorandum to any state agency/association/provider of eligible programs/services



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# RESPONSE AND MITIGATION SERVICES

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Up to \$5,000,000 shall be used for response and mitigation expenses related to coronavirus pandemic, which shall be used to reimburse Alabama Department of Labor for expense of conducting hearings related to receipt and use of coronavirus unemployment benefits

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# REIMBURSE COSTS

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Up to \$1,006,797.72 shall be used to reimburse costs for administration, auditing, and reporting requirements of state fiscal recovery funds



# Expenditure Update

# From frf.alabama.gov and Recovery Plan Report

| Program                        | Budget        | Expenditures | Unexpended Budget Balance |
|--------------------------------|---------------|--------------|---------------------------|
| Telemedicine                   | \$14,000,000  | \$26,129     | \$13,973,871              |
| SEIB/PEEHIP Reimbursement      | \$80,000,000  | \$80,000,000 | \$0                       |
| Mental Health                  | \$25,000,000  | \$0          | \$25,000,000              |
| Clinical Trial Access          | \$20,000,000  | \$20,000,000 | \$0                       |
| Community Assistance           | \$55,000,000  | \$15,000,000 | \$40,000,000              |
| Broadband Infrastructure       | \$330,000,000 | \$2,518,000  | \$327,482,000             |
| Cybersecurity                  | \$15,000,000  | \$15,000,000 | \$0                       |
| Water and Sewer High Need      | \$315,000,000 | \$5,584,271  | \$309,415,729             |
| Water and Sewer Infrastructure | \$300,000,000 | \$6,895,838  | \$293,104,162             |

# From frf.alabama.gov and Recovery Plan Report

| Program                                 | Budget        | Expenditures  | Unexpended Budget Balance |
|---|---------------|---------------|---------------------------|
| Alternative Clean Water – Black Belt    | \$10,000,000  | \$5,000,000   | \$5,000,000               |
| Unemployment Trust Fund                 | \$79,500,000  | \$79,500,000  | \$0                       |
| Administrative Costs                    | \$8,850,160   | \$0           | \$8,850,160               |
| Other Healthcare                        | \$36,796,346  | \$12,240,959  | \$24,555,387              |
| Rural Hospital Grants                   | \$30,000,000  | \$28,716,161  | \$1,283,839               |
| Emergency Response Provider             | \$10,000,000  | \$9,979,440   | \$20,560                  |
| Volunteer Fire Department               | \$10,000,000  | \$9,721,440   | \$278,560                 |
| County Reimbursements for State Inmates | \$10,982,373  | \$10,982,372  | \$.94                     |
| Hospital Reimbursement                  | \$180,000,000 | \$180,000,000 | \$0                       |
| Nursing Home Reimbursement              | \$180,000,000 | \$180,000,000 | \$0                       |

# Questions

